

SOUTH AUSTRALIA

Report

of the

Auditor-General

for the

Year ended 30 June 2001

Tabled in the House of Assembly and ordered to be published, 2 October 2001

Fourth Session, Forty-Ninth Parliament

PART B

Volume II

By Authority: J. D. Ferguson, Government Printer, South Australia

2001

Report of the Auditor-General 2000-01

TABLE OF CONTENTS TO VOLUMES I, II AND III

VOLUME I

Page

Accounts of Public Authorities..... 1

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

PORTFOLIO – ADMINISTRATIVE AND INFORMATION SERVICES..... 5

Department for Administrative and Information Services..... 7

Industrial and Commercial Premises Corporation 42

Land Management Corporation 51

Lotteries Commission of South Australia 70

South Australian Forestry Corporation..... 88

South Australian Ports Corporation..... 103

South Australian Totalizator Agency Board 117

SA TAB Pty Ltd..... 134

South Australian Water Corporation 143

State Supply Board 171

MINISTER FOR EDUCATION AND CHILDREN'S SERVICES; MINISTER FOR EMPLOYMENT AND TRAINING; MINISTER FOR YOUTH

PORTFOLIO – EDUCATION, TRAINING AND EMPLOYMENT..... 177

Construction Industry Training Board..... 179

Department of Education, Training and Employment 188

Flinders University of South Australia 218

University of Adelaide..... 241

University of South Australia 270

MINISTER FOR ENVIRONMENT AND HERITAGE; MINISTER FOR RECREATION, SPORT AND RACING

PORTFOLIO – ENVIRONMENT AND HERITAGE..... 293

Department for Environment and Heritage 295

Report of the Auditor-General 2000-01

TABLE OF CONTENTS TO VOLUMES I, II AND III

VOLUME I

	Page
MINISTER FOR HUMAN SERVICES; MINISTER FOR DISABILITY SERVICES; MINISTER FOR THE AGEING PORTFOLIO – HUMAN SERVICES.....	321
HomeStart Finance	323
Department of Human Services	341
Institute of Medical and Veterinary Science	374
South Australian Aboriginal Housing Authority	375
South Australian Community Housing Authority	392
South Australian Health Commission.....	409
South Australian Housing Trust	411

VOLUME II

MINISTER FOR INDUSTRY AND TRADE

PORTFOLIO – INDUSTRY AND TRADE.....	431
Department of Industry and Trade	433

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

PORTFOLIO – JUSTICE	435
Department of Justice	437
Attorney-General's Department	439
Public Trustee Services	474
Department for Correctional Services	503
Country Fire Service Board	517
Courts Administration Authority	531
Emergency Services Administrative Unit	552
Legal Services Commission	564
Police Department	575
SA St John Ambulance Service Inc	589
South Australian Metropolitan Fire Service	604
State Electoral Office.....	617

Report of the Auditor-General 2000-01

TABLE OF CONTENTS TO VOLUMES I, II AND III

VOLUME II

Page

PREMIER; MINISTER FOR MULTICULTURAL AFFAIRS; MINISTER FOR STATE DEVELOPMENT; MINISTER FOR TOURISM

PORTFOLIO – PREMIER AND CABINET	625
Adelaide Convention Centre Corporation	627
Adelaide Entertainments Corporation	638
Auditor-General's Department	648
Department of the Premier and Cabinet	656
Targeted Voluntary Separation Package (TVSP) Scheme	669
Government Workers Rehabilitation and Compensation Fund	674
South Australian Motor Sport Board	679
South Australian Tourism Commission	688

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	701
Department of Primary Industries and Resources	703

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	729
Adelaide Festival Corporation	731
Adelaide Festival Centre Trust	739
Art Gallery Board	751
Department for Transport, Urban Planning and the Arts	762
History Trust of South Australia	785
Libraries Board of South Australia	794
Local Government Finance Authority of South Australia	805
Museum Board	818
Passenger Transport Board	828
South Australian Film Corporation	842
The State Opera of South Australia	855
State Theatre Company of South Australia	864
TransAdelaide	873

Report of the Auditor-General 2000-01

TABLE OF CONTENTS TO VOLUMES I, II AND III

VOLUME III

Page

TREASURER

PORTFOLIO – TREASURY AND FINANCE.....891

Electricity Reform and Sales Unit.....	893
Electricity Sale/Lease Proceeds Account	904
Electricity Supply Industry	909
Overview	909
Distribution Lessor Corporation	914
Generation Lessor Corporation	922
RESI Corporation.....	932
RESI FP Pty Ltd.....	944
RESI GAS Pty Ltd.....	947
RESI OE Pty Ltd	950
RESI SYN Pty Ltd.....	952
Transmission Lessor Corporation.....	954
Judges' Pensions Scheme	971
Motor Accident Commission.....	972
Parliamentary Superannuation Scheme	991
Police Superannuation Scheme	992
South Australian Asset Management Corporation	993
South Australian Finance Trust Limited	1008
South Australian Government Captive Insurance Corporation (SAICORP)	1015
South Australian Government Financing Authority	1037
South Australian Superannuation Board.....	1061
South Australian Superannuation Scheme.....	1063
Southern State Superannuation Scheme	1076
Superannuation Funds Management Corporation of South Australia	1086
Department of Treasury and Finance	1111

MINISTER FOR WATER RESOURCES

PORTFOLIO – WATER RESOURCES1127

Catchment Water Management Boards.....	1129
Northern Adelaide and Barossa Catchment Water Management Board	1132
Onkaparinga Catchment Water Management Board	1141
Patawalonga Catchment Water Management Board	1150
River Murray Catchment Water Management Board	1159
South East Catchment Water Management Board	1167
Torrens Catchment Water Management Board.....	1174
Department for Water Resources	1183

APPENDIX

Treasurer's Financial Statements (Statements A-K)

VOLUMES I, II AND III

REFERENCES TO MATTERS OF SIGNIFICANCE

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

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

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

Agency	Matter	Page
Adelaide Festival Corporation	Government Grants.....	733
Adelaide Festival Centre Trust	Operating Result.....	742
Administrative and Information Services – Department for	Financial Management Framework	9
	Outsourcing of Warehouse Operations.....	11
	Whole-of-Government Mobile Contract	13
	Land Ownership and Tenure System	13
	Qualified Audit Opinion.....	17
	IT Infrastructure Contract Management	17
	Government Radio Network Contract.....	19
	Government Light Vehicle Fleet - Sale and Leaseback Arrangement	21
	Capital Works - Adelaide Convention Centre.....	22
	World Congress on Information Technology.....	22
Art Gallery Board	Heritage Collections	752
Attorney-General's Department	Financial Management Framework	441
	Community Emergency Services Fund.....	444
	Criminal Injuries Compensation Fund.....	445
	Gaming Revenue	448
Construction Industry Training Board	Commentary 'Legislative Changes'	180
Correctional Services – Department for	Commentary on General Financial Controls	504
	Qualified Audit Opinion.....	506
Country Fire Service Board	Qualified Audit Opinion.....	520
Education, Training and Employment – Department of	Commentary on General Financial Controls	189
	Human Resource Management System	191
	Qualified Audit Opinion.....	192
	Risk Fund.....	194
	Financial Management Framework	195
	Partnerships 21	195
	Separation Packages	197
School Accounts	200	
Electricity Reform and Sales Unit	Electricity Asset Disposal - Total Consultancy Expenditure	895
	Assets Leases/Sales	897
	Statement of Financial Position	904
Electricity Supply Industry	Overview.....	909
	Proceeds from Disposal	912
Environment and Heritage — Department for	Financial Management Framework	296
	Procurement Practices	298
	Accounting for Crown Land	299
	Qualified Audit Opinion.....	303
HomeStart Finance	Net Interest Income	325
	Asset Quality - Provision for Doubtful Debts	326
Human Services — Department of	Financial Management Framework	342
	Funding to Health Services and Non-Government Organisations	344
	Advance Payments - Capital Program.....	344
	Capital Developments	348

Agency	Matter	Page
Land Management Corporation	East End Redevelopment - Unrecoverable Loan Balance	54
Libraries Board	Research and Heritage Collections	795
Lotteries Commission of South Australia	Review of Government Ownership	71
	Sales and Distribution to Government	74
Motor Accident Commission	Reserving Levels	976
Museum Board	Heritage Collections	820
Passenger Transport Board	Cost Recovery from Passengers	831
Police Department	Expiation Notices	576
Premier and Cabinet – Department of the	Olympic Football Tournament	659
	Total Separations	670
	Outstanding Claims	674
Primary Industries and Resources – Department of	Locust Control Program	705
	Fruit Fly Eradication	706
	Upper South East Dryland Salinity and Flood Management Plan	706
	Assistance to Primary Producers	707
SA St John Ambulance Service Inc	Ambulance Cover Scheme	592
	Review of Ambulance Service	594
South Australian Asset Management Corporation	Retained Profits	995
South Australian Community Housing Authority	Housing Reforms	394
	Capital Contributions	396
	Funding to Community Housing Organisations	397
South Australian Forestry Corporation	Significant Features	89
	Growing Timber	91
	Qualified Audit Opinion	92
South Australian Government Captive Insurance Corporation	Catastrophe Reinsurance	1018
	Outstanding Claims	1019
South Australian Film Corporation	Film Production Investments and Unsecured Development Loans	844
South Australian Government Financing Authority	SAFA's Capital	1041
	Assets and Liabilities	1042
	The Common Public Sector Interest Rate	1043
South Australian Health Commission	Amendments to the <i>South Australian Health Commission Act 1976</i>	409
	Transfer of the Assets and Liabilities	410
	Public Housing - Rent Rebates	413
South Australian Housing Trust	Asset Management	416
	Qualified Audit Opinion	681
South Australian Motor Sport Board	Qualified Audit Opinion	607
South Australian Metropolitan Fire Service	Qualified Audit Opinion	607
South Australian Ports Corporation	Divestment Process	103
	Revaluation of Non-Current Assets	105
South Australian Superannuation Scheme	Liability for Accrued Benefits	1065
South Australian Totalizator Agency Board	Sale of the TAB	118
	SA TAB Pty Ltd - Qualified Audit Opinion	120
	Additional Distribution	120
	Sportsbet	123
	TAB Staff Superannuation Fund	123
South Australian Water Corporation	Changes to Corporate Structure	143
	Management of Major Contracts	146
	Community Service Obligations	152
	Overseas Business Investment	154
Superannuation Funds Management Corporation of South Australia	Funds under Management	1089
	Investment Returns	1090
TransAdelaide	Non-Current Assets	876
	AUSTRICS	877
	Joint Venture Relationship	877
Transport, Urban Planning and the Arts – Department for	Non-Current Assets	766
Water Resources – Department for	Qualified Audit Opinion	1186

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.

SUPPLEMENTARY REPORT

The financial statements for, and commentary on the operations of, the Department of Industry and Trade will be included in a Supplementary Report to be presented to Parliament later in this financial year.

DEPARTMENT OF INDUSTRY AND TRADE

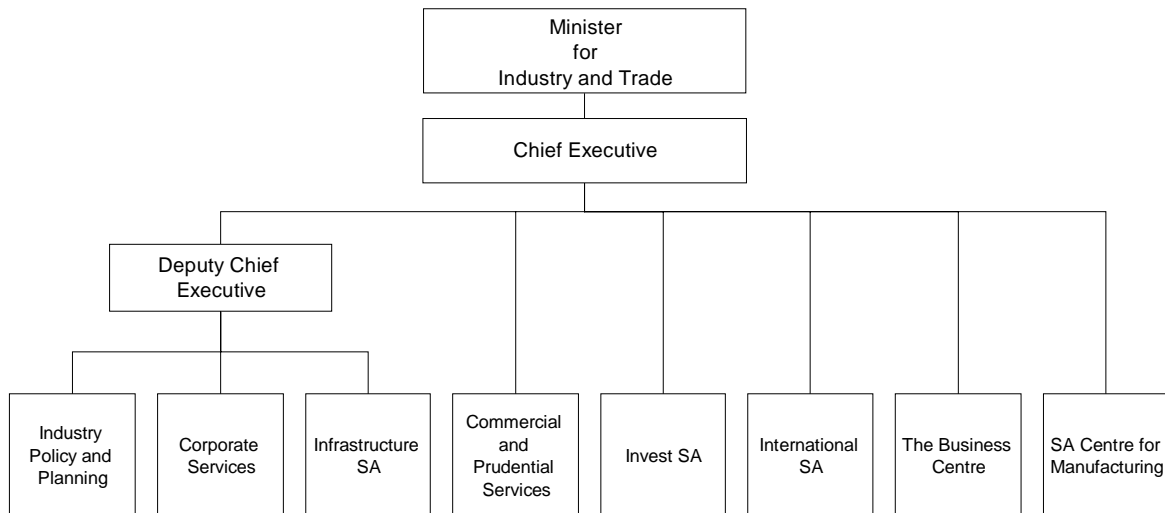
FUNCTIONAL RESPONSIBILITY AND STRUCTURE

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.

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



STATUS OF FINANCIAL STATEMENTS

The Department was unable to finalise some matters in relation to its financial statements for the year ended 30 June 2001 in sufficient time to enable the audit to be completed at the date of finalisation of this Report.

The audited financial statements of the Department for the year ended 30 June 2001 will be included in a Supplementary Audit Report to Parliament.

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
- Country Fire Service Board
- Courts Administration Authority
- Emergency Services Administrative Unit
- Legal Services Commission
- Police Department
- SA St John Ambulance Service Inc
- South Australian Metropolitan Fire Service
- State Electoral Office

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 2000 assigned no functions and this still remains the same at 30 June 2001 with the exception of the following.

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.

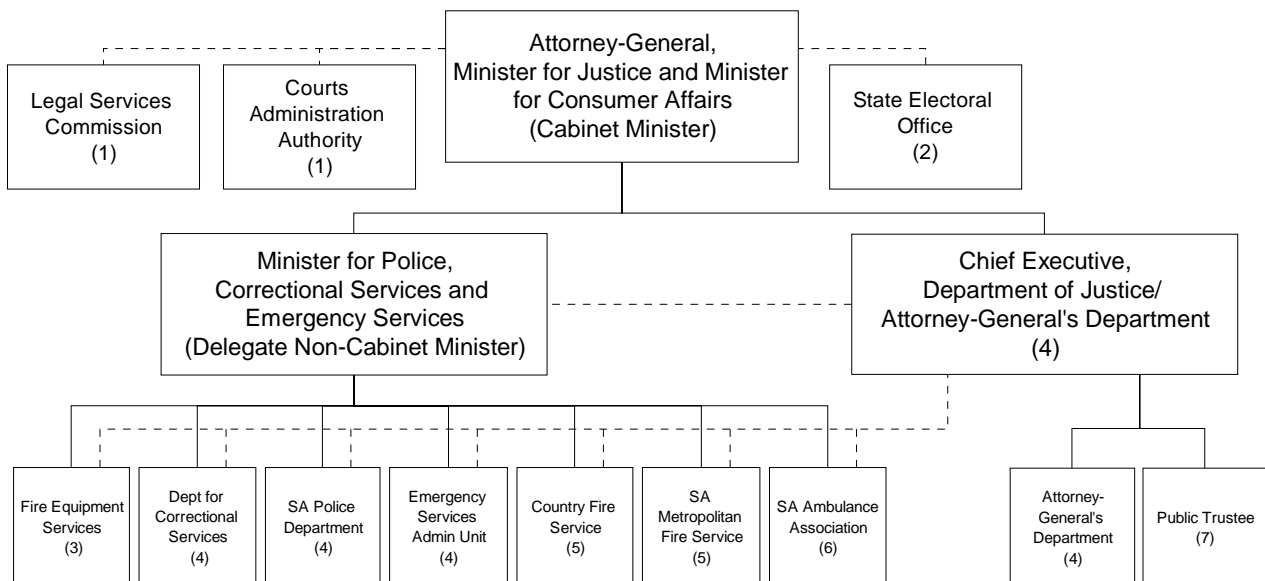
The Department does not control revenue and expenses in relation to this arrangement but is simply responsible for coordinating the funding process for the abovementioned agencies.

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 2001.

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 Electoral Commissioner and Deputy electoral Commissioner are directly appointed by Parliament pursuant to the electoral Act 1985
- (3) Fire Equipment Services ceased operating on 23 October 2000
- (4) Administrative Unit under the *Public Sector Management Act 1995*
- (5) Statutory Authority
- (6) Incorporated Association
- (7) Public Trading Entity

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.

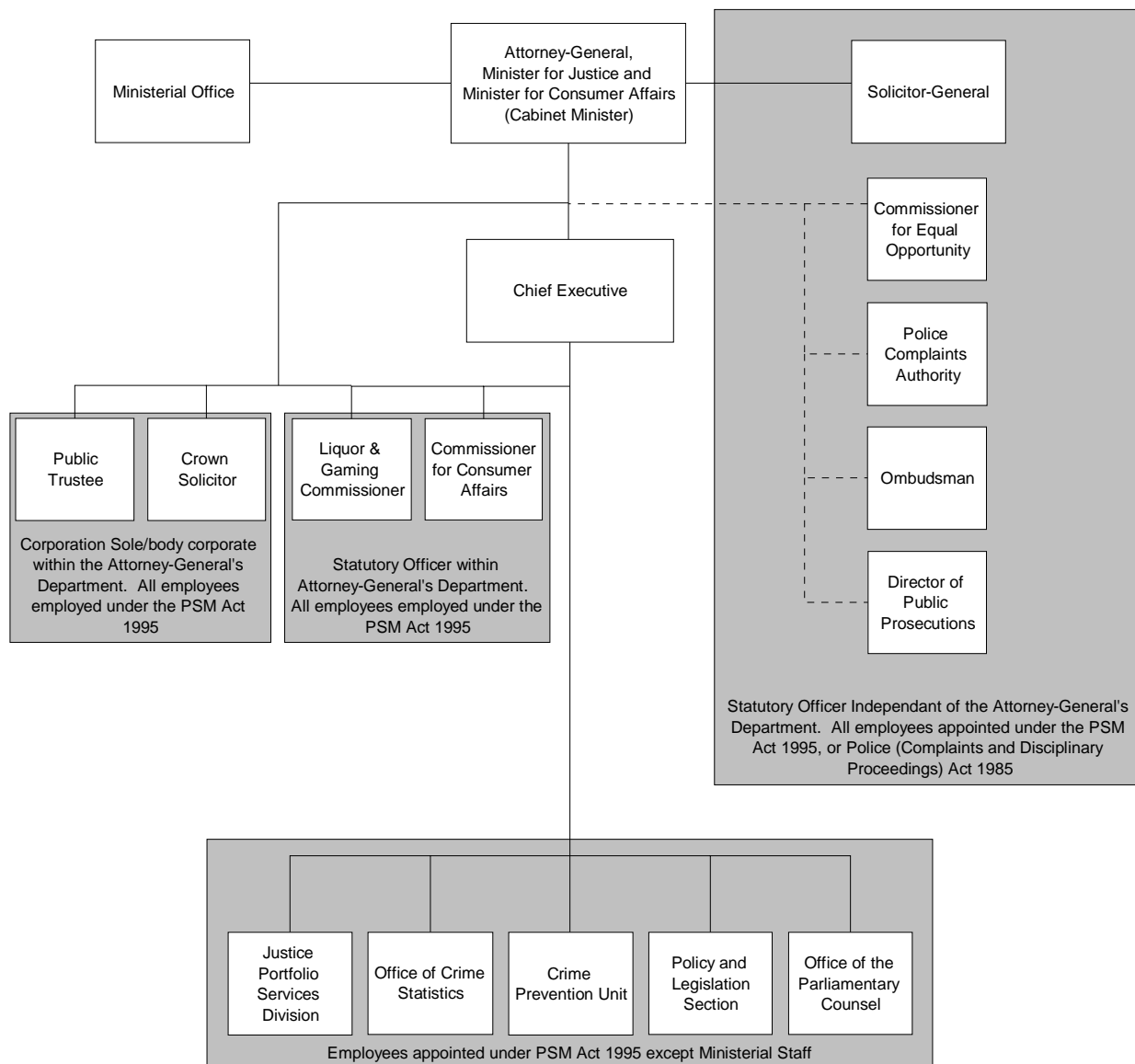
As a consequence no financial statements in respect to the Department of Justice have been prepared.

ATTORNEY-GENERAL'S DEPARTMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

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



SIGNIFICANT FEATURES

- The Department's net cost of services increased by \$1.1 million to \$43.9 million. Refer to 'Interpretation and Analysis of Financial Statements'- Statement of Financial Performance for details.
- The Department has recognised the revenues, expenses, assets and liabilities of the Residential Tenancies Fund, the Retail Shop Leases Fund and Crown Solicitors Trust Account on an accrual basis for the first time and has brought the transactions for these Funds and Trust account into the administered schedules of its financial statements. These were recognised, prior to 1 July 2000, on a cash basis and disclosed in a note to the financial statements.
- The Department has changed its policy with respect to the recognition of Criminal Injuries Compensation revenue. In prior years the Department recognised as revenue all monies due by known offenders. From 1 July 2000, the Department is bringing to account in its financial statements monies actually received from offenders. Refer Note 17 'Administered Items' and audit commentary on the Criminal Injuries Compensation Fund for further details.
- During the year, the Department assumed responsibility for the operations of the Justice Technology Services (formerly the Justice Information System Services) and some aspects of the former Racing Industry Development Authority's operations. Refer Note 18 and 'Interpretation and Analysis of Financial Statements' - Statement of Financial Performance for details.

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 2000-01 the following financial activities and business functions of the Department were the subject of audit attention:

- budgetary control and management reporting
- general ledger
- accounts receivable
- revenue, receipting and banking
- accounts payable
- salaries and wages
- asset register
- suspense and working accounts.

Specific reviews were undertaken of the financial activities of the following divisions of the Department:

- Office of Consumer and Business Affairs:
 - SA Business Names
 - Occupational Licensing
 - Births, Deaths and Marriages
- Office of the Liquor and Gaming Commissioner
- Crown Solicitor's Office
- Criminal Injuries Compensation Fund.
- Community Emergency Services Fund

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.

Audit Communications to Management

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

AUDIT FINDINGS AND COMMENTS

Financial Management Framework (FMF)

Last year, Audit reported on the progress made by the Justice Portfolio in implementing the FMF. Audit assessed compliance with the guidance provided by the FMF on financial management practices and strategic mandatory elements across the Justice Portfolio.

In summary, the 1999-2000 audit review highlighted that the Portfolio and agencies within the Portfolio did not have a plan outlining the direction, structure, approach, timeframes and responsibility of those involved in the implementation process. In addition, while the Portfolio had commenced work on various aspects of the framework, the level of achievement varied.

In response to the issues raised by Audit, the Department advised that it would establish a Steering Committee to assist and support agencies with the implementation and development of the FMF. The Steering Committee would monitor and report to the Justice Portfolio Leadership Group on the implementation progress of the FMF.

Developments during 2000-2001

FMF Project Working Group

The Department established a Steering Committee, the membership of which comprised a member from each of the agencies within the Portfolio. A Project Manager was also appointed so as to enable a structured implementation process across the Justice Portfolio and to provide assistance and support where needed.

One of the key functions of the project team was to assess the extent to which the prescribed elements and the best practice techniques outlined in the FMF were in place across agencies. Based on the responses received from the agencies, while most of the key prescribed elements were in place, the assessment did identify some areas that required further attention and follow up. The key areas identified relate to the need to develop performance measures, develop and enhance policies and procedures, improve management reporting and improve capital works and procurement processes.

The reviews undertaken by Audit do support the findings of the FMF Project Working Group. With respect to the financial policies and procedures, Audit has found that the level of compliance with the FMF does vary across agencies within the Portfolio. Audit does acknowledge that the Portfolio is undertaking further work in this area and in particular is focussing on identifying and streamlining common processes across the agencies.

The Portfolio has developed a document which summarises the issues identified and commentary on the action being taken or proposed to address these issues. The FMF Project Working Group has been providing progress reports to the Justice Portfolio Leadership Group on the issues and outcomes arising from its review.

Audit findings and comments in relation to the FMF for each agency within the Portfolio can be found under 'general commentary on operations' for each of the agencies within this report.

Internal Audit

The Department engaged a consultant in 2000 to assist with the development of an Internal Audit function for the Portfolio. The consultant is required to:

- develop a framework for an internal audit function;

- develop a preferred management/governance model to ensure the development of relevant annual audit programs and risk management plans;
- recommend a process to develop an audit plan and ongoing monitoring and reporting process to management;
- develop a methodology for the implementation of the Internal Audit function within the Portfolio giving consideration to the most appropriate approach of internal audit resources and private sector involvement;
- recommend any other initiatives and practices that would provide a best practice audit function.

The developments to date can be summarised as follows:

- The consultant is developing an Internal Audit Framework for the Portfolio.
- As part of developing this framework the consultant has undertaken a risk profile of each agency in the Portfolio (excluding Public Trustee).
- From the risk profiles undertaken the consultant will determine the Internal Audit plan and required resourcing.

It is anticipated that the Internal Audit Programs and Plans and the required resources to execute the programs will be finalised by the end of October 2001.

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:

- ensure key reconciliations are performed on a timely basis.

The first phase of the audit, completed in March 2001, identified the following:

- the reconciliation of the general ledger to the Reserve Bank Collection Account had not been performed since August 2000,
- the reconciliation of the asset register to the general ledger had not been performed since June 2000,
- the need for the SA Business Names division to implement a reconciliation process to ensure all revenues are updated to the general ledger completely and accurately and in a timely manner.

The Department has advised that a 'duties lists' with associated due dates has been developed by its Business and Financial Services division to ensure that reconciliations and other tasks are performed in a timely manner. The 'duties list' will be signed off by staff and management each month to evidence that the reconciliations have been completed.

With respect to the reconciliation of the SA Business Names revenue to the general ledger, the Department has advised that procedures have been developed for this reconciliation process.

- restrict access to the general ledger and the accounts payable system.

The Department needs to ensure that access to the General Ledger and the Accounts Payable System is restricted to those officers who require access to these systems to enable them to undertake the duties allocated to them. In addition, where staff resign or relocate to other areas within the Department, procedures need to be established which will ensure that their access to these systems is terminated.

The Department has advised that it is developing new user profiles to improve the internal control environment.

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

Statement of Financial Performance

Expenses from Ordinary Activities

Expenses from ordinary activities increased by \$14.5 million (17.5 percent) to \$97.1 million. The increase of \$14.5 million is mainly comprised of an increase in employee expenses of \$5.9 million and computing and communication expenses of \$6.1 million.

These increases are in the main attributed to the expenses relating to the operations of the Justice Technology Services. This unit's employee expenses for the year totalled \$2 million and \$5.8 million for communication costs. As mentioned earlier the Department assumed responsibility for the operations of this Unit in July 2000.

Total Expenses for the year amounted to \$97.1 million of which \$55.6 million (57.2 percent) comprised employee entitlements and related expenses.

Revenues from Ordinary Activities

Total revenues of \$100.6 million comprise funds provided by Parliamentary appropriations \$47.5 million (47.2 percent), fees and charges for services provided \$41.2 million (41 percent), and other revenues \$11.9 million (11.8 percent).

Revenues from ordinary activities increased by \$13.4 million (33.7 percent) to \$53.1 million, of which \$9.8 million relates to the recognition for the first time of revenues in the form of fees and charges for provision of JIS services.

Administered Items - Schedule of Administered Assets and Liabilities

Administered assets increased by \$48.2 million (67.8 percent) to \$119.2 million. Administered liabilities increased by \$41.9 million to \$43 million.

These increases reflect the recognition for the first time of the assets and liabilities of a number of Funds administered by the Department, the more significant being the Residential Tenancies Fund and Retail Shop Leases Fund.

The assets of these Funds mainly comprise monies invested with the Public Trustee. The amounts invested at 30 June 2001 totalled \$45.7 million for the Residential Tenancies Fund and \$1.6 million for the Retail Shop Leases Fund.

The liabilities of these Funds mainly comprise security bonds lodged with the Funds. The amounts lodged at 30 June 2001 totalled \$36.7 million for the Residential Tenancies Fund and \$1.6 million for the Retail Shop Leases Fund.

Administered receivables decreased by \$15.8 million (43 percent) to \$20.9 million. This decrease reflects the change in the Department's policy with respect to the recognition of revenues relating to the Criminal Injuries Compensation Fund. Refer Note 11 and Note 17.

GENERAL COMMENTARY ON OPERATIONS

Community Emergency Services Fund

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

Contributions, by way of levies, are made by all owners (including both State and Local Government) of both fixed and mobile property to fund the provisions of emergency services. Levies are collected in accordance with the *Emergency Services Funding Act 1998*. The levy receipts are paid into a fund titled the Community Emergency Services 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 levy on fixed property applies to capital values adjusted for location and land use and is collected by Revenue SA.

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

The revenue for the emergency services levy for 2000-01 was budgeted at \$141 million (\$141.5 million), comprising \$105.4 million (\$106.6 million) from fixed property, \$34.9 million (\$34.9 million) from the mobile component and \$750 000 in interest revenue.

Payments totalling \$143.2 million were made from the Fund as follows:	\$'million
Emergency Services Administration Unit	1.0
SA Metropolitan Fire Services	62.7
Country Fire Services	33.1
SA Police	15.8
Department for Administrative and Information Services ⁽¹⁾	10.0
Department for Environment and Heritage	1.9
SA Ambulance Services	0.8
Surf Lifesaving	0.8
State Emergency Services	5.4
Volunteer Marine Rescue	0.6
Grants	1.6
Levy collection fees:	
Revenue SA	7.6
Department for Transport, Urban Planning and the Arts	0.6
Attorney-General's Department	1.3
	143.2

(1) The payment of \$10 million to DAIS represents the contribution by the emergency services agencies towards the establishment of the Government Radio Network as follows:

SA Metropolitan Fire Services	1.4
Country Fire Services	6.6
SA Police	0.7
SA Ambulance	0.2
State Emergency Services	1.1
	10.0

These amounts have been disclosed in the financial statements of the above agencies.

Issues Arising from the Audit Review

The review raised a number of issues that were reported to the Chief Executive. The key issues relate to the need for the Department to establish:

- Service Level Agreements with Revenue SA for the collection of the Emergency Service Levy (ESL) on fixed property.

Audit has raised the need for the Department to establish a Service Level Agreement with Revenue SA both in this year's and last year's management letter to the Chief Executive.

Audit was advised that the Department did prepare a draft Memorandum of Understanding but that RevenueSA were not willing to enter into the arrangement. The Chief Executive has submitted the draft Memorandum of Understanding to the Under Treasurer, however, no formal response had been received by the Department at the time of preparing this commentary.

- Funding agreements for those agencies where the provision of emergency services accounts for only some of their business activity.

There is no mechanism in place to ensure that funding provided to these agencies is actually spent in the area of emergency services.

The Department has advised that funding agreements are being developed progressively and that the Department is assessing this process to determine where improvements can be made.

CRIMINAL INJURIES COMPENSATION

Criminal Injuries Compensation (CIC) Fund

The Department is responsible for administering the *Criminal Injuries Compensation Act 1978*.

The *Criminal Injuries Compensation Act 1978*, (the Act) 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 \$7.6 million (\$8.8 million) on account of 1046 (1173) compensation claims.

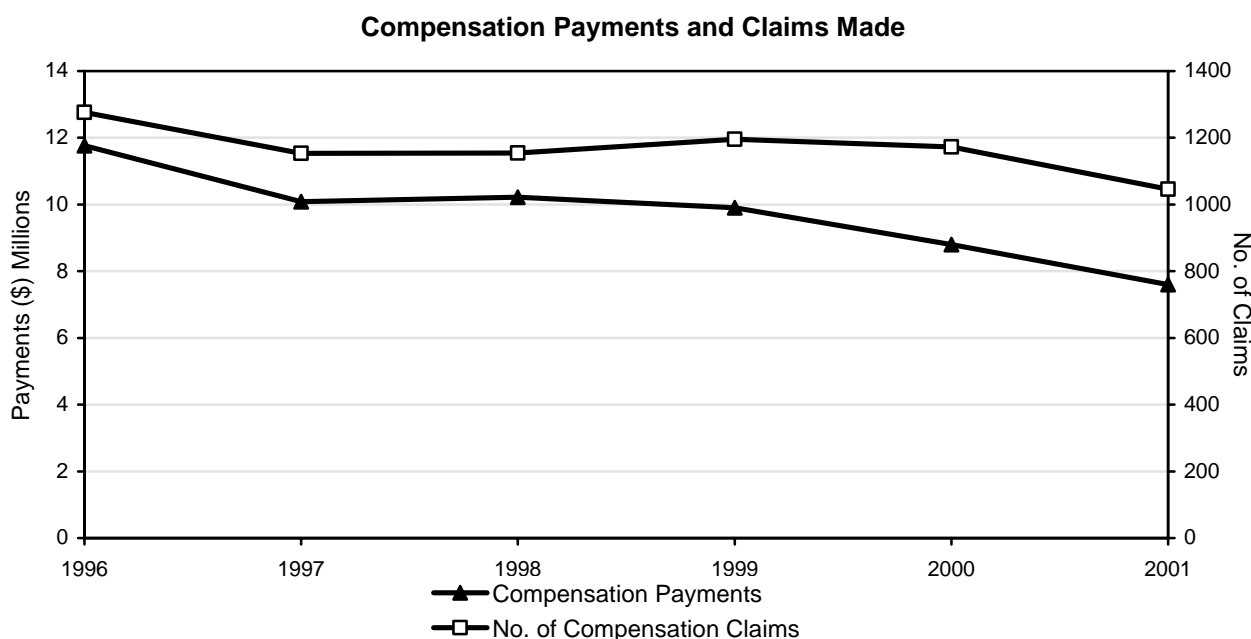
Recoveries from Offenders

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 2001 were \$41.1 million (\$38.9 million).
- Write-offs for 2000-01, relating to known offenders totalled \$2 million (\$2.6 million).
- The amounts recovered during the year totalled \$634 000 (\$645 000).

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 six years.



Issues Arising from the Audit Review

A review of the CIC Fund during the year identified a number of issues that were reported to the Chief Executive. The main issues relate to:

Service Level Agreements for the Collection of CIC Revenue by other Government Agencies

The Department does not have in place Service Level Agreements with the agencies that collect the CIC levy on its behalf, namely Courts Administration Authority (CAA) and SA Police (SAPOL).

Examination of the documentation received by the Department from CAA and SAPOL to support the levies collected revealed:

- the documentation is not authorised as evidence that the amounts reported are complete and accurate;
- monies collected by these agencies are forwarded to the Department on an ad hoc basis.

Management is responsible for implementing processes which will ensure that monies collected by collection agencies are complete and accurate and are forwarded to the Department on a timely basis. Audit recommended that the Department require collection agencies to provide certification as to the completeness and accuracy of the monies forwarded to it and that all monies have been collected in accordance with the Act.

Such processes need to be agreed and documented between the Department and the collection agencies.

Audit is of the opinion that the establishment of Service Level Agreements is a means by which the Department could achieve this.

In its response the Department advised that the Attorney-General will consider this issue as part of his review of the reports prepared on the 'financial and management operations of the CIC Fund'.

Recognition of CIC Revenue

The Department has been recognising as CIC revenue all monies due by known offenders, despite the fact that only a small proportion of monies due are actually received. For the last three years, the Department has recovered around \$650 000 per annum.

To comply with the recognition criteria as outlined in Statement of Accounting Concept (SAC) 4 'Definition and Recognition of the Elements of Financial Statements', Audit recommended that the Department only recognise as revenue in its accounts actual monies received.

The Department has made the necessary adjustments to its accounts to comply with SAC 4 including relevant additional disclosures to explain the change in the accounting treatment.

Potential use of the Penalty Management Unit

As discussed above, the Department recovers a small proportion of the amount owed by known offenders. The outstanding debt at 30 June 2001 totalled \$41.1 million and includes amounts dating back to 1980.

At a meeting with the Department, Audit explored the possibility of the Department utilising the Courts Administration Authority Fines Enforcement System as an avenue to assist with and hopefully increase the collection of outstanding CIC debts.

The Department advised Audit that it has considered this proposal and would advise of the outcome once finalised.

Gaming Machine Legislation and Administration

The *Gaming Machines Act 1992* (the Act) 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 Machine 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 2000-01 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 \$192 million (\$210 million in 1999-2000).

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

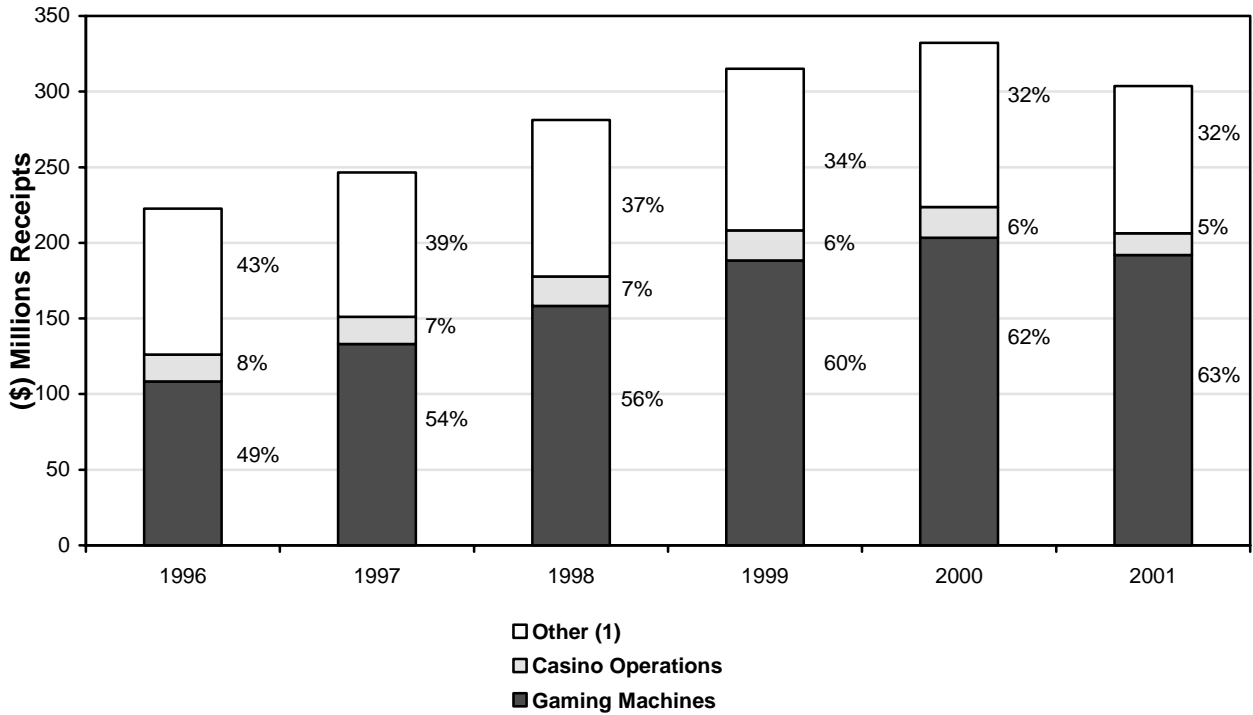
	2001	2000	1999	1998
Sites	590	565	539	514
Machines	14 177	12 778	11 944	10 938
Turnover (\$'billion)	4.7	4.1	3.7	3.3

Total Revenue to Government from all Forms of Gambling

Revenue from total gambling activities decreased by \$35.8 million to \$303.6 million due principally to the introduction of the GST and the revised arrangements for distributions to the Government from the Lotteries Commission and the South Australian Totalizator Agency Board.

The following graph highlights revenue credited to the Consolidated Account from gambling activities over the past six 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.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	4	41 230	30 388
Proceeds from disposals of assets	5	8	127
Other	6	11 886	9 225
Total Revenues		53 124	39 740
EXPENSES FROM ORDINARY ACTIVITIES:			
Employees	7	55 553	49 680
Computing and communication		7 976	1 843
Accommodation		6 932	6 536
Grants		5 572	4 844
Depreciation and amortisation	8	2 194	2 190
Disposal of assets	5	799	305
Other	9	18 036	17 190
Total Expenses		97 062	82 588
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		(43 938)	(42 848)
Revenues from government		47 480	48 711
NET SURPLUS		3 542	5 863
EQUITY INTERESTS			
Increase in net assets resulting from ordinary activities		3 542	5 863
Net credit to asset revaluation reserve	17	337	453
Net credit due to errors	17	233	-
Net credit due to previously unidentified assets	17	547	200
Net credit due to restructure	17,18	237	-
Total Revenues, Expenses and Valuation Adjustments Recognised directly in Equity		1 354	653
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		4 896	6 516

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash on hand and on deposit	10	35 921	29 508
Receivables	11	4 932	4 208
Current tax assets	11	2 538	8
Other current assets	12(a)	561	527
Total Current Assets		43 952	34 251
NON-CURRENT ASSETS:			
Property, plant and equipment	13	13 653	10 831
Total Non-Current Assets		13 653	10 831
Total Assets		57 605	45 082
CURRENT LIABILITIES:			
Payables	14	6 765	2 193
Provision for employee entitlements	15	3 350	3 395
Other current liabilities	16	1 503	2 017
Total Current Liabilities		11 618	7 605
NON-CURRENT LIABILITIES:			
Payables	14	1 420	1 151
Provision for employee entitlements	15	10 240	8 165
Other non-current liabilities	16	2 479	1 209
Total Non-Current Liabilities		14 139	10 525
Total Liabilities		25 757	18 130
NET ASSETS		31 848	26 952
EQUITY:			
Accumulated surplus	17	30 663	26 104
Asset revaluation reserve	17	1 185	848
TOTAL EQUITY		31 848	26 952
Commitments	24		
Contingent Obligations	20		

Statement of Cash Flows for the year ended 30 June 2001

		2001	2000
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:	Note	\$'000	\$'000
Revenues from Government		47 480	48 711
Fees and charges		41 044	29 676
Other revenue		11 703	8 837
Total Receipts		100 227	87 224
PAYMENTS:			
Employees		(54 058)	(48 683)
Grants		(5 572)	(4 844)
Other		(30 695)	(25 272)
Total Payments		(90 325)	(78 799)
Net Cash provided by Operating Activities	19	9 902	8 425
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Proceeds from the sale of non-current assets		8	127
Total Receipts		8	127
PAYMENTS:			
Payments for property, plant and equipment		(4 784)	(1 833)
Total Payments		(4 784)	(1 833)
Net Cash used in Investing Activities		(4 776)	(1 706)
CASH FLOWS FROM FINANCING ACTIVITIES:			
RECEIPTS:			
Restructuring activities		1 321	-
Total Receipts		1 321	-
PAYMENTS:			
Principal repayments under finance leasing		(34)	(55)
Total Payments		(34)	(55)
Net Cash provided by (used in) Financing Activities		1 287	(55)
NET INCREASE IN CASH HELD		6 413	6 664
CASH AT 1 JULY		29 508	22 844
CASH AT 30 JUNE	10	35 921	29 508

Output Class Schedule of Assets, Liabilities, Revenues and Expenses, for the year ended 30 June 2001

	Outputs (Refer Note 3)	1.2 \$'000	1.3 \$'000	1.4 \$'000	2.1 \$'000	2.2 \$'000	2.3 \$'000	3.1 \$'000	5.4 \$'000	5.5 \$'000	Justice Portfolio O/H \$'000	General Not Attributed \$'000	2001 Total \$'000
ASSETS:													
Current:													
Cash on hand and on deposit		-	-	-	-	-	-	-	-	-	-	35 921	35 921
Receivables		26	32	50	3 181	7	296	179	172	185	804	-	4 932
Current tax assets		39	19	83	1 100	88	313	109	308	479	-	-	2 538
Other current assets		6	5	13	226	14	42	19	48	162	27	(1)	561
Non-Current:													
Property, plant and equipment		219	118	240	4 846	90	1 835	173	2 032	2 149	1 951	-	13 653
Total		290	174	386	9 353	199	2 486	480	2 560	2 975	2 782	35 920	57 605
LIABILITIES:													
Current:													
Payables		69	284	150	1 867	92	524	251	464	889	631	1 544	6 765
Provision for employee entitlements		30	50	99	1 390	57	198	183	252	496	595	-	3 350
Other current liabilities		8	8	9	165	2	51	23	82	174	73	908	1 503
Non-Current:													
Payables		14	16	35	395	31	102	119	144	272	292	-	1 420
Provision for employee entitlements		105	116	254	2 914	228	761	841	1 049	1 957	2 015	-	10 240
Other non-current liabilities		39	41	38	753	3	227	114	170	670	430	-	2 479
Total		265	515	585	7 484	407	1 863	1 531	2 161	4 458	4 036	2 452	25 757
NET ASSETS		25	(341)	(199)	1 869	(208)	623	(1 051)	399	(1 483)	(1 254)	33 468	31 848
REVENUES:													
Revenues from Government		830	2 378	1 114	16 912	185	2 342	3 534	3 264	6 347	10 321	253	47 480
Fees and charges		38	-	3	11 171	1 693	1 179	35	1 275	15 122	10 714	-	41 230
Proceeds from disposal of assets		-	-	-	-	-	-	-	-	-	-	8	8
Other revenue		171	1 203	748	8 225	317	1 119	699	965	3 638	11 534	(16 733)	11 886
Total		1 039	3 581	1 865	36 308	2 195	4 640	4 268	5 504	25 107	32 569	(16 472)	100 604
EXPENSES:													
Employees		507	812	1 573	22 651	1 376	3 644	3 354	4 072	8 124	9 440	-	55 553
Computing and communication		43	23	239	388	64	200	90	220	878	5 831	-	7 976
Accommodation		101	101	115	2 208	197	713	299	347	1 647	1 204	-	6 932
Grants		-	1 743	24	3 298	-	17	111	16	-	363	-	5 572
Depreciation and amortisation		49	39	108	739	28	260	73	241	406	251	-	2 194
Disposal of assets		-	-	-	-	-	-	-	-	-	-	799	799
Other expenses		193	484	661	4 897	517	1 321	448	1 163	2 155	6 197	-	18 036
Total		893	3 202	2 720	34 181	2 182	6 155	4 375	6 059	13 210	23 286	799	97 062
NET SURPLUS		146	379	(855)	2 127	13	(1 515)	(107)	(555)	11 897	9 283	(17 271)	3 542

Schedule of Administered Revenues and Expenses for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Administered - Government:			
Revenues from Government		586 322	533 551
Fees and charges		7 830	11 794
Other	6	397 679	393 351
		<u>991 831</u>	<u>938 696</u>
Administered - Non-Government:			
Other	6	3 584	-
		<u>3 584</u>	<u>-</u>
Total Revenues		<u>995 415</u>	<u>938 696</u>
EXPENSES FROM ORDINARY ACTIVITIES:			
Administered - Government:			
Employees		4 071	3 135
Grants		26 866	24 575
Payment to justice agencies		534 645	483 478
Payment to Treasury		227 261	248 950
Emergency service levy payments	9	141 880	135 287
Depreciation and amortisation	8	139	135
Other		39 592	29 310
		<u>974 454</u>	<u>924 870</u>
Administered - Non-Government:			
Employees		2 279	-
Depreciation	8	84	-
Other		1 635	-
		<u>3 998</u>	<u>-</u>
Total Expenses		<u>978 452</u>	<u>924 870</u>
Net Increase in Administered Net Assets		<u>16 963</u>	<u>13 826</u>
Represented by:			
Increase in administered net assets - Government		17 377	13 826
Decrease in administered net assets - Non-Government		(414)	-
		<u>16 963</u>	<u>13 826</u>

Schedule of Administered Assets and Liabilities as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Administered - Government:			
Cash on hand and on deposit		27 780	11 809
Receivables	11	20 789	36 714
Other financial assets	12b	754	2 052
Other current assets		38	12
		<u>49 361</u>	<u>50 587</u>
Administered Non-Government:			
Cash on hand and on deposit		2 018	-
Receivables	11	136	-
Other financial assets	12b	6 087	-
Other current assets		175	-
		<u>8 416</u>	<u>-</u>
Total Current Assets		<u>57 777</u>	<u>50 587</u>
NON-CURRENT ASSETS			
Administered - Government:			
Financial assets	12b	22 978	20 170
Property, plant and equipment	13	810	259
		<u>23 788</u>	<u>20 429</u>
Administered - Non-Government:			
Financial assets	12b	41 245	-
Property, plant and equipment	13	896	-
		<u>42 141</u>	<u>-</u>
Total Non-Current Assets		<u>65 929</u>	<u>20 429</u>
Total Assets		<u>123 706</u>	<u>71 016</u>
CURRENT LIABILITIES:			
Administered - Government:			
Payables	14	1 270	691
Provision for employee entitlements	15	184	79
Other current liabilities	16	322	102
		<u>1 776</u>	<u>872</u>
Administered - Non-Government:			
Payables	14	541	-
Other current liabilities	16	20 796	-
		<u>21 337</u>	<u>-</u>
Total Current Liabilities		<u>23 113</u>	<u>872</u>
NON-CURRENT LIABILITIES:			
Administered - Government:			
Payables	14	46	33
Provision for employee entitlements	15	314	227
		<u>360</u>	<u>260</u>
Administered - Non-Government:			
Other non-current liabilities	16	19 528	-
		<u>19 528</u>	<u>-</u>
Total Non-Current Liabilities		<u>19 888</u>	<u>260</u>
Total Liabilities		<u>43 001</u>	<u>1 132</u>
NET ASSETS		<u>80 705</u>	<u>69 884</u>
EQUITY:			
Accumulated surplus	17	76 594	66 765
Asset revaluation reserve	17	4 111	3 119
TOTAL EQUITY		<u>80 705</u>	<u>69 884</u>

Statement of Administered Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Revenues from Government		586 322	533 551
Fees and charges		7 258	7 100
Other revenue		398 060	389 008
Total Receipts		991 640	929 659
PAYMENTS:			
Employees		(6 175)	(3 090)
Grants		(26 866)	(24 576)
Other		(941 912)	(895 491)
Total Payments		(974 953)	(923 157)
Net Cash provided by Operating Activities	19	16 687	6 502
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS:			
Payments for property, plant and equipment		(106)	(4 928)
Total Payments		(106)	(4 928)
Net Cash used in Investing Activities		(106)	(4 928)
CASH FLOWS FROM FINANCING ACTIVITIES:			
RECEIPTS:			
Restructuring activities		1 408	-
Total Receipts		1 408	-
Net Cash provided by Financing Activities		1 408	-
NET INCREASE IN CASH HELD		17 989	1 574
CASH AT 1 JULY		11 809	10 235
CASH AT 30 JUNE	19	29 798	11 809

Output Schedule of Administered Assets, Liabilities, Revenues and Expenses for the year ended 30 June 2001

Outputs (Refer Note 3)	2.1 \$'000	2.2 \$'000	3.1 \$'000	5.2 \$'000	5.4 \$'000	5.5 \$'000	Justice Portfolio O/H \$'000	General Non Attributed \$'000	2001 Total \$'000
ADMINISTERED ASSETS AND LIABILITIES									
ASSETS:									
Current:									
Cash on hand and on deposit	16 144	-	209	-	-	4 603	-	8 842	29 798
Receivables	505	-	1	-	-	17 589	-	2 830	20 925
Other financial assets	-	-	-	-	-	754	-	6 087	6 841
Other current assets	38	-	-	-	-	-	-	175	213
Non-Current:									
Financial assets	-	-	-	-	-	22 977	-	41 246	64 223
Property, plant and equipment	810	-	-	-	-	-	-	896	1 706
Total Administered Assets	17 497	-	210	-	-	45 923	-	60 076	123 706
LIABILITIES:									
Current:									
Payables	727	175	58	-	13	297	-	541	1 811
Provision for employee entitlements	123	-	-	-	61	-	-	-	184
Other current liabilities	-	-	-	-	-	322	-	20 796	21 118
Non-Current:									
Payables	27	-	-	-	19	-	-	-	46
Provision for employee entitlements	182	-	-	-	132	-	-	-	314
Other non-current liabilities	-	-	-	-	-	-	-	19 528	19 528
Total Administered Liabilities	1 059	175	58	-	225	619	-	40 865	43 001
ADMINISTERED REVENUES AND REVENUES									
REVENUES:									
Revenues from Government	19 228	18 303	-	2 500	205	11 669	239	534 178	586 322
Fees and charges	5 222	-	-	-	-	2 613	-	(5)	7 830
Other revenue	1 548	9 440	52	-	-	220 947	-	169 276	401 263
Total Administered Revenues	25 998	27 743	52	2 500	205	235 229	239	703 449	995 415
EXPENSES:									
Employees	3 490	-	-	-	268	-	239	2 353	6 350
Grants	3 393	17 955	-	2 500	-	-	-	3 018	26 866
Payment to Justice Agencies	-	-	-	-	-	-	-	534 645	534 645
Payment to Treasury	191	9 810	-	-	-	217 246	-	14	227 261
Emergency Service Levy Payments	-	-	-	-	-	-	-	141 880	141 880
Depreciation and amortisation	139	-	-	-	-	-	-	84	223
Other	12 386	-	15	-	14	15 526	-	13 286	41 227
Total Administered Expenses	19 599	27 765	15	2 500	282	232 772	239	695 280	978 452
Net Increase in Administered Net Assets	6 399	(22)	37	-	(77)	2 457	-	8 169	16 963

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

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

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

The Department is structured to contribute to all four outcomes for which the Justice Portfolio is responsible for:

- A community in which justice is accessible and the rights of citizens are assured;
- A community in which people, property and the environment are protected and public safety is enhanced;
- A community in which fair trading for consumers and business is a priority;
- A public sector which contributes strongly to the effective and efficient provision of services.

1.2 **Reporting Entity**

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

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

Administered items are stated in Note 2.

1.3 **Basis of Accounting**

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

The statements have been prepared in accordance with:

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

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

Assets and liabilities are recognised in the Department's Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Liabilities and assets which are unrecognised are reported in Note 20 Contingent Obligations and Note 24 Expenditure Commitments.

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

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

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

1.4 Changes in Accounting Policy

In previous reporting periods the Department has recorded trust accounts on a cash basis. This period the Department has changed its Accounting Policy to record trust accounts on an accrual basis in accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments'. Subsequently trust accounts have been included in the Schedule of Administered Revenues and Expenses, Assets and Liabilities. The totals for government and non-government owned assets have been reported separately.

1.5 Revenues

Appropriations/Grants

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

Transactions by the Government

Net assets received under a restructuring of administrative arrangements are designated as contributions by owners and adjusted directly against equity. Net assets transferred are initially recognised at the amounts at which they were recognised by the transferring agency immediately prior to the transfer.

Other Revenue

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

1.6 Employee Entitlements

Leave

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting. The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2001 and is recognised at the nominal amount.

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

Workers Compensation

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

Superannuation

The Department made contributions of \$5.5 million (\$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.

1.7 Leases

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

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

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

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

1.8 Cash

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

1.9 Financial Instruments

Accounting policies for financial instruments are stated at Note 25.

1.10 Acquisition of Assets

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

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

1.11 Property, Plant and Equipment

Asset Recognition Threshold

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

Revaluations

In accordance with current Accounting Policy Statements issued by the Department of Treasury and Finance, the Department has applied the Australian Accounting Standard AAS 38 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis (that is deprival value methodology) while the relationship between fair value and the existing valuation basis in the South Australian public sector is examined further.

Land, buildings, infrastructure, plant and equipment, artwork and library collections are revalued progressively in accordance with the 'deprival' method of valuation in successive three year cycles, so that no asset has a value greater than three years old.

Furniture, leasehold improvements are revalued on an annual basis based on indices provided by the Department for Administrative and Information Services. As a result of a review of leasehold improvements, previously unidentified items have been recognised for the first time. An adjustment has been made direct to accumulated surplus.

In 1998-99 the library collection was revalued. In 1999-2000, land, buildings, infrastructure, plant and equipment were revalued. As a consequence of the valuation undertaken in 1999-2000, previously unidentified items of plant and equipment have been recognised for the first time. An adjustment was made direct to accumulated surplus.

In accordance with the deprival value methodology, land is measured at its current marked buying price. Property other than land, plant and equipment are measured at their depreciated replacement cost. Where assets are held which would not be replaced or are surplus to requirements, measurement is at net realisable value.

Depreciation and Amortisation

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

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

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

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

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 8.

Database and Licensing Records

The Department has developed and maintains databases for the maintenance of records such as; retail shop leases, births, deaths and marriages, occupational licensing and incorporation of associations. These databases are not included as assets as their values cannot be measured reliably, thereby failing the asset recognition test, in accordance with Statement of Accounting Concept SAC4, 'Definition and Recognition of the Elements of Financial Statements'.

Justice Information System

As a result of the transfer of the former Justice Information System Services (JISS) to the Department, the Department has brought to account all assets of the former JISS with the exception of the application software. The application has not been included as an asset as its value cannot be measured reliably, thereby failing the asset recognition test, in accordance with Statement of Accounting Concept SAC4, 'Definition and Recognition of the Elements of Financial Statements'.

1.12 Taxation

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

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

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

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

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

1.13 Comparative Figures

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

1.14 Rounding

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

2. Administered Items of the Department

Government

These include:

- Agents Indemnity Fund
- Bodies in the Barrels Case
- Child Abuse Project
- Child Abuse - Community Development Fund
- Compensation Companies Regulation (formerly Companies Code Fees)
- Companies Liquidation Account
- Cooperatives Liquidation Account
- Consumer Credit Fund
- Criminal Injuries Compensation Fund
- Community Emergency Services Fund
- Fines Enforcement Initiative
- Justice Portfolio appropriations
- Inter-agency Child Abuse Assessment Panel
- Legal Aid
- Legal Practitioners Act Fund
- Liquor Licensing refunds
- Liquor Licensing subsidy
- Native Title Unit
- Private plated vehicle contributions
- Racing services
- Remission - Fees and charges, Legal Services Commission
- Second Hand Vehicles Compensation Fund
- Special Act payments (Minister, Ombudsman, Solicitor-General)
- Taxation receipts (Casino, Gaming, Liquor)

Non-Government

These include:

- 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.

3. Outputs of the Department

Information about the Department's outputs and the revenues, expenses, assets and liabilities which are reliably attributable to those outputs is set out in the Outputs Schedule. Outputs themselves are defined as goods and services produced, provided to, or acquired for, external customers.

Output 1.2 Emergency Prevention Services

These services include public education and risk management services. Also included is fire cause investigations.

Output 1.3 Crime Prevention Support Services

This output is focused on services that support crime prevention and includes support for crime prevention programs in local government, and community policing services such as 'Watch' programs, Partnerships and 'Crime Stoppers'.

Output 1.4 Information, Education and Training Services

This output covers the production and dissemination of information, education and training. It also includes promotional services.

Output 2.1 Legal Services

This output includes legal advice, disputation, prosecutorial, commercial and property legal services

Output 2.2 Court and Tribunal Case Resolution Services

Included in this output are administrative services which support, and services which resolve, matters in the State's courts and tribunals.

Output 2.3 Alternative Dispute Resolution Services

This output includes family conferencing, mediation and negotiation services which are alternatives to the formal court process.

- Output 3.1 Coordination and Advice**
This output covers the development, monitoring and review of legislation and regulations and associated advice. It includes drafting for Parliament and all Ministers. It also covers all policy development and advice directly for and on behalf of the Ministers such as responses to Ministerial questions, briefings, speech notes, decision support and other support as determined. Also included is representation of the Ministers on State and national groups.
- Output 5.2 Penalty Management Services**
This output deals with penalties arising from court orders, the enforcement of court orders, recovery of debts and the administration and execution of warrants.
- Output 5.4 Complaint Investigation and Resolution Services**
This output covers the handling of inquiries, investigation and resolution of complaints for the general public, individuals, employees and employers.
- Output 5.5 Licensing and Regulatory Services**
This output includes issuing licences and monitoring conditions, surveillance and compliance for the liquor and gaming industries, citizens, businesses and government. It also includes the maintenance of civil registers.

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 revenues, expenses, assets and liabilities that are not attributable to the above outputs.

4.	Fees and Charges	2001	2000
	Fees and charges for the reporting period comprised:	\$'000	\$'000
	Legal services to various agencies	10 474	8 870
	Licence and regulatory fees	14 968	16 131
	Recovery of administration expenditure	4 765	4 384
	Other fees and charges	11 023	1 003
	Total Fees and Charges	41 230	30 388
<hr/>			
5.	Proceeds and Expense from Disposal of Assets		
	Leasehold Improvements:		
	Proceeds from disposal of non-current assets	-	-
	Less: Written down value of non-current assets	768	-
	Net (Loss) on Disposal of Non-Current Assets	(768)	-
	Plant and Equipment:		
	Proceeds from disposal of non-current assets	3	123
	Less: Written down value of non-current assets	6	152
	Net (Loss) on Disposal of Non-Current Assets	(3)	(29)
	Information Technology:		
	Proceeds from disposal of non-current assets	5	4
	Less: Written down value of non-current assets	25	153
	Net (Loss) on Disposal of Non-Current Assets	(20)	(149)
	Total Assets:		
	Proceeds from disposal of non-current assets	8	127
	Less: Written down value of non-current assets	799	305
	Net (Loss) on Disposal of Non-Current Assets	(791)	(178)
<hr/>			
6.	Other		
	Other revenues for the Department comprised:		
	Interest revenue	1 616	1 117
	Sundry recoveries	6 236	5 394
	Commonwealth Specific Purpose Grants	2 676	2 445
	Other revenue	1 358	269
	Total Other Revenues	11 886	9 225
	Administered items:		
	Interest revenue	6 631	3 333
	Sundry recoveries	15 103	668
	Commonwealth Specific Purpose Grants	19 871	19 070
	Taxation receipts	204 093	231 590
	Community Emergency Service Fund revenue	150 527	134 961
	Agents Indemnity Fund revenue	3 584	2 870
	Other revenue	1 454	859
	Total Other Revenues	401 263	393 351
<hr/>			
7.	Employees		
	Employee expenses for the reporting period comprised:		
	Salaries and wages	44 624	39 506
	Payroll tax and superannuation expenses	8 474	7 293
	Long service leave expenses	1 707	2 179
	Other employee related expenses	748	702
	Total Employee and Related Expenses	55 553	49 680

8. Depreciation and Amortisation		2001	2000
Depreciation and amortisation expenses for the reporting period comprised:		\$'000	\$'000
Buildings and other structures		17	16
Leasehold improvements		575	602
Plant and equipment		502	520
Information technology		1 043	964
Library collections		5	5
Mobile transport assets		37	34
Plant and equipment under finance lease		15	49
Total Depreciation and Amortisation		2 194	2 190
Administered items:			
Leasehold improvements		20	13
Information technology		151	114
Plant and equipment		46	8
Plant and equipment under finance lease		6	-
Total Depreciation and Amortisation		223	135
9. Other			
Other expenses for the Department comprised:			
Staff payments		4 372	2 383
Consultancies		1 039	2 628
Legal fees		1 185	654
Motor vehicle expenses		919	837
Professional costs		615	703
Telephone related expenses		1 043	1 068
Promotion/Publications		846	1 351
Tax and taxable payments		634	614
Bad and doubtful debts		149	512
Other		7 234	6 440
Total Other Expenses		18 036	17 190
Administered items:			
Emergency Services Levy Collection fees		8 123	8 506
Payments to Emergency Services		133 757	126 781
Total Emergency Services Levy Payments		141 880	135 287
10. Cash on Hand and on Deposit			
Cash on hand (including petty cash)		41	41
Special Deposit Accounts with Reserve Bank		35 807	29 327
Cash and cheques in transit		73	140
Total Cash on Hand and on Deposit		35 921	29 508
11. Receivables			
Current:			
Receivables in respect of fees and charges		5 044	4 259
Provision for doubtful debts		(585)	(515)
Accrued interest		473	464
GST receivable		2 538	8
Total Receivables		7 470	4 216
Administered items:			
Receivables in respect of fees and charges ⁽¹⁾		20 558	59 367
Provision for doubtful debts ⁽¹⁾		-	(23 521)
Accrued interest		367	868
Total Receivables		20 925	36 714
(1) Due to a revision of the revenue collection estimate for the Criminal Injuries compensation Fund (CIC), accounts receivable (\$38.9 million) and respective provision for doubtful debts (\$23.5 million) have been written back in the current reporting period. As at 30 June 2001 the total accounts receivable owing and corresponding provision for doubtful debts but not recorded is \$41.5 million and \$24.2 million respectively.			
12. (a) Other Current Assets		2001	2000
		\$'000	\$'000
Prepayments		115	78
Work in progress		204	18
Working accounts		222	431
Other		20	-
Total Other Current Assets		561	527
(b) Financial Assets			
Financial Assets represent funds invested with the Public Trustee as follows:			
Residential Tenancies Fund		45 709	-
Retail Shop Leases Fund		1 624	-
Agents Indemnity Fund		22 023	20 620
Second Hand Motor Vehicles Compensation Fund		1 708	1 602
Total Financial Assets		71 064	22 222

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

	Cost/ Valuation	Accumulated Depreciation/ Amortisation	Written Down Value	
	\$'000	\$'000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Land ⁽¹⁾	314	-	314	314
Buildings and other structures ⁽¹⁾	1 116	124	992	1 009
Leasehold improvements ⁽³⁾	8 461	3 296	5 165	3 702
Mobile transport assets ⁽²⁾	415	147	268	300
Information technology ⁽⁴⁾	6 359	2 964	3 395	2 025
Library collections ⁽⁶⁾	1 022	12	1 010	841
Plant and equipment ^{(2), (3) & (4)}	7 659	5 173	2 486	2 588
Collections and artworks at valuation ⁽⁵⁾	15	-	15	15
Plant and equipment under finance lease	19	11	8	37
	25 380	11 727	13 653	10 831
Administered Items:				
Leasehold improvements ⁽³⁾	1 626	564	1 062	-
Information technology ⁽⁴⁾	627	340	287	252
Plant and equipment ^{(2), (3) & (4)}	630	279	351	7
Plant and equipment under finance lease	23	17	6	-
	2 906	1 200	1 706	259

- (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.
- (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 leasehold improvements 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 2001.

Assets transferred to the Department as a result of restructuring of administrative functions in 2001 have been carried at their deprival values by transferor agencies at the time of transfer and have not been revalued.

13. (b) **Controlled Property, Plant and Equipment Movement Schedule**

	Asset Cost/Valuation						Accumulated Depreciation					Net Book Value		
	Opening Balance Amount \$'000	Additions Amount \$'000	Disposals Amount \$'000	Revaluation Amount \$'000	Restructure Amount \$'000	Other Amount \$'000	Closing Balance Amount \$'000	Opening Balance Amount \$'000	Charge Amount \$'000	Disposals Amount \$'000	Other Amount \$'000	Closing Balance Amount \$'000	2001 Amount \$'000	2000 Amount \$'000
Land	314	-	-	-	-	-	314	-	-	-	-	-	314	314
TOTAL LAND	314	-	-	-	-	-	314	-	-	-	-	-	314	314
Buildings and Other Structures	1 116	-	-	-	-	-	1 116	107	17	-	-	124	992	1 009
Leasehold Improvements	6 094	2 372	1 285	1 050	230	-	8 461	2 763	575	525	483	3 296	5 165	3 702
TOTAL BUILDINGS	7 210	2 372	1 285	1 050	230	-	9 577	2 870	592	525	483	3 420	6 157	4 711
TOTAL LAND AND BUILDINGS	7 524	2 372	1 285	1 050	230	-	9 891	2 870	592	525	483	3 420	6 471	5 025
PLANT AND EQUIPMENT														
Mobile Transport Assets	410	5	-	-	-	-	415	110	37	-	-	147	268	300
Information Technology	5 477	2 608	1 441	-	-	(285)	6 359	3 452	1 043	1 416	(115)	2 964	3 395	2 025
Library Collections	848	174	-	-	-	-	1 022	7	5	-	-	12	1 010	841
Plant and Equipment	6 678	351	56	701	-	(15)	7 659	4 285	502	50	436	5 173	2 486	2 588
Collections and Artworks	15	-	-	-	-	-	15	-	-	-	-	-	15	15
TOTAL PLANT AND EQUIPMENT	13 428	3 138	1 497	701	-	(300)	15 470	7 854	1 587	1 466	321	8 296	7 174	5 769
LEASED PLANT AND EQUIPMENT														
Plant and Equipment under finance lease	89	-	70	-	-	-	19	65	15	69	-	11	8	37
TOTAL LEASED PLANT AND EQUIPMENT	89	-	70	-	-	-	19	65	15	69	-	11	8	37
TOTAL PLANT AND EQUIPMENT	13 517	3 138	1 567	701	-	(300)	15 489	7 919	1 602	1 535	321	8 307	7 182	5 806
TOTAL PROPERTY, PLANT AND EQUIPMENT	21 041	5 510	2 852	1 751	230	(300)	25 380	10 789	2 194	2 060	804	11 727	13 653	10 831
Administered property, plant and equipment movement schedule														
Leasehold Improvements	671	559	-	396	-	-	1 626	300	20	-	244	564	1 062	-
TOTAL BUILDINGS	671	559	-	396	-	-	1 626	300	20	-	244	564	1 062	-
PLANT AND EQUIPMENT														
Information and Technology	422	15	95	-	-	285	627	171	151	95	113	340	287	252
Plant and Equipment	348	80	-	187	-	15	630	145	46	-	88	279	351	7
TOTAL PLANT AND EQUIPMENT	770	95	95	187	-	300	1 257	316	197	95	201	619	638	259
LEASED PLANT AND EQUIPMENT														
Plant and Equipment under finance lease	23	-	-	-	-	-	23	11	6	-	-	17	6	-
TOTAL LEASED PLANT AND EQUIPMENT	23	-	-	-	-	-	23	11	6	-	-	17	6	-
TOTAL PLANT AND EQUIPMENT	793	95	95	187	-	300	1 280	327	203	95	201	636	644	259
TOTAL PROPERTY, PLANT AND EQUIPMENT	1 464	654	95	583	-	300	2 906	627	223	95	445	1200	1 706	259

14.	Payables	2001	2000
	Current:	\$'000	\$'000
	Creditors	5 970	1 331
	Accruals - Employee on-costs	695	714
	Accruals	100	148
	Total Current Payables	6 765	2 193
	Non-Current:		
	Accruals - Employee on-costs	1 420	1 151
	Administered items:		
	Current:		
	Creditors	1 773	680
	Accruals	38	11
	Total Current Payables	1 811	691
	Non-Current:		
	Accruals - Employee on-costs	46	33
15.	Provision for Employee Entitlements		
	Current:		
	Long service leave	514	795
	Annual leave	2 681	2 443
	Workers compensation	120	117
	Accrued salaries and wages	35	40
	Total Current Employee Entitlements	3 350	3 395
	Non-Current:		
	Long service leave	9 810	7 808
	Workers compensation	430	357
	Total Non-Current Employee Entitlements	10 240	8 165
	Administered items:		
	Current:		
	Long service leave	8	1
	Annual leave	162	75
	Accrued salaries and wages	14	3
	Total Current Employee Entitlements	184	79
	Non-Current:		
	Long service leave	314	227
16.	(a) Other Liabilities		
	Current:		
	Finance lease (refer Note 16b)	5	26
	Unearned revenue	10	13
	Lease incentive	591	388
	Control and working account balances	897	1 590
	Total Other Current Liabilities	1 503	2 017
	Non-Current:		
	Finance lease (refer Note 16b)	5	18
	Lease incentive	2 474	1 191
	Total Other Non-Current Liabilities	2 479	1 209
	Administered Items:		
	Current:		
	Finance lease (refer Note 16b)	7	-
	Unclaimed money	38	1
	Lease incentive	16	-
	Control and working account balances	283	101
	Security bond refunds	20 726	-
	Crown Solicitors Trust	48	-
	Total Other Current Liabilities	21 118	102
	Non-Current:		
	Finance lease (refer Note 16b)	1	-
	Lease incentive	246	-
	Security bonds lodged	17 631	-
	Crown Solicitors Trust	1 650	-
	Total Other Non-Current Liabilities	19 528	-

(b) 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):

	2001 \$'000	2000 \$'000
Payable no later than one year	6	30
Payable later than one year but not later than five years	5	19
Payable later than five years	-	-
Total Finance Leases	11	49
Minimum lease payments	11	49
Less: Future finance charges	1	5
Lease Liability	10	44
Classified as:		
Current	5	26
Non-Current	5	18
	10	44
Administered Items:		
Payable no later than one year	7	-
Payable later than one year but not later than five years	1	-
Payable later than five years	-	-
Total finance leases	8	-
Minimum lease payments	8	-
Less: Future finance charges	-	-
Leases Liability	8	-
Classified as:		
Current	7	-
Non-Current	1	-
	8	-

Finance leases exist in relation to certain office equipment assets. The leases are non-cancellable and for fixed terms of four years. The Department guarantees the residual values of all assets leased. There are no contingent rentals.

17. Equity

Equity represents the residual interest in the Department's net assets. The South Australian Government holds the equity interest in the Department on behalf of the community. Equity comprises:

Accumulated Surplus:

	2001 \$'000	2000 \$'000
Balance as at 1 July	26 104	20 041
Previously unidentified assets recognised for the first time ⁽¹⁾	547	200
Errors ⁽²⁾	233	-
Restructure transfers (refer to Note 18)	237	-
Increase in net assets resulting from operations	3 542	5 863
Balance as at 30 June	30 663	26 104

Asset Revaluation Reserve:

Balance as at 1 July	848	395
Revaluation Adjustments:		
Land and buildings	-	504
Building furniture	337	(81)
Plant and equipment	-	30
Balance as at 30 June	1 185	848

Balance as at 30 June is made up of:

Land and buildings	504	504
Building furniture	337	-
Plant and equipment	30	30
Library	314	314
Balance as at 30 June	1 185	848

Administered Items:

Accumulated Surplus:

Balance as at 1 July	66 765	52 939
Previously unidentified assets recognised for the first time	(58)	-
Revision of estimate ⁽³⁾	(16 472)	-
Other direct debits to equity ⁽⁴⁾	9 396	-
Increase in net assets resulting from operations	16 963	13 826
Balance as at 30 June	76 594	66 765

Asset Revaluation Reserve:

Balance as at 1 July	3 119	2 677
Revaluation Adjustments:		
Investments	666	442
Leasehold improvements	219	-
Building furniture	107	-
Balance as at 30 June	4 111	3 119

Asset Revaluation Reserve: (continued)

Balance as at 30 June is made up of:	2001	2000
Investments	\$'000	\$'000
Leasehold improvements	3 785	3 119
Building furniture	219	-
	107	-
Balance as at 30 June	4 111	3 119

- (1) In the current reporting period, the Department recognised leasehold improvements and software development that were expensed in prior reporting periods.
- (2) In the current reporting period errors to previous financial reports were discovered. These errors have occurred as a result of mathematical mistakes, mistakes in applying accounting policies, misinterpretation of facts or oversight. These errors have been corrected in the current reporting period.
- (3) Due to a revision of the revenue collection estimate for the Criminal Injuries Compensation Fund (CIC), accounts receivable and respective provision for doubtful debts have been written back in the current reporting period (refer to Note 11).
- (4) The Department has changed its Accounting Policy to record trust accounts on an accrual basis in accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments'.

18. Restructure

As a result of a restructuring of administrative arrangements, the Department assumed responsibility for the former Justice Information System Services (JISS) as at 1 July 2000 and functions of the former Racing Industry Development Authority as at 28 September 2000.

In respect of functions assumed, the net book values of assets and liabilities transferred to the Department for no consideration and recognised as at the date of transfer were:

Justice Information System Services	\$'000
Total assets recognised ⁽¹⁾	1 631
Total liabilities recognised	1 394
Net assets assumed	237
Racing Industry Development Authority	
Total assets recognised	691
Total liabilities recognised	691
Net assets assumed	-

- (1) A review was performed of the assets transferred to the Department, as a result it was noted that JISS as at 30 June 2000 did not control certain information technology assets, subsequently a write down to non-current assets of \$1.8 million was performed on 1 July 2000.

19.**Cash Flow Reconciliation**

Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows:	2001	2000
	\$'000	\$'000
Cash at year end per statement of cash flows	35 921	29 508
Statement of financial position items comprising above cash	35 921	29 508

Reconciliation of Operating Surplus to Net Cash provided by Operating Activities:

Net surplus	3 542	5 863
Less: Items classified as financing and investing activities:		
Loss on disposal	791	178
Add: Non-cash items:		
Depreciation and amortisation	2 194	2 190
Provision for doubtful debts	70	512
Revaluation (increment) decrement	(717)	484
Bad debt expense	(149)	-
Change in assets and liabilities:		
Increase in employee entitlements	1 328	450
Increase (Decrease) in payables	4 032	(731)
Increase in other liabilities	1 412	793
(Increase) in receivables	(2 999)	(714)
Decrease (Increase) in other assets	398	(600)
Net cash provided by Operating Activities	9 902	8 425

*Administered Items:***Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows:**

Cash at year end per statement of cash flows	29 798	11 809
Statement of financial position items comprising above cash	29 798	11 809

Reconciliation of Operating Surplus to Net Cash provided by Operating Activities:

Net surplus	16 963	13 826
Less: Items classified as financing and investing activities:		
Investment revenue	-	(1 451)
Add: Non-cash items:		
Depreciation and amortisation	223	136
Provision for doubtful debts	-	1 488
Revaluation (increment)	(17)	(24)
Change in assets and liabilities:		
Increase in employee entitlements	465	52
Increase in payables	534	62
Increase in other liabilities	2 337	-
Decrease (Increase) in receivables	120	(7 587)
(Increase) in other assets	(3 938)	-
Net Cash provided by Operating Activities	16 687	6 502

20. 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 \$1 000 000 relating to current and expected claims against the Fund.

The Second Hand Vehicles Compensation Fund has an estimated contingent obligation to pay \$400 000 relating to current and expected claims against the Fund.

21. Remuneration of Auditors

The amount payable by the Department for audit services during the reporting period was \$131 400 (\$148 500). The amount payable for audit services for administered items during the reporting period was \$37 900 (\$11 300). The amount paid for audit services for trust accounts during 2000 was \$24 200. No other services were provided by the Auditor-General.

22. Remuneration of Employees

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

	2001 Number of Employees	2000 Number of Employees
\$100 001 - \$110 000	16	12
\$110 001 - \$120 000	4	9
\$120 001 - \$130 000	17	3
\$130 001 - \$140 000	12	13
\$140 001 - \$150 000	4	6
\$150 001 - \$160 000	5	7
\$160 001 - \$170 000	6	1
\$170 001 - \$180 000	4	8
\$180 001 - \$190 000	3	3
\$190 001 - \$200 000	-	1
\$200 001 - \$210 000	1	2
\$210 001 - \$220 000	3	-
\$220 001 - \$230 000	-	2
\$230 001 - \$240 000	2	1
\$240 001 - \$250 000	4	2
\$250 001 - \$260 000	-	1
\$260 001 - \$270 000	-	-
\$270 001 - \$280 000	1	1

Total remuneration received or due and receivable by these employees was \$12.1 million (\$10.9 million).

23. Targeted Voluntary Separation Packages (TVSPs)

TVSPs paid to employees during the reporting period were Recovery from the Department of the Premier and Cabinet in respect of TVSPs Annual and Long Service Leave accrued over the period of employment for employees who received TVSPs

	2001 \$'000	2000 \$'000
	327	413
	(327)	(413)
Total	90	185

The number of employees who were paid TVSPs during the reporting period totalled 8 (6) employees.

24. Expenditure Commitments

Operating Leases

Commitments under non-cancellable operating leases at the reporting date are

Payable as follows:

Payable no later than one year	5 827	4 698
Payable later than one year and not later than five years	20 754	17 031
Payable later than five years	8 126	6 621
Total Operating Leases	34 707	28 350

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

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

Other Commitments

	2001 \$'000
Motor vehicles ⁽¹⁾	1 039
Capital ⁽²⁾	19 399
Grants ⁽³⁾	37 538
Other ⁽⁴⁾	142
Total	58 118

Payable no later than one year	34 452
Payable later than one year and not later than five years	23 666
Payable later than five years	-
Total Operating Leases	58 118

- (1) Agreements for the provision of motor vehicles to senior executive officer's or sections (ie pool vehicles) with Fleet SA, Department for Administrative and Information Services. There are no purchase options available to the Department.
- (2) Outstanding contractual payments for building works under construction
- (3) Grant amounts payable under agreements in respect of which the grantee has yet to provide the services required under the agreement. The grants cover the period 2001-04.
- (4) Other commitments relates to purchase orders placed for goods before 30 June 2001.

25. Financial Instruments

(a) Terms, Conditions and Accounting Policies.

Financial Assets

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

Financial Liabilities

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

(b) Interest Rate Risk

	2001			Weighted Average Interest Rate Percent	2000			Weighted Average 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	-	41	41		-	41	41	
Cash at bank	35 807	-	35 807	5.77	29 327	-	29 327	4.97
Cash and cheques in transit	-	73	73		-	140	140	
Receivables	-	8 013	8 013		-	4 218	4 218	
Total	35 807	8 127	43 934		29 327	4 399	33 726	
Financial Liabilities:								
Payables	-	5 970	5 970		-	1 331	1 331	
Accruals	-	100	100		-	148	148	
Total	-	6 070	6 070		-	1 479	1 479	
Administered Items:								
Financial Assets:								
Cash at bank	29 798	-	29 798	5.77	11 809	-	11 809	4.97
Investments	71 064	-	71 064	6.5	22 222	-	22 222	8.33
Receivables	-	20 925	20 925		-	36 714	36 714	
Total	100 862	20 925	121 787		34 031	36 714	70 745	
Financial Liabilities:								
Payables	-	22 508	22 508		-	662	662	
Total	-	22 508	22 508		-	662	662	

(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.

26. Consultants

	2001		2000	
	Number of Consultants	\$'000	Number of Consultants	\$'000
Below \$10 000	53	185	80	285
\$10 000 - \$50 000	24	519	29	612
Above \$50 000	4	335	8	1 731
Total	81	1 039	117	2 628
Administered Item:				
Below \$10 000	6	30	2	7
\$10 000 - \$50 000	6	132	4	69
Above \$50 000	1	86	1	154
Total	13	248	7	230

RESIDENTIAL TENANCIES FUND

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

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:		
Interest		3 026
Other	2	147
Total Revenue		3 173
EXPENSES FROM ORDINARY ACTIVITIES:		
Employee	3	2 279
Accommodation		465
Executive/Country cross-charge		230
Depreciation	4	84
Other	5	625
Total Expenses		3 683
NET OPERATING DEFICIT FROM ORDINARY ACTIVITIES		(510)
Net credit to asset revaluation reserve	13	702
Total revenues, expenses and valuation adjustments recognised directly in equity		702
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		192

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000
CURRENT ASSETS:		
Cash on hand and on deposit	6	(76)
Investments		5 812
Receivables	7	125
Other	8	175
Total Current Assets		6 036
NON-CURRENT ASSETS:		
Plant and equipment	9	896
Investments		39 896
Total Non-Current Assets		40 792
Total Assets		46 828
CURRENT LIABILITIES:		
Security bonds lodged	10	20 545
Payables	11	533
Other current liabilities	12	23
Total Current Liabilities		21 101
NON-CURRENT LIABILITIES:		
Security bonds lodged	10	16 189
Other non-current liabilities	12	246
Total Non-Current Liabilities		16 435
Total Liabilities		37 536
NET ASSETS		9 292
EQUITY		
Accumulated surplus	13	8 590
Asset revaluation reserve	13	702
TOTAL EQUITY		9 292

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH RECEIVED:		
Interest		703
Bond lodgements		23 386
Other		31
Total Receipts		24 120
CASH USED:		
Administration		(3 306)
Bond refunds		(21 790)
Other		(35)
Total Payments		(25 131)
Net Cash used in Operating Activities	14	(1 011)
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH RECEIVED:		
Proceeds from investments		1 000
Total Receipts		1 000
CASH USED:		
Payments for non-current assets		(33)
Total Payments		(33)
Net Cash provided by Investing Activities		967
NET DECREASE IN CASH HELD		(44)
CASH AT 1 JULY		(32)
CASH AT 30 JUNE	6	(76)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

1.1 Objectives of the Residential Tenancies Fund

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

1.2 Basis of Accounting

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

The statements have been prepared in accordance with:

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

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

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

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

Bond Guarantee Scheme

Under the Bond Guarantee Scheme a guarantee for the bond is given to the landlord by the SA Housing Trust. In the event of a claim by a landlord, a payment is made by the Residential Tenancies Fund. The SA Housing Trust then reimburses the Residential Tenancies Fund. The value of bond guarantees lodged at 30 June 2001 is \$9.9 million.

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

Interest

Under the *Residential Tenancies Act*, interest is paid to tenants when a bond is repaid to them, interest is not paid when a bond is paid to landlords or third parties such as the SA Housing Trust. The interest has not been recorded as a liability, as the Fund does not have a present obligation until the tenant lodges a claim for the repayment of the bond. It is estimated that the interest liability as at 30 June 2001 is \$61 000.

1.3 Changes in Accounting Policy

In previous reporting periods the Fund prepared its financial statements on a cash basis. From 1 July 2000 the Fund has changed its Accounting Policy to use the accrual basis of accounting in accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments'.

1.4 Employees

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

1.5 Taxation

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

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

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

1.6 Leases

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

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

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

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

1.7 Cash

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

1.8 Financial Instruments

Accounting policies for financial instruments are stated at Note 18.

1.9 Acquisition of Assets

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

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

1.10 Property, Plant and Equipment

Asset Recognition Threshold

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

Revaluations

In accordance with current Accounting Policy Statements issued by the Department of Treasury and Finance, the Fund has applied the Australian Accounting Standard AAS 38 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis (that is deprival value methodology) while the relationship between fair value and the existing valuation basis in the South Australian public sector is examined further.

Furniture and leasehold improvements are revalued on an annual basis based on indices provided by the Department of Administrative and Information Services.

Where assets are held which would not be replaced or are surplus to requirements, measurement is at net realisable value.

Depreciation and Amortisation

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

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

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

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

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

1.11 Comparative figures

Prior to 2000-01, the Fund prepared its financial statement using a cash basis of accounting. These statements are the first in which the Fund has used the accrual basis of accounting and as such comparative figures are not applicable.

1.12 Rounding

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

2. Other Revenue	2001
Other revenues for the Fund comprised:	\$'000
Management fee recovery	116
Trainee salary recovery	31
Total Other Revenues	147
3. Employee	
Employee expenses for the reporting period comprised:	
Salaries and wages	1 869
Payroll tax and superannuation expenses	338
Long service leave expenses	57
Other employee related expenses	15
Total Employee Expenses	2 279
4. Depreciation and Amortisation	
Depreciation and amortisation expenses for the reporting period comprised:	
Leasehold improvements	18
Plant and equipment	38
Information technology	22
Plant and equipment under finance lease	6
Total Depreciation and Amortisation	84
5. Other Expenses	
Other expenses for the Fund comprised:	
Administration	465
Staff payments	48
Consultancies	15
Computing and communication	72
Audit fees	19
Other	6
Total Other Expenses	625
6. Cash on Hand and on Deposit	
Special Deposit Accounts with Reserve Bank	(76)
Total Cash on Hand and on Deposit	(76)
7. Receivables	
Accrued interest	125
Total Receivables	125
8. Other Current Assets	
Lease incentive	196
Working accounts	(21)
Total Other Current Assets	175

9. **Property, Plant and Equipment**

	2001	Written
	Cost/ Valuation \$'000	Down Value \$'000
	Accumulated Depreciation/ Amortisation \$'000	
Leasehold improvements ⁽¹⁾	1 046	557
Information technology ⁽²⁾	79	41
Plant and equipment ⁽²⁾	563	291
Plant and equipment under finance lease	23	7
	<u>1 711</u>	<u>896</u>

(1) Valuations of leasehold improvements and furniture were done internally by the Attorney-General's Department on a square metre basis using valuation indices. These indices were provided by the Department for Administrative and Information Services.

(2) Valuations of other plant and equipment and information technology were conducted internally by the Attorney-General's Department based on current replacement costs, in accordance with Treasury's policy on valuations of non-current assets.

10. **Security Bonds Lodged**

	2001
	\$'000
Current:	20 531
Bonds lodged	12
Sale of goods	2
Rent held pursuant to tribunal direction	<u>2</u>
	<u>20 545</u>
Non-Current:	
Bonds lodged	<u>16 189</u>

11. **Payables**

Current:	
Creditors	514
Accruals	19
Total Current Payables	<u>533</u>

12. (a) **Other Liabilities**

Current:	
Finance lease (refer Note 12b)	7
Lease incentive	16
Total Other Current Liabilities	<u>23</u>
Non-Current:	
Finance lease (refer Note 12b)	1
Lease incentive	245
Total Other Non-Current Liabilities	<u>246</u>

(b) **Finance Leases**

At the reporting date, the Fund 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	7
Payable later than one year and not later than five years	1
Payable later than five years	-
Total Finance Leases	<u>8</u>
Minimum lease payments	8
Less: Future finance charges	-
Lease Liability	<u>8</u>
Classified as:	
Current	7
Non-current	1
	<u>8</u>

Finance leases exist in relation to certain office equipment assets. The leases are non-cancellable and for fixed terms of four years. The Fund guarantees the residual values of all assets leased. There are no contingent rentals.

13. **Equity**

Equity represents the residual interest in the Fund's net assets. The South Australian Government holds the equity interest in the Fund on behalf of the community. Equity comprises:

Accumulated Surplus	
Balance as at 1 July	9 100
Net operating deficit from ordinary activities	(510)
Balance as at 30 June	<u>8 590</u>

13.	Equity (continued)	2001	
	Asset Revaluation Reserve	\$'000	
	Balance as at 1 July	-	
	Revaluation Adjustments:		
	Investments	392	
	Building fixtures and fittings	203	
	Building furniture	107	
	Balance as at 30 June	<u>702</u>	
	Balance as at 30 June is made up of:		
	Investments	392	
	Building fixtures and fittings	203	
	Building furniture	107	
	Balance as at 30 June	<u>702</u>	
14.	Cash Flow Reconciliation		
	Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows		
	Cash at year end per Statement of Cash Flows	(76)	
	Statement of Financial Position items comprising above cash	(76)	
		<u>(152)</u>	
	Reconciliation of Operation Deficit to Net Cash used in Operating Activities		
	Net operating deficit	(510)	
	Add: Non-cash items:		
	Depreciation and amortisation	84	
	Change in assets and liabilities:		
	Movement in bonds	1 596	
	Increase in payables	181	
	Increase in other liabilities	77	
	Decrease in receivables	59	
	Movement in investments	(2 498)	
	Net Cash used in Operating Activities	<u>(1 011)</u>	
15.	Contingent Obligations		
	The Fund has no contingent obligations.		
16.	Remuneration of Auditors		
	The amount payable by the Fund for audit services during the reporting period was \$19 000. No other services were provided by the Auditor-General.		
17.	Average Staffing Levels		
	The average staffing levels for the business operation during the year were 46.		
18.	Financial Instruments		
	(a) Terms, Conditions and Accounting Policies.		
	<i>Financial Assets</i>		
	• Cash and Deposits are available at call and are recorded at cost. Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance.		
	• Receivables are reported at amounts due to the Fund. Receivables are due within 30 days of an invoice being raised.		
	• Investments are recorded at net fair value based upon valuation provided by the Public Trustee.		
	<i>Financial Liabilities</i>		
	• Payables and Accruals are raised from amounts unpaid and are settled within the normal terms of payment of 30 days, unless otherwise agreed.		
	(b) Interest Rate Risk		
		Total	
		Carrying	Weighted
		Amount as	Average
		per Statement	Effective
		of Financial	Interest
		Position	Rate
		\$'000	Percent
	Financial Assets:		
	Cash at hand	(76)	5.77
	Investments	45 708	6.5
	Receivables	-	
	Total	<u>45 632</u>	
	Financial Liabilities:		
	Payables	533	533
	Total	<u>533</u>	<u>533</u>
	(c) Net Fair Values		
	All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value. The carrying amount of Financial Assets approximates net fair value due to their short term maturity or being receivable on demand. The carrying amount of Financial Liabilities is considered to be a reasonable estimate of net fair value.		

PUBLIC TRUSTEE 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

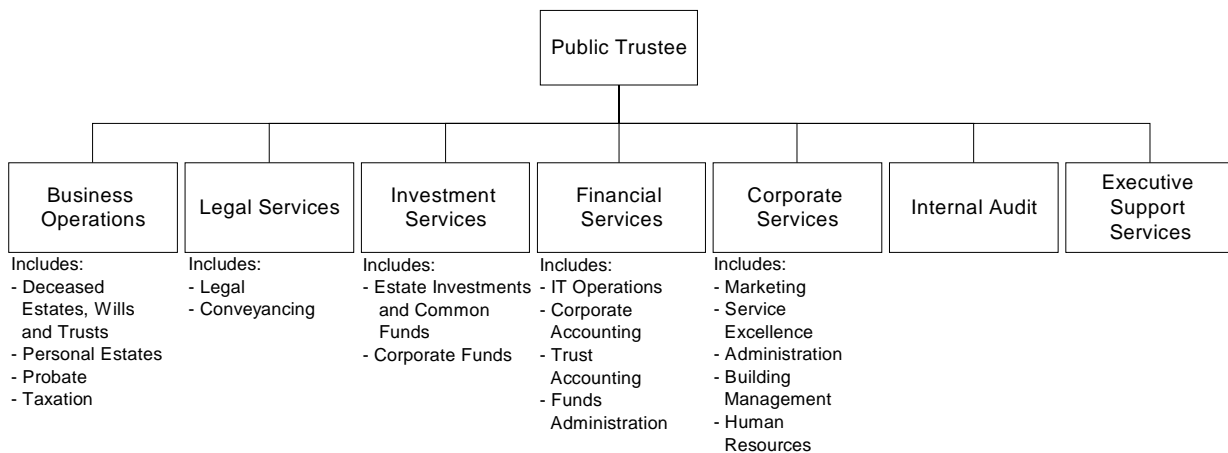
The Public Trustee has, in accordance with the *Trustee (Investment Powers) Amendment Act 1995*, a diversified funds management operation.

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 profit from ordinary activities before notional tax was \$2.9 million (\$3.5 million).
- Total distributions available to the State Government were \$2.5 million (\$2.1 million).

Statement of Trusts

- Total trust funds under administration increased by \$51.9 million (8.5 percent) to \$660.4 million.
- Net investment in common funds increased by \$28 million (5.9 percent) to \$502.2 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 2000-01 the following areas were the subject of audit attention:

Corporate Operations:

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

Estate Operations:

- revenue
- expenditure
- assets
- liabilities.

Common Funds:

- assets
- liabilities
- income
- expenditure
- distributions
- contributor funds

Investment Advisory Board Minutes:

In addition, Audit reviewed the work undertaken by the Internal Audit division.

Audit Communications to Management

A management letter communicating issues arising from the audit was forwarded to the Public Trustee and a 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. Further comments are outlined in 'Audit findings and comments' hereunder.

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 2000-01 year. The assessment took into account the extent of coverage given by Internal Audit to Public Trustee operations. While the overall control environment was found to be satisfactory, the audit did identify a number of issues in respect to Estate Assets.

Estate Assets

Valuation of Personal Chattels

The valuation basis used by Public Trustee to value personal chattels is as follows:

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 sundry minor items, nominal values are used for valuation purposes.

The review revealed that the above valuation basis has resulted in personal chattels being overvalued compared to current market value. While the initial values recorded are considered to be reliable, the fact that the Public Trustee does not, in the main, undertake a revaluation of personal chattels during the time that the estate is administered by Public Trustee, except when the estate is closed, has resulted in the values of assets being unreliable. This is more relevant to protected estates as opposed to deceased estates due mainly to the fact that protected estates are in the main administered over a longer period than deceased estates.

The assets included in personal chattels that have been subject to audit review include furniture and effects, motor vehicles and accommodation bonds.

In response to the issues raised by Audit, Public Trustee has:

- reclassified accommodation bonds as 'real estate' and has revalued these for the first time. The revaluation at 30 June 2001 has resulted in a write down in the value of accommodation bonds by \$653 000. Refer Note 1.2 of the Financial Statement for Trusts being Administered;
- advised that while no facility exists in the current Trust Accounting System to write down the value of motor vehicles to current market value, this will be considered as part of the implementation of the new Business System;
- advised that it will continue to value furniture and effects on the same basis as in the past.

Double Counting of Estate Assets

The audit review identified a number of estate assets that were being recognised twice in the accounts of Public Trustee. This has resulted in the value of personal chattel assets being overvalued in the past.

While Public Trustee has procedures in place to ensure that client accounts are closed off as appropriate, a breakdown in the established control process resulted in inaccurate recording of client estate assets and inaccurate disclosure of the value of estate assets administered by Public Trustee in its financial statements.

In response, the Public Trustee has reviewed its procedures and implemented revised procedures to address this issue. In addition, Public Trustee has made the necessary adjustments to personal chattels so that the financial statements reflect the actual assets being administered at 30 June. The comparative amount for personal chattels in the Statement of Trusts being Administered has been changed to reflect the change in the valuation policy. Refer Note 1.1 of the Financial Statements for Trusts being administered.

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 profit from ordinary activities before tax decreased by \$610 000 to \$2.9 million. This result reflects a decrease in revenues from ordinary activities.

The decrease in revenues from operating activities reflects an unrealised gain on investments that was recorded during 1999-2000. Refer Note 2.2.

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

Of the \$11.1 million incurred on expenses from ordinary activities, 66 percent of this represents salaries and related payments.

Statement of Trusts Being Administered

Trust funds administered by the Public Trustee increased to \$660.4 million (\$608.5 million), of which 42.7 percent (43.7 percent) relates to the administration of protected estates and aged and infirmed persons. Further, of the total funds being administered, 76.1 percent (77.9 percent) were invested in the various common funds, the remaining 23.9 percent (22.1 percent) represent estate assets.

With respect to estate assets:

- The value of real estate increased by \$12.3 million (12.2 percent) to \$112.6 million. This increase is in the main attributed to the revaluation of real estate which was undertaken at 30 June 2001. Refer to Note 1.2.
- Australian equities increased by \$9.2 million (68.3 percent) to \$22.7 million. This increase is mainly attributed to a new estate that was received during the year. The Australian equity holding of this new estate was valued at \$10.9 million at 30 June 2001.
- Fixed interest and cash assets increased by \$2.5 million (22.4 percent) to \$13.4 million, of which \$1 million relates to the same estate mentioned above.

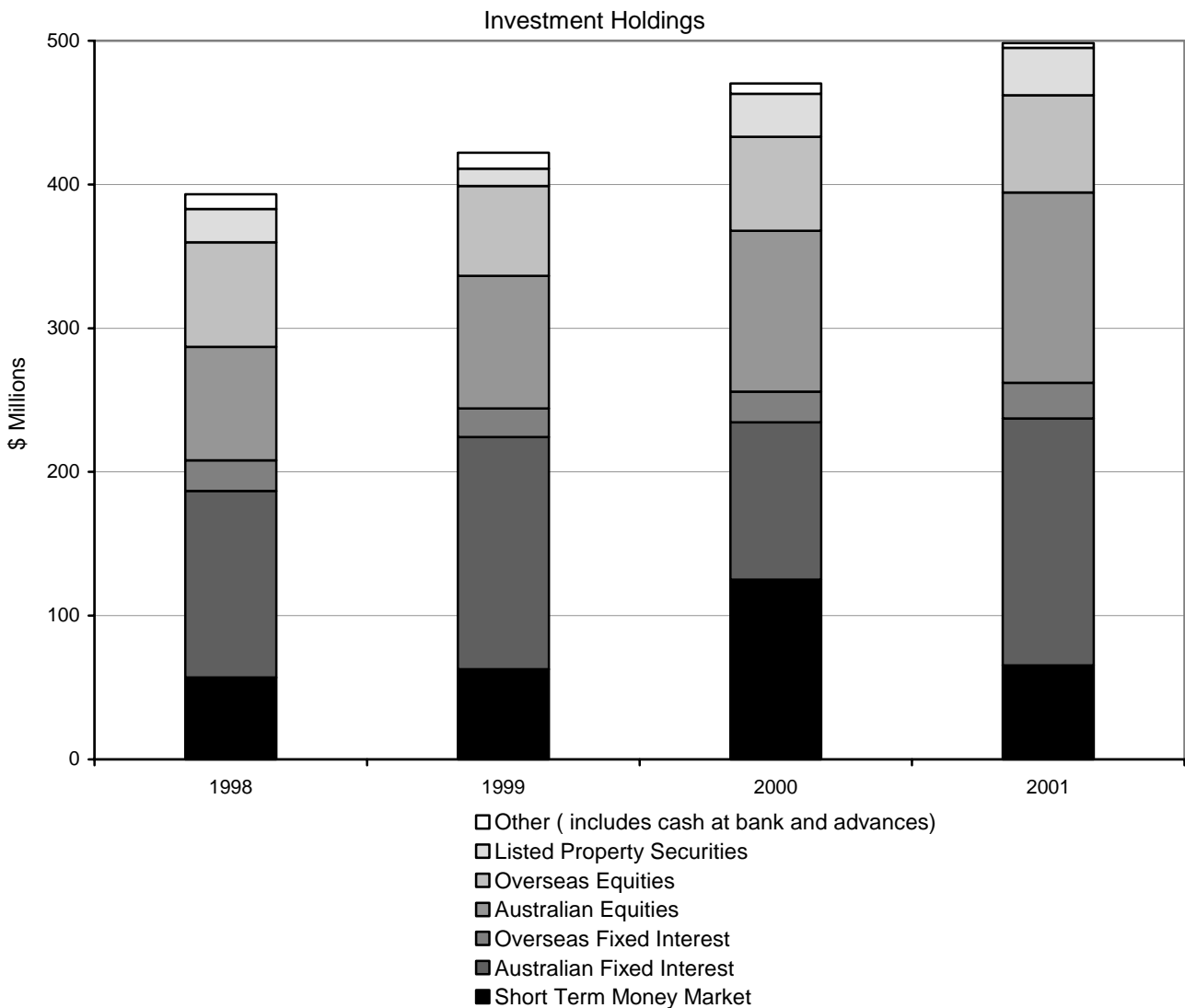
Common Funds

All common funds, with the exception of the Overseas Shares common fund, made an operating surplus for the year. The operating deficit for the Overseas Shares common funds was \$4.4 million (operating surplus of \$17 million in 1999-2000). The operating deficit reflects the decrease in the market value of international equities during the year.

Under section 20 of the *Public Trustee Act 1995*, the Public Trustee has the ability to accept investments from persons other than estates. Investments from persons other than estates represents 14.3 percent (14.1 percent) of the total trust funds being administered.

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 four years is illustrated in the following chart.



CORPORATE STATEMENTS

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Core activities	2.1	12 584	12 573
Other activities	2.2	1 474	2 092
Total Revenue		14 058	14 665
EXPENDITURE FROM ORDINARY ACTIVITIES:			
Salaries and related payments	3.1,3.2,3.3	7 368	7 084
Goods and services	3.4	2 218	3 079
Building expenses		390	376
Depreciation and amortisation		812	573
Unrealised loss on investments		340	-
Loss on disposal of investments		11	24
Total Expenditure		11 139	11 136
PROFIT FROM ORDINARY ACTIVITIES BEFORE NOTIONAL TAX		2 919	3 529
Income tax equivalent	1.3	(1 108)	(997)
PROFIT FROM ORDINARY ACTIVITIES AFTER NOTIONAL TAX		1 811	2 532
NET PROFIT		1 811	2 532
Net increase in asset revaluation reserve	11	188	534
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		1 999	3 066

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets		1 407	2 034
Receivables	4	665	915
Investments	5	997	-
Total Current Assets		3 069	2 949
NON-CURRENT ASSETS:			
Investments	5	8 985	8 777
Property, plant and equipment	7	7 669	6 961
Other	8	14	14
Total Non-Current Assets		16 668	15 752
Total Assets		19 737	18 701
CURRENT LIABILITIES:			
Payables	9	2 937	2 554
Provision for employee entitlements	10	478	563
Total Current Liabilities		3 415	3 117
NON-CURRENT LIABILITIES:			
Payables	9	243	240
Provision for employee entitlements	10	1 647	1 543
Total Non-Current Liabilities		1 890	1 783
Total Liabilities		5 305	4 900
NET ASSETS		14 432	13 801
EQUITY:			
Reserves	11	6 399	6 247
Retained profits	14	8 033	7 554
TOTAL EQUITY		14 432	13 801

Statement of Cash Flows for the year ended 30 June 2001

		2001 Inflows (Outflows)	2000 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
	Note	\$'000	\$'000
Fees and commissions received		12 584	12 712
Rent and sundry income received		757	898
Interest received		357	317
Dividend received		369	40
GST collected on revenue		1 327	-
Cash Receipts from Operating Activities		15 394	13 967
Payment to suppliers, clients and employees		(10 403)	(11 556)
Income tax equivalent paid to State Government		(884)	(630)
GST paid to suppliers		(376)	-
GST paid to ATO		(717)	-
Cash Payments in the Course of Operations		(12 380)	(12 186)
Net Cash provided by Operating Activities	12	3 014	1 781
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of equipment		218	1
Sale/redemption of shares and fixed interest securities		3 400	5 944
Payment for shares and fixed interest securities		(4 908)	(5 675)
Payment for plant and equipment		(1 204)	(1 306)
Net Cash used in Investing Activities		(2 494)	(1 036)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividend distribution to State Government		(1 147)	(1 147)
Net Cash used in Financing Activities		(1 147)	(1 147)
NET DECREASE IN CASH HELD		(627)	(402)
CASH AT 1 JULY		2 034	2 436
CASH AT 30 JUNE	13	1 407	2 034

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 \$1 108 000 (\$997 000) and a Wholesale Sales Tax Equivalent of \$nil (\$87 000).

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:

Class of Fixed Assets:

	Depreciation Rate Percent
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.

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

Other Non-Current Assets — are valued at 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 market 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 'payables'. (Refer Note 9).

Annual Leave

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

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.

1.6 **Insurance**

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

1.7 **Accounting for the Goods and Services Tax (GST)**

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

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

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

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

1.8 **Rounding**

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

2. Revenue		2001	2000
2.1 Core Operating Activities Comprise		\$'000	\$'000
Commissions ⁽¹⁾		6 617	6 901
Fees and charges ⁽¹⁾		1 284	1 363
Management fees ⁽²⁾		4 683	4 309
		12 584	12 593
		745	740
2.2 Other Operating Activities Comprise		13	20
Rent and other building income		87	124
Sundry income		280	288
Interest on operating and reserve accounts		248	139
Interest on fixed term investments ⁽¹⁾		2	1
Distributions from trusts ⁽²⁾		99	19
Gains on disposal of fixed assets ⁽³⁾		-	761
Gain on disposal of investments		1 474	2 092
Unrealised gain investments ⁽⁴⁾			

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

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

2.2 Other Operating Activities Comprise (continued)

- (1) Interest on Fixed Interest Investments includes amortisation of acquisition discounts and premiums on a straight line basis.
- (2) Distributions from trusts are recognised on a present entitlement basis.
- (3) 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 2000. An amount of \$761 000 was brought to account to recover the losses recorded in prior years. The remaining \$51 000 was transferred to the Investment Revaluation Reserve.

As at 30 June 2001 an unrealised loss of \$391 000 resulted from the revaluation of financial assets. An amount of \$340 000 was brought to account through the Statement of Financial Performance with the remaining \$51 000 transferred from the Investment Revaluation Reserve.

3. Expenditure

3.1 Superannuation

During 2000-01 Public Trustee paid an amount of \$702 000 (\$753 000) 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:

\$100 001 - \$110 000	1	2
\$130 001 - \$140 000	1	-
\$140 001 - \$150 000	-	1

	2001 Number of Employees	2000 Number of Employees
	1	2
	1	-
	-	1

Total remuneration received or due and receivable by employees was \$242 000 (\$348 000).

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	111	193
Annual and long service leave accrued over the period of employment paid to the employee who received TVSPs	87	193
	57	59

	2001 \$'000	2000 \$'000
	111	193
	87	193
	57	59

The number of employees who were paid TVSPs during the reporting period totalled 2 (3).

3.4 Auditors' Remuneration

Amounts paid to auditors during the year for auditing the accounts.

	83	77
--	----	----

3.5 Payments to Consultants

Below \$10 000: - 17 (26) consultancies	52	73
Between \$10 000 and \$50 000: - 3 (2) consultancies	61	51
Over \$50 000: - 0 (1) consultancies	-	62
	113	186

	52	73
	61	51
	-	62
	113	186

4. Receivables Comprise

Debtors	530	720
Accrued investment income	73	162
Prepayments	62	33
	665	915

	530	720
	73	162
	62	33
	665	915

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	997	-
Australian fixed interest	4 428	3 966
International equities	1 850	2 116
Australian equities	2 707	2 695
	9 982	8 777

	997	-
	4 428	3 966
	1 850	2 116
	2 707	2 695
	9 982	8 777

6. Financial Instruments

6.1 Market Value of Financial Assets and Liabilities

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

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

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

6.2 Investment in Collective Investment Vehicles

In addition to holding financial instruments directly, Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and International Equities. The managers of such vehicles will have invested in a variety of financial instruments, including derivatives, which expose Public Trustee to investment risks, including market risk, credit risk, interest 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 Statement of Financial Position and Notes to the Financial Statements.

Public Trustee has no exposure to derivative instruments.

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

6.4 Interest Rate Risk

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

	Weighted Average Interest Rate		Instruments Maturing or Re-pricing Within					
	2001	2000	1 Year or Less		1-5 Years		Over 5 Years	
			2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Cash	4.65	4.97	1 407	2 034	-	-	-	-
Short term investments	5.04	-	997	-	-	-	-	-
Australian fixed interest	5.85	6.44	1 997	1 993	-	991	2 431	982

7. Property, Plant and Equipment Comprise

	2001 \$'000	2000 \$'000
Machines and equipment at historical cost	3 935	3 563
Less: Accumulated depreciation	2 917	2 499
	1 018	1 064
Office furniture and fittings at historical cost	1 404	1 222
Less: Accumulated depreciation	673	745
	731	477
Land at independent valuation as at 30 June	650	480
Building at independent valuation as at 30 June	5 270	4 940
Total Property, Plant and Equipment	7 669	6 961

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 2001. This resulted in an increment to the valuation totalling \$239 000 (increment \$483 000) 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. Payables

Current Liabilities:	2001 \$'000	2000 \$'000
Trade creditors	599	817
Goods and Services Tax	233	-
Dividend due to State Government	1 368	1 147
On-costs on employee entitlements	127	117
Wholesale sales tax equivalent due	-	87
Income tax equivalent due	610	386
	2 937	2 554
Non-Current Liability:		
On-costs on employee entitlements	243	240

10. Provision for Employee Entitlements

Current Liabilities:		
Accrued salaries	-	115
Provision for long service leave	200	190
Accrued recreation leave	278	258
	478	563
Non-Current Liability:		
Provision for long service leave	1 647	1 543

11. Reserves		Transfers	
The balance of reserves, and the transfers to (from) reserves, which were brought through the Statement of Financial Position is as follows:	Balance	to (from)	Balance
	1.7.00	2000-01	30.6.01
Other Reserves comprise:	\$'000	\$'000	\$'000
Reserve for deficits and other losses ⁽¹⁾	669	(43)	626
Workers compensation reserve ⁽²⁾	336	7	343
Transferred to retained profits	1 005	(36)	969
Revaluation Reserve comprises:			
Land and building revaluation reserve ⁽³⁾	4 332	239	4 571
Machines and equipment revaluation reserve	859	-	859
Investment revaluation reserve	51	(51)	-
Total Reserves	6 247	152	6 399

(1) Payments amounting to \$43 000 (\$580 000) were made from the Reserve for Deficits and Other Losses.

(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 \$26 000 (\$65 000) less claims of \$19 000 (\$5 000).

(3) Land and Building was revalued to recoverable amount as at 30 June 2001.

12. Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Notional Tax	2001	2000
	\$'000	\$'000
Operating Profit after Notional Tax	1 811	2 532
Non-cash flows in operating profit after notional tax:		
Depreciation and amortisation	812	573
(Gain) loss on sale of equipment	(2)	(1)
Unrealised (gain) loss on revaluation of investments	340	(761)
Net (gain) loss on sale of investments	(88)	5
Change in assets and liabilities:		
(Increase) Decrease in sundry debtors	33	1 301
(Decrease) in sundry creditors	(147)	(1 616)
Increase in provision for employee entitlements and on-costs	31	72
(Decrease) Increase in provision for income tax	224	(324)
Net Cash provided by Operating Activities	3 014	1 781

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

14. Retained Profits	2001
	\$'000
Retained profits at 1 July	7 554
Net profit	1 811
Transfers from reserves	36
Special dividend provided for	(1 368)
Retained Profits at 30 June	8 033

STATEMENT OF TRUSTS BEING ADMINISTERED

Statement of Trusts being Administered as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
TRUST FUNDS UNDER ADMINISTRATION WERE:	3		
Deceased estates		100 993	74 267
Trusts		90 998	86 804
Administration matters		4 916	5 493
Court award orders		34 341	34 371
Protected estates		120 258	111 811
Aged and infirmed persons		162 055	153 952
Workers compensation awards		350	478
Powers of attorney		52 225	55 273
Investors		94 210	85 985
Suspense		62	30
TOTAL FUNDS		660 408	608 464
THESE FUNDS WERE REPRESENTED BY:			
INVESTMENT IN COMMON FUNDS:	1,3,2		
NON-CURRENT ASSETS:			
Australian equities		132 589	111 787
International equities		67 613	65 524
Listed property securities		33 002	29 909
Australian fixed interest investments		141 965	82 419
International fixed interest investments		22 710	19 986
Mortgages		-	175
		397 879	309 800
CURRENT ASSETS:			
Cash at bank		1 485	4 837
Short-term money market		65 460	125 023
Australian fixed interest investments		29 744	27 044
International fixed interest investments		2 036	1 380
Advances to estates		1 822	2 010
Sundry debtors		6 830	6 717
Distributions chargeable against future income		148	69
		107 525	167 080
CURRENT LIABILITIES:			
Bank overdraft		1 542	724
Income distribution payable		1 261	1 480
Sundry creditors		353	476
		3 156	2 680
NET INVESTMENT IN COMMON FUNDS		502 248	474 200
ESTATE ASSETS:	1.2		
NON-CURRENT ASSETS:			
Real estate		112 602	100 314
Personal chattels		11 444	11 784
Australian equities		22 658	13 464
Fixed interest and cash assets		13 425	10 967
Mortgages		784	1 113
		160 913	137 642
CURRENT ASSETS:			
Sundry debtors		973	736
CURRENT LIABILITIES:			
Sundry creditors		3 726	4 114
NET ESTATE ASSETS		158 160	134 264
NET ASSETS		660 408	608 464

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENT

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

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

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

AAS 1 Statement of Financial Performance
 AAS 28 Statement of Cash Flows
 AAS 36 Statement of Financial Position.

Statements required by these standards are not prepared.

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

Accommodation bonds have previously been brought to account in the Statement of Trusts Being Administered as Personal Chattels and are now reported within the Real Estate class of asset in the Statement. Comparative figures have been adjusted to conform with the change to the presentation of these assets.

In reporting the value of Trusts, Public Trustee has for the first time eliminated any duplication of assets opened in Deceased Estates as well as other Trust Estates. On the consolidation of the accounts in the Statement of Trusts Being Administered, the value of cash held by Public Trustee within the Personal Chattels class of assets have been eliminated to avoid duplication in the reporting of assets. Comparative figures have been adjusted to conform to the change to the reporting of these assets.

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. With the exception of Accommodation Bonds, revaluations are determined by reference to valuations established by the Valuer-General with a revaluation having been carried out as at 30 June 2001. Accommodation Bond revaluations are determined by reference to the terms of the Residential Services Agreements. Accommodation Bonds were revalued for the first time as at 30 June 2001.

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 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 — consists of investments in pooled funds which are valued in accordance with prices at the balance date as advised by the managers of funds.

Advances to Estate — are carried at their nominal amounts. Public Trustee is authorised by the *Public Trustee Act 1995* to advance monies where an estate has insufficient monies to make payments as authorised or required to administer the estate, usually on a short term basis. Funds advanced are a first charge on the estate's property vested under the control of the Public Trustee. The interest rate on advances was last fixed on 6 April 2001 by Public Trustee.

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

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

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

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

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

2. Operation of the Common 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
- Growth
- Equities

3. Trust Funds under Administration

	Number		Value	
	2001	2000	2001 \$'000	2000 \$'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> .	1 433	1 393	100 993	74 267
Trusts:				
Monies and assets held under the administration of the Public Trustee pursuant to the terms of a Will or a Deed of Trust.	1 334	1 375	90 998	86 804
Administration Matters:				
Monies paid and assets transferred to the Public Trustee on account of minor beneficiaries pursuant to <i>Public Trustee Act 1995</i> .	147	149	4 916	5 493
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.	706	724	34 341	34 371
Aged and Infirm Persons':				
Monies administered by the Public Trustee under the <i>Aged and Infirm Persons' Property Act 1940</i> .	230	228	162 055	153 952
Protected Estates:				
Monies administered by the Public Trustee under the <i>Guardianship and Administration Act 1993</i> .	2 488	2 397	120 258	111 811
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.	13	17	350	478
Powers of Attorney:				
Monies and assets held on behalf of donors who have appointed the Public Trustee to act on their behalf.	646	714	52 225	55 273
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.	248	166	94 210	85 985
	7 245	7 163	660 346	608 434

4. Unclaimed Monies

During the reporting period, unclaimed monies totalling \$250 000 (\$23 000) in respect of estates were paid to the Consolidated Account pursuant to section 32(1) of the *Public Trustee Act 1995*.

COMMON FUNDS STATEMENTS
CASH COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
INCOME:			
Interest	2	10 411	9 379
Realised gain on disposal of investments	3	1 021	340
Sundry income		-	-
Total Income		11 432	9 719
EXPENDITURE:			
Public Trustee management fees	5	1 721	1 617
Government fees and charges		99	99
Legal and advisory expenses		34	15
Realised loss on disposal of investments	3	1 023	337
Other expenses		43	44
Total Expenditure		2 920	2 112
Change in the net market value of investments	4	294	(191)
OPERATING SURPLUS		8 806	7 416
Undistributed income brought forward		2	(7)
Transfers from funds employed to determine distributable income	10	(293)	267
FUNDS AVAILABLE FOR DISTRIBUTION		8 515	7 676
Less: Distributions made	6	8 498	7 674
INCOME HELD AWAITING DISTRIBUTION		17	2

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash at bank		22	21
Short-term money market		65 460	125 023
Australian fixed interest investments		29 744	11 996
Advances to estates		1 822	2 010
Advances to other common funds		437	27
Distributions chargeable against future income		-	-
Sundry debtors		909	475
		98 394	139 552
NON-CURRENT ASSETS:			
Australian fixed interest investments		56 570	34 514
Total Assets		154 964	174 066
CURRENT LIABILITIES:			
Income distribution payable		17	2
Bank overdraft		1 542	724
Sundry creditors		326	449
Total Liabilities		1 885	1 175
NET ASSETS		153 079	172 891
FUNDS EMPLOYED:			
Contributors funds	10	140 840	138 646
Funds deposited by other common funds		12 437	34 735
Reserves		(198)	(490)
TOTAL FUNDS EMPLOYED		153 079	172 891

Statement of Cash Flows for the year ended 30 June 2001

		2001	2000
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		10 561	9 104
Payments for expenses		(1 911)	(1 772)
Net Cash provided by Operating Activities	11.1	8 650	7 332
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net (payments for) repayments of advances to estates	11.4	188	613
Net repayments of (payments for) advances to other common funds		-	-
Payments for Australian fixed interest investments		(51 515)	(8 420)
Proceeds from realisations of Australian fixed interest investments		12 000	27 696
Payments for short term money market investments		(83 975)	(195 303)
Proceeds from realisations of short term money market investments		142 972	138 715
Net Cash provided by (used in) Investing Activities		19 670	(36 699)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net contributions from contributors	11.4	2 070	17 247
Net contributions (to) from other common funds	11.4	(22 709)	21 151
Distributions paid		(8 498)	(7 674)
Net Cash (used in) provided by Financing Activities		(29 137)	30 724
NET (DECREASE) INCREASE IN CASH HELD		(817)	1 357
CASH AT 1 JULY	11.2	(703)	(2 060)
CASH AT 30 JUNE	11.2	(1 520)	(703)

SHORT-TERM FIXED INTEREST COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2001

		2001	2000
INCOME:	Note	\$'000	\$'000
Interest	2	1 967	2 533
Realised gain on disposal of investments	3	491	1 199
Total Income		2 458	3 732
EXPENDITURE:			
Public Trustee management fees	5	255	348
Government fees and charges		9	7
Legal and advisory expenses		5	4
Realised loss on disposal of investments	3	458	1 513
Other expenses		-	1
Total Expenditure		727	1 873
Change in the net market value of investments	4	2	(153)
OPERATING SURPLUS		1 733	1 706
Undistributed income brought forward		1	-
Transfers from funds employed to determine distributable income	10	(35)	467
FUNDS AVAILABLE FOR DISTRIBUTION		1 699	2 173
Less: Distributions made	6	1 699	2 172
INCOME HELD AWAITING DISTRIBUTION		-	1

Statement of Financial Position as at 30 June 2001

		2001	2000
CURRENT ASSETS:	Note	\$'000	\$'000
Deposits with other common funds		6 155	6 152
Australian fixed interest investments		-	13 048
Mortgages		-	175
Sundry debtors		377	661
		6 532	20 036
NON-CURRENT ASSETS:			
Australian fixed interest investments		28 128	12 979
		28 128	12 979
Total Assets		34 660	33 015
CURRENT LIABILITIES:			
Income distribution payable		-	1
Sundry creditors		2	2
Total Liabilities		2	3
NET ASSETS		34 658	33 012
FUNDS EMPLOYED:	10		
Contributors funds		35 283	33 672
Reserves		(625)	(660)
TOTAL FUNDS EMPLOYED		34 658	33 012

Statement of Cash Flows for the year ended 30 June 2001

		2001	2000
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Interest received		2 745	3 591
Payments for expenses		(270)	(357)
Net Cash provided by Operating Activities	11.1	2 475	3 234
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Australian fixed interest investments		(18 794)	(2 517)
Proceeds from realisations of Australian fixed interest investments		16 240	13 469
Proceeds from repayments of mortgages		170	3 162
Net Cash (used in) provided by Investing Activities		(2 384)	14 114
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		8 444	(58 499)
Redemptions paid to contributors		(6 833)	45 184
Distributions paid		(1 698)	(2 172)
Net Cash (used in) Financing Activities		(87)	(15 487)
NET INCREASE IN CASH HELD		4	1 861
CASH AT 1 JULY	11.2	6 151	4 291
CASH AT 30 JUNE	11.2	6 155	6 152

LONG TERM FIXED INTEREST COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
INCOME:			
Interest	2	3 756	3 770
Realised gain on disposal of investments	3	113	3 459
Total Income		3 869	7 229
EXPENDITURE:			
Public Trustee management fees	5	478	541
Government fees and charges		6	7
Legal and advisory expenses		10	5
Realised loss on disposal of investments	3	59	3 804
Total Expenditure		553	4357
Change in the net market value of investments	4	(171)	(1)
OPERATING SURPLUS		3 145	2 871
Undistributed income brought forward		2	1
Transfers from funds employed to determine distributable income	10	118	346
FUNDS AVAILABLE FOR DISTRIBUTION		3 265	3 218
Less: Distributions made	6	3 265	3 216
INCOME HELD AWAITING DISTRIBUTION		-	2

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Deposits with other common funds		4 353	25 655
Australian fixed interest investments		-	2 000
Sundry debtors		897	772
		5 250	28 427
NON-CURRENT ASSETS:			
Australian fixed interest investments		57 267	34 926
		57 267	34 926
Total Assets		62 517	63 353
CURRENT LIABILITIES:			
Income distribution payable		-	2
Sundry creditors		4	5
Total Liabilities		4	7
NET ASSETS		62 513	63 346
FUNDS EMPLOYED:	10		
Contributors funds		63 037	63 753
Reserves		(524)	(407)
TOTAL FUNDS EMPLOYED		62 513	63 346

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		4 190	4 767
Payments for expenses		(500)	(543)
Net Cash provided by Operating Activities	11.1	3 690	4 224
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Australian fixed interest investments		(28 073)	(7 086)
Proceeds from realisations of Australia fixed interest investments		7 061	21 219
Proceeds from repayments of advance for building		-	248
Net Cash (used in) provided by Investing Activities		(21 012)	14 381
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		17 719	11 654
Redemptions paid to contributors		(18 436)	(5 820)
Distributions paid		(3 264)	(3 216)
Net Cash (used in) provided by Financing Activities		(3 981)	2 618
NET (DECREASE) INCREASE IN CASH HELD		(21 303)	21 223
CASH AT 1 JULY	11.2	25 656	4 432
CASH AT 30 JUNE	11.2	4 353	25 655

OVERSEAS FIXED INTEREST COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
INCOME:			
Interest	2	1 116	661
Realised gain on disposal of investments	3	3 334	1 700
Sundry income		3	-
Total Income		4 453	2 361
EXPENDITURE:			
Public Trustee management fees	5	258	151
Legal and advisory expenses		5	2
Realised loss on disposal of investments	3	606	1 512
Other expenses		9	44
Total Expenditure		878	1 709
Change in the net market value of investments	4	(1 173)	383
OPERATING SURPLUS		2 402	1 035
Undistributed income brought forward		-	7
Transfers (from) to funds employed to determine distributable income	10	809	(571)
FUNDS AVAILABLE FOR DISTRIBUTION		3 211	471
Less: Distributions made	6	3 211	471
INCOME HELD AWAITING DISTRIBUTION		-	-

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash at bank		-	3 310
Deposits with other common funds		-	776
Sundry debtors		2 040	468
		2 040	4 554
NON-CURRENT ASSETS:			
International fixed interest investments		22 710	19 986
Total Assets		24 750	24 540
CURRENT LIABILITIES:			
Borrowings from other common funds		437	-
Sundry creditors		3	2
Total Liabilities		440	2
NET ASSETS		24 310	24 538
FUNDS EMPLOYED:	10		
Contributors funds		25 480	24 899
Reserves		(1 170)	(361)
TOTAL FUNDS EMPLOYED		24 310	24 538

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		835	1 067
Payments for expenses		(274)	(196)
Net Cash provided by Operating Activities	11.1	561	871
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for international fixed interest investments		(35 256)	(50 555)
Proceeds from realisations of international fixed interest investments		32 308	50 298
Net Cash (used in) Investing Activities		(2 948)	(257)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		7 096	25 748
Redemptions paid to contributors		(6 515)	(23 292)
Distributions paid		(3 210)	(471)
Net Cash (used in) provided by Financing Activities		(2 629)	1 985
NET (DECREASE) INCREASE IN CASH HELD		(5 016)	2 599
CASH AT 1 JULY	11.2	4 086	2 192
Effect of exchange rate changes of foreign cash holdings		493	(705)
CASH AT 30 JUNE	11.2	(437)	4 086

AUSTRALIAN SHARES COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2001

		2001	2000
INCOME:	Note	\$'000	\$'000
Dividends	2	4 278	2 813
Distributions	2	1 039	852
Interest	2	101	159
Realised gain on disposal of investments	3	1 661	7 536
Sundry Income		6	16
Total Income		7 085	11 376
EXPENDITURE:			
Public Trustee management fees	5	1 240	946
Government fees and charges		6	15
Legal and advisory expenses		26	14
Realised loss on disposal of investments	3	2 276	6 749
Total Expenditure		3 548	7 724
Change in net market value of investments	4	9 823	11 198
OPERATING SURPLUS		13 360	14 850
Undistributed income brought forward		3	2
Transfers (to) funds employed to determine distributable income	10	(9 836)	(6 553)
FUNDS AVAILABLE FOR DISTRIBUTION		3 527	8 299
Less: Distributions made	6	3 516	8 296
INCOME HELD AWAITING DISTRIBUTION		11	3

Statement of Financial Position as at 30 June 2001

		2001	2000
CURRENT ASSETS:	Note	\$'000	\$'000
Deposits with other common funds		275	-
Sundry debtors		1 494	1 151
		1 769	1 151
NON-CURRENT ASSETS:			
Australian equities		132 589	111 787
		132 589	111 787
Total Assets		134 358	112 938
CURRENT LIABILITIES:			
Income distribution payable		11	3
Borrowings from other common funds		-	27
Sundry creditors		8	7
Total Liabilities		19	37
NET ASSETS		134 339	112 901
FUNDS EMPLOYED:	10		
Contributors funds		96 087	84 485
Reserves		38 252	28 416
TOTAL FUNDS EMPLOYED		134 339	112 901

Statement of Cash Flows for the year ended 30 June 2001

		2001	2000
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Dividends and distributions received	11.3	3 632	2 025
Interest received		101	159
Other income		4	-
Payments for expenses		(1 285)	(960)
Net Cash provided by Operating Activities	11.1	2 452	1 224
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Australian equities		(15 726)	(35 790)
Proceeds from realisations of Australian equities		5 490	29 355
Net Cash (used in) Investing Activities		(10 236)	(6 435)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		27 102	32 389
Redemptions paid to contributors		(15 500)	(19 095)
Distributions paid		(3 516)	(8 296)
Net Cash provided by Financing Activities		8 086	4 998
NET INCREASE (DECREASE) IN CASH HELD		302	(213)
CASH AT 1 JULY	11.2	(27)	186
CASH AT 30 JUNE	11.2	275	(27)

OVERSEAS SHARES COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2001

		2001	2000
		\$'000	\$'000
INCOME:	Note		
Dividends	2	655	555
Distributions	2	-	1 926
Interest	2	89	109
Realised gain on disposal of investments	3	664	5 019
Sundry income		106	75
Total Income		1 514	7 684
EXPENDITURE:			
Public Trustee management fees	5	769	685
Government fees and charges		1	4
Legal and advisory expenses		16	6
Other expenses		143	85
Realised loss on disposal of investments	3	363	2 773
Total Expenditure		1 292	3 553
Change in the net market value of investments	4	(4 640)	12 889
OPERATING (DEFICIT) SURPLUS		(4 418)	17 020
Undistributed income brought forward		(69)	1
Transfers from (to) funds employed to determine distributable income	10	4 699	(6 006)
FUNDS AVAILABLE FOR DISTRIBUTION		212	11 015
Less: Distributions made	6	360	11 084
INCOME HELD AWAITING DISTRIBUTION		(148)	(69)

Statement of Financial Position as at 30 June 2001

		2001	2000
		\$'000	\$'000
CURRENT ASSETS:	Note		
Cash at bank		1 463	1 506
Deposits with other common funds		922	394
International fixed interest investments		2 036	1 380
Distributions chargeable against future income		148	69
Sundry debtors		604	2 770
		5 173	6 119
NON-CURRENT ASSETS:			
International equities		67 613	65 524
Total Assets		72 786	71 643
CURRENT LIABILITIES:			
Sundry creditors		8	10
Total Liabilities		8	10
NET ASSETS		72 778	71 633
FUNDS EMPLOYED:	10		
Contributors funds		57 014	51 170
Reserves		15 764	20 463
TOTAL FUNDS EMPLOYED		72 778	71 633

Statement of Cash Flows for the year ended 30 June 2001

		2001	2000
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
Dividends received		2 588	1 059
Interest received		89	110
Sundry income		6	5
Payments for expenses		(939)	(774)
Net Cash provided by Operating Activities	11.1	1 744	400
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for international equities		(9 003)	(15 768)
Proceeds from realisations of international equities		2 307	26 858
Payments for international fixed interest investments		(1 836)	(1 260)
Proceeds from realisations of international fixed interest investments		1 555	1 332
Net Cash (used in) provided by Investing Activities		(6 977)	11 162
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		17 315	20 746
Redemptions paid to contributors		(11 472)	(24 691)
Distributions paid		(360)	(11 084)
Net Cash provided by (used in) Financing Activities		5 483	(15 029)
NET INCREASE (DECREASE) IN CASH HELD		250	(3 467)
CASH AT 1 JULY	11.2	1 900	5 196
Effect of exchange rate changes on foreign cash holdings		235	171
CASH AT 30 JUNE	11.2	2 385	1 900

LISTED PROPERTY SECURITIES COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
INCOME:			
Distributions	2	2 457	1 846
Interest	2	39	187
Realised gain on disposal of investments	3	833	1 230
Total Income		3 329	3 263
EXPENDITURE:			
Public Trustee management fee	5	331	192
Government fees and charges		6	3
Legal and advisory expenses		7	1
Realised loss on disposal of investments		427	1 103
Total Expenditure		771	1 299
Change in the net market value of investments	4	1 133	1 114
OPERATING SURPLUS		3 691	3 078
Undistributed income brought forward		1 473	2 001
Transfers (to) funds employed to determine distributable income	10	(1 139)	(1 200)
FUNDS AVAILABLE FOR DISTRIBUTION		4 025	3 879
Less: Distributions made	6	2 792	2 406
INCOME HELD AWAITING DISTRIBUTION		1 233	1 473

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Deposits with other Common Funds		731	1 758
Sundry debtors		509	420
		1 240	2 178
NON-CURRENT ASSETS:			
Listed property securities		33 002	29 909
Total Assets		34 242	32 087
CURRENT LIABILITIES:			
Income distribution payable		1 233	1 473
Sundry creditors		2	1
Total Liabilities		1 235	1 474
NET ASSETS		33 007	30 613
FUNDS EMPLOYED:	10		
Contributors funds		30 304	29 049
Reserves		2 703	1 564
TOTAL FUNDS EMPLOYED		33 007	30 613

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Dividends and distributions received		1 431	1 488
Interest received		40	187
Payments for expenses		(364)	(193)
Net Cash provided by Operating Activities	11.1	1 107	1 482
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for listed property trusts		(7 802)	(19 475)
Proceeds from realisations of listed property trusts		7 205	2 937
Net Cash (used in) Investing Activities		(597)	(16 538)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		8 068	19 176
Redemptions paid to contributors		(6 813)	(1 889)
Distributions paid		(2 792)	(2 406)
Net Cash (used in) provided by Financing Activities		(1 537)	14 881
NET DECREASE IN CASH HELD		(1 027)	(175)
CASH AT 1 JULY	11.2	1 758	1 933
CASH AT 30 JUNE	11.2	731	1 758

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 2000-01, has nil assets and liabilities and has not been reported.

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

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

On 1 July 2000, changes to tax law relating to the application of imputation credits was introduced and the benefits of investing in the Tax Exempt Standard Investment Strategies were nullified. As a result on 1 January 2001 the Balanced (Tax Exempt) and Growth (Tax Exempt) Standard Investment Strategies ceased existence and client balances were transferred to the Balanced and Growth Strategies respectively.

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 2001:

Adviser:
Dresdner Bank

Assets on which advice is taken:
International Equities

National Australia Bank Custodial Services was custodian for the period 1 July 2000 to 30 June 2001 and provides accounting and settlement services in relation to those international investments.

Australian and international equity investments have also been made using Australian domiciled pooled funds. At 30 June 2001, the following pooled fund investments were held:

- ING Mercantile Mutual Wholesale Emerging Companies Trust
- Dresdner RCM International Equities Fund
- Zurich Scudder Global Small Companies Trust
- BIAM Australia Fixed Interest Fund
- BNP Paribas FFTW Global Fixed Income Fund.

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 — consist of investments in pooled funds which are valued in accordance with prices at the balance date as advised by the managers of the funds.

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

Mortgage Investments — Mortgage investments were finalised during the 2000-01 period and there are no immediate plans to reintroduce this style of investment. These investments were 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.

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 Financial Position against the asset classes appropriate to the nature of asset they are replicating. Unrealised gains and losses arising on the revaluation of derivative instruments are brought to account as part of Change in the Net Market Value of Investments in the common funds' Statements of Financial Performance.

Disclosure of Realised Gains and Losses on disposal of investments is on a gross basis as opposed to a net basis in previous periods in accordance with new accounting standard disclosure requirements.

1.4 Common Fund Foreign Exchange Gains and Losses

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

2. Recognition of Revenue

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

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

4. Recognition of Unrealised Gains and Losses

Assets of the common funds have been measured at net market values after allowing for the costs of realisation. The Australian Accounting Standard 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 Financial Performance in the periods in which they occur. Unrealised gains are not distributed and are transferred to Reserves.

5. Management Fees

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

6. Distributions

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

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

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

7. Taxation

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

8. Financial Instruments

8.1 Net Market Value of Financial Assets and Liabilities

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

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

- Short Term Money Market
- Australian Fixed Interest Investments
- International Fixed Interest Investments ⁽¹⁾
- Australian Equities other than investments of \$8 997 000 (\$8 490 000) 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 \$24 334 000 (\$21 457 000) 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.

- (1) The Overseas Fixed Interest Fund invested solely in discreet investments for the 1999-2000 reporting period and pooled fund investments for the 2000-01 reporting period.

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 Financial Position and notes to the financial statements.

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

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

- Sovereign debt of the Australian Commonwealth and State Governments
- Sovereign debt of the foreign governments
- Banking corporations
- Corporate debt of investment grade
- 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					
	2001 Percent	2000 Percent	1 Year or Less		1 to 5 Years		Over 5 Years	
			2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<i>Cash Common Fund</i>								
Cash at bank	-	-	22	21	-	-	-	-
Short-term deposits	4.99	5.97	2 450	2 100	-	-	-	-
Bank bills	5.02	6.14	63 010	122 923	-	-	-	-
Floating rate notes	5.39	6.64	51 575	34 514	-	-	-	-
Australian fixed interest	5.28	6.18	24 748	11 996	9 991	-	-	-
Advances to Common Funds	4.20	5.20	437	27	-	-	-	-
Advances to estates	7.50	8.50	1 822	2 010	-	-	-	-
			144 064	173 591	9 991	-	-	-
<i>Bank Overdraft</i>	7.45	7.20	1 979	724	-	-	-	-

8.4	Interest Rate Risk (continued)	Weighted Average		Instruments Maturing or Re-pricing Within					
		Interest Rate		1 Year or Less		1 to 5 Years		Over 5 Years	
		2001 Percent	2000 Percent	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
	<i>Short-Term Fixed Interest Common Fund:</i>								
	Deposits with other Common Funds	4.20	5.20	6 155	6 152	-	-	-	-
	Australian fixed interest	5.50	6.25	10 140	13 048	17 988	12 979	-	-
	Mortgages	-	6.84	-	175	-	-	-	-
				16 295	19 375	17 988	12 979	-	-
	<i>Long-Term Fixed Interest Common Fund:</i>								
	Deposits with other Common Funds	4.20	5.20	4 353	25 655	-	-	-	-
	Australian fixed interest	5.89	6.35	2 031	2 000	46 691	22 547	8 545	12 379
				6 384	27 655	46 691	22 547	8 545	12 379
	<i>Overseas Fixed Interest Common Fund:</i>								
	Deposit with other Common Funds	-	5.20	-	776	-	-	-	-
	Cash at bank	-	0.01	-	3 310	-	-	-	-
	International fixed interest	-	5.66	22 710	948	-	4 399	-	14 639
				22 710	5 034	-	4 399	-	14 639
	<i>Borrowings from Common Funds</i>	4.20	-	437	-	-	-	-	-
	<i>Australian Shares Common Fund</i>								
	Deposits with other Common Funds	4.20	-	275	-	-	-	-	-
	<i>Borrowings from Common Funds</i>	-	5.20	-	27	-	-	-	-
	<i>Overseas Shares Common Fund</i>								
	Deposits with other Common Funds	4.20	5.20	922	394	-	-	-	-
	Cash at Bank	4.70	1.47	1 463	1 506	-	-	-	-
	International Fixed Interest	3.63	5.93	2 036	1 380	-	-	-	-
				4 421	3 280	-	-	-	-
	<i>Listed Property Securities Common Fund</i>								
	Deposits with other Common funds	4.20	5.20	731	1 758	-	-	-	-

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 \$nil (56 000). The market value of the open contracts was \$nil (\$34 000).

In accordance with the valuation policy for derivative instruments, the net fair value of derivatives are brought to account in the Statements of Financial Position 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 Financial Performance.

8.6 Forward Exchange Contracts

The Overseas Shares Common Fund utilises forward exchange contracts to manage currency exposures.

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 moved from discrete investments to pooled funds combining foreign exchange hedging consistent with the level of cover in previous years. This fund was fully invested in pooled funds as at 30 June 2001. 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	2001		2000		2000	
	Gross Exposure \$'000	Forward Rate Agreements \$'000	Net Exposure \$'000	Gross Exposure \$'000	Forward Rate Agreements \$'000	Net Exposure \$'000
<i>Overseas Shares Common Fund</i>						
USD	27 441	-	27 441	25 341	-	25 341
JPY	5 530	-	5 530	6 662	-	6 662
GBP	4 482	-	4 482	4 363	-	4 363
EUR	7 924	-	7 924	9 056 *	-	9 056
Other	1 855	-	1 855	2 496 *	-	2 496
	47 232	-	47 232	47 918	-	47 918

8.6 Forward Exchange Contracts (continued)

	2001			2000		
	Gross Exposure	Forward Rate Agreements	Net Exposure	Gross Exposure	Forward Rate Agreements	Net Exposure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Overseas Fixed Interest Common Fund						
USD	-	-	-	8 655	(5 341)	3 314
JPY	-	-	-	3 010	(459)	2 551
GBP	-	-	-	2 995	(1 748)	1 247
EUR	-	-	-	5 229	(1 360)*	3 869
CAD	-	-	-	473	377	850
Other	-	-	-	-	173 *	173
	-	-	-	20 362	(8 358)	12 004

* 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.

In accordance with the valuation policy for derivative instruments, the net market value of forward exchange contracts are brought to account in the Statements of Financial Position and unrealised gains are included as part of change in the Net Market Value of Investments in the Statements of Financial Performance.

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.

	2001		2000	
	Purchase Price	Redemption Price	Purchase Price	Redemption Price
	\$	\$	\$	\$
Common Fund Unit Prices at 30 June:				
Short-term fixed interest	1.0010	0.9980	0.9994	0.9964
Long-term fixed interest	1.0143	1.0113	1.0161	1.0131
Overseas fixed interest	1.0005	1.0005	1.0327	1.0327
Australian shares	2.1237	2.1110	1.9680	1.9563
Overseas shares	1.4042	1.3944	1.4952	1.4848
Listed property securities	1.0635	1.0572	1.0261	1.0200

Movements in Common Funds Units

	Common Fund							
	Cash		Short-Term Fixed Interest		Long-Term Fixed Interest		Overseas Fixed Interest	
	2001	2000	2001	2000	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contributor Units:								
Opening balance	22 646	25 015	33 082	46 691	62 433	56 669	23 761	21 356
Contributions	5 214	28 632	8 418	31 807	17 283	11 541	6 622	25 187
Redemptions	(4 044)	(31 001)	(6 825)	(45 416)	(17 995)	(5 777)	(6 085)	(22 782)
Closing Balance	23 816	22 646	34 675	33 082	61 721	62 433	24 298	23 761

	Common Fund				Listed Property Securities	
	Australian Shares		Overseas Shares		2001	2000
	2001	2000	2001	2000	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contributor Units:						
Opening balance	57 711	50 943	48 241	52 301	30 012	12 538
Contributions	13 862	17 249	11 625	13 612	7 740	19 377
Redemptions	(7 935)	(10 481)	(7 779)	(17 672)	(6 531)	(1 903)
Closing Balance	63 638	57 711	52 087	48 241	31 221	30 012

10. Movements in Funds Employed

	Common Fund							
	Cash		Short-Term Fixed Interest		Long-Term Fixed Interest		Overseas Fixed Interest	
	2001	2000	2001	2000	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contributor Funds:								
Opening balance	138 646	121 526	33 672	46 987	63 753	57 919	24 899	22 443
Contributions ⁽¹⁾	2 194	17 120	8 444	31 869	17 719	11 654	7 096	25 748
Redemptions	-	-	(6 833)	(45 184)	(18 436)	(5 820)	(6 515)	(23 292)
Closing Balance	140 840	138 646	35 283	33 672	63 036	63 753	25 480	24 899
Reserves:								
Opening balance	(490)	(223)	(660)	(193)	(407)	(61)	(361)	(932)
Realised gains	1 021	340	491	1 199	113	3 459	1 584	1 700
Realised losses	(1 023)	(337)	(458)	(1 513)	(59)	(3 804)	(606)	(1 512)
Capital distribution received	-	-	-	-	-	-	1 750	-
Unrealised gains (losses)	294	(191)	2	(153)	(170)	(1)	(1 174)	383
Capital distribution paid/transferred	-	(79)	-	-	-	-	(2 363)	-
Closing Balance	(198)	(490)	(625)	(660)	(523)	(407)	(1 170)	(361)

10. **Movements in Funds Employed (continued)**

	Australian Shares		Common Fund Overseas Shares		Listed Property Securities	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Contributor Funds:						
Opening balance	84 485	71 192	51 170	55 116	29 049	11 762
Contributions	27 102	32 388	17 316	20 746	8 068	19 176
Redemptions	(15 500)	(19 095)	(11 472)	(24 692)	(6 813)	(1 889)
Closing Balance	96 087	84 485	57 014	51 170	30 304	29 049
Reserves:						
Opening balance	28 416	21 862	20 463	14 456	1 564	364
Realised gains	1 661	7 536	664	5 019	833	1 230
Realised losses	(2 276)	(6 749)	(363)	(2 773)	(427)	(1 103)
Capital distributions received ⁽²⁾	787	527	-	1 926	230	247
Unrealised gains	9 823	11 198	(4 640)	12 889	1 133	1 114
Capital distribution paid or payable	(159)	(5 958)	(360)	(11 054)	(630)	(288)
Closing Balance	38 252	28 416	15 764	20 463	2 703	1 564

- (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		2001	2000
11.1 Reconciliation of Net Cash provided by Operating Activity to		\$'000	\$'000
Operating Surplus			
<i>Cash Common Fund</i>			
Operating surplus		8 806	7 416
Non-cash flows in operating surplus:			
Change in the net market value of investments		(294)	191
Net realised loss (gain) on disposal of investments		2	(3)
Amortisation of discounts and premiums		569	(576)
Change in assets and liabilities:			
(Increase) Decrease in sundry debtors		(434)	301
Increase in sundry creditors		1	3
Net Cash provided by Operating Activities		8 650	7 332
<i>Short-Term Fixed Interest Common Fund</i>			
Operating surplus		1 733	1 706
Non-cash flows in operating surplus:			
Change in the net market value of investments		(2)	153
Net realised (gain) loss on disposal of investments		(33)	314
Amortisation of discounts and premiums		493	792
Change in assets and liabilities:			
Decrease in sundry debtors		284	267
Increase in sundry creditors		-	2
Net Cash provided by Operating Activities		2 475	3 234
<i>Long-Term Fixed Interest Common Fund</i>			
Operating surplus		3 145	2 871
Non-cash flows in operating surplus:			
Change in the net market value of investments		171	1
Net realised (gain) loss on disposal of investments		(54)	345
Amortisation of discounts and premiums		554	867
Change in assets and liabilities:			
(Increase) Decrease in sundry debtors		(125)	135
(Decrease) Increase in sundry creditors		(1)	5
Net Cash provided by Operating Activities		3 690	4 224
<i>Overseas Fixed Interest Common Fund</i>			
Operating surplus		2 402	1 035
Non-cash flows in operating surplus:			
Change in the net market value of investments		1 173	(383)
Net realised gain on disposal of investments		(978)	(188)
Distributions reinvested and not received in cash		(3)	-
Amortisation of discounts and premiums		(21)	169
Change in assets and liabilities:			
(Increase) Decrease in sundry debtors		(2 011)	237
(Decrease) Increase in sundry creditors		(1)	1
Net Cash (used in) provided by Operating Activities		(561)	871

11.1	Reconciliation of Net Cash provided by Operating Activity to Operating Surplus (continued)	2001	2000
		\$'000	\$'000
	<i>Australian Shares Common Fund</i>		
	Operating surplus	13 360	14 850
	Non-cash flows in operating surplus:		
	Change in the net market value of investments	(9 823)	(11 198)
	Net realised loss (gain) loss on disposal of investments	615	(787)
	Dividends and other income reinvested and not received in cash	(1 358)	(1 176)
	Change in assets and liabilities:		
	Increase in sundry debtors	(343)	(471)
	Increase in sundry creditors	1	6
	Net Cash provided by Operating Activities	2 452	1 224
	<i>Overseas Shares Common Fund</i>		
	Operating (deficit) surplus	(4 418)	17 020
	Non-cash flows in operating surplus:		
	Change in the net market value of investments	4 640	(12 889)
	Net realised gain on disposal of investments	(301)	(2 246)
	Distributions reinvested and not received in cash	(80)	(70)
	Change in assets and liabilities:		
	Decrease (Increase) in sundry debtors	1 901	(1 420)
	Increase in sundry creditors	2	5
	Net Cash provided by Operating Activities	1 744	400
	<i>Listed Property Securities Common Fund</i>		
	Operating surplus	3 691	3 078
	Non-cash flows in operating surplus:		
	Change in the net market value of investments	(1 133)	(1 114)
	Net realised (gain) on disposal of investments	(406)	(127)
	Distributions reinvested and not received in cash	(957)	(109)
	Change in assets and liabilities:		
	Increase in sundry debtors	(89)	(246)
	(Increase) in sundry creditors	1	-
	Net Cash provided by Operating Activities	1 107	1 482

11.2 Reconciliation of Cash

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

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

11.3 Non-Cash Activities

Within the Cash Common Fund, realisations of financial securities with capital proceeds totalling \$358 068 000 (\$493 731 000) were rolled into other financial instruments without the exchange of cash. Payments made by the Cash Common Fund on behalf of other common funds totalled \$274 000.

The Cash Common Fund was effected by the transfer of a fixed interest asset valued at \$4 105 000 between the Long Term Fixed Interest Common Fund and the short Term fixed Interest Common Fund.

Within the Australian Shares Common Fund, dividends totalling \$1 357 000 (\$1 160 000) were reinvested under dividend reinvestment plans. Fee rebates of \$1 800 (\$16 000) from this vehicle were also re-invested without the exchange of cash. A return of capital of 66 cents for each BHP share was applied to acquire One Steel shares to the value of \$210 000. There was no exchange of cash.

Within the Listed Property Securities Fund, an offer to Stockland Trust to acquire Advanced Property Fund comprised stapled securities, options and cash. The non cash component value was \$957 000.

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

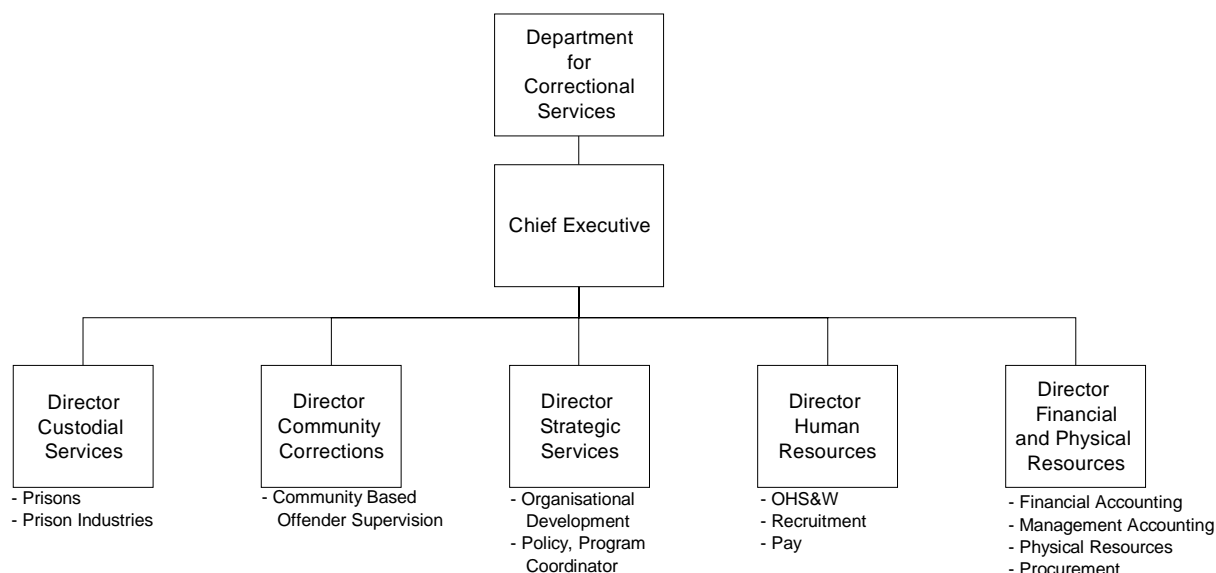
FUNCTIONAL RESPONSIBILITY AND STRUCTURE

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 structure of the Department is shown in the following diagram:



AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 31(I)(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.

The annual audit process includes a review of the Department's operations both at Head Office and across the various Institutions and Community Correction Centres.

The following financial activities and business functions of the Department were reviewed during 2000-01:

- budgetary control and management reporting
- general ledger
- payroll
- expenditure
- revenue
- prisoner finances
- fixed assets
- inventories, including:
 - general stores
 - canteen
 - prison industries (PRIME SA)
- accounts receivable
- revenue, receipting and banking
- contract administration.

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 the Department are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The audit reviews 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 over the year.

The audit identified a number of control issues that need to be addressed by the Department. The key issues relate to:

Financial Management Framework — Policies and Procedures

In accordance with the Financial Management Framework, Chief Executives must establish and maintain a control environment within an agency by documenting and distributing policies and procedures for all major activities.

Whilst the Department has an accountability framework, this focuses on policies, service specifications and procedures for operational type areas as distinct to financial concerns. The Department does not have policies and procedures for all major financial activities.

Audit is of the opinion that the availability of clearly documented financial policies and procedures and the provision of related training would provide for a stronger control environment across the Department and reduce the control weaknesses identified across a number of the financial activities of the Department.

Audit does acknowledge that the Department has identified the need to establish policies and procedures in line with the requirements of the Financial Management Framework for its key financial areas and that one of the functions of the Department's newly established Management Accounting Division will be to establish such policies and procedures.

Budgetary Performance Reporting

The Department has experienced some difficulty during the year in identifying reasons for variations between budget and actual data. This is partly attributable to budgets not being allocated in sufficient detail on the general ledger to enable effective budgetary control and management reporting.

The Department needs to review and establish processes which will ensure that budget data is loaded on the general ledger in sufficient detail and on a timely basis to enable management to effectively monitor its budget. As part of this process there is also a need to ensure that the budget data loaded to the general ledger reconciles to the Department's approved budget per the Portfolio Statements.

The Department has advised that the Management Accounting Branch established during the later part of 2001 will be responsible for addressing the issues raised by Audit.

General Ledger Reconciliations

The Department needs to implement procedures which will ensure that the following key reconciliations are performed to the general ledger on a timely basis:

- Concept Payroll System
- Masterpiece Fixed Assets Module
- Prisoner Finances
- Quickbooks Accounting System (Institution canteen sales and inventory control).

Payroll

Improvements are required to strengthen the controls over the management of employee leave entitlements. Audit has recommended that the Department consider providing employee leave entitlement details to managers to enable them to better manage leave taken by employees.

In addition, the review revealed that applications for leave taken are not being completed and submitted to the payroll section on a timely basis. Audit recommended that the Department:

- establish procedures that will ensure the timely receipt of leave applications from all employees;
- establish and implement adequate follow up procedures for outstanding leave forms;
- ensure all outstanding leave forms are received and update to the Concept Payroll System to ensure that the correct leave liability is reflected in the Department's financial statements.

Prisoner Finances

Section 31 of the *Correctional Services Act 1982* provides for allowances to be paid to prisoners. The basis for paying allowances to prisoners including the rates to be paid are outlined in the Department's System Operating Procedure No.9 (SOP9) - 'Allowances for Prisoners'.

The audit review identified the following issues in relation to allowances paid to prisoners:

- Institutions are not complying with SOP9 with respect to bonus payments being paid to prisoners.
- Where bonus payments exceed the amounts outlined in SOP9, Audit was unable to sight any authority for the payment of the bonus amount.
- Inequities in the bonus payment system as a result of Institutions not complying with the intent and criteria set out in SOP 9.
- The need for the Department to formalise and document the review and assessment process in determining a prisoners skill and performance level.
- The need for the Department to establish procedures that will ensure that Institution staff responsible for paying prisoners document the reason for payments outside of those allowances detailed in SOP 9.

Canteen Operations

The Department implemented the Quickbooks Accounting System for Canteen Sales and Inventory Control purposes during the 2000-01 financial year. However, the Department has experienced a number of implementation problems during the year including:

- hardware capacity problems;
- ledger balance problems resulting in inaccurate sales reports;
- file transfer problems;
- report generation difficulties.

The lack of support available to Institutional staff to assist with solving these procedures problems and the lack of understanding of the system processes by staff using the system has resulted in issues not being adequately addressed and control deficiencies.

The Department needs to rectify the issues outlined above. In addition, the Department needs to ensure that staff are adequately trained and that adequate support is available where staff experience system problems.

Prison Rehabilitative Industries and Manufacturing Enterprises South Australia (PRIME SA)

Review of the management and financial accounting systems used by Institutions for recording and reporting PRIME SA activities revealed that a wide variety of disintegrated systems are currently being used. This disintegration together with the lack of policies and procedures in this area has contributed to a number of control deficiencies relating to the receipt and recording of PRIME SA inventories.

Audit has recommended that the Department should streamline the inventory systems used across Institutions and document and distribute policies and procedures for all PRIME SA operations so as to achieve consistency, minimise the potential for error or misstatement and limit future control deficiencies in this area.

Departmental Response

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

It is pointed out that while there were a number of control issues raised by Audit, substantive testing of transactions processed by the Department did not reveal any material errors in the sample of transactions tested.

EXTRACT FROM INDEPENDENT AUDIT REPORT

Qualification

The Department has been unable to provide corroborative evidence to support the value of creditors brought to account in the Statement of Financial Position. As a consequence, I am unable to form an opinion on the completeness of creditors brought to account in the Statement of Financial Position and any expenses that may have an effect on the operating result.

In addition, the Department has been unable to provide corroborative evidence to support the value of additions of property, plant and equipment brought to account during 2000-01. As a consequence, I am unable to form an opinion on the completeness of values ascribed to the non-current asset 'Property, Plant and Equipment' included in the Statement of Financial Position and any resultant depreciation that may have an effect on the operating results.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Accounting Standards and other mandatory professional reporting requirements, the financial position of the Department for Correctional Services as at 30 June 2001, the results of their operations and their cash flows for the year then ended.

CONTROLS OPINION

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

Statement of Financial Performance

The Department's net cost of services increased by \$8.4 million (8.9 percent) to \$103.5 million (\$95.1 million). This increase reflects an increase in expenses from ordinary activities of \$8.7 million (8.5 percent) to \$112.2 million which is mainly attributable to an increase in employee expenses of \$3.7 million, supplies and services of \$4 million and depreciation expense of \$1 million.

Statement of Financial Position

Property, Plant and Equipment

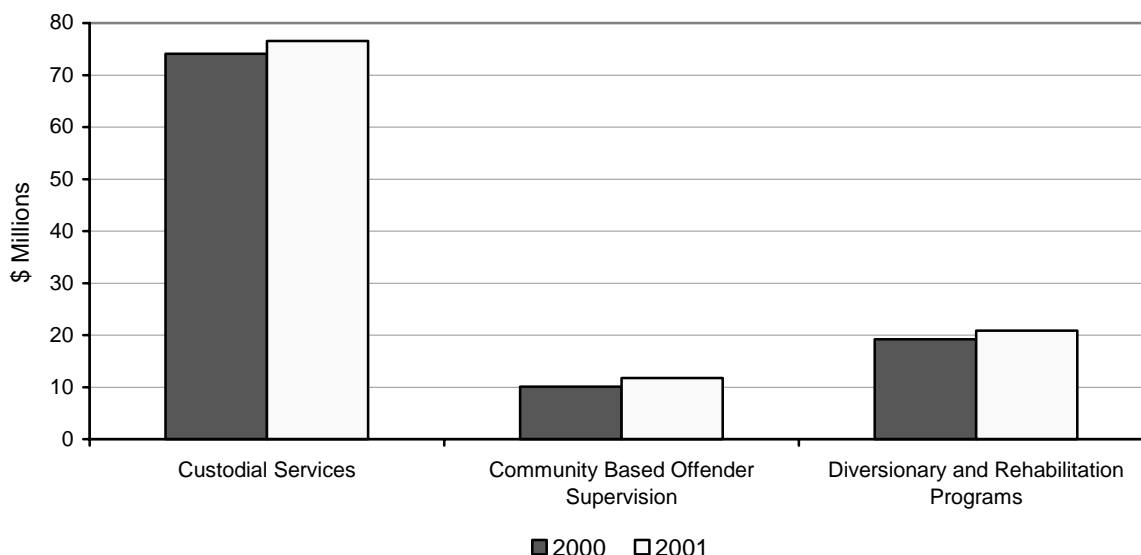
The written down value of property, plant and equipment increased by \$1.4 million to \$162.8 million.

Output Schedule of Expenses and Revenues

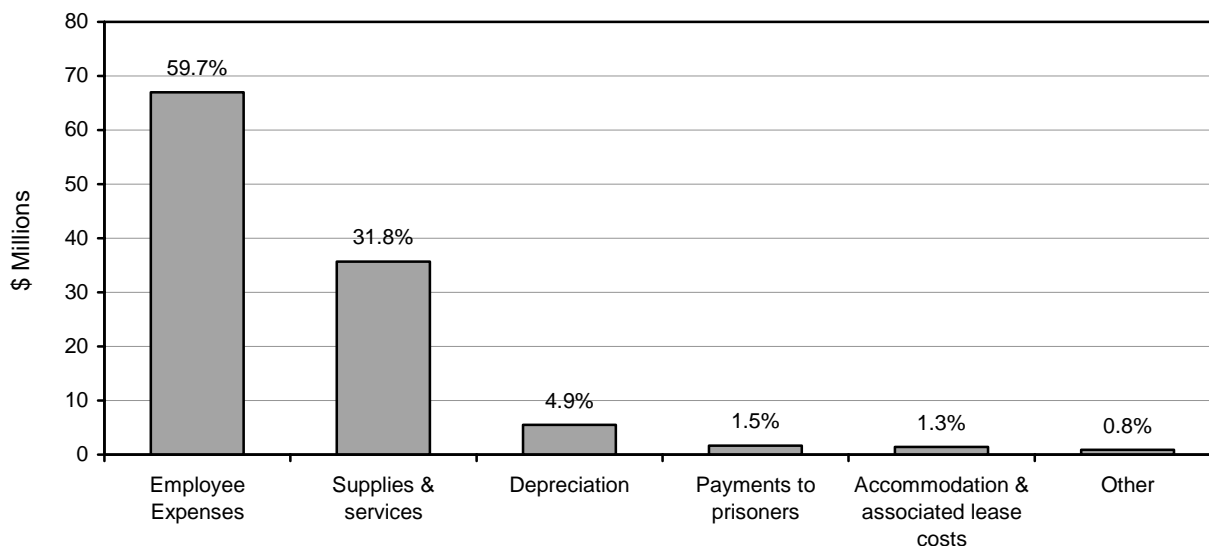
The outputs of the Department are identified and described in Note 3 to the Financial Statements.

Total operating expenses for the year were \$112.2 million, of which \$79.5 million (71 percent) was spent on Custodial Services.

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



The areas in which expenditure incurred in 2000-01 was spent is depicted in the following chart.



Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Revenues from prison labour	7	3 190	3 238
Salaries and goods and services recoups		1 533	1 730
Interest		305	326
Commonwealth and Northern Territory grants and recoups		749	106
Other	8	2 839	2 823
Proceeds from disposals of non-current assets	9	37	108
Total Revenues		8 653	8 331
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	4(a)	66 956	63 261
Supplies and services	5	35 682	31 655
Depreciation	6	5 508	4 473
Payments to prisoners		1 677	1 571
Accommodation and associated lease costs		1 416	1 659
Grants		537	487
Other		315	259
Disposals of non-current assets	9	60	43
Total Expenses		112 151	103 408
NET COST OF SERVICES		103 498	95 077
REVENUES FROM GOVERNMENT		96 381	96 149
NET (DEFICIT) SURPLUS		(7 117)	1 072
Net Credit to Asset Revaluation Reserve		1 052	9 558
Total revenues, expenses and valuation adjustments recognised directly in equity		1 052	9 558
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(6 065)	10 630

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash at bank and on hand	10	5 650	9 671
Receivables	11	1 037	521
Inventories	12	786	877
Current tax assets		586	-
Other	13	5	5
Total Current Assets		8 064	11 074
NON-CURRENT ASSETS:			
Property, plant and equipment	14	162 796	161 366
Total Non-Current Assets		162 796	161 366
SELF GENERATING AND REGENERATING ASSETS:			
Livestock		67	63
Total Self Generating and Regenerating Assets		67	63
Total Assets		170 927	172 503
CURRENT LIABILITIES:			
Payables	15	4 964	4 021
Provision for employee entitlements	4(b)	5 807	5 040
Other	16	3 506	3 467
Total Current Liabilities		14 277	12 528
NON-CURRENT LIABILITIES:			
Payables	15	995	606
Provision for employee entitlements	4(b)	8 234	7 363
Other	16	11 598	10 116
Total Non-Current Liabilities		20 827	18 085
Total Liabilities		35 104	30 613
NET ASSETS		135 823	141 890
EQUITY:			
Accumulated surplus	17	123 239	130 358
Amenities fund reserve	18	102	102
Asset revaluation reserve	24	12 482	11 430
TOTAL EQUITY		135 823	141 890
Commitments for Expenditure	22		
Contingent Liabilities	23		

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employees wages and salaries		(65 265)	(61 149)
Suppliers		(34 318)	(34 938)
Prisoners		(1 677)	(1 571)
Grants paid		(596)	(487)
GST payments on purchases		(3 324)	-
GST payments to taxation authority		(472)	-
Other		(265)	(259)
RECEIPTS:			
From prison labour		3 113	3 347
Interest received		338	328
Other		4 640	4 659
GST receipts on sales		523	-
GST receipts from taxation authority		2 688	-
Recurrent appropriation		96 381	93 013
Capital appropriation		-	3 136
Net Cash provided by Operating Activities	19	1 766	6 079
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		(5 824)	(7 950)
Proceeds from sale of property, plant and equipment		37	63
Net Cash used in Investing Activities		(5 787)	(7 887)
NET DECREASE IN CASH HELD		(4 021)	(1 808)
CASH AT 1 JULY		9 671	11 479
CASH AT 30 JUNE		5 650	9 671

Output Schedule of Expenses and Revenues for the year ended 30 June 2001

	Outputs (see Note 3)	2001			Total
		Custodial Services	Community Based Offender Supervision	Diversionary and Rehab- ilitation Program	
OPERATING REVENUES:		6.1	6.2	1.1	
		\$'000	\$'000	\$'000	\$'000
Revenues from prison labour		-	-	3 190	3 190
Salaries and goods and services recoups		513	329	691	1 533
Interest revenue		206	39	60	305
Commonwealth and Northern Territory grants and recoups		749	-	-	749
Other		2 513	48	278	2 839
Revenues from sale of assets		12	2	23	37
Revenues from government		70 365	10 559	15 457	96 381
Total Revenues		74 358	10 977	19 699	105 034
OPERATING EXPENSES:					
Employee expenses		46 016	8 254	12 686	66 956
Supplies and services		26 524	2 681	6 477	35 682
Depreciation		4 602	166	740	5 508
Payments to prisoners		1 332	-	345	1 677
Accommodation and associated lease costs		421	567	428	1 416
Grants		405	52	80	537
Other		217	34	64	315
Asset disposals		32	5	23	60
Total Expenses		79 549	11 759	20 843	112 151
DECREASE IN NET ASSETS RESULTING FROM OPERATIONS		(5 191)	(782)	(1 144)	(7 117)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Departmental Objectives

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

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

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

2. Significant Accounting Policies

(a) Basis of Accounting

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

(b) The Reporting Entity

Controlled Resources

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

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

Administered Resources

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

	2001 \$'000	2000 \$'000
Balance as at 1 July	-	-
Add: Receipts	44	28
	<hr/>	<hr/>
	44	28
Less: Payments	32	28
	<hr/>	<hr/>
Balance as at 30 June	12	-

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:

	2001 \$'000
Balance as at 1 July	199
Add: Receipts	3 040
	<hr/>
	3 239
Less: Payments	2 987
	<hr/>
Balance as at 30 June	252

(c) Appropriations

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

(d) Non-Current Assets

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

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

In accordance with current Accounting Policy Statements issued by the Department of Treasury and Finance, the Department has applied the AAS 38 'Revaluation of Non-current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis (that is deprival value methodology) while the relationship between fair value and the existing valuation basis in the South Australian public sector is examined further.

Non-current Assets are revalued in accordance with Australian Accounting Standard AAS 38 '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.

In 1997-98 the Department engaged the services of Andrew J Lucas, from Valcorp, to revalue the Mount Gambier Prison.

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.

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

During 1999-2000, the Department engaged the services of Andrew J Lucas at 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.

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

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

Valcorp	Andrew J Lucas MBA B App Sc (Val) Dip Acc AVLE (Val) ASA	20 Waymouth St Adelaide SA 5000
Plant & Equipment Valuations	Andrew James Robertson MSAA (Master), API (P&M)	115 Carrington St 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 \$5.5 million (\$4.8 million) to Employer contribution accounts administered by the South Australian Superannuation Board in respect of future superannuation liabilities in 2000-01.

(v) Unclaimed Salaries and Wages

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

(vi) Employment On-Costs

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

(vii) Workers Compensation

The Department 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. Refer Note 16.

(h) Leases

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

The Department does not have any finance lease agreements.

(i) Provision for Doubtful Debts

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

(j) Inventories

Stock in institutional stores are held for consumption and are carried at cost. 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.

(k) Livestock

Livestock is valued at current market value. The Department accounts 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 2001, 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 2001, 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 6.10 percent and 5.06 percent for the year ended 30 June 2001. The balance of Cash at Bank relates to Prison bank advance accounts held at the various institutions. These are deposited in individual 'at call' bank accounts and as a result details of interest rates are not readily available.

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

(ii) Financial Liabilities

Creditors are raised for amounts payable by the Department as at 30 June 2001.

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

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

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

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

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

(q) Comparative Information

The Department has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

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 6.1 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 6.2 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 1.1 Diversionary and Rehabilitation Services

The Department provides a range of educational, vocational and rehabilitative programs designed to assist offenders to address their offending behaviour and provide them with opportunities to lead law abiding and productive lives. This includes pre-court, court based and prison based activities and services.

Correctional Services

8. Other Revenue (continued)		2001	2000
		\$'000	\$'000
* Canteen and kitchen sales		1 564	1 562
Less: Cost of goods sold		1 485	1 526
Net Revenue		79	36
9. Net Revenues from Disposal of Non-Current Assets			
Proceeds from sale of non-current assets		37	108
Less: Written down value		60	43
Net (Loss) Revenue from Disposal of Non-Current Assets		(23)	65
10. Cash at Bank and on Hand			
Cash with the Department of Treasury and Finance		5 387	9 316
Prison general bank accounts		171	247
Prison canteen bank accounts		-	17
Head office imprest accounts		61	61
Prison imprest accounts		24	22
Petty cash		7	8
		5 650	9 671
11. Receivables			
Accounts receivable		1 168	648
Less: Provision for doubtful debts		150	179
		1 018	469
Accrued interest		19	52
		1 037	521
12. Inventories			
Raw materials and work in progress		258	249
Finished goods		117	185
Stores		411	443
		786	877
13. Other Current Assets			
Prepayments		5	5
14. Property, Plant and Equipment			
		2001	
		Freehold	
		Land and	
		Buildings	
		Leasehold	
		Improvement	
		Plant and	
		Equipment	
		Total	
Gross Carrying Amount:		\$'000	\$'000
Balance at 1 July		223 184	24
Additions		5 071	-
Disposals		-	(993)
Net revaluation increments		4 410	-
Balance at 30 June		232 665	24
Accumulated Depreciation/Amortisation:			
Balance at 1 July		65 077	-
Disposals		-	(933)
Net revaluation increments		3 358	-
Depreciation expense		4 677	18
Balance at 30 June		73 112	18
Net Book Value:			
As at 30 June 2000		158 107	24
As at 30 June 2001		159 553	6
		3 235	161 366
		3 237	162 796
15. Payables			
Current:		2001	2000
		\$'000	\$'000
Creditors		3 324	1 593
Employee related expenses		1 640	2 428
		4 964	4 021
Non-Current:			
Employee related expenses		995	606
16. Other Liabilities			
Current:			
Workers compensation - Medical and other costs		1 796	1 560
Workers compensation - Income maintenance		1 710	1 907
		3 506	3 467
Non-Current:			
Workers compensation - Medical and other costs		4 476	3 646
Workers compensation - Income maintenance		7 122	6 470
		11 598	10 116

17. Accumulated Surplus	2001	2000
	\$'000	\$'000
Balance as at 1 July	130 358	129 156
Prior year rounding	(2)	-
Assets not previously reported	-	130
(Decrease) Increase in net assets resulting from operations	(7 117)	1 072
Balance as at 30 June	123 239	130 358
<hr/>		
18. Amenities Fund Reserve		
Balance as at 1 July	102	57
Add: Receipts	103	175
	205	232
Less: Payments	103	130
Balance as at 30 June	102	102
<hr/>		
19. Reconciliation of Net (Deficit) Surplus to Net Cash provided by Operating Activities		
Net (deficit) surplus	(7 117)	1 072
Add: Non-cash items:		
Depreciation expense	5 508	4 473
Loss on revaluation of plant and equipment	-	67
Net loss revenue on disposal of non-current assets	23	(65)
Change in operating assets and liabilities:		
(Increase) Decrease in receivables	(1 102)	112
Decrease in inventories	91	75
Decrease in prepayments	-	280
(Increase) Decrease in livestock	(4)	17
Increase (Decrease) in payables	1 208	(1 234)
Increase in provision for employee entitlements	1 638	129
Increase in provision for workers compensation	1 521	1 153
Net Cash provided by Operating Activities	1 766	6 079
<hr/>		
20. Consultancy Fees	2001	2000
	Number of	Number of
	Consultancies	Consultancies
During the year the Department engaged 25 (21) consultants to assist in its operations. The cost of these consultancies was \$189 000 (\$592 000). The number of consultancies whose payments fell within the following bands were:		
\$0 - \$10 000	20	15
\$10 001 - \$50 000	4	3
\$50 001 and above	1	3
The purpose and cost of each consultancy in excess of \$10 000 is outlined below:		
Consultant	Purpose of Consultancy	2001
		\$'000
University of South Australia	Forensic Psychology consultants	91
Beth Flenley	Developing pre-release manuals	16
Attorney-General's Department	E-Commerce project	16
Occupational Services of Australia	Review of psychological services	14
		<hr/>
21. Remuneration of Auditors	2001	2000
	\$'000	\$'000
Amounts paid and payable to the Auditor-General's Department for auditing services	99	89
<hr/>		
22. Commitments for Expenditure		
(a) Operating Leases		
At 30 June 2001, the Department had the following accommodation obligations under non-cancellable operating leases (these obligations are not recognised as liabilities in the Statement of Financial Position):		
Not later than one year	661	450
Later than one year and not later than five years	2 025	1 090
Later than five years	1 240	293
	3 926	1 833
<hr/>		
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 and Home Detention Monitoring Contracts extend beyond 30 June 2001. These three contracts have provisions for termination by the Crown without penalty to the Crown. However, a termination for convenience by the Crown would attract variable payments and reimbursements specified in the contract depending on the circumstance and amount of termination notice. The ongoing cancellable commitments (which have not been recognised as liabilities) are as follows:		
	2001	2000
	\$'000	\$'000
Not later than five years	16 428	22 971
Later than five years	-	-
	16 428	22 971
<hr/>		

(b) Contracted Services (continued)

The figures above:

- Are subject to an escalation based on indices not yet published by the Australian Bureau of Statistics and as a result are not adjusted for inflation and are based on 2000-01 prisoner populations;
- Are exclusive of goods and services tax.

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 \$175 000 (\$107 000). 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 Mount Gambier, Murray Bridge, North East, Noarlunga and Adelaide and the revaluation of the Adelaide Women's Prison, Adelaide Pre-release Centre and the Port Lincoln Prison, which amounted to \$1.1 million.

COUNTRY FIRE SERVICE BOARD

FUNCTIONAL RESPONSIBILITY AND ORGANISATION STRUCTURE

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

The Country Fire Service (CFS) 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.

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

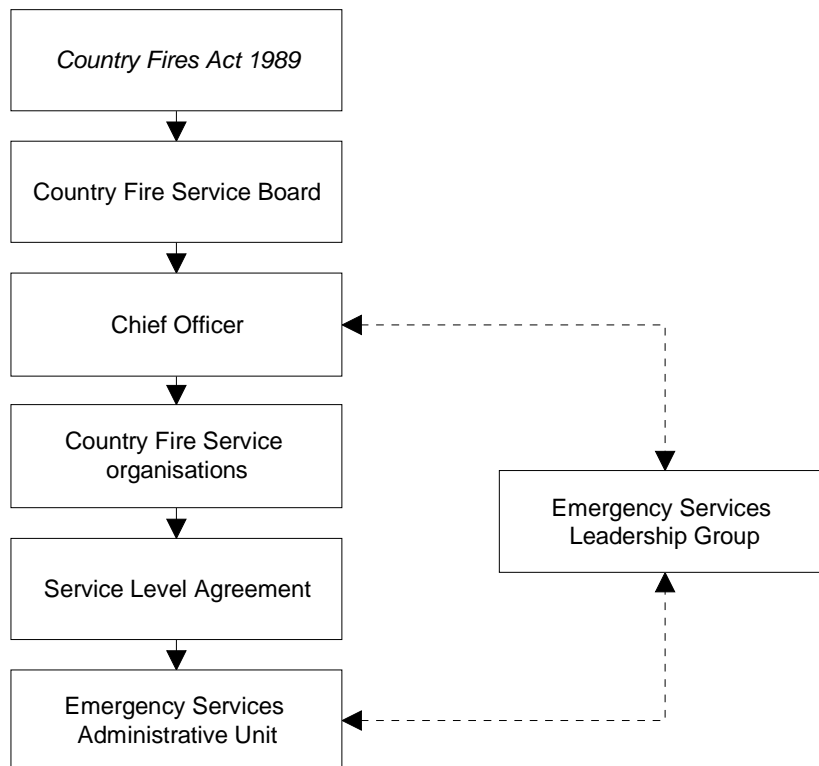
The Board's financial management is heavily reliant on information and reporting provided by ESAU.

During the year the Emergency Services Executive Forum (the Forum) was reconstituted as the Emergency Services Leadership Group (ESLG). The ESLG comprises the chief executive officers of the CFS, the South Australian Metropolitan Fire Service (SAMFS), ESAU, the Director, State Emergency Services (a division of ESAU) and the Deputy Chief Executive Officer of the Department of Justice. Some of the key roles of the ESLG are to ensure that emergency services operate in an integrated manner and that appropriate strategic and business plans consistent with the Government's priorities are established, maintained and implemented.

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

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

A diagrammatic depiction of these major relationships is as follows:



SIGNIFICANT FEATURES

- Contributions from the Emergency Services Fund increased by 10 percent to \$39.7 million (\$36.1 million).
- Net assets increased by 161 percent to \$ 47.4 million (\$18.2 million) due mainly to transfers of assets for no consideration from local government and the Government Radio Network
- Accumulated Surplus at 30 June 2001 was \$45 million (\$15.7 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

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

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 audit of the Board during 2000-01 required Audit to direct much of its focus to the audit of the 'centralised accounting' structure maintained by ESAU and to test transactions at this level.

During 2000-01 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 debtors and cash receipting
- investments.

Audit Communications to Management

During the year, Audit met with management on several occasions and attended a meeting of the Board Audit Committee.

Those meetings provided an opportunity to discuss various issues arising from the audit of the Board. An Audit management letter has yet to be provided to the Board at the time of preparing this Report.

Notwithstanding, Audit considered that the internal control weaknesses identified during the course of the audit were sufficient to result in a qualified Controls Opinion. Further comment is provided under 'Audit Findings and Comments'.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The results of the 2000-01 audit of the Board identified weaknesses in the control framework, as administered by the Board and ESAU. Further discussion on the nature of the control weaknesses and background to these is provided hereunder. The result is that the 'Controls Opinion' is qualified for the Board.

While the Controls Opinion has been qualified, Audit transactional testing did not reveal evidence of material misstatement in the financial report.

Financial Management Framework

In last year's Supplementary Report I offered commentary on the operation of the Financial Management Framework (FMF), including an assessment of the Board's adherence to the prescribed principles of the FMF.

This included comment that 1999-2000 had been characterised as a transition year, during which there was an evolution in the relationship between the Board and ESAU. Reference was also drawn to the responsibilities of chief executives to develop, implement and document policies, procedures and systems which would assist accountability to be discharged.

The 2000-01 audit identified numerous internal control weaknesses. These included considerations of adequacy of segregation of duties, authorisation of transactions and maintenance of accounting reconciliations and review processes in general.

These observations were drawn notwithstanding improvements in a number of other areas, some of which related to Audit issues identified in last year's Supplementary Report. These were notably:

- the formalisation of the Finance Function Service Level Agreement;
- the definition of principles and methodology to support service recharges from ESAU to the Board and the attendant authorisation of the same charges by both entities;
- improved asset recording and valuation processes;
- regular financial reporting to the Board.

It was Audit's opinion that a significant causation factor for these control weaknesses was the absence of appropriate consideration and understanding of an internal control framework within the Finance Function Service Level Agreement.

In particular, Audit considered that both the Board and ESAU struggled to implement a sound internal control framework and that there was a general lack of coordination in implementing the same.

Audit considered that the responsibility for the breakdowns in internal control was shared between the two entities and that a joint effort would be required to remedy this situation.

There were other examples where the Board and ESAU could be seen to be tackling these issues in a concerted manner as evidenced by:

- a series of workshops presented by ESAU to CFS regional brigades on matters of accounting, accountability, internal control and administrative practices;
- the decision by the CFS Board to initiate an independent consultancy during August 2001 to assess the adequacy of internal controls.

The overall position during 2000-01 was nevertheless less than satisfactory. Audit considered that this was in part a legacy from the previous financial year where the ability to catch up many issues was affected by other external events such as the transfer of assets from local government and the significant resources devoted to the accounting for such matters.

Valuation of Assets

The Country Fire Service Board was not able to provide appropriate documentation to support with sufficient degree of certainty, values attributed to Property, Plant and Equipment assets for the previous financial year ended 30 June 2000. As a result, Audit was not able to determine with certainty the values of these assets in the financial report and the quantified financial effect of this on other relevant items in the Statement of Financial Position and the Statement of Financial Performance for the year ended 30 June 2000.

There was, however, a significant effort made to correct identified deficiencies in the Board's non-current asset register during 2000-01 with the result that the values shown as at 30 June 2001 were, in Audit's opinion, fairly reported.

EXTRACT FROM INDEPENDENT AUDIT REPORT

With respect to my Independent Audit Report I have issued a qualified audit opinion relating to the previous financial year. A relevant extract from the 2000-01 Independent Audit Report is provided hereunder:

Qualification

In my previous Independent Audit Report dated 29 November 2000, I reported that the Country Fire Service Board was not able to provide appropriate documentation to support with a sufficient degree of certainty, values attributed to Property, Plant and Equipment assets for the financial year ended 30 June 2000.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matter referred to in the qualification paragraph, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Australian Accounting Standards and other mandatory professional reporting requirements the financial position of the Country Fire Service Board at 30 June 2001, the results of its operations and its cash flows for the year ended 30 June 2001.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Country Fire Service 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 Country Fire Service Board in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, 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

Results of Operations

Net Assets increased by 161 percent to \$47.4 million (\$18.2 million).

Expenses from ordinary activities increased by \$4.7 million, 15 percent, to \$35.3 million (\$30.6 million). A large component of these increases reflects the increase in employee entitlements of \$1.7 million to \$5.3 million (\$3.6 million). This was due mainly to an increase in the number of employees, arising from various transfers and special projects, and an increase in workers' compensation expenses.

Other operational, administration and general expenses also increased significantly, up by \$3 million. This increase was due mainly to the transfer of responsibilities from local government entities to the Board for appliance, fire station, fire fighting and rescue equipment maintenance. This increase can be expected to impact more significantly in future years as further assets are transferred and depreciation expenses are taken into account.

Statement of Financial Position

As at 30 June 2001, CFS had net assets of \$47.4 million (\$18.2 million). Of this amount, 95 percent constituted the Accumulated Surplus (\$45 million), which was primarily represented by non-current assets.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Recoveries	3	1 115	130
Interest on investments		136	105
Other revenue	4	344	142
Total Revenues		1 595	377
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee entitlements	5	5 297	3 632
Depreciation and amortisation	6	1 508	1 276
Emergency Services Administrative Unit recharge	7	4 716	5 060
Government radio network costs	8	9 241	9 189
Operational, administration and general expenses	9	14 519	11 490
Total Expenses		35 281	30 647
NET COST OF SERVICES		33 686	30 270
REVENUES FROM STATE GOVERNMENT:			
Contributions from the Community Emergency Services Fund		39 731	36 090
Total Revenues from Government		39 731	36 090
CHANGE IN NET ASSETS		6 045	5 820
Net revenues from restructuring	11	-	494
Net revenues from disposal of non-current assets	10	71	1
Net revenues from the transfer of assets from local government		16 723	-
Net revenues from the transfer of assets from the Government Radio Network		6 436	-
Total change in net assets resulting from revenues, expenses, restructuring and valuation adjustments		23 230	495
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		29 274	6 315

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets	17(i)	1 329	1 492
Receivables	12	1 088	79
Total Current Assets		2 417	1 571
NON-CURRENT ASSETS:			
Property, plant and equipment	13	49 537	19 587
Total Non-Current Assets		49 537	19 587
Total Assets		51 954	21 158
CURRENT LIABILITIES:			
Payables	14	1 936	1 422
Provisions	15	607	1 190
Total Current Liabilities		2 543	2 612
NON-CURRENT LIABILITIES:			
Provisions	15	1 968	378
Total Non-Current Liabilities		1 968	378
Total Liabilities		4 511	2 990
NET ASSETS		47 443	18 168
EQUITY:			
Accumulated surplus	25	44 960	15 685
Contributed equity		2 483	2 483
TOTAL EQUITY		47 443	18 168
Commitments and Contingent Liabilities	16		

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee entitlements		(4 290)	(3 357)
Operating and administration		(14 005)	(9 941)
Government Radio Network costs		(9 241)	(9 189)
Emergency Service Administrative Unit recharges		(4 716)	(5 060)
RECEIPTS:			
Cost recoveries and other income		461	357
Interest on investments		125	105
CASH FLOWS FROM GOVERNMENT:			
Contributions from the Community Emergency Services Fund		39 731	36 090
Net Cash provided by Operating Activities	17(ii)	8 065	9 005
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of non-current assets		145	1
Payments for non-current assets		(8 373)	(7 744)
Net Cash used in Investing Activities		(8 228)	(7 743)
NET (DECREASE) INCREASE IN CASH HELD		(163)	1 262
CASH AT 1 JULY		1 492	230
CASH AT 30 JUNE	17(i)	1 329	1 492

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) Objectives

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

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

(b) Funding

Funding from 1 July 1999

The funding of the Country Fire Service (CFS) is derived from the Community Emergency Services Fund (the Fund), which was established by the *Emergency Services Funding Act 1998* (the Act), assented to in September 1998.

The Act replaces the former arrangements for funding the emergency services agencies through insurance premiums and State and Local Government contributions, with a system that provides for the collection of a levy on fixed and mobile property, which applied from 1 July 1999. The funds collected in payment of the levy are credited to the Fund.

The CFS is directly funded from the Fund for the cost of its operational services in the protection of South Australian citizens and their property. The CFS also receives funds from the same source for the cost of strategic and administrative services delivered to it by the Emergency Services Administrative Unit (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 subject to service level agreements with ESAU, which at reporting date were still in draft form.

2. Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report prepared in accordance with Treasurer's Instructions and Accounting Policy Statements under the provisions of the *Public Finance and Audit Act 1987*, Statement of Accounting Concepts, applicable Australian Accounting Standards and mandatory professional reporting requirements (Urgent Issues Group Consensus Views). It has been prepared on the accrual basis of accounting using the historical cost accounting method.

(b) Accounting for Non-Current Assets

Property, plant and equipment are carried at cost.

The CFS Board has established a process to revalue all land, buildings, fire appliances and rescue classes of equipment at deprival value. On an ongoing basis, revaluations will be made in accordance with a regular policy whereby independent valuations are obtained every three years and the carrying amount adjusted accordingly.

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

	Years
Communications equipment	10
Vehicles	5-20
Plant and equipment	6-10
Computer equipment	5
Buildings	30

(c) Employee Entitlements

Entitlements as at 30 June 2000 and 2001 relate to all operational employees of the Board at that date. As at 1 July 1999 and as part of the reform of the emergency services, non-operational employees were transferred to the Emergency Services Administrative Unit (ESAU). The entitlements of such employees as at 30 June 2000 and 2001 are included in the financial statements of ESAU.

(i) Wages and Salaries, Annual Leave and Sick Leave

Liabilities reflect employee entitlements to accrued wages and salaries and annual leave. These liabilities are calculated on current wage rates. Relevant employment on-costs are shown under 'Payables' (see Note 14). Sick leave is not provided for, as it is non-vesting. However, entitlements are accumulated, and sick leave taken is deducted from the employee entitlement.

(ii) Long Service Leave

Long Service Leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. The liability has been based on current salaries and wages rates. Relevant employment on-costs are shown under 'Payables' (see Note 14). 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 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.

(iii) Annual Leave

The Board recognises annual leave on a pro-rata basis in respect of all employees based on statutory or contractual obligations.

(iv) **Superannuation**

The Superannuation costs included in the Financial Statements comprise two components:

- The Board is required to pay an amount towards the accruing cost of the government liabilities for superannuation in respect of currently employed contributors to SA Government superannuation schemes.
- The Board paid towards the accruing cost of the government liability for superannuation in respect of employees who are not members of SA Government superannuation schemes.

These contributions are treated as an expense when they occur. The Board has no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes.

(v) **Workers Compensation**

To reflect the liability for outstanding workers compensation claims the Board has raised a provision as at balance date. The Board fully funds this provision, as well as lump sum payments, medical costs, legal costs and all other workers compensation related expenses. Claims are administered by a claims management contractor. The balance of outstanding claims at 30 June amounted to \$1.9 million (\$1.1 million) including volunteers.

(vi) **Targeted Voluntary Separation Packages (TVSPs)**

One Targeted Voluntary Separation Package occurred in 2000-01 in accordance with the direction of the Commissioner for Public Employment in respect of TVSPs. The package totalled \$132 000 including outstanding leave of \$21 000. Reimbursement of \$111 000 was recovered from the Office for the Commissioner for Public Employment in 2000-01.

(d) **Emergency Services Administrative Unit**

In October 1998 Cabinet endorsed the implementation of three key reforms to achieve desired outcomes in the provision of emergency services within South Australia

- A new funding arrangement for the delivery of emergency services.
- A Community Emergency Services Fund to advise the Minister in relation to the expenditure of funds.
- The creation of an administrative unit for emergency services, to be known as the Emergency Services Administrative Unit (ESAU).

ESAU integrates all non-operational resources from the SA Metropolitan Fire Service (SAMFS), the Country Fire Service (CFS) and the State Emergency Services (SES) into one unit, which is to provide agreed support and strategic services to SAMFS, CFS and SES. These services comprise strategic risk management, asset management and procurement, human resources, volunteer support and management, occupational health and safety, financial management and information technology and information resource management.

The CFS has been funded from the Community Emergency Services Fund for its share of the costs of ESAU and consequently the Statement of Financial Performance of CFS includes an allocation of services provided by ESAU of \$4.7 million (\$5.1 million). Refer Note 7.

(e) **Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

(f) **Revenue Recognition**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

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

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

(g) **Comparative Financial Information**

The CFS Board has adapted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

3. Recoveries	2001	2000
Recoveries for the reporting period comprised:	\$'000	\$'000
Maps	87	102
Building inspection fees	8	10
Training and other recoveries	199	13
TVSPs	111	-
Incident cost recoveries	453	-
Other	257	5
	1 115	130
4. Other Revenue		
Other revenue for the reporting period comprised:		
Rent received	27	25
Other income	317	117
	344	142
5. Employee Entitlements		
Salaries and wages expensed for the reporting period comprised:		
Salaries and wages	3 486	2 294
Payroll tax and superannuation expenses	453	372
Long service leave expenses	86	355
Workers compensation expenses	1 108	611
Other related expenses	164	-
	5 297	3 632
6. Depreciation and Amortisation		
Depreciation and amortisation expenses for the reporting period comprised:		
Communications equipment	414	349
Vehicles	622	607
Plant and equipment	296	221
Computer equipment	111	51
Buildings	65	48
	1 508	1 276
7. Emergency Services Administrative Unit Costs		
Emergency Services Administrative Unit expenses for the reporting period:		
ESAU administration charge	4 716	5 060
	4 716	5 060
On 1 July 1999 the ESAU was established to provide strategic and support services to the SAMFS, CFS and the SES. ESAU delivers services defined in service level agreements and recovers the cost from these organisations.		
8. Government Radio Network Costs		
Government radio network expenses for the reporting period were charged in respect of:		
Contribution towards GRN - Voice	7 809	7 704
Contribution towards GRN - Paging	1 429	1 483
Other GRN costs	3	2
	9 241	9 189
The Board has been charged by the Department for Administrative and Information Services for costs associated with the provision of emergency communication services, including voice and paging transmission using the Government Radio Network.		
9. Operational, Administration and General Expenses		
Operational, administration and general expenses for the reporting period comprised:		
Consumables and minor purchases	2 934	2 244
Repairs and maintenance	2 081	2 025
Operational costs	2 280	1 065
Accommodation	468	417
Uniforms and protective clothing	1 476	1 546
Communication expenses	1 263	1 161
Energy	214	198
Light vehicle expenses	700	273
Travel and training	989	782
Other expenses	2 114	1 779
	14 519	11 490
10. Net Revenues from Disposal of Non-Current Assets		
Proceeds from disposal of non-current assets	145	1
Less: Written down value of non-current assets	74	-
Net Revenues from Disposal of Non-Current Assets	71	1
11. Net Revenues from Restructuring		
Net revenues from restructuring for the reporting period comprised:		
Annual leave provision	-	93
Long service leave provision	-	344
Payables	-	57
	-	494

As a result of restructuring of administrative arrangements that occurred upon the commencement of the Emergency Services Administrative Unit Note 2(d), certain liabilities were transferred to ESAU from 1 July 1999.

12. Receivables		2001	2000
Current:		\$'000	\$'000
Receivables		836	468
Less: Provision for doubtful debts		33	389
Sub Total		803	79
GST refunds		285	-
		1 088	79
13. Property, Plant and Equipment		2001	
<i>(i) Property, Plant and Equipment</i>		Cost/	Accumulated
		Valuation	Depreciation/
		\$'000	Amortisation
		\$'000	\$'000
Freehold land		1 889	-
Buildings		4 695	(396)
Vehicles		50 796	(19 470)
Communications equipment		13 524	(4 394)
Computer equipment		1 255	(916)
Plant and equipment		3 585	(2 189)
Work in progress		1 158	-
		76 902	(27 365)
		49 537	49 537
		2000	
		Cost/	Accumulated
		Valuation	Depreciation/
		\$'000	Amortisation
		\$'000	\$'000
Freehold land		1 674	-
Buildings		1 962	(357)
Vehicles		12 355	(5 036)
Communications equipment		6 330	(4 000)
Computer equipment		1 004	(806)
Plant and equipment		3 455	(2 007)
Work in progress		5 013	-
		31 793	(12 206)
		19 587	19 587
<i>(ii)</i>	Officers from the Attorney-General's Department 'Strategic Asset Management' Team have been working to identify and transfer land, buildings, equipment and motor vehicle assets from Local Government to the Minister for Emergency Services. As at 30 June 2001, approximately 50 percent of vehicles had been transferred. The remaining assets while under the control of the CFS have not been transferred and are therefore excluded from depreciation calculations and inclusion in the Statement of Financial Performance. Some operational costs in the servicing of these non-transferred assets have been incurred over the course of 2000-01. Refer Note 24.		
14. Payables		2001	2000
Payables for the reporting period comprised:		\$'000	\$'000
On-costs re employee provisions and accruals		87	62
Creditors		1 849	1 360
		1 936	1 422
15. Provision for Employee Entitlements			
Employee entitlements for the reporting period comprised:			
Current Liability:			
Annual leave		130	55
Long service leave		20	20
Workers compensation		457	1 115
		607	1 190
Non-Current Liability:			
Long service leave		496	378
Workers compensation		1 472	-
		1 968	378
16. Commitments and Contingent Liabilities			
<i>(a) Commitments for Capital Expenditure</i>			
At the end of the reporting period the Board had entered into contracts for the following capital expenditures which are not included in the financial statements			
These projects are due for completion by 30 June 2002 and comprise the following:			
Fire appliances		631	3 982
Fire stations and other equipment		2 496	2 842
		3 127	6 824

(b) Operating Leases	2001	2000
Commitments under non-cancellable operating leases at the reporting date are payable as follows:	\$'000	\$'000
Payable no later than one year	90	-
Payable later than one year and not later than five years	450	-
Payable later than five years	180	-
	720	-

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

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

Options exist to renew the leases at the end of the term of the leases.

(c) Contractual Commitments	2001	2000
At the end of the reporting period the Board had the following commitments on contracts:	\$'000	\$'000
Payable no later than one year	1 374	-
Payable later than one year and not later than five years	1 262	-
	2 636	-

(d) Contingent Liabilities
At the reporting date there are no outstanding claims against the Board.

17. Notes to the Statement of Cash Flows

(i) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank.

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:

Cash on hand (including petty cash)	99	94
Deposits lodged with the Treasurer	1 058	1 235
Investments	172	163
	1 329	1 492

(ii) Reconciliation of Net Cost of Services to Net Cash provided by Operating Activities

Net cash provided by operating activities	8 065	9 005
Contributions from the Community Emergency Services Fund	(39 731)	(36 090)
(Increase) decrease in employee entitlements	(1 007)	219
Increase in payables	(514)	(1 082)
Depreciation	(1 508)	(1 276)
Decrease in prepayments	-	(53)
Decrease in inventories	-	(36)
Increase (Decrease) in receivables	1 009	(463)
Income from restructuring	-	(494)
Net Cost of Services	(33 686)	(30 270)

18. Consultancies

Total expenditure (excluding GST) on three consultancies in 2000-01 amounted to \$28 000 (\$329 000)

Less than \$10 000	2	7
\$10 000 - \$50 000	1	3
Greater than \$50 000	-	3

19. Remuneration of Employees

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:

\$110 001 - \$120 000	1	1
-----------------------	----------	---

The aggregate remuneration for all employees referred to above was \$114 000 (\$114 000).

20. Remuneration of Auditors

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

2001	2000
\$'000	\$'000
17	13

The auditors provided no other services.

21. Board Members' Remuneration

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

Mr K McHugh	Mr R Branson - commenced February 2001
Ms V Monaghan	Mr M Pengilly - ceased July 2000
Mr S Ellis	Mr A Holmes - ceased July 2000
Mr J Cook - commenced July 2000	Mr L Collins - ceased September 2000
Mr V Monterola - commenced September 2000	Mr B Wilson - ceased September 2000
Ms D Erwin - commenced November 2000	

21. Board Members' Remuneration		2001	2000
The number of members whose income from the Country Fire Service Board falls within the following bands was:		Number of Members	Number of Members
Nil		2	2
\$1 - \$10 000		8	5
\$10 001 - \$20 000		1	1

Total income received or due and receivable by all members of the Board for the period was \$54 000 (\$47 000).

22. Financial Instruments

(a) Terms and Conditions

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash at bank	17(i)	Cash at bank comprises cash held in a Department of Treasury and Finance Deposit Account. Interest revenue is recorded on an accrual basis.	Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance and is based on the average daily balance of the Deposit Account. The interest rate is the Treasurer's approved rate of interest on deposit accounts, which varied between 5.06 percent and 6.10 percent during 2000-01 (4.63 percent and 5.58 percent in 1999-2000).
		The Board retained its bank account with Westpac Banking Corporation. Interest revenue is recorded on an accrual basis.	Interest on cash at bank is calculated quarterly by the Westpac Banking Corporation and is based on the average daily balance of the account. The rate of interest averaged 4.01 percent (3.55 percent in 1999-2000).
Investments	17(i)	The Board holds cash deposits with the South Australian Government Financing Authority. Interest revenue is recorded on an accrual basis.	Interest on deposits is credited monthly and is calculated on the average daily balance of the account. The rate of interest is based on the overnight cash rate less a margin of 0.10 percent and during the reporting period varied between 4.90 percent and 6.15 percent (4.65 percent and 5.90 percent in 1999-2000).
Receivables	12	Sundry debtors are recorded at the amounts due to the Board, less a provision for doubtful debts. They are recorded when goods have been supplied and services completed.	Sundry debtors are due within 30 days of the rendering of an account.
Financial Liabilities			
Payables	14	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided to the Board.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

Financial Instrument	Effective Interest Rate	2001		Total
		Interest Bearing	Non-Interest Bearing	
	Percent	\$'000	\$'000	\$'000
Financial Assets:				
Cash on hand		-	2	2
Cash at bank	5.06	97	-	97
Treasury deposits		1 058	-	1 058
Investments	4.9	172	-	172
Receivables		-	1 088	1 088
Total Financial Assets		1 327	1 090	2 417
Financial Liabilities:				
Payables		-	1 849	1 849
Total Financial Liabilities		-	1 849	1 849
Financial Instrument	Effective Interest Rate	2000		Total
		Interest Bearing	Non-Interest Bearing	
	Percent	\$'000	\$'000	\$'000
Financial Assets:				
Cash on hand		-	2	2
Cash at bank	3.40	92	-	92
Treasury deposits	5.06	1 235	-	1 235
Investments	5.11	163	-	163
Receivables		-	79	79
Total Financial Assets		1 490	81	1 571
Financial Liabilities:				
Payables		-	1 360	1 360
Total Financial Liabilities		-	1 360	1 360

(c) Net Fair Values of Financial Assets and Liabilities

		2001	
		Total Carrying Amount	Net Fair Value
		\$'000	\$'000
Financial Instrument			
Financial Assets:	Note		
Cash on hand	17(i)	2	2
Cash at bank	17(i)	97	97
Treasury deposits	17(i)	1 058	1 058
Investments	17(i)	172	172
Receivables	12	<u>1 088</u>	<u>1 088</u>
		<u>2 417</u>	<u>2 417</u>
Financial Liabilities:			
Payables	14	<u>1 849</u>	<u>1 849</u>
		<u>1 849</u>	<u>1 849</u>

		2000	
		Total Carrying Amount	Net Fair Value
		\$'000	\$'000
Financial Instrument			
Financial Assets:	Note		
Cash on hand	17(i)	2	2
Cash at bank	17(i)	92	92
Treasury deposits	17(i)	1 235	1 235
Investments	17(i)	163	163
Receivables	12	<u>79</u>	<u>79</u>
		<u>1 571</u>	<u>1 571</u>
Financial Liabilities:			
Payables	14	<u>1 360</u>	<u>1 360</u>
		<u>1 360</u>	<u>1 360</u>

(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.

23. Related Party Transactions

No transactions have occurred between the Country Fire Service Board and members of the Board in the 2000-01 financial year.

24. Events Occurring after Balance Date**Transfer of Mobile Property to the Minister for Police, Correctional Services and Emergency Services**

In March 2000 the Strategic Asset Management team of Attorney-General's Department invited comments from Councils regarding the transfer of Country Fire Service vehicles owned by Councils to the Minister for Police, Correctional Services and Emergency Services. Approximately half of these vehicles valued at \$16 723 000, at written down historic cost, were transferred over the course of 2000-01. The Country Fire Service is responsible for the maintenance and replacement of these vehicles in addition to those vehicles already owned. As at the reporting date, the transfer of remaining vehicles had not been finalised.

Transfer of Fixed Property to the Minister for Police, Correctional Services and Emergency Services

During 2000-01 the Strategic Asset Management team had identified land and buildings to be transferred to the Minister for Police, Correctional Services and Emergency Services. The Country Fire Service is responsible for maintenance and replacement of these buildings upon full transfer. As at 30 June 2001 no land and buildings have been transferred.

It is anticipated that the transfer/leasing of land and buildings will be completed by 30 June 2002.

25. Equity and Changes in Equity

Equity represents the residual interest in the net assets of the Board. The Government holds the equity interest in the Board on behalf of the community.

	Accumulated Surplus		Contributed Equity		Total	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Balance at 1 July	15 685	9 568	2 483	2 483	18 168	12 051
Change during period:						
Change in net assets after restructuring	29 275	6 315	-	-	29 275	6 315
Correction to amount previously recognised in the balance of property, plant and equipment	-	(198)	-	-	-	(198)
Balance at 30 June	44 960	15 685	2 483	2 483	47 443	18 168

26. Asset Movement Schedule

	Land and Buildings	Vehicles	Communications Equipment	Computer Equipment	Plant and Equipment	Work in Progress	Total \$'000
GROSS CARRYING AMOUNT:							
Balance at 30 June 2000	3 636	12 355	6 330	1 004	3 455	5 013	31 793
Transfer from work in progress	2 782	7 774	714	95	214	(11 579)	-
Transfer from local government councils	-	30 642	-	-	-	-	30 642
Additions	215	179	6 502	156	32	7 724	14 808
Disposals	(49)	(154)	(22)	-	(116)	-	(341)
Balance at 30 June 2001	6 584	50 796	13 524	1 255	3 585	1 158	76 902
ACCUMULATED DEPRECIATION/AMORTISATION:							
Balance at 30 June 2000	(357)	(5 036)	(4 000)	(806)	(2 007)	-	(12 206)
Disposals	26	107	20	1	114	-	268
Transfer from local government councils	-	(13 919)	-	-	-	-	(13 919)
Depreciation expense	(65)	(622)	(414)	(111)	(296)	-	(1 508)
Balance at 30 June 2001	(396)	(19 470)	(4 394)	(916)	(2 189)	-	(27 365)
NET BOOK VALUE							
As at 30 June 2000	3 279	7 319	2 330	198	1 448	5 013	19 587
As at 30 June 2001	6 188	31 326	9 130	339	1 396	1 158	49 537

COURTS ADMINISTRATION AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

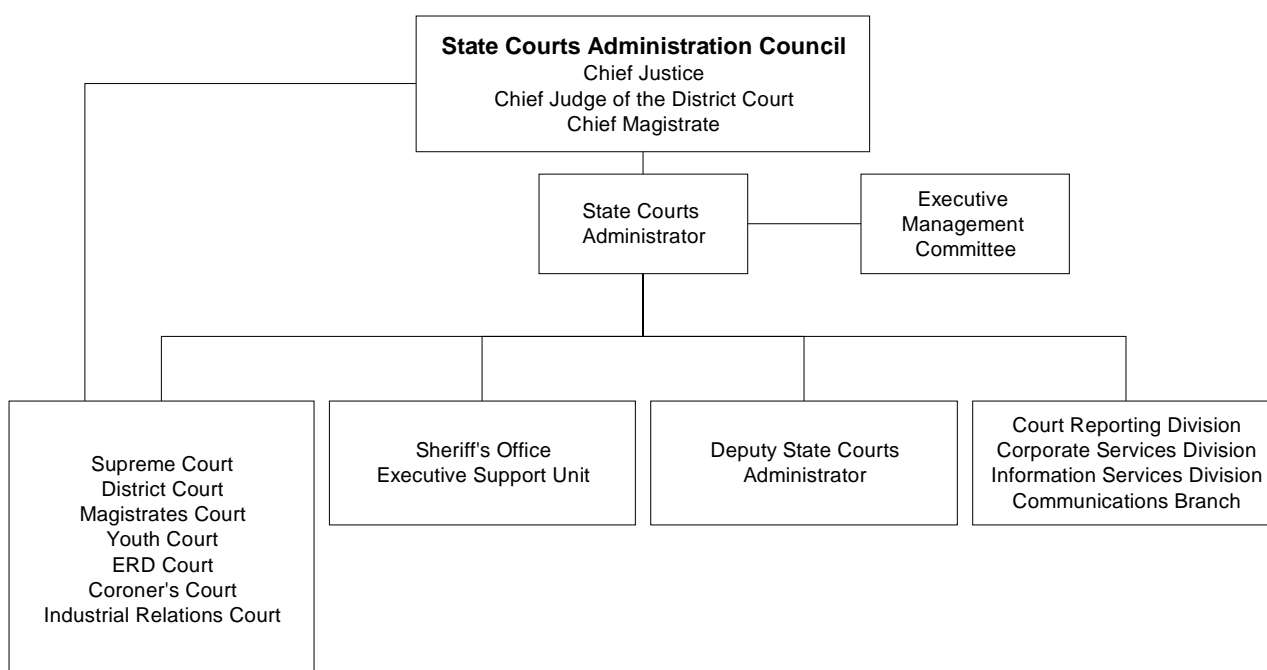
The Authority was established pursuant to the *Courts Administration Act 1993*.

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 2000-01, 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:

- financial systems at the Holden Hill Magistrates Court;
- Suitor's Fund operations at the Supreme, Magistrates and District Courts and the Sheriff's Office trust account;
- progress made with respect to the implementation of the Financial Management Framework.

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 audit reviews undertaken 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.

The main issues identified by Audit relate to:

Fixed Assets

The audit review highlighted that the Authority is not complying with a number of the prescribed elements of the Financial Management Framework (FMF). The key issues identified by Audit relate to the need to improve the controls over the control and management of the Authority's fixed assets.

In addition, the Authority needs to ensure compliance with the FMF and Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' which requires the valuation of non-current assets to be undertaken at intervals not exceeding three years. The Authority's library collection was last valued by an independent valuer during 1997-98. Audit has recommended that the Authority establish a valuation policy for the library collection that will satisfy the requirements of the FMF and APS 3 and disclose this policy in its financial statements. The library collections are reported at a value of \$11.3 million at 30 June 2001.

The Authority has implemented the recommendations put forward by Audit.

Suitors Funds

The Authority needs to put in place procedures which will ensure compliance with the Court Rules in relation to the administration and management of the Suitors Funds.

The Court Rules state:

The Registrar shall, as soon as practicable after the 30th day of June and the 31st day of December each year, with the approval of the Auditor-General, fix the rate of interest payable in respect of funds in Court for the preceding half year and shall credit interest to the common fund or any special fund on those dates.

With respect to the District Court Suitors Fund, the interest rate used in payment calculations is not being updated on a six monthly basis (the current rate used has not been recalculated since January 1998).

With respect to the Supreme Court Suitors Fund, while the interest rate has been calculated on a six monthly basis, payments to suitors have, since June 2000, been made without the approval of the rate by the Auditor-General.

The Authority has advised that appropriate action will be taken to ensure that the Court Rules are complied with.

Financial Management Framework

With respect to the implementation progress of the Financial Management Framework (FMF), the Authority has developed and implemented an implementation program over the last twelve months to create an awareness and understanding of the FMF amongst its staff and to ensure that the key elements of the framework are being met. The Authority is working towards completing its implementation program and addressing issues that it has identified as part of its implementation project work.

Audit does acknowledge the progress that the Authority has made during the year in ensuring compliance with the principles of the FMF and this is supported by the work undertaken by the Justice Portfolio FMF Project Working Group. As discussed above, the Authority does however need to review its current practices with respect to the management of its fixed assets.

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

Statement of Financial Performance

Government appropriation (\$53.7 million) to the Authority in 2000-01 was 88.3 percent of the Authority's total funding sources as compared with 88.5 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 Court fines and fees, \$28.6 million in 2000-01, which is directly credited to the Consolidated Account. This revenue is reported under Administered Revenues.

Revenues from government decreased by \$7.3 million to \$53.7 million. This decrease reflects the decrease in the amount of capital appropriations provided this year over last year; the Authority received \$7.2 million last year, the majority of which was to fund the construction of the Christies Beach Court.

The net cost of services for the year increased by \$3.3 million (6.4 percent) to \$54.9 million.

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 2001 totalled \$68.9 million (\$65.1 million). Refer Note 1.18.

The Authority received \$2.4 million (\$4.8 million) from the Attorney - General's Department Administered Account towards the cost of operating the Fines Enforcement System. This amount is reflected in the Authority's Revenues from Ordinary Activities.

Revenue from court fees and fines increased by \$4.3 million (17.5 percent) to \$28.6 million.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Grants	2	3 277	341
Fees for service	3	2 905	2 392
Recovery of supplies and services	4	235	4 859
Proceeds from disposal of assets	5	57	4
Other	6	660	329
Total Revenues		7 134	7 925
EXPENSES FROM ORDINARY ACTIVITIES:			
Employees	7	31 940	31 096
Supplies and services	8	23 447	21 857
Depreciation and amortisation	9	4 563	4 488
Borrowing costs	10	1 517	1 579
Disposal of assets	5	12	14
Other	11	568	498
Total Expenses		62 047	59 532
NET COST OF SERVICES		(54 913)	(51 607)
REVENUES FROM GOVERNMENT		53 718	60 970
NET (DEFICIT) SURPLUS FROM OPERATING ACTIVITIES		(1 195)	9 363
Net (debit) credit to asset revaluation reserve		(1 010)	5 807
Total Revenue, Expenses and Valuation Adjustments Recognised Directly in Equity		(1 010)	5 807
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(185)	3 556

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash on hand and on deposit	12	10 302	14 845
Receivables	13	895	184
Prepayments	14	418	509
Inventory	15	18	45
Total Current Assets		11 633	15 583
NON-CURRENT ASSETS:			
Property, plant and equipment	16	124 716	122 664
Total Non-Current Assets		124 716	122 664
Total Assets		136 349	138 247
CURRENT LIABILITIES:			
Payables	17	2 886	2 055
Employee entitlements	18	1 957	1 998
Finance lease	19	621	587
Other	20	243	237
Total Current Liabilities		5 707	4 877
NON-CURRENT LIABILITIES:			
Payables	17	609	623
Employee entitlements	18	4 347	4 389
Finance lease	19	25 563	26 184
Other	20	876	722
Total Non-Current Liabilities		31 395	31 918
Total Liabilities		37 102	36 795
NET ASSETS		99 247	101 452
EQUITY:			
Accumulated surplus	21	94 450	95 645
Asset revaluation reserve		4 797	5 807
		99 247	101 452
Commitments	19, 22		

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
OPERATING ACTIVITIES:			
CASH RECEIVED:			
Appropriations		53 718	60 970
Grants		3 277	341
Fees for service		2 927	2 379
GST receipts from taxation authority		1 720	-
Recovery of supplies and services		295	4 751
Other		660	329
CASH USED:			
Employees		(32 235)	(30 650)
Supplies and services		(22 140)	(22 216)
GST payments on purchases		(2 513)	-
Borrowing costs		(1 515)	(1 585)
Other		(570)	(482)
Net Cash provided by Operating Activities	23	3 624	13 837
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH RECEIVED:			
Proceeds from sales of property, plant and equipment		57	4
CASH USED:			
Purchase of property, plant and equipment		(7 637)	(7 031)
Net Cash used in Investing Activities		(7 580)	(7 027)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH USED:			
Repayment of finance lease		(587)	(556)
Net Cash used in Financing Activities		(587)	(556)
NET (DECREASE) INCREASE IN CASH HELD		(4 543)	6 254
CASH AT 1 JULY		14 845	8 591
CASH AT 30 JUNE		10 302	14 845

Output Class Schedule of Expenses and Revenues for the year ended 30 June 2001

	Output Class (refer Note 1.20)	2001			Total \$'000
		2.2 \$'000	2.3 \$'000	5.2 \$'000	
REVENUES FROM ORDINARY ACTIVITIES:					
Grants		685	213	2 379	3 277
Fees for service		646	18	2 241	2 905
Recovery of supplies and services		185	4	46	235
Proceeds from disposal of assets		49	2	6	57
Other		551	21	88	660
Total Revenues		2 116	258	4 760	7 134
EXPENSES FROM ORDINARY ACTIVITIES:					
Employees		26 581	1 382	3 977	31 940
Supplies and services		20 563	576	2 308	23 447
Depreciation and amortisation		4 244	72	247	4 563
Borrowing costs		1 513	1	3	1 517
Disposal of Assets		10	-	2	12
Other		436	1	131	568
Total Expenses		53 347	2 032	6 668	62 047
NET COST OF SERVICES		(51 231)	(1 774)	(1 908)	(54 913)
Revenues from government		50 116	1 801	1 801	53 718
NET (DEFICIT) SURPLUS FROM OPERATING ACTIVITIES		(1 115)	27	(107)	(1 195)

Schedule of Administered Revenues and Expenses for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Fines		15 876	12 640
Revenues from government		18 334	18 093
Court fees		12 752	11 727
Transfer revenues		4 183	4 562
Transcript fees		1 099	1 069
Total Revenues		52 244	48 091
EXPENSES FROM ORDINARY ACTIVITIES:			
Judicial expenses	30	17 887	16 716
Transfer expenses		4 190	4 269
Other		843	791
Total Expenses		22 920	21 776
CASH TRANSFERRED TO CONSOLIDATED ACCOUNT		29 766	25 554
NET (DECREASE) INCREASE IN ADMINISTERED NET ASSETS		(442)	761

Schedule of Administered Assets and Liabilities as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
Administered Assets:			
Current:			
Cash	31	375	382
Receivables	32	363	498
Non-Current:			
Receivables	32	-	18
Total Administered Assets		738	898
Administered Liabilities:			
Current:			
Payables	33	1 280	1 109
Judicial entitlements	34	1 256	1 165
Non-Current:			
Payables	33	674	670
Judicial entitlements	34	3 360	3 344
Total Administered Liabilities		6 570	6 288
Equity:			
Accumulated surplus		(5 832)	(5 390)
Total Equity	35	(5 832)	(5 390)

Schedule of Administered Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
OPERATING ACTIVITIES:			
CASH RECEIVED:			
Fines		15 876	12 640
Revenues from government		18 334	18 093
Court fees		12 818	11 845
Transfer revenues		4 183	4 562
Transcript fees		1 099	1 069
Total Cash Received		52 310	48 209
CASH USED:			
Judicial expenses		(17 518)	(17 298)
Revenue to government		(29 766)	(25 554)
Transfer expenses		(4 190)	(4 269)
Other		(843)	(791)
Total Cash Used		(52 317)	(47 912)
Net Cash (used in) provided by Operating Activities	36	(7)	297
NET (DECREASE) INCREASE IN CASH HELD		(7)	297
CASH AT 1 JULY		382	85
CASH AT 30 JUNE		375	382

Output Class Schedule of the Administered Expenses and Revenues for the year ended 30 June 2001

	Output Class (refer Note 1.20)	2.2 \$'000	2.3 \$'000	5.2 \$'000	Total \$'000
REVENUES FROM ORDINARY ACTIVITIES:					
Fines		14	-	15 862	15 876
Revenues from Government		18 334	-	-	18 334
Court fees		5 968	-	6 784	12 752
Transfer revenues		462	-	3 721	4 183
Transcript fees		1 099	-	-	1 099
Total Revenues		25 877	-	26 367	52 244
EXPENSES FROM ORDINARY ACTIVITIES:					
Judicial expenses		17 887	-	-	17 887
Transfer expenses		386	-	3 804	4 190
Other		843	-	-	843
Total Expenses		19 116	-	3 804	22 920
CASH TRANSFERRED TO CONSOLIDATED ACCOUNT		7 081	-	22 685	29 766
NET (DECREASE) IN ADMINISTERED NET ASSETS		(320)	-	(122)	(442)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies**1.1 **Objectives and Funding**

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;
- 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. Refer to Notes 1.18 and 1.19 for accounting arrangements relating to Administered Items.

1.2 **Basis of Accounting**

The general purpose financial report has been prepared in accordance with:

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

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets which, as noted, are at valuation. No allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets which are unrecognised are reported as commitments in Note 22.

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flows or consumptions or loss of economic benefits has occurred and can be reliably measured. 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 fee-for-service revenue such as reminder notice fees attached to fine penalty notices.

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

The Schedule of Administered Revenues and Expenses, Assets and Liabilities and Cash Flows are prepared on the same basis and using the same policies as for operating items, except where otherwise stated at Notes 1.18 and 1.19.

1.3 **Changes in Accounting Policy**

The accounting policies used in the preparation of these financial statements are consistent with those used in 1999-2000.

1.4 **Revenue**

The revenues described in this note are revenues relating to the core operating activities of the Authority.

- (a) *Revenue from Government-Agency Appropriations*
Control over appropriations and grants is normally obtained upon their receipt.
- (b) *Resources Received Free of Charge*
Assets donate, 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 Statement of Financial Performance.

(c) *Other Revenue*

The Authority provides some services 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 Authority also recovers the cost of goods and services incurred where appropriate.

Most of this revenue is recognised at the time the cash is received because only at this time can the Authority be certain about the amounts to be collected. However, some revenues are recognised at the time that service is provided.

1.5 Employee Entitlements

(a) *Leave*

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 benchmark is currently eight years.

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.

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 Statement of Financial Performance.

(b) *Superannuation*

The Authority made contributions of \$5.6 million (\$5.5 million) to Employer Contribution Accounts administered by the South Australian Superannuation Board, in respect of future superannuation liabilities.

(c) *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.

1.6 Leases

The Authority has entered into a number of operating lease agreements for the provision of photocopiers where the lessors effectively retain all of the risks and benefits incidental to ownership of these items. Equal instalments of the lease payments are charged to the Statement of Financial Performance 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 22.

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 Statement of Financial Performance 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 19.

1.7 Borrowing Costs

Borrowings costs reflect the interest expenses associated with the finance lease.

1.8 Cash

Cash comprises Deposit Accounts with the Department of Treasury and Finance as well as cash on hand.

1.9 Financial Instruments

Accounting policies for financial instruments are stated at Note 29 and Note 37.

1.10 Acquisitions of Assets

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

1.11 Property (Land and Buildings), Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment initially at cost in the Statement of Financial Position, except for purchases with an individual value of less than \$1 000 which are expensed in the Statement of Financial Performance at the time they are acquired.

Revaluations

Land and buildings and improvements controlled by the Authority are recorded at amounts based on valuations and cost. Valuations are prepared by Colliers Jardine, licensed valuers. Land, buildings and improvements are revalued every three years with the current valuations reflecting valuations performed as at 30 June 2000.

In accordance with current Accounting Policy Statements issued by the Department of Treasury and Finance, the authority has applied the Australian Accounting Standard AAS 38 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis (that is deprival value methodology) while the relationship between fair value and the existing valuation basis in the South Australian public sector is examined further.

Valuations of works of art and collections were performed by Theodore Bruce Auctions Pty Ltd., Licensed Valuers. Works of art and collections are measured at their market value and are not depreciated. The valuations currently brought to account for works of art and collections were made as at 30 June 1996. 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'.

The balance brought to account for library collections represents the valuation as at 30 June 1997 based on information provided by the Supreme Court of Queensland. Purchases since are recorded at their cost of acquisition. A revaluation of this class of asset is planned for 30 June 2002.

Non-current assets are measured at current cost, with assets other than land, library collections and works of art and collections having a deduction to reflect the portion of economic benefits that had been consumed since the asset was acquired ie 'depreciated current cost'.

Depreciation and Amortisation

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

* 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. This assets 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.

1.12 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.

1.13 Goods and Services Tax

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

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

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

GST does not apply to the finance lease liability of the Authority.

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

1.14 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of transaction. No foreign currency receivables and payables existed as at balance date.

1.15 Insurance

The Authority has insured for risks through the South Australia Government Captive Insurance Corporation (SAICORP).

1.16 Comparative Figures

The Authority has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

1.17 Rounding

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

1.18 Administered Revenue

All revenues described in this note are revenues relating to the operating activities performed by the Agency on behalf of the Government and other government agencies.

- (a) *Revenue from Government - Administered Appropriations*
Appropriations for Administered Expenses represents funding required to meet judicial expenses. Control over these appropriations are normally obtained upon their receipt.
- (b) *Fines*
The Authority receives revenue from infringements issued to offenders committing offences under various acts and regulations, principally the *Road Traffic Act 1961*.
- (c) *Court Fees*
The Authority processes revenue from fees charged under regulations to various Acts. Examples of these fees include lodgement fees in the various jurisdictions and sales of transcript and evidence.
- (d) *Revenue Received on Behalf of/for Other Government Agencies*
The Authority receives revenue of 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.

The administered funds receivable balance, recorded in the Schedule of Administered Assets and Liabilities, includes amounts due in respect of sales of transcript and certain court fees. The remaining administered receivables are not recorded in the Schedule of Administered Assets and Liabilities due to the uncertainty of the amounts to be received by the Authority. Total administered receivables owing to the Authority, but not recorded totalled \$68.9 million (\$65.1 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.

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

1.19 Administered Expenses

- (a) *Payments to Consolidated Account*
Administered Fees and Fines collected by the Authority are paid directly to the Consolidated Account.
- (b) *Judicial Expenses*
The Authority makes payments pursuant to the *Remuneration Act 1990* for members of the judiciary. These expenses include judicial salaries and related on-costs, judicial vehicle expenses and Fringe Benefits Tax.

1.20 Outputs of the Authority

Information about the output classes to which the Authority contributes is provided as follows:

- Output 2.2 Court and Tribunal Case Resolution Services*
The resolution of criminal, civil, appellate, coronial and probate matters in the State's courts and tribunals.
- Output 2.3 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 5.2 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.

2. Grants		2001	2000
Grants for the reporting period comprised:		\$'000	\$'000
Fines Payment Unit		2 379	-
Drug court		385	-
Mental Impairment Diversion Program		213	-
Bodies in the Barrels case		197	-
Electronic Lodgement projects		-	121
National Coronial Information System		-	115
Bushlink		-	63
Other		103	42
		3 277	341

3. Fees for Service	2001	2000
Fees and charges for the reporting period comprised:	\$'000	\$'000
Sheriff's officer fees	778	846
Reminder notice fees	771	633
Licence disqualification fees	595	141
Rent recoups	176	163
Sale of electronic information	141	120
Library levy	125	122
Photocopying	92	95
Sheriff's fees	37	35
Coronial recoups	14	26
Other	176	211
	2 905	2 392
4. Recovery of Supplies and Services		
Recovery of goods and services for the reporting period comprised:		
Recovery of costs associated with the Fines Payment Unit	-	4 790
Other	235	69
	235	4 859
5. Proceeds and Expenses from Disposal of Assets		
Revenue (proceeds) from sale	57	4
Expense from sale	12	14
	45	(10)
6. Other Revenues		
Other revenues for the reporting period comprised:		
Interest revenue	626	297
Miscellaneous commissions	13	16
Other	21	16
	660	329
7. Employee Expenses		
Employee expenses for the reporting period comprised:		
Salaries and wages	25 963	24 939
Payroll tax and superannuation expenses	4 674	4 533
Long service leave expenses	725	965
Other	578	659
	31 940	31 096
8. Supplies and Service Expenses		
Supplies and services expenses for the reporting period comprised:		
Accommodation expenses	7 973	6 821
Administration expenses	7 933	8 609
Computing and communications	3 866	2 953
Coronial charges	1 991	1 839
Jurors' expenses	1 006	961
Bailiff fee reimbursements	678	674
	23 447	21 857
9. Depreciation and Amortisation		
Depreciation and amortisation expenses for the reporting period were charged in respect of:		
Buildings and improvements	1 553	1 370
In-house computer developed software	1 003	866
Computing	966	1 088
Finance lease on building	830	830
Office furniture and equipment	180	303
Leasehold improvements	31	31
	4 563	4 488
10. Borrowing Costs Expenses		
Borrowing costs for the reporting period comprised:		
Interest on finance lease	1 487	1 519
Other bank charges	30	60
	1 517	1 579
11. Other Expenses		
Other expenses for the reporting period comprised:		
Operating lease payments	470	387
Other	98	111
	568	498

Courts Administration Authority

12.	Cash on Hand and on Deposit		2001	2000
	Cash on hand and on deposit comprised:		\$'000	\$'000
	Deposit accounts with the Department of Treasury and Finance		10 269	14 812
	Cash on hand (including petty cash)		33	33
			10 302	14 845
13.	Receivables			
	Receivables comprised:			
	GST receivable		793	-
	Fees for service		83	159
	Employee expense		19	25
			895	184
14.	Prepayments			
	Prepayments comprised:			
	Finance lease		352	341
	Supplies and services		66	168
			418	509
15.	Inventories			
	Stationery store		18	45
16.	Property, Plant and Equipment			
	(a) Summary of Balances			
		Cost/	Accumulated	Written Down Value
		Valuation	Depreciation/	2001
		\$'000	Amortisation	2000
			\$'000	\$'000
	Land at valuation	11 152	-	11 152
	Buildings and improvements at valuation	101 138	(32 390)	68 748
	Buildings and improvements at cost	5 284	-	5 284
	Building under construction at cost	673	-	673
	Building under finance lease	33 191	(14 936)	18 255
	Leasehold improvements at cost	509	(112)	397
	Computing at cost	9 788	(7 658)	2 130
	Office furniture and equipment at cost	4 776	(3 688)	1 088
	In-house computer developed software at cost	7 688	(2 473)	5 215
	Library collections at valuation	8 971	-	8 971
	Library collections at cost	2 305	-	2 305
	Works of art and collections at valuation	498	-	498
		185 973	(61 257)	124 716
				122 664

16. Property, Plant and Equipment (continued)

2001

(b) Analysis of Property, Plant and Equipment

	Land	Buildings and Improvements	Building Under Finance Lease	Building Under Construction	Buildings - Leasehold Improvements	Total Land and Buildings	Computing	Office Furniture & Equipment	In-house Computer Development Software	Library Collections	Works of Art and Collections	Total Plant, Equipment and Collections	Total \$'000
Movement Summary for all Assets Irrespective of Valuation Basis	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value as at 1 July	11 152	102 456	33 191	488	509	147 796	9 255	4 669	7 688	10 831	498	32 941	180 737
Additions: Purchase of assets	-	-	-	5 469	-	5 469	1 384	152	-	445	-	1 981	7 450
Assets transferred in (out)	-	5 284	-	(5 284)	-	-	-	-	-	-	-	-	-
Revaluations: (Write downs)	-	(1 318)	-	-	-	(1 318)	-	-	-	-	-	-	(1 318)
Disposals	-	-	-	-	-	-	(851)	(45)	-	-	-	(896)	(896)
Gross Value as at 30 June	11 152	106 422	33 191	673	509	151 947	9 788	4 776	7 688	11 276	498	34 026	185 973
Accumulated depreciation/amortisation at 1 July	-	(31 332)	(14 106)	-	(81)	(45 519)	(7 539)	(3 545)	(1 470)	-	-	(12 554)	(58 073)
Depreciation/amortisation for year	-	(1 553)	(830)	-	(31)	(2 414)	(966)	(180)	(1 003)	-	-	(2 149)	(4 563)
Revaluations: (Write downs)	-	495	-	-	-	495	-	-	-	-	-	-	495
Disposals	-	-	-	-	-	-	847	37	-	-	-	884	884
Accumulated Depreciation/ Amortisation as at 30 June	-	(32 390)	(14 936)	-	(112)	(47 438)	(7 658)	(3 688)	(2 473)	-	-	(13 819)	(61 257)
Net book values as at 30 June 2001	11 152	74 032	18 255	673	397	104 509	2 130	1 088	5 215	11 276	498	20 207	124 716
Net book values as at 30 June 2000	11 152	71 124	19 085	488	428	102 277	1 716	1 124	6 218	10 831	498	20 387	122 664
Summary of Balances of Assets at Valuation													
As at 30 June 2001:													
Gross value	11 152	101 138	-	-	-	112 290	-	-	-	8 971	498	9 469	121 759
Accumulated depreciation/amortisation	-	(32 390)	-	-	-	(32 390)	-	-	-	-	-	-	(32 390)
Net Book Value	11 152	68 748	-	-	-	79 900	-	-	-	8 971	498	9 469	89 369
As at 30 June 2000:													
Gross value	11 152	102 456	-	-	-	113 608	-	-	-	8 971	498	9 469	123 077
Accumulated depreciation/amortisation	-	(31 332)	-	-	-	(31 332)	-	-	-	-	-	-	(31 332)
Net Book Value	11 152	71 124	-	-	-	82 276	-	-	-	8 971	498	9 469	91 745
Summary of Assets Held Under Finance Lease													
As at 30 June 2001:													
Gross value	-	-	33 191	-	-	33 191	-	-	-	-	-	-	33 191
Accumulated depreciation/amortisation	-	-	(14 936)	-	-	(14 936)	-	-	-	-	-	-	(14 936)
Net Book Value	-	-	18 255	-	-	18 255	-	-	-	-	-	-	18 255
As at 30 June 2000:													
Gross value	-	-	33 191	-	-	33 191	-	-	-	-	-	-	33 191
Accumulated depreciation/amortisation	-	-	(14 106)	-	-	(14 106)	-	-	-	-	-	-	(14 106)
Net Book Value	-	-	19 085	-	-	19 085	-	-	-	-	-	-	19 085
Summary of Building Under Construction													
As at 30 June 2001:													
Gross value	-	-	-	673	-	673	-	-	-	-	-	-	673
Accumulated depreciation/amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Book Value	-	-	-	673	-	673	-	-	-	-	-	-	673
As at 30 June 2000:													
Gross value	-	-	-	488	-	488	-	-	-	-	-	-	488
Accumulated depreciation/amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Book Value	-	-	-	488	-	488	-	-	-	-	-	-	488

17. Payables		2001	2000
Current:		\$'000	\$'000
Creditors and accruals		2 578	1 742
On-costs on provision for employee entitlements		308	313
		2 886	2 055
Non-Current:			
On-costs on provision for employee entitlements		609	623
18. Employee Entitlements			
Current:			
Long service leave		789	810
Annual leave		1 168	1 188
		1 957	1 998
Non-Current:			
Long service leave		4 347	4 389
19. Finance Lease			
Finance lease commitments:			
Payable no later than one year		4 489	4 237
Payable later than one year and not later than five years		17 956	16 948
Payable later than five years		76 315	76 265
Minimum lease payments		98 760	97 450
Less: Future finance charges and contingent rentals		72 576	70 679
Lease Liability		26 184	26 771
Classified as:			
Current		621	587
Non-current		25 563	26 184
		26 184	26 771

A finance lease exists in relation to the Sir Samuel Way building. This lease is non-cancellable for a term of 40 years.

20. 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		156	162
Other		87	75
		243	237
Non-Current:			
Income maintenance		647	549
Other		229	173
		876	722

21. Equity									
		Accumulated Surplus		Asset Revaluation Reserve		Total Reserves		Total Equity	
		2001	2000	2001	2000	2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July		95 645	84 521	5 807	-	5 807	-	101 452	84 521
Net (deficit) surplus from operating activities		(1 195)	9 363	-	-	-	-	(1 195)	9 363
Transfer of liabilities relating to judicial on-costs from operating to administered activities		-	1 093	-	-	-	-	-	1 093
Adjustments for assets brought to account for the first time		-	668	-	-	-	-	-	668
Net revaluation increments		-	-	-	5 807	-	5 807	-	5 807
Adjustment to prior years revaluation increment		-	-	(1 010)	-	(1 010)	-	(1 010)	-
Balance at 30 June		94 450	95 645	4 797	5 807	4 797	5 807	99 247	101 452

22. Commitments		2001	2000
BY TYPE:		\$'000	\$'000
Capital Commitments:			
Land and buildings ⁽¹⁾		4 113	5 372
Total Capital Commitments		4 113	5 372
Other Commitments:			
Operating leases ⁽²⁾		173	115
Total Other Commitments		173	115
Commitments Receivable		-	-
Net Commitments		4 286	5 487

22. Commitments (continued)	2001	2000
BY MATURITY:	\$'000	\$'000
All Net Commitments:		
One year or less	4 194	5 443
From one to five years	92	44
Net Commitments	4 286	5 487
Operating Lease Commitments:		
One year or less	81	71
From one to five years	92	44
Total Operating Lease Commitments	173	115

Commitments are GST inclusive where relevant.

- (1) Outstanding contractual arrangements for buildings under construction.
- (2) Operating leases are effectively non-cancellable and relate to photocopiers used by the Authority. Rental is payable monthly in arrears generally for a four year term with an option to renew at the end of the term.

23. Cash Flow Reconciliation		
Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows:		
Cash at year end per Statement of Cash Flows	10 302	14 845
Statement of Financial Position item comprising above cash – 'Cash on hand and on deposit'	10 302	14 845
Reconciliation of operating (deficit) surplus to net cash provided by operating activities:		
Net (deficit) surplus	(1 195)	9 363
Transfer of liabilities relating to judicial on-costs from operating to administered activities	-	1 093
Depreciation/amortisation	4 563	4 488
(Profit) Loss on disposal of assets	(45)	10
(Increase) in receivables	(711)	(118)
Decrease (Increase) in inventories	27	(11)
Decrease in prepayments	91	39
(Decrease) in employee entitlements	(83)	(481)
Increase (Decrease) in payables	817	(746)
Increase in other liabilities	160	200
Net Cash provided by Operating Activities	3 624	13 837

24. Remuneration of Employees and Judiciary	2001	2000
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
\$110 001 - \$120 000	2	1
\$120 001 - \$130 000	*1	-
\$140 001 - \$150 000	1	-
\$150 001 - \$160 000	1	1
\$160 001 - \$170 000	1	1
\$170 001 - \$180 000	-	1
\$180 001 - \$190 000	1	1
\$190 001 - \$200 000	1	-

* Includes employees who received accrued leave entitlements upon resignation.

The aggregate remuneration for all employees referred to above was \$1.2 million (\$900 000).

Judiciary	2001	2000
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:	Number of Judicial Officers	Number of Judicial Officers
Special Acts:		
\$100 001 - \$110 000	-	1
\$130 001 - \$140 000	-	2
\$140 001 - \$150 000	4	*8
\$150 001 - \$160 000	*13	13
\$160 001 - \$170 000	11	8
\$170 001 - \$180 000	8	3
\$180 001 - \$190 000	2	4
\$190 001 - \$200 000	-	1
\$200 001 - \$210 000	1	-
\$210 001 - \$220 000	-	*1
\$220 001 - \$230 000	-	9
\$230 001 - \$240 000	3	*13
\$240 001 - \$250 000	*22	-
\$250 001 - \$260 000	-	2
\$260 001 - \$270 000	1	11
\$270 001 - \$280 000	12	-
\$280 001 - \$290 000	1	-
\$290 001 - \$300 000	-	1
\$300 001 - \$310 000	1	-

* Includes officers who received accrued leave entitlements upon retirement.

The aggregate remuneration for all the judicial officers referred to above was \$16.6 million (\$15.3 million).

25. Targeted Voluntary Separation Packages (TVSPs)	2001	2000
TVSPs paid to employees during the reporting period were:	\$'000	\$'000
TVSP payments	283	406
Recovery from the Department of the Premier and Cabinet in respect of TVSPs	283	406
Annual and long service leave accrued over the period of employment		
paid to employees who received TVSPs	51	95

2001	2000
Number of	Number of
Employees	Employees
5	7

The number of employees who received TVSPs

26. 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.

27. Consultancies
Total expenditure on consultancies amounted to \$248 000 (\$332 000).

Individual consultancies costing more than \$50 000:	2001
No consultancies exceeded \$50 000.	\$'000
	-

Individual consultancies costing between \$10 000 and \$50 000:

Project:	Consultants:	
GST Systems Analysis	DMR Consulting	49
Review of Data Quality	Clear Thinking	48
Data Modelling – Court Resourcing	4DM Modelling	41
Public Relations and Resource Review	B W Johns	30
Systems Audit of Electronic Lodgement Projects	KPMG	14
Security Review of JIS Network	Price Waterhouse	11
Systems Audit of Penalty Enforcement System	KPMG	11
GST Project Management	McLachlan Hodge Mitchell	10

Total cost of consultancies less than \$10 000:	34
8 consultancies	

28. Remuneration of Auditors	2001	2000
	\$'000	\$'000
Auditor's remuneration – Auditing services	88	102

No other services were provided by the Auditor-General.

29. 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			
		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash		Deposits are recognised at their nominal amounts. Interest is credited as it accrues.	Cash comprises Deposit Accounts at the Department of Treasury and Finance. Interest is earned on the average daily balance based on the average of the 90 day bank bill. Interest rates fluctuated between 5.06 percent and 6.10 percent for the year ended 30 June 2001.
Receivables	13	These receivables are recognised at their nominal amounts less any provision for doubtful debts.	Credit terms are net 30 days.
Financial Liabilities			
		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Finance lease liabilities	19	Liabilities 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 rate implicit in the lease.	At the reporting date, the Authority had a finance lease with a 40 year term. The interest rate implicit in this lease is 5.61 percent.
Payables	17	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 normally made net 30 days.

(b) Interest Rate Risk

	Note	Floating Interest Rate		Fixed Interest Rate						Non-Interest Bearing		Total		Weighted Average Effective Interest Rate			
		2001 \$'000	2000 \$'000	1 year or Less 2001 \$'000	1 year or Less 2000 \$'000	1 to 2 Years 2001 \$'000	1 to 2 Years 2000 \$'000	2 to 5 Years 2001 \$'000	2 to 5 Years 2000 \$'000	5 Years or More 2001 \$'000	5 Years or More 2000 \$'000	2001 \$'000	2000 \$'000	2001 Percent	2000 Percent		
Financial Assets:																	
Cash		10 269	14 812	-	-	-	-	-	-	-	33	33	10 302	14 845	5.8	6	
Receivables	13	-	-	-	-	-	-	-	-	-	895	184	895	184	-	-	
Total Financial Assets		10 269	14 812	-	-	-	-	-	-	-	928	217	11 197	15 029			
Total Assets													136 349	138 247			
Financial Liabilities:																	
Finance lease	19	-	-	4 489	4 237	4 489	4 237	13 467	12 711	76 315	76 265	-	-	98 760	97 450	5.8	6
Payables	17	-	-	-	-	-	-	-	-	-	-	2 578	1 742	2 578	1 742	-	-
Total Financial Liabilities:		-	-	4 489	4 237	4 489	4 237	13 467	12 711	76 315	76 265	2 578	1 742	101 338	99 192		
Total Liabilities														37 102	36 795		

(c)	Net Fair Values of Financial Assets and Liabilities		2001		2000	
			Total Carrying Value	Aggregate Net Fair Value	Total Carrying Value	Aggregate Net Fair Value
	Financial Assets:	Note	\$'000	\$'000	\$'000	\$'000
	Cash		10 302	10 302	14 845	14 845
	Receivables	13	895	895	184	184
	Total Financial Assets		11 197	11 197	15 029	15 029
	Financial Liabilities:					
	Finance lease liabilities	19	26 184	26 184	26 771	26 771
	Trade creditors	17	2 578	2 578	1 742	1 742
	Total Financial Liabilities		28 762	28 762	28 513	28 513

Financial Assets

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

Financial Liabilities

The net fair values for finance leases and trade creditors are approximated by their carrying amounts.

(d) **Credit Risk Exposure**

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

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

30. Judicial Expenses		2001	2000
Judicial expenses comprised:		\$'000	\$'000
Salaries and wages		13 051	12 355
Payroll tax and superannuation expenses		4 087	3 693
Long service leave expenses		714	647
Other		35	21
		17 887	16 716
31. Administered Cash			
Administered cash comprised:			
Deposit account with the Department of Treasury and Finance		375	382
32. Administered Receivables			
Current:			
Fees		358	498
GST receivable		5	-
		363	498
Non-Current:			
Fees		-	18
33. Administered Payables			
Current:			
Creditors and accruals		506	299
Transfer revenue received and not forwarded		430	510
On-costs on provision for judicial entitlements		344	300
		1 280	1 109
Non-Current:			
On-costs on provision for judicial entitlements		674	670
34. Judicial Entitlements			
Current:			
Long service leave		512	447
Annual leave		744	718
		1 256	1 165
Non-Current:			
Long service leave		3 262	3 287
Annual leave		98	57
		3 360	3 344
35. Administered Equity			
Balance at 1 July		(5 390)	(5 058)
Net (decrease) increase in administered net assets		(442)	761
Transfer of liabilities relating to judicial on-costs from operating to administered activities		-	(1 093)
Balance at 30 June		(5 832)	(5 390)

36. Administered Cash Flow Reconciliation	2001	2000
Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows	\$'000	\$'000
Cash at year end per Statement of Cash Flows	375	382
Statement of Financial Position item comprising above cash – 'Cash'	375	382
<hr/>		
Reconciliation of net (deficit) surplus to net cash provided by operating activities:		
Net (deficit) surplus	(442)	761
Transfer of liabilities relating to judicial on-costs from operating to administered activities	-	(1 093)
Decrease in receivables	153	189
Increase in judicial entitlements	107	246
Increase in payables	175	194
Net Cash (used in) provided by Operating Activities	(7)	297
<hr/>		

37. Administered 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)
<hr/>			
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		Deposits are recognised at their nominal amounts.	Cash comprises Deposit Accounts at the Department of Treasury and Finance. The administered cash balance is in non-interest bearing.
Receivables	32	These receivables are recognised at their nominal amounts less any provision for doubtful debts.	Credit terms are net 30 days.
Financial Liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Payables	33	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 normally made net 30 days.

(b) **Interest Rate Risk**

	Note	Floating Interest Rate		Fixed Interest Rate						Non-Interest Bearing		Total		Weighted Average Effective Interest Rate			
		2001	2000	1 year or Less		1 to 2 Years		2 to 5 Years		5 Years or More		2001	2000	2001	2000	Percent	Percent
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
Financial Assets:																	
Cash		-	-	-	-	-	-	-	-	-	375	382	375	382	-	-	
Receivables	32	-	-	-	-	-	-	-	-	-	363	516	363	516	-	-	
Total Financial Assets		-	-	-	-	-	-	-	-	-	738	898	738	898			
Total Assets													738	898			
Financial Liabilities:																	
Payables	33	-	-	-	-	-	-	-	-	-	936	809	936	809	-	-	
Total Financial Liabilities		-	-	-	-	-	-	-	-	-	936	809	936	809			
Total Liabilities													6 570	6 288			

37. Administered Financial Instruments (continued)	(c) <i>Net Fair Values of Financial Assets and Liabilities</i>	Note	2001		2000	
			Total Carrying Value \$'000	Aggregate Net Fair Value \$'000	Total Carrying Value \$'000	Aggregate Net Fair Value \$'000
Financial Assets:						
	Cash		375	375	382	382
	Receivables	33	363	363	516	516
Total Financial Assets			738	738	898	898
Financial Liabilities:						
	Supplies and services	34	936	936	809	809
Total Financial Liabilities			936	936	809	809

Financial Assets

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

38. **Trust Monies**

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 jurisdictions' trust accounts.

Supreme Court Suitor Account

	2001 \$'000	2000 \$'000
Balance at 1 July	10 297	8 151
Receipts	10 673	44 558
Less: Payments	1 140	42 412
Balance at 30 June	19 830	10 297

District Court Suitor Account

	2001 \$'000	2000 \$'000
Balance at 1 July	981	782
Receipts	416	1 079
Less: Payments	1 397	1 861
Balance at 30 June	1 031	981

Sheriff's Office Trust Account

	2001 \$'000	2000 \$'000
Balance at 1 July	122	147
Receipts	58	441
Less: Payments	180	588
Balance at 30 June	21	466

Magistrates' Courts Suitor Accounts

	2001 \$'000	2000 \$'000
Balance at 1 July	1 034	1 007
Receipts	8 509	8 324
Less: Payments	9 543	9 331
Balance at 30 June	8 597	8 297

EMERGENCY SERVICES ADMINISTRATIVE UNIT

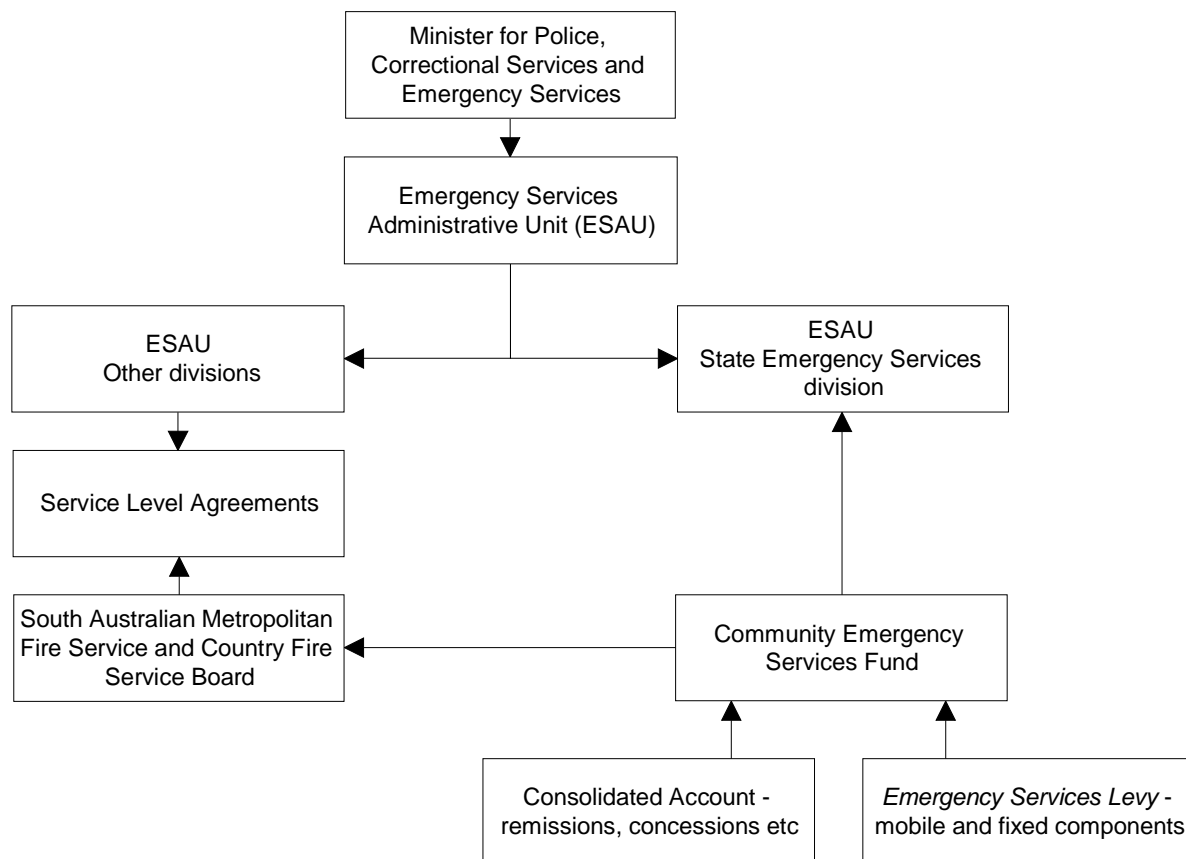
FUNCTIONAL RESPONSIBILITY AND ORGANISATION STRUCTURE

The Emergency Services Administrative Unit (ESAU) is an Administrative Unit established on 1 July 1999, 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 former non-incident management services and staff of the Country Fire Service and the South Australian Metropolitan Fire Service.

Its primary objectives are:

- to provide strategic, corporate and support services to the South Australian emergency services, namely the South Australian Metropolitan Fire Service (SAMFS), the Country Fire Service (CFS) and the State Emergency Service (SES);
- through the SES, to provide a local incident emergency response service, and significant participation in State Disaster emergency management, planning and training. The SES was previously an Administrative Unit in its own right during the period 1 July 1996 to 30 June 1999.

The organisation structure and funding arrangements are overviewed in the following diagram:



Agency Funding from 1 July 1999

The funding of ESAU is derived through recharges to the SAMFS and the CFS for services rendered. The Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998* (the Act), 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 SES is directly financed by the Fund for the cost of its operational services in the protection of South Australian citizens and their property. The SES also receives funding from the same source for the cost of strategic and administrative services delivered to it by ESAU.

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 CFS and the SAMFS under service level agreements.

SIGNIFICANT FEATURES

- Contributions from the Emergency Services Fund totalled \$9.6 million (\$6.2 million)
- Recharges to emergency service agencies totalled \$8.3 million (\$8.6 million)
- Net assets increased to \$4.2 million (\$0.8 million) due mainly to the transfer of assets for no consideration from local government and the Government Radio Network in respect of the State Emergency Service.

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 Emergency Services Administrative Unit 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.

At the outset, it was important to obtain an understanding of ESAU's core functions and the organisational structures supporting these. Key to this understanding was ESAU's primary sources of funding; the nature of its relationship with other entities such as the CFS, the SAMFS, the SES and the Community Emergency Services Fund; the basis of 'ownership' and 'control' of various assets and liabilities and ESAU's strategic and business planning processes.

These elements were essential in Audit seeking to identify and understand the events, transactions and practices that, in its judgement, may have impacted significantly on either the financial report or the opinion on internal controls.

The establishment of ESAU was accompanied by a transfer of all major financial and administrative systems from emergency service agencies (ie providers), with the expectation that services would be delivered consistent with underlying service level agreements.

Hence, the focus of the audit was the 'centralised accounting' structures maintained by ESAU with testing of transactions performed at this level.

During 2000-01 specific areas of Audit attention included:

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

Audit Communications to Management

During the year, Audit met with management on several occasions.

Those meetings provided an opportunity to discuss various issues arising from the audit of the ESAU. An audit management letter had yet to be provided to the Chief Executive Officer at the time of preparing this Report.

Notwithstanding, Audit considered that the internal control weaknesses identified during the course of the audit were sufficient to impact on the Controls Opinion. Further comment is provided under 'Audit Findings and Comments'.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

In last year's Supplementary Report I offered commentary on the operation of the Financial Management Framework (FMF), including an assessment of the ESAU's adherence to the prescribed principles of the FMF.

This included comment that 1999-2000 had been characterised as a transition year, during which there was an involvement in the relationship between ESAU and the emergency service agencies that it services. Reference was also drawn to the responsibilities of chief executives to develop, implement and document policies, procedures and systems which would assist accountability to be discharged.

The 2000-01 audit identified numerous internal control weaknesses. These covered the broad themes of adequacy of segregation of duties, authorisation of transactions and maintenance of accounting reconciliations and review processes in general.

These observations were drawn notwithstanding improvements in a number of other areas, some relating to issues identified in last year's Supplementary Report. These were notably:

- the formalisation of the Finance Function Service Level Agreement;
- the definition of principles and methodology to support service recharges from ESAU to the emergency services agencies;
- improved asset recording and valuation processes;
- the provision of regular financial reporting.

Further specific comment is provided on some of these areas hereunder.

Notwithstanding, internal control weaknesses persisted in many areas. It was Audit's view that a significant causation factor for these was the absence of appropriate consideration and understanding of an internal control framework within the Finance Function Service Level Agreement.

In particular, Audit formed the view that both ESAU and the emergency service agencies struggled to implement a sound internal control framework and that there was a general lack of coordination in implementing the same.

Audit considered that the responsibility for the breakdowns in internal control was shared between ESAU and the other entities and that a joint effort would be required to remedy this situation.

The overall position during 2000-01 was less than satisfactory, despite significant progress achieved in a number of areas. Audit considered that this was in part a legacy from the previous financial year where the ability to catch up many issues was affected by other complexities associated with matters such as asset accounting, to which significant resources were devoted.

The result is that the 'Controls Opinion' for ESAU is qualified with consequent effects for the SAMFS and the CFS control opinions. Notwithstanding, Audit was able to undertake detailed testing of transactions so as to be able to form an opinion on ESAU's financial report for the year ended 30 June 2001, which is unqualified.

Salient matters reported by Audit during the year and other factors influencing the controls opinion are summarised as follows:

Corporate Service Level Agreements (SLAs)

SLAs represent a cornerstone for any agency that has the provision of corporate services as one of its key functions. Last year Audit commented on the importance of having clear and robust SLAs, which were seen to be fundamental to ESAU's commercial relationships with its emergency service provider agencies. The SLAs also represented a key mechanism by which ESAU could advance its own corporate objectives.

ESAU and the emergency service agencies ratified a new Finance Function Service Level Agreement in June 2001. The new Agreement represented a significant enhancement on the previous document and incorporated clear principles and methodology for the basis of recharging services provided by ESAU to the emergency service agencies under the Agreement.

Notwithstanding, Audit considered that the Agreement was lacking in its consideration of an internal control framework and that further articulation of this was essential in delivering a sound internal control environment within ESAU and the respective agencies.

Accounting for Non-Current Assets

Last year's Supplementary Report included detailed comment on the accounting for non-current assets. During 2000-01 ESAU and the emergency service agencies made significant improvements in this area notwithstanding complexities associated with the transfer of various assets from local government and the Government Radio Network.

Further improvement was still required in a number of areas however to ensure the consistency and integrity of the asset registers maintained.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Emergency Services Administrative Unit 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 Emergency Services Administrative Unit in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, except for the matters outlined under '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

The change in net assets was \$3.4 million. ESAU's Accumulated Funds as at 30 June 2001 totalled \$4.2 million (\$827 000) following adjustments arising from the recognition of property, plant and equipment and the transfer of the accumulated surplus from the former State Emergency Service (now a division of ESAU).

Revenues from recharges to the emergency service providers totalled \$8.3 million (\$8.6 million) and represented 91 percent of Total Revenues from Ordinary Activities and 42 percent of total revenues. Total revenues included direct contributions from the Community Emergency Services Fund of \$9.6 million to fund SES operations.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Recoveries		478	276
Interest on investments		25	31
Emergency Services Administrative Unit recharges		8 250	8 601
Other revenue		348	479
Total Revenues		9 101	9 387
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee entitlements	3	7 912	5 662
Depreciation and amortisation	4	274	109
Government radio network costs	5	1 541	1 525
Operational, administration and general expenses	6	9 569	7 181
Total Expenses		19 296	14 477
NET COST OF SERVICES			
		10 195	5 090
REVENUES FROM STATE GOVERNMENT:			
Contributions from the Community Emergency Services Fund		9 583	6 162
Commonwealth Grants	8	1 097	517
Total Revenues from Government		10 680	6 679
CHANGE IN NET ASSETS			
Net costs from restructuring	21	-	(1 037)
Net revenues from disposal of non-current assets	9	6	40
Net revenues from the transfer of assets from Local Government		1 434	-
Net revenues from the transfer of assets from the Government Radio Network		1 428	-
Total Change in Net Assets from Revenues, Expenses, Restructuring and Valuation Adjustments		2 868	(997)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		3 353	592

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets	16(i)	49	2 469
Receivables	10	776	97
Total Current Assets		825	2 566
NON-CURRENT ASSETS:			
Property, plant and equipment	11	7 268	3 183
Total Non-Current Assets		7 268	3 183
Total Assets		8 093	5 749
CURRENT LIABILITIES:			
Payables	12	1 747	3 086
Provisions	13	455	564
Total Current Liabilities		2 202	3 650
NON-CURRENT LIABILITIES:			
Provisions	13	1 711	1 272
Total Non-Current Liabilities		1 711	1 272
Total Liabilities		3 913	4 922
NET ASSETS			
		4 180	827
EQUITY:			
Accumulated funds	23	4 180	827
TOTAL EQUITY		4 180	827
Commitments and Contingent Liabilities	14		

Statement of Cash Flows for the year ended 30 June 2001

		2001 Inflows (Outflows)	2000 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
	Note	\$'000	\$'000
Employee entitlements		(7 582)	(6 699)
Operating and administration		(10 908)	(1 839)
Government Radio Network costs		(1 541)	(1 525)
RECEIPTS:			
Recoveries and other income		147	238
Emergency Services Administrative Unit recharges		8 250	8 601
Interest on investments		25	31
CASH FLOWS FROM GOVERNMENT:			
Contributions from the Community Emergency Services Fund		9 583	6 162
Commonwealth grants		1 097	517
Net Cash (used in) provided by Operating Activities	16(ii)	(929)	5 486
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of non-current assets		6	40
Payments for non-current assets		(1 497)	(3 057)
Net Cash used in Investing Activities		(1 491)	(3 017)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		2 000	21 000
Repayment of borrowings		(2 000)	(21 000)
Net Cash provided by (used in) Financing Activities		-	-
NET (DECREASE) INCREASE IN CASH HELD		(2 420)	2 469
CASH AT 1 JULY		2 469	-
CASH AT 30 JUNE	16 (i)	49	2 469

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives

(a) Objectives

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

- To provide strategic, corporate and support services to the South Australian emergency services, namely the SA Metropolitan Fire Service (SAMFS), the Country Fire Service (CFS) and the State Emergency Service (SES).
- To provide a local incident emergency response service, and significant participation in State Disaster emergency management, planning and training to the State Emergency Service (SES). SES had from 1 July 1996 to 30 June 1999 been an administrative unit within the Justice portfolio.

(b) Funding

The funding of the Emergency Services Administrative unit is derived from the Community Emergency Services Fund (the Fund) which was established by the *Emergency Services Funding Act 1998* (the Act) assented to on 10 September 1998.

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 in payment of the levy are credited to the Fund.

The State Emergency Service (SES) is directly funded from 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 CFS and SAMFS under service level agreements, which at reporting date were still in draft form.

2. Significant Accounting Policies

(a) Basis of Accounting

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

The operations, assets and liabilities that comprise the Emergency Services Administrative Unit, include that of the SES, which prior to 1 July 1999, operated as a separate administrative unit. From 1 July 1999, the existing assets and liabilities of the SES were absorbed into the Emergency Services Administrative Unit. It now represents a separate division and reports through a Director of SES to the Chief Executive Officer of ESAU.

(b) Accounting for Non-Current Assets

Property, plant and equipment are carried at cost.

An independent valuation of land and buildings was undertaken as at 30 June 2000 by Moloney Field Services. On an ongoing basis, revaluations will be made in accordance with a regular policy whereby independent valuations are obtained every three years and the carrying amount adjusted accordingly.

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

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

(c) Employee Entitlements

As at 1 July 1999 and as part of the reform of the emergency services, non-operational employees were transferred from CFS, SAMFS and SES to the newly formed Emergency Services Administrative Unit (ESAU). The entitlements of such employees as at 30 June 2001 are included in the financial statements of ESAU.

(i) Wages and Salaries, Annual Leave and Sick Leave

Liabilities reflect employee entitlements to accrued wages and salaries and annual leave. These liabilities are calculated on current wage rates. Relevant employment on-costs are shown under 'Payables' (see Note 12). Sick leave is not provided for as it is non-vesting. However, entitlements are accumulated, and sick leave taken is deducted from the employee entitlement.

(ii) Long Service Leave

Long Service Leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. The liability has been based on current salaries and wages rates. Relevant employment on-costs are shown under 'Payables' (see Note 12). 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 Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. This advice has been adopted.

(iii) Superannuation

Contributions are made by the Emergency Services Administrative Unit to the SA Metropolitan Fire Service Superannuation Board, Superannuation Benefit Scheme. These contributions are treated as an expense when they occur. ESAU has no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes.

(iv) Workers Compensation

To reflect the liability for outstanding workers compensation claims ESAU has raised a provision as at balance date. ESAU fully funds this provision, as well as lump sum payments, medical costs, legal costs and all other workers compensation related expenses. Liability in respect to SES Volunteers is currently held and managed by the Office for the Commissioner for Public Employment. As at 30 June 2001 the actual value of workers compensation liabilities was \$0.1 million

(v) Targeted Voluntary Separation Packages (TVSPs)

One Targeted Voluntary Separation Package occurred in 2000-01 resulting from a staff transfer from the Courts Administration Authority in accordance with the approval of the Commissioner for Public Employment in respect of TVSPs. The package totalled \$56 000 including outstanding leave accrual of \$8 000. Reimbursement for the package has been received as at 30 June 2001.

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

(e) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

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

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

(f) Comparative Financial Information

ESAU has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

3. Employee Entitlements		2001	2000
Salaries and wages expenses for the reporting period comprised:		\$'000	\$'000
Salaries and wages		6 325	4 173
Payroll tax and superannuation expenses		1 023	850
Long service leave expenses		378	369
Targeted voluntary separation package		39	-
Other employee related expenses		147	270
		7 912	5 662
<hr/>			
4. Depreciation and Amortisation			
Depreciation and amortisation expenses for the reporting period were charged in respect of:			
Communications equipment		44	54
Vehicles		79	16
Plant and equipment		67	25
Buildings		16	-
Computer equipment		68	14
		274	109
<hr/>			
5. Government Radio Network Costs (GRN)			
Contributions towards the SA GRN expenses for the reporting period were charged in respect of:			
Contribution towards GRN - Voice		1 407	1 469
Contribution towards GRN - Paging		128	56
Other GRN costs		6	-
		1 541	1 525
<hr/>			

The Emergency Services Administrative Unit has been charged by the Department for Administrative and Information Services for costs associated with the provision to SES of emergency communication services, including voice and paging transmission using the Government Radio Network.

6. Operational, Administration and General Expenses		2001	2000
Operational, administration and general expenses for the reporting period comprised:	Note	\$'000	\$'000
Consumables and minor purchases		1 497	1 423
Repairs and maintenance		511	305
Accommodation		586	715
Uniforms and protective clothing		358	125
Communication expenses		412	158
Energy		26	21
Light vehicle expenses		311	170
Travel and training		616	597
Computing, consultancy and legal fees, and other expenses		2 991	1 884
Minister's Grants Program		1 497	-
Interest		6	1 063
Volunteer Marine Rescue Grants Program	7	539	370
GST compliance costs		95	246
State Disaster Committee		124	104
		9 569	7 181
<hr/>			
7. Volunteer Marine Rescue Grants Program			
During the reporting period the Emergency Services Administrative Unit was responsible for administering the financial transactions relating to the operations of volunteer marine rescue units. Funding was received from the Community Emergency Services Fund on behalf of the following units:			
Expenses for the reporting period consists of the following		2001	2000
Volunteer Marine Rescue		\$'000	\$'000
Victor Harbor Sea Rescue Squadron		1	1
Cowell Sea Rescue Squadron		68	58
SA Sea Rescue Squadron		39	27
Whyalla Sea Rescue Squadron		137	131
Australian Volunteer Coastguard		65	20
Royal Volunteer Coastal Patrol		176	114
State Marine Rescue Sub-Committee		52	16
		1	3
		539	370
<hr/>			
8. Grants			
Commonwealth grant revenue for the reporting period comprised:			
Commonwealth grant - State Disaster Committee		10	99
Commonwealth grant - Other		1 087	418
		1 097	517
<hr/>			

9.	Net Revenues from Disposal of Non-Current Assets	2001 \$'000	2000 \$'000
	Proceeds from disposal of non-current assets	6	40
	Less: Written down value of non-current assets	-	-
	Net Revenues from Disposal of Non-Current Assets	6	40
10.	Receivables		
	Current:		
	Receivables	595	97
	Less: Provision for doubtful debts	-	-
	GST refunds	181	-
		776	97
11.	Property, Plant and Equipment	2001	
		Cost/ Valuation	Accumulated Depreciation/ Amortisation
		\$'000	\$'000
(i)	Property, plant and equipment:		Written Down Value
	Buildings	971	(16)
	Vehicles	4 315	(1 376)
	Communications equipment	2 148	(383)
	Computer equipment	443	(99)
	Plant and equipment	677	(189)
	Work in progress	777	-
		9 331	(2 063)
		9 331	(2 063)
			2000
		Cost/ Valuation	Accumulated Depreciation/ Amortisation
		\$'000	\$'000
	Buildings	353	-
	Vehicles	1 461	(16)
	Communications equipment	845	(339)
	Computer equipment	182	(31)
	Plant and equipment	842	(122)
	Work in progress	8	-
		3 691	(508)
		3 691	(508)
(ii)	Officers from the Attorney-General's Department 'Strategic Assets Management' team have been working to identify and transfer land, buildings, equipment and motor vehicles assets from Local Government to the Minister for Emergency Services. As at 30 June 2001, approximately 50 percent of vehicles had been transferred. The remaining assets while under the control of ESAU have not been transferred and are therefore excluded from depreciation calculations and inclusions in the Statement of Financial Performance. Some operational costs in the servicing of these non-transferred assets have been incurred over the course of 2000-01. Refer Note 24.		
12.	Payables	2001 \$'000	2000 \$'000
	Payables for the reporting period consists of the following:		
	Accrued employee entitlements	-	63
	On-costs re employee provisions and accruals	257	270
	Creditors	1 490	2 753
		1 747	3 086
		1 747	3 086
13.	Provision for Employee Entitlements		
	Provision for employee entitlements consists of the following:		
	Current:		
	Annual leave	359	388
	Long service leave	66	66
	Workers compensation	30	110
		455	564
	Non-Current:		
	Long service leave	1 613	1 272
	Workers compensation	98	-
		1 711	1 272
		1 711	1 272
14.	Commitments		
	(a) Commitments for Capital Expenditure		
	At the end of the reporting period ESAU had entered into contracts for the following capital expenditures which are not included in the financial statements		
	These amounts are due for payment:		
	Not later than one year	1 158	2 204
		1 158	2 204
		1 158	2 204

(b) Operating Leases	2001	2000
Commitments under non-cancellable operating leases at the reporting date are payable as follows:	\$'000	\$'000
Payable no later than one year	405	-
Payable later than one year and not later than five years	1 926	-
Payable later than five years	768	-
	3 099	-

These operating lease are not recognised in the Statement of Financial Position as liabilities. The non-cancellable leases are property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased annually based on CPI movement. Options exist to renew the leases at the end of the term of the leases.

(c) Contingent Liabilities
At the reporting period the Emergency Services Administrative Unit are not aware of any circumstances or information which would lead them to believe that any liabilities will crystallise and consequently no provisions are included in the financial report in respect of these matters.

15. Borrowings

During the year 2000-01 the Emergency Services Administrative Unit (ESAU) borrowed \$2 000 000 from the cash reserves of the SA Metropolitan Fire Service (SAMFS) for use as working capital, pending receipt of monies from the Community Emergency Services Fund. ESAU pays SAMFS interest at the Treasurer's average overnight cash deposit rate at 5.93 percent per annum. The interest totalling \$6 000 is shown as administration expenses (Note 6) in ESAU's Statement of Financial Performance and as an operating revenue in the SAMFS Statement of Financial Performance. The borrowing has been repaid.

16. Notes to the Statement of Cash Flows

(i) Reconciliation of Cash	2001	2000
For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank.	\$'000	\$'000
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:		
Cash on hand and at bank:		
Cash on hand (including petty cash)	49	1
Deposits lodged with the Treasurer	-	2 468
	49	2 469
(ii) Reconciliation of Net Cost of Services to Net Cash (used in) provided by Operating Activities		
Net cash (used in) provided by operating activities	(929)	5 486
Cash flows from Community Emergency Services Fund	(9 583)	(6 162)
Commonwealth grants	(1 097)	(517)
Increase in employee entitlements	(330)	(1 836)
Decrease (Increase) in payables	1 339	(3 086)
Depreciation	(274)	(109)
Increase in receivables	679	97
Net cost of restructuring	-	1 037
Net Cost of Services	(10 195)	(5 090)

17. Remuneration of Auditors

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

	60	60
--	-----------	----

The auditors provided no other services.

18. Consultancies

Total expenditure (excluding GST) of 17 consultancies in 2000-01 amounted to \$1 256 000 (\$826 000).

	2001	2000
	Number of	Number of
	Consultants	Consultants
Less than \$10 000	7	15
\$10 001 - \$50 000	6	11
Greater than \$50 000	4	5

19. Remuneration of Employees

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:

\$140 001 - \$150 000	1	1
-----------------------	----------	---

The aggregate remuneration for the employee referred to above was \$147 000 (\$142 000).

20. **Financial Instruments**

(a) Terms and Conditions

Financial Instrument	Note	Accounting Policies and Methods	Nature of underlying instrument
Financial Assets:			
Cash at bank	16 (i)	Cash at bank comprises cash held in a Department of Treasury and Finance Deposit Account. Interest revenue is recorded on an accrual basis.	Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance and is based on the average daily balance of the Deposit Account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts, which varied between 5.06 percent and 6.10 percent during 2000-01. (4.63 percent and 5.58 percent in 1999-2000).
Receivables	10	Sundry debtors are recorded at the amounts due to ESAU, less a provision for doubtful debts. They are recorded when goods have been supplied and services completed.	Sundry debtors are due within 30 days of the rendering of an account.
Financial Liabilities:			
Payables	12	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided to ESAU.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

Financial Instrument	Effective Interest Rate at 30.6.01 Percent	2001		2001 Total \$'000
		Interest Bearing \$'000	Non-Bearing \$'000	
Financial Assets:				
Cash at bank	5.06	-	49	49
Receivables		-	776	776
Total Financial Assets			825	825
Financial Liabilities:				
Payables		-	1 490	1 490
Total Financial Liabilities			1 490	1 490

Financial Instrument	Effective Interest Rate at 30.6.00 Percent	2000		2000 Total \$'000
		Interest Bearing \$'000	Non-Bearing \$'000	
Financial Assets:				
Cash at bank	5.06	2 468	1	2 469
Receivables		-	97	97
Total Financial Assets		2 468	98	2 566
Financial Liabilities:				
Payables		-	2 753	2 753
Total Financial Liabilities			2 753	2 753

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument	Note	2001	
		Total Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:			
Cash at bank	16(i)	49	49
Receivables	10	776	776
		825	825
Financial Liabilities:			
Payables	12	1 490	1 490
		1 490	1 490

Financial Instrument	Note	2000	
		Total Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:			
Cash at bank	16(i)	2 469	2 469
Receivables	10	97	97
		2 566	2 566
Financial Liabilities:			
Payables	12	2 753	2 753

(d) Credit Risk Exposure

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

ESAU has no significant exposures to any concentrations of credit risk.

21. Net Cost of Restructuring

As a result of the restructuring of administrative arrangements that occurred upon the commencement of the Emergency Services Administrative Unit, the following liabilities were transferred from the SA Metropolitan Fire Service and the Country Fire Service to ESAU from 1 July 1999:

	2001 \$'000	2000 \$'000
Annual leave provision	-	223
Long service leave provision	-	691
Payables	-	123
	<u>-</u>	<u>1 037</u>

22. Events Occurring after Balance Date**Transfer of Mobile Property to the Minister for Police, Correctional Services and Emergency Services**

In March 2000 the Strategic Asset Management team of the Attorney-General's Department invited comments from Councils regarding transfer of State Emergency Service vehicles owned by Councils to the Minister for Police, Correctional Services and Emergency Services. Approximately half of these vehicles at \$1 434 000, at written down historic cost, were transferred as at 30 June 2001. The State Emergency Service is responsible for the maintenance and replacement of these vehicles in addition to those vehicles already owned. As at the reporting date, the transfer of remaining vehicles had not been finalised.

Transfer of Fixed Property to the Minister for Police, Correctional Services and Emergency Services

During 2000-01 the Strategic Asset Management team identified land and buildings to be transferred to the Minister for Police, Correctional Services and Emergency Services. The State Emergency Service is responsible for maintenance and replacement of these buildings upon full transfer. As at 30 June 2001 no land and buildings have been transferred.

It is anticipated that the transfer/leasing of land and buildings will be completed by 30 June 2002.

23. Equity and Changes in Equity

Equity represents the residual interest in the net assets of the Emergency Services Administrative Unit.

	2001 Accumulated Funds \$'000	2000 Accumulated Funds \$'000
Accumulated funds:		
Balance at 1 July	827	-
Change during period:		
Change in net assets after restructuring	3 353	592
Correction to amounts previously recognised in the balance of property, plant and equipment	-	110
Transfer of State Emergency Accumulated Surplus	-	125
Balance at 30 June	4 180	827

24. Asset Movement Schedule

	Buildings \$'000	Vehicles \$'000	Communication Equipment \$'000	Computer Equipment \$'000	Plant and Equipment \$'000	Work in Progress \$'000	Total \$'000
Gross Carrying Amount							
Balance at 30 June 2000	353	1 461	845	182	842	8	3 691
Transfer of work in progress	618	139	(145)	55	(527)	(140)	-
Transfer from local government councils	-	2 715	-	-	-	-	2 715
Additions	-	-	1 448	206	362	909	2 925
Balance at 30 June 2001	971	4 315	2 148	443	677	777	9 331
Accumulated Depreciation/Amortisation							
Balance at 30 June 2000	-	(16)	(339)	(31)	(122)	-	(508)
Transfer from local government councils	-	(1 281)	-	-	-	-	(1 281)
Depreciation expense	(16)	(79)	(44)	(68)	(67)	-	(274)
Balance at 30 June 2001	(16)	(1 376)	(383)	(99)	(189)	-	(2 063)
Net Book Value							
As at 30 June 2000	353	1 445	506	151	720	8	3 183
As at 30 June 2001	955	2 939	1 765	344	488	777	7 268

LEGAL SERVICES COMMISSION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Legal Services Commission (the 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.

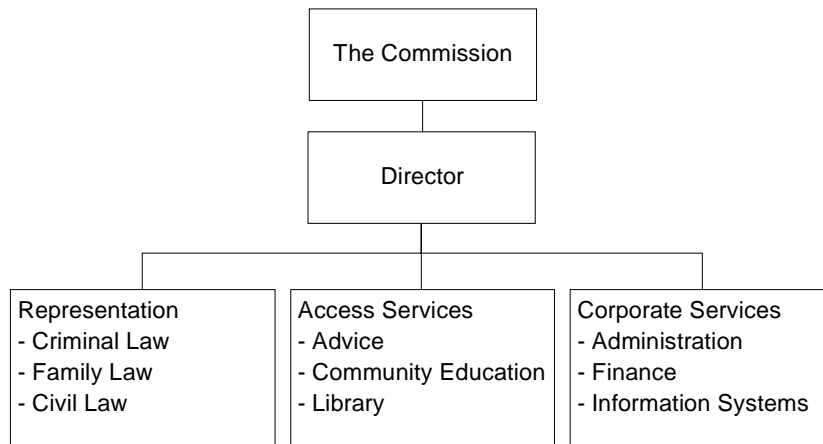
In meeting the cost of providing legal aid, the Commission is funded by the Commonwealth in accordance with an agreement between the Commonwealth and State Governments. The agreement commenced on 1 July 2000 and covers a four year period to 30 June 2004.

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

- Grants from Commonwealth and State Governments increased by \$3.4 million from \$17.2 million to \$20.6 million. This increase is principally attributable to grant funding received from the State Government for expensive cases.
- Total legal expenses increased by \$2.8 million from \$8.3 million to \$11.1 million due primarily to expenditure incurred on State Government expensive cases.
- Operating surplus from Ordinary Activities increased by \$1.6 million from \$625 000 to \$2.3 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 2000-01 included:

- payroll
- legal expenses and commitments
- administrative expenses
- revenue
- cash receipting and banking
- accounts receivable
- non-current assets.

In addition, audit coverage included a review of the status of the implementation of some strategic mandatory elements of the Financial Management Framework for the Commission.

Audit Communications to Management

During the year a management letter communicating the results of the audit was forwarded to the Chairperson of the Commission and a satisfactory response was received. Issues raised and relevant responses are summarised in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on Financial Management Framework

The 1999-2000 audit included a review of the Commission's progress with respect to implementing the prescribed principles set out in the Financial Management Framework (FMF). That audit revealed that the Commission was progressing satisfactorily with respect to the Asset and Liability Management, Reporting and Transaction Processing components of the FMF, but that there was a need for further attention to the Planning and Analysis and Control components.

Audit coverage for 2000-01 included a follow-up of the progress made by the Commission relating to the implementation of the FMF. The follow-up revealed that the Commission continued to build on the progress achieved last financial year and, in Audit's opinion, there continued to be scope for further improvement in relation to the implementation of the Planning and Analysis and Control components of the FMF.

Planning and Analysis

Audit noted that the Commission had made significant progress with respect to developing its strategic planning processes and procedures. Notwithstanding this progress, Audit is of the opinion, enhancements could be made to the monitoring and reporting of progress achieved against some of the identified key performance indicators. Audit recommended that the Commission continue to develop its strategic planning processes and procedures, particularly in relation to establishing a mechanism that facilitates the review, monitoring and reporting of progress achieved against identified key performance indicators.

Response

The Commission advised that the Director, Legal Services Commission would organise formal meetings of all staff to communicate the Commission's goals, associated strategies and timeframes. Also the Commission indicated that it would implement the monitoring of progress achieved against identified key performance indicators.

Control - Risk Management

Audit noted that in September 2000 a Risk Management Plan was presented to the Commission but that plan had not been endorsed by the Commission. Furthermore, Audit noted that although work commenced on implementing the Risk Management Plan, a risk management reporting system had not been developed. Audit recommended that the Risk Management Plan be endorsed by the Commission and that the Commission develop an appropriate risk management reporting system.

Response

The Commission advised that it would endorse the already accepted Risk Management Plan and develop an appropriate risk management reporting system.

Control - Monitoring and Reporting

Audit noted that the Commission had not reviewed the scope of the internal audit function nor had the terms of reference for the Audit Committee been refreshed for a number of years. Audit recommended that the Commission review the scope of the internal audit function and the terms of reference for the Audit Committee.

Response

The Commission agreed that it would be appropriate to review the scope of the internal audit function and reassess the terms of reference of the Audit Committee. This review and reassessment would be undertaken in 2001-02.

Control - Control Environment

Audit noted that the Justice Portfolio was in the process of developing guidance on control policies and procedures to be utilised by agencies within the portfolio. Audit also noted that the Commission relies on policies and procedures it has developed for its major activities. Audit recommended that the Commission consider formulating a framework for the adoption/development, documentation, promulgation and regular review of its policies, practices and procedures.

Response

The Commission indicated that it has documented procedures for activities that are specific to the Commission. A formal register of the source of the written policies and procedures adopted and promulgated by the Commission will be developed in 2001-02.

Commentary on General Financial Controls

The audit of the Commission's general control environment revealed that internal controls were operating satisfactorily. Notwithstanding this observation, Audit identified opportunities to enhance the existing controls. These matters were raised with the Commission for consideration and a satisfactory response was received.

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.

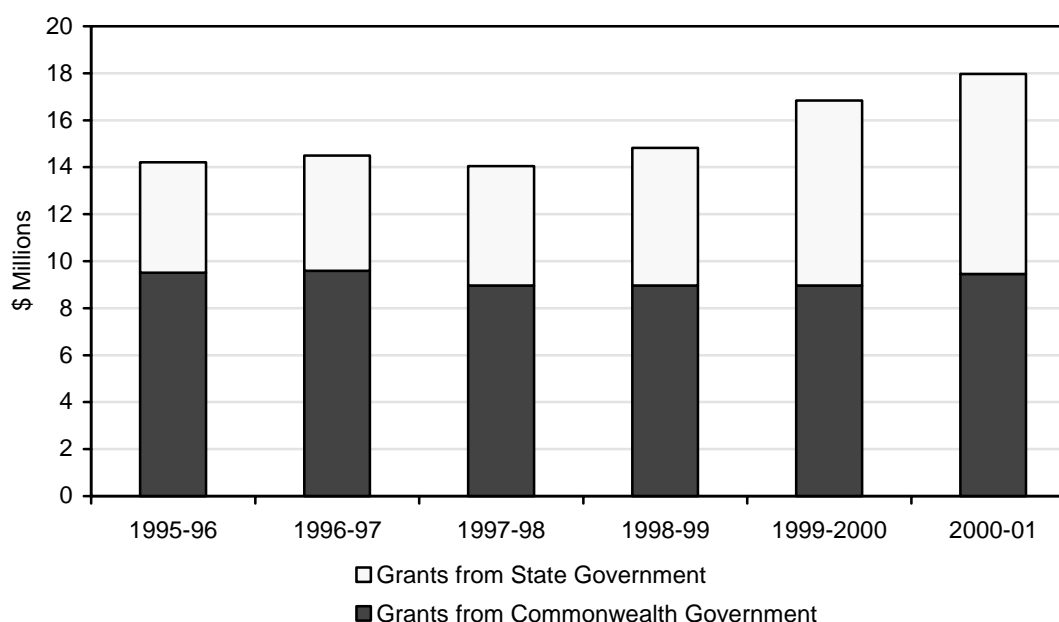
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

The Statement of Financial Performance for the year ended 30 June 2001 reports total Revenues from Ordinary activities of \$24.5 million (\$19.6 million) and total Expenses from Ordinary Activities of \$22.3 million (\$18.9 million), resulting in an operating surplus of \$2.3 million (\$0.6 million).

General grants from the State Government and Commonwealth Government provided in accordance with the funding agreement (excluding specific State grants for expensive cases of \$2.5 million and the specific Commonwealth grants provided for primary dispute resolution of \$0.133 million), totalled \$18 million (\$16.8 million) and comprised 73 percent (86 percent) of total Revenues from Ordinary Activities of the Commission.

Grants provided by the State Government and Commonwealth Government



The above graph illustrates for the past six years, the proportions of State and Commonwealth funding provided in accordance with the agreement between the Governments (excluding specific grants for expensive cases and primary dispute resolution).

Referrals to private practitioners for the 2000-01 year totalled 7605 (7616) or 59 percent (59 percent) of approvals. Fees to private legal practitioners for these cases (legal expenses) amounted to \$8.6 million (\$8.3 million) and comprised 38 percent (44 percent) of total Expenses from Ordinary Activities.

Applications assigned to the in-house practice totalled 5275 (5335) or 41 percent (41 percent).

Employee entitlements and administrative expenses (excluding depreciation and bad and doubtful debt expenses) incurred in administering the Commission including the funding agreement, case allocation and the in-house practice totalled \$10.8 million (\$10.2 million) and accounted for 49 percent (54 percent) of total Expenses from Ordinary Activities.

Statement of Financial Position

As at 30 June 2001 the Commission had:

- cash at bank and on hand of \$5.7 million (\$4.2 million);
- legal creditors of \$0.709 million (\$1 million);
- reserves for expensive cases of \$0.92 million (\$1.3 million);
- accumulated funds of \$4.7 million (\$3.3 million);
- a commitment of \$2.2 million (\$1.9 million) on legal cases referred to private legal practitioners.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Grants from Commonwealth Government:			
General	1.2	9 450	8 962
Primary dispute resolution funding	1.2	133	-
Expensive cases		-	320
Grants from State Government:			
General	1.2	8 514	7 884
Expensive cases	1.2	2 514	-
Legal Practitioners Act revenue	3	1 786	1 199
Costs recovered and contributions	4	241	306
Other revenue	5,6	1 910	893
Total Revenues		24 548	19 564
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee provisions	2.2	8 390	8 007
Legal expenses	7	8 557	8 253
Legal expenses - State Government expensive cases		2 495	-
Administrative expenses	8	2 421	2 222
Depreciation expense		381	438
Bad and doubtful debt expense		44	19
Total Expenses		22 288	18 939
OPERATING SURPLUS FROM ORDINARY ACTIVITIES		2 260	625
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		2 260	625

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash at bank and on hand	10	5 718	4 210
Receivables	11	690	636
Other	12	96	112
Total Current Assets		6 504	4 958
NON-CURRENT ASSETS:			
Library	2, 13	212	212
Computers and other equipment	2.1, 14	689	924
Statutory charge debtors	2.4	2 204	1 836
Total Non-Current Assets		3 105	2 972
Total Assets		9 609	7 930
CURRENT LIABILITIES:			
Legal creditors	2.4	709	1 004
Employee provisions	2.2, 15	611	532
Legal Assistance Scheme Fund	2.3, 5	-	389
Creditors		190	74
Total Current Liabilities		1 510	1 999
NON-CURRENT LIABILITIES:			
Employee provisions	2.2, 15	1 213	1 305
Total Non-Current Liabilities		1 213	1 305
Total Liabilities		2 723	3 304
NET ASSETS		6 886	4 626
EQUITY:			
Reserves	2.3, 16	2 163	1 283
Accumulated funds	17	4 723	3 343
TOTAL EQUITY		6 886	4 626
Commitments, Contingent Liabilities	1.2, 18, 19, 23		

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee entitlements		(8 403)	(7 737)
Suppliers		(2 524)	(2 224)
Private practitioners		(8 856)	(7 731)
Private practitioners - State Government expensive cases		(2 495)	-
RECEIPTS:			
Commonwealth Government:			
Funding agreement		9 450	8 962
Other		133	320
State Government:			
Funding		8 514	7 884
Other - Expensive Cases		2 514	-
Legal Practitioners Act receipts		1 769	942
Costs recovered and contributions		203	266
Statutory charge receipts		297	253
Other		984	520
Net Cash provided by Operating Activities	20	1 586	1 455
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchase of equipment		(110)	(295)
Proceeds from equipment sales		32	2
Net Cash used in Investing Activities		(78)	(293)
NET INCREASE IN CASH HELD		1 508	1 162
CASH AT 1 JULY		4 210	3 048
CASH AT 30 JUNE	10	5 718	4 210

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Function and Funding Arrangements

1.1 Function

The Legal Services Commission (the Commission) was established under the *Legal Services Commission Act 1977* (the Act) to provide, or arrange for the provision of legal assistance in accordance with the Act.

1.2 Funding Arrangements

Commonwealth Government

A new Commonwealth Government Legal Assistance Agreement was entered into between the Commonwealth and State Governments for the provision of legal assistance. The agreement is effective from 1 July 2000. Pursuant to that Agreement:

- The Commonwealth will contribute \$9.45 million, \$9.901 million, \$10.531 million, \$10.802 million for the years 2000-01, 2001-02, 2002-03 and 2003-04 respectively. These funds purchase agreed levels of outputs at agreed prices for outputs. An inclusive fee of \$475 000 for strategic services is included in Commonwealth funds provided in 2000-01;
- In addition the Commonwealth provided specific funding of \$133 000 for primary dispute resolutions.

State Government

- The State Government increased funding in the normal budget process to maintain the Legal Services Commission overall funding and to provide a scale of fee increase for private practitioners and provide for other expenses;

- The State Government provided \$2.514 million to a specific State expensive case during 2000-01.

Future Commitments

The Commission has a future commitment for legal matters referred to external practitioners. Legal matters are identified as State and Commonwealth responsibilities. At 30 June 2001, the Commission has a future Commonwealth legal commitment of \$1.008 million and a future State legal commitment of \$1.181 million.

The commitments of \$2.189 million have not been recognised as a liability but are disclosed as a commitment in Note 18.

2. Statement of Accounting Policies

The Commission has prepared the financial report on an accrual basis.

The General Purpose financial report has been prepared in accordance with Statements of Accounting Concepts, Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Department of Treasury and Finance Accounting Policy Statements and Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*. The financial report has also been prepared on the historical cost basis except for the valuation of the library which is at an independent valuation.

2.1 Depreciation

All computers and other equipment that have a limited useful life are systematically depreciated over their useful lives, in a manner which reflects the consumption of their service potential. Computers and other equipment are depreciated using the straight line method. Depreciation rates used for each class of assets are as follows:

	Years
Computers	5
Office equipment	5-13
Furniture and fittings	13
Leasehold improvements	10
Motor vehicles	5

The library is not depreciated as the cost of maintaining it is expensed during the year.

2.2 Employee Provisions

Employee provisions 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.

Sick leave is not provided for as it is non-vesting, however, entitlements are accumulated.

The superannuation expense included in the Commission's financial report comprises Commonwealth and State components:

- (1) The Commission paid an amount to 'Comsuper' towards the accruing government liability in respect of currently employed contributors to the Commonwealth Superannuation Fund. Payments amounted to \$69 000 (\$67 000).
- (2) During 2000-01 the Commission paid \$795 000 (\$650 000) to the South Australian Department of Treasury and Finance towards the accruing government liability for superannuation in respect of all employees.

The Commission has no responsibility for benefits in relation to future superannuation payments to employees.

2.3 Reserves

The Commission has established the following reserves.

Asset Replacement Reserve

During 2000-01 the Commission developed an Asset Replacement Plan. An amount of \$854 000 was placed in a reserve representing the balance of the unspent asset budget in the 2000-01 year (\$300 000) and the planned expenditure in the 2001-02 year (\$554 000). The Commission will replace all personal computers and upgrade software applications in the 2001-02 year.

Commonwealth Expensive Case Reserve

The Commission established an expensive case reserve for a Commonwealth matter, this reserve held funds of \$520 000 at 30 June 2001. In addition the Commonwealth established a further reserve of \$200 000 for specific Commonwealth matters that exceed the Commonwealth guideline cap.

State Law Matters Reserve

The State Law matters reserve established to provide funding for future State Law matters was transferred to accumulated funds during the 2000-01 year.

State Expensive Case Reserve

A State Expensive Case reserve of \$200 000 was established to fund specific State matters that exceed the State guideline cap.

State Legal Assistance Scheme Reserve

The Legal Assistance Scheme fund of \$389 000 was transferred to reserves to fund specific future State Law matters, as determined by agreement with the Law Society.

2.4 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 2001, are as follows:

Financial Assets

Cash at Bank (Note 10) 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 4.90 percent and 6.41 percent for the year ended 30 June 2001. (4.6 percent and 5.9 percent for the year ended 30 June 2000).

Receivables (Note 11) 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.

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.

2.5 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

2.6 Comparative Figures

The Commission has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

2.7 Workers Compensation

The Commission has no exposure to Workers Compensation liability at 30 June 2001.

2.8 Revenues

The Commission is funded by the State and Commonwealth Government on a three monthly basis, paid in advance. Other revenues are reported on an accrual basis in the period the revenue was earned.

3. Legal Practitioners Act Revenue		2001	2000
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		815	626
Interest on Legal Practitioners Trust Accounts		970	573
Legal Practitioners Guarantee Fund		1	-
		1 786	1 199
4. Costs Recovered and Contributions			
Costs recovered		42	62
Contributions*		199	244
		241	306
* In addition contributions of \$280 000 (\$311 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.			
5. Other Revenue			
Statutory charges		629	360
Legal Assistance Scheme		389	-
Interest		439	309
Other*		453	224
		1 910	893
* Includes net revenues from disposal of non-current assets (refer to Note 6).			
6. Net Revenues from the Disposal of Non-Current Assets			
Proceeds from the disposal of non-current assets		32	2
Less: Written down value of those assets		21	-
		11	2
7. Legal Expenses			
Comprise solicitor's fees, counsel fees and disbursements due to private practitioners for approved cases undertaken during the year.			
8. Administrative Expenses			
Accommodation:			
Rental		693	705
Other		272	248
Computer maintenance and processing, etc		487	430
Telephone and postage, etc		263	270
Travel		148	128
Office requisites		138	132
Library (refer Note 13)		132	106
Other*		288	203
		2 421	2 222

* Includes Auditor's remuneration of \$40 000 (\$34 000), for auditing the accounts. The auditors provided no other services and received no other benefits.

9. Consulting Fees

No consulting fees were incurred in 2000-01 (\$91 000).

10. 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

Cash held in trust on behalf of clients

Cash at bank and on hand

Less: Cash held in trust on behalf of clients

2001 2000
\$'000 \$'000

5 660 3 856

9 19

58 354

5 727 4 229

9 19

5 718 4 210

11. Receivables

Legal Practitioners Act

Client debtors and other debtors

Goods and Services Tax

450 433

107 203

133 -

690 636

12. Other

Prepayments

96 112

13. 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.

14. Computers and Other Equipment

In accordance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' and the Commission's re-valuation policy, computers and other equipment are recognised at cost unless the fair value of the group (at the time of acquisition) is greater than \$1 million. Where the fair value of a group of assets exceeds \$1 million the group is valued at intervals not exceeding three years.

	2001		2000		
	\$'000	\$'000	\$'000	\$'000	\$'000
Computer - major hardware equipment at cost	337		820		
Less: Accumulated depreciation	326		683		
		11			137
Computer - software and applications at cost	547		536		
Less: Accumulated depreciation	261		151		
		286			385
Computer - minor hardware at cost	374		854		
Less: Accumulated depreciation	213		578		
		161			276
Office equipment at cost	159		189		
Less: Accumulated depreciation	58		108		
		101			81
Furniture and fittings at cost	35		44		
Less: Accumulated depreciation	18		24		
		17			20
Leasehold improvements at cost	113		-		
Less: Accumulated depreciation	-		-		
		113			-
Motor vehicles at cost	-		35		
Less: Accumulated depreciation	-		10		
		-			25
		689			924

14.1 Computers and Other Equipment Movement Schedule

	Major Computer Hardware \$'000	Computer Software \$'000	Minor Computer Hardware \$'000	Office Equipment \$'000	Furniture And Fittings \$'000	Leasehold Improvements \$'000	Motor Vehicles \$'000	2001 Total \$'000
Balance at 1 July	820	536	854	189	44	-	35	2 478
Additions	-	11	33	37	-	113	-	194
Disposals	(483)	-	(513)	(67)	(9)	-	(35)	(1 107)
Balance at 30 June	337	547	374	159	35	113	-	1 565
Accumulated Depreciation:								
Balance at 1 July	683	151	578	108	24	-	10	1 554
Disposals	(369)	-	(599)	(68)	(9)	-	(14)	(1 059)
Depreciation expense	12	110	234	18	3	-	4	381
Balance at 30 June	326	261	213	58	18	-	-	876
Net Book Value:								
As at 30 June 2000	137	385	276	81	20	-	25	924
As at 30 June 2001	11	286	161	101	17	113	-	689

15. Employee Provisions	2001	2000
Current Liabilities:	\$'000	\$'000
Annual leave	423	401
Long service leave	188	131
	<u>611</u>	<u>532</u>
Non-Current Liability:		
Long service leave	1 213	1 305
	<u>1 213</u>	<u>1 305</u>
16. Reserves		
Movements during the year were:		
Asset Replacement Reserve:		
Balance at 1 July	-	108
Transfer to accumulated funds	-	108
Transfer from accumulated funds	854	-
Balance at 30 June	<u>854</u>	<u>-</u>
Commonwealth Expensive Case Reserve:		
Balance at 1 July	400	400
Transfer to accumulated funds	400	-
Transfer from accumulated funds	720	-
Balance at 30 June	<u>720</u>	<u>400</u>
State Law Matters Reserve:		
Balance at 1 July	883	883
Transfer to accumulated funds	883	-
Balance at 30 June	<u>-</u>	<u>883</u>
State Expensive Cases Reserve:		
Balance at 1 July	-	-
Transfer from accumulated funds	200	-
Balance at 30 June	<u>200</u>	<u>-</u>
State Legal Assistance Scheme Reserve:		
Balance at 1 July	-	-
Transfer from accumulated funds	389	-
Balance at 30 June	<u>389</u>	<u>-</u>
Total Reserves	<u>2 163</u>	<u>1 283</u>
17. Accumulated Funds		
Balance at 1 July	3 343	2 610
Add: Transfer from reserve	1 283	108
Less: Transfer to reserve	2 163	-
Operating surplus from ordinary activities	2 260	625
Balance at 30 June	<u>4 723</u>	<u>3 343</u>
18. Legal Expense Commitments		
Legal cases referred:		
As at 30 June 2001, the Commission has a future commitment of \$2 189 000 (\$1 900 000) 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 1999 (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.		
19. Operating Leases Commitments		
At the reporting date the Commission had the following obligations under non-cancellable operating leases. The obligations are not recognised as liabilities in the Statement of Financial Position. The operating leases held by the Commission are property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. The leases are payable one month in advance. The option to renew the lease is held by the Commission. There are no existing or contingent rental provisions.		
Commitments payable:	2001	2000
Not later than one year	\$'000	\$'000
Later than one year but not later than five years	61	25
	168	75
	<u>229</u>	<u>100</u>

20. Reconciliation of Operating Surplus from Ordinary Activities to Net Cash provided by Operating Activities	2001	2000
	\$'000	\$'000
Operating Surplus from Ordinary Activities	2 260	625
(Increase) in statutory charge debtors	(368)	(106)
(Increase) in receivables (net of bad debts written off)	(51)	(339)
Bad debts written off	44	19
(Decrease) Increase in legal creditors	(295)	524
(Decrease) in creditors	(360)	(1)
Depreciation	381	439
(Decrease) Increase in employee provisions	(13)	296
Profit on disposal of equipment	(12)	(2)
Net Cash provided by Operating Activities	1 586	1 455
	1 586	1 455

21. Related Party Disclosures

The members of the Commission who have held office during the financial year are:

Mr Brian Withers (Chairman)	Mr Gordon Barrett
Mr Julian Kelly (resigned 9 July 2000)	Mr Hugh Gilmore
Ms Marilyn Lennon (commenced 10 July 2000)	Mr Michael Burgess
Ms Dymphna Eszenyi	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.

The number of members whose remuneration received or receivable fell within the following bands was:	2001	2000
	Number of	Number of
	Members	Members
\$nil	3	4
\$1 - \$10 000	6	8
\$10 001 - \$20 000	1	1

The total remuneration received or due and receivable by these members was \$71 000 (\$67 000).

22. 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:	2001	2000
	Number of	Number of
	Employees	Employees
\$100 001 - \$110 000	3	5
\$110 001 - \$120 000	3	2
\$160 001 - \$170 000	-	1
\$170 001 - \$180 000	2	1
\$180 001 - \$190 000	-	1
\$190 001 - \$200 000	1	-

The total remuneration received or due and receivable by these employees was \$1 198 000 (\$1 276 000).

23. Contingent Liabilities

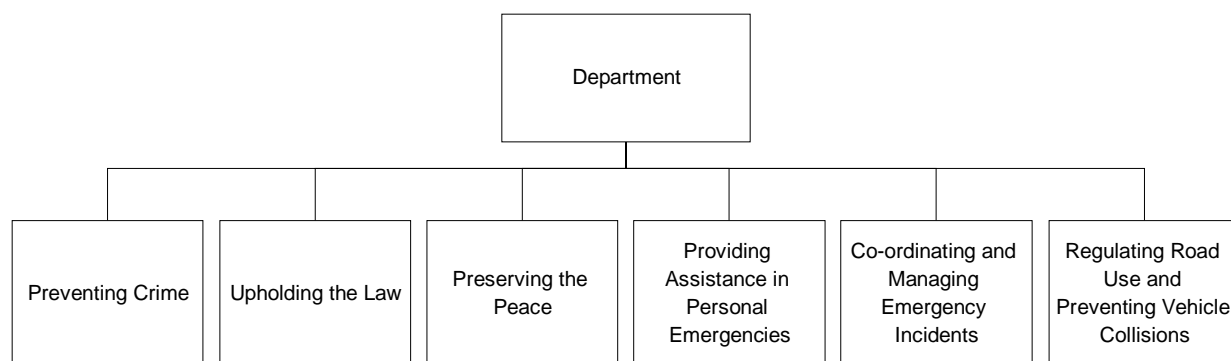
At balance date and at the date of the certification of this financial report by the Commission, there were no known contingent liabilities of a material nature.

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

- Net assets after tax equivalent payments decreased by \$19 million (increase of \$2.7 million).
- The State Government provided an equity contribution of \$15.2 million for capital works.
- Work in progress increased by \$21.2 million.
- Cash assets decreased by \$10.5 million to \$33.8 million.
- Workers compensation liability increased by \$6.2 million to \$22.5 million.

Administered Items

- Total administered expenses decreased by \$24.9 million to \$49.9 million as a result of payment of State Government funding to the SA Ambulance Service Inc. no longer being administered by the Department.
- Expiation fees collected were \$42.8 million (\$42.4 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 the adequacy of internal controls.

The specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- property, plant, equipment and capital works
- expiation notices
- firearm registration and licence fees
- Police security services fees and costs.

Audit Communications to Management

During the year a number of management letters were forwarded to the Department communicating issues arising from the audit. The main issues related to opportunities for improvement in the control environment and monitoring of controls. Satisfactory responses were received. Further details relating to these issues are contained in 'Audit Finding and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall assessment of the Department's control structure was that it was satisfactory, although there was room for improving the control environment and compliance with the prescribed elements of the Financial Management Framework relating to the monitoring of controls. Audit considers that the Department's planned expansion of internal audit processes to assess internal controls over all operations can be expected to improve the control environment.

Monitoring of Controls

The Department has commenced the development of an expanded internal audit process to monitor and report on internal controls over all operations. Notwithstanding this initiative, the audit also identified that a number of key reconciliations had not been completed in a timely manner, as required by the Treasurer's Instructions and the Financial Management Framework.

The Department responded that a monthly review process would be implemented to ensure all reconciliations are completed in a timely manner.

Documentation of Policies and Procedures

The Department is progressively documenting the policies and procedures for all major financial activities, but has made limited progress in documenting the policies and procedures with respect to the review of payroll reports used to ensure the accuracy of payroll processing.

The Department responded that policies and procedures with respect to the review of payroll reports would be documented and communicated to relevant officers in 2001-02.

Expiation Notices

The audit identified that no action was being taken on unpaid expiation notices that had not been successfully transferred from the Expiation Notice System to the Courts Administration Authority for subsequent follow up. The Department advised that, up to 22 May 2001, there were a number of notices that had not been actioned.

The Department responded that steps would be taken to transfer the notices to the Courts Administration Authority for enforcement and that difficulties with the computerised transfer process would be remedied.

Asset Management

Capitalisation Policy and Procedures

Comment was made in last year's Report that a number of minor items had been recorded as non-current assets contrary to the Department's capitalisation policy. During 2000-01, the Department ceased recording these items as non-current assets and expensed their carrying value of \$4.6 million.

This year's audit identified a need for procedures to be established to ensure compliance with the Department's asset management policies.

The Department responded that these procedures would be developed, documented and implemented.

Monitoring of Capital Projects

The audit identified that reporting to senior management focussed on the reporting of annual costs against annual budgets for major capital projects, without indicating whether each project would be finished by its scheduled completion date, and whether its total cost over its entire life would exceed the approved budget.

The Department responded that this information would be provided in future reports to senior management and that quarterly financial reviews would be introduced to assess the progress on capital works, which include major information technology projects and major building construction and fitout.

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

Expenses and Revenues

Net assets after tax equivalent payments decreased by \$19 million (increase of \$2.7 million) due mainly to an increase in employee benefit expenses of \$19.1 million and an increase in net expenses from the disposal and write down of non-current assets of \$7.3 million offset by an increase in Government funding of \$6.9 million.

Revenues and equity contributions from the State Government increased by \$22.1 million to \$349.8 million.

Employee benefit expenses increased by \$19.1 million to \$289.2 million due mainly to an increase in salaries and wages expenses of \$7.9 million and an increase in workers compensation expense of \$4.6 million. The increase in salaries and wages expense was a result of enterprise bargaining pay increases for police officers operative from 1 July 2000 and for other staff operative from 1 October 2000, while the increase in workers compensation expense reflected the results of an actuarial assessment of the workers compensation liability being an increase of \$6.2 million to \$22.5 million.

Net expenses from the disposal and write down of non-current assets increased by \$7.3 million due mainly to the write down of assets with a carrying value of \$4.6 million in accordance with the Department's capitalisation policy.

Statement of Financial Position

The State Government provided an equity contribution of \$15.2 million for capital works.

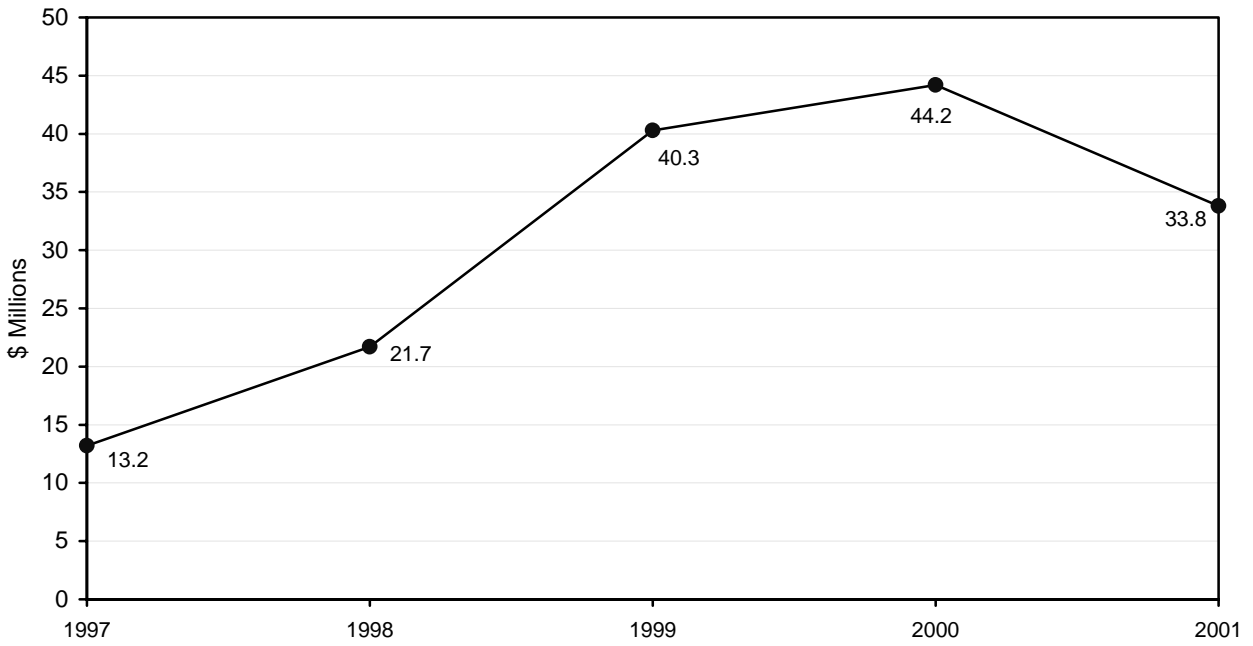
Receivables increased by \$7.6 million to \$9.9 million due mainly to a \$3.3 million Goods and Services Tax refund and a required contribution of \$3.7 million from the Department for Transport, Urban Planning and the Arts for traffic policing services.

Work in progress increased by \$21.2 million due mainly to the commencement of the capital project for relocating the activities presently conducted at Angas Street.

Cash assets decreased by \$10.5 million to \$33.8 million due mainly to increased payments for work in progress.

Cash Assets

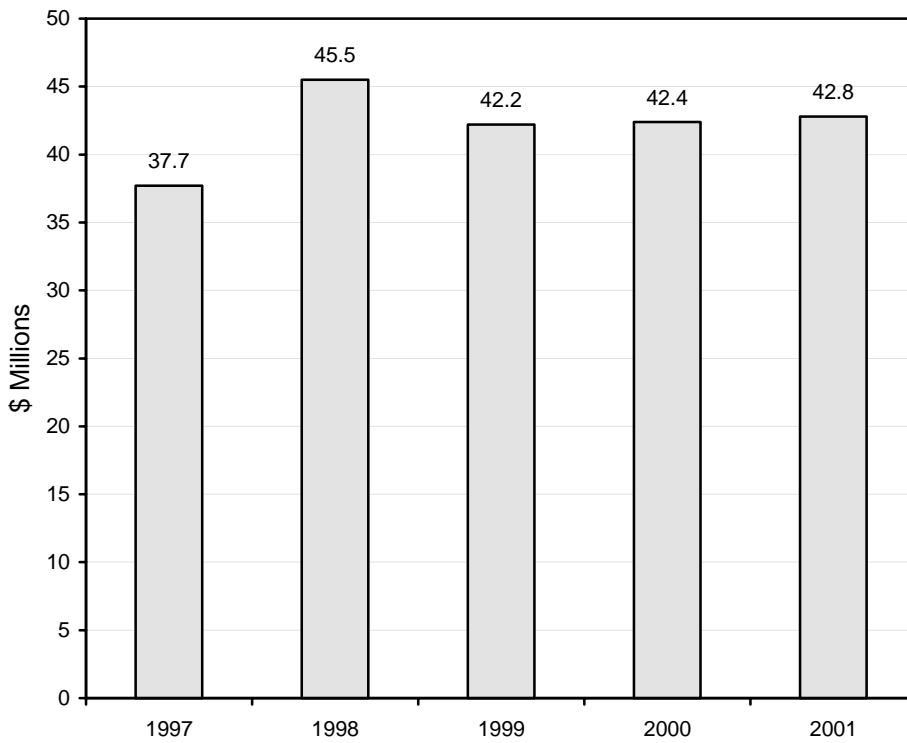
The following graph reflects the movement in cash assets over the last five years.



The increase in cash assets prior to 2001 mainly reflects slippage in commencing major capital projects.

Expiation Fees

Expiation fees collected by the Department and paid into the Consolidated Account have remained relatively constant over the last three years as reflected in the following graph.



Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	4	289 227	270 144
Goods and services	5	67 061	64 388
Depreciation	6	9 444	8 266
Total Expenses		365 732	342 798
REVENUES FROM ORDINARY ACTIVITIES:			
Operating Revenues:			
Fees and charges	7	11 833	11 755
Other revenues	8	9 102	7 666
Total Operating Revenues		20 935	19 421
NET COST OF SERVICES			
REVENUES FROM STATE GOVERNMENT:			
Intra-Sector Grants:			
Purchase of outputs		302 025	288 858
Other		1 367	8 120
Contributions from the Community Emergency Services Fund		16 492	15 993
Contributions for traffic policing services		14 700	14 700
Total Revenues from State Government		334 584	327 671
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES			
Net expenses from disposal and write down of non-current assets	9	(10 213)	4 294
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES BEFORE TAX EQUIVALENT PAYMENTS			
Tax equivalent payments	2(k)	(18 897)	2 887
		67	148
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES AFTER TAX EQUIVALENT PAYMENTS			
		(18 964)	2 739
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNERS			
		(18 964)	2 739

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets	10	33 784	44 244
Receivables	11	9 927	2 303
Inventories		354	510
Other	12	613	1 411
Total Current Assets		44 678	48 468
NON-CURRENT ASSETS:			
Property, plant and equipment	13	157 124	145 581
Total Non-Current Assets		157 124	145 581
Total Assets		201 802	194 049
CURRENT LIABILITIES:			
Payables	14	12 455	13 292
Employee benefits	15	16 137	14 711
Workers compensation	2(h)	5 225	4 161
Total Current Liabilities		33 817	32 164
NON-CURRENT LIABILITIES:			
Borrowings		200	200
Payables	14	6 739	6 570
Employee benefits	15	55 850	51 282
Workers compensation	2(h)	17 276	12 161
Total Non-Current Liabilities		80 065	70 213
Total Liabilities		113 882	102 377
NET ASSETS			
		87 920	91 672
EQUITY:			
Accumulated surplus	20	72 708	91 672
Equity contribution		15 212	-
TOTAL EQUITY		87 920	91 672
Commitments	16,21		
Contingent Liabilities	22		

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee benefits		(273 173)	(262 057)
Goods and services		(66 254)	(64 337)
GST payments on purchases		(8 630)	-
Total Payments		(348 057)	(326 394)
RECEIPTS:			
State Government:			
Intra-Sector Grants - Recurrent		302 025	288 858
- Other		-	6 404
Contributions from the Community Emergency Services Fund		15 805	15 993
Contribution for traffic policing services		11 025	14 700
User charges and fees		10 738	10 845
Interest received		1 727	1 401
GST receipts from taxation authority		4 466	-
GST receipts on sales		1 080	-
Other		4 213	4 845
Total Receipts		351 079	343 046
Net Cash provided by Operating Activities	23	3 022	16 652
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS:			
Purchase of non-current assets	13	(29 522)	(13 091)
Total Payments		(29 522)	(13 091)
RECEIPTS:			
Disposal of non-current assets	9	828	397
Total Receipts		828	397
Net Cash used in Investing Activities		(28 694)	(12 694)
CASH FLOWS FROM FINANCING ACTIVITIES:			
RECEIPTS:			
Equity contribution		15 212	-
Total Receipts		15 212	-
Net Cash provided by Financing Activities		15 212	-
NET (DECREASE) INCREASE IN CASH HELD		(10 460)	3 958
CASH AT 1 JULY		44 244	40 286
CASH AT 30 JUNE	10	33 784	44 244

Output Class Schedule of Department's Expenses and Revenues for the year ended 30 June 2001

Output Classes (refer Note 3)	2001					2001 Total \$'000	2000 Total \$'000
	1	2	3	4	5		
	Community Police Services	Crime Mngmt	Traffic Services	Emergency Response Mngmt and Coordintn	Criminal Justice Support		
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits	113 070	110 311	27 131	22 105	16 610	289 227	270 144
Goods and services	25 741	21 043	7 900	8 139	4 238	67 061	64 388
Depreciation	3 910	3 054	1 036	865	579	9 444	8 266
Total Expenses	142 721	134 408	36 067	31 109	21 427	365 732	342 798
REVENUES FROM ORDINARY ACTIVITIES:							
Fees and charges	8 602	-	2 599	-	632	11 833	11 755
Other revenues	3 882	3 656	981	-	583	9 102	7 666
Total Revenues	12 484	3 656	3 580	-	1 215	20 935	19 421
NET COST OF SERVICES	130 237	130 752	32 487	31 109	20 212	344 797	323 377
GOVERNMENT REVENUES	126 251	126 999	31 479	30 241	19 614	334 584	327 671
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES	(3 986)	(3 753)	(1 008)	(868)	(598)	(10 213)	4 294
Net expenses from disposal and write down of non-current assets	(3 596)	(2 808)	(953)	(795)	(532)	(8 684)	(1 407)
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES BEFORE TAX EQUIVALENT PAYMENTS	(7 582)	(6 561)	(1 961)	(1 663)	(1 130)	(18 897)	2 887
Tax equivalent payments	52	-	15	-	-	67	148
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES AFTER TAX EQUIVALENT PAYMENTS	(7 634)	(6 561)	(1 976)	(1 663)	(1 130)	(18 964)	2 739

An Output Schedule of Police Department Assets and Liabilities has not been produced as that information is not readily available.

The allocation of resources to output classes is based upon both work activity surveys from a representative sample of four major Local Service Areas in February 2001 and surveys completed by Service Areas. The Output Class Schedule for 1999-2000 was prepared using a previous years work activity survey and is therefore not readily comparable to the figures above.

Schedule of Administered Expenses and Revenues for the year ended 30 June 2001

	Firearms Buyback Scheme \$'000	Special Acts \$'000	Expiation Fees \$'000	Provision of Helicopter Service \$'000	CIC Levy \$'000	Minister for Police Payments \$'000	Other \$'000	2001 Total \$'000	2000 Total \$'000
ADMINISTERED EXPENSES:									
Minister for Police payments (Note 26)	-	-	-	-	-	1 415	-	1 415	24 613
Employee benefits	-	227	-	-	-	-	-	227	229
Goods and services, etc	20	-	-	-	-	-	-	20	77
Depreciation	5	-	-	-	-	-	-	5	25
Asset write off	22	-	-	-	-	-	-	22	-
Firearms compensation	301	-	-	-	-	-	-	301	1 518
Payments to Consolidated Account	-	-	42 750	518	-	-	-	43 268	43 019
Grants: Commonwealth properties fire protection	-	-	-	-	-	-	-	-	495
Provision of helicopter service	-	-	-	2 715	-	-	-	2 715	2 861
Criminal injury compensation levy	-	-	-	-	1 949	-	-	1 949	1 966
NCA secondments/references	-	-	-	-	-	-	26	26	35
Total	348	227	42 750	3 233	1 949	1 415	26	49 948	74 838
ADMINISTERED REVENUES:									
State Government appropriations	11	227	-	2 715	-	1 415	26	4 394	28 189
Expiation fees	-	-	42 750	-	-	-	-	42 750	42 380
Helicopter service - Recovery of costs and sponsorships	-	-	-	453	-	-	-	453	693
Criminal injury compensation levy	-	-	-	-	1 967	-	-	1 967	1 953
Total	11	227	42 750	3 168	1 967	1 415	26	49 564	73 215
EXPENSES LESS REVENUES	337	-	-	65	(18)	-	-	384	1 623

Schedule of Administered Assets and Liabilities as at 30 June 2001

	Firearms Buyback Scheme \$'000	Provision of Helicopter Service \$'000	CIC Levy \$'000	2001 Total \$'000	2000 Total \$'000
ADMINISTERED ASSETS:					
Cash assets	355	-	170	525	1 302
Receivables	-	21	-	21	86
Plant and equipment	-	-	-	-	37
Total	355	21	170	546	1 425
ADMINISTERED LIABILITIES:					
Payables	-	-	-	-	495
Total	-	-	-	-	495
NET ASSETS	355	21	170	546	930

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 2000-01 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* and other mandatory reporting requirements. The financial report has been prepared on the accrual basis of accounting and is in accordance with the historic cost convention except where detailed in the notes.

(b) The Reporting Entity

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account titled 'SA Police Operating Account'. SAPOL's principal source of funds consists of monies appropriated by Parliament provided by way of intra-sector grants through the Department of Justice.

Administered Resources

SAPOL administers on behalf of the Government of South Australia certain resources over which it does not have control. Although accountable for the transactions relating to these administered resources, SAPOL does not have control or discretion to apply these resources to achieve its objectives.

Transactions and balances relating to these administered resources are not recognised as SAPOL's revenues, expenses, assets or liabilities, but are disclosed separately in the Schedule of Administered Expenses and Revenues, and the Schedule of Administered Assets and Liabilities as appropriate.

(c) Property, Plant and Equipment

The Statement of Financial Position includes all property, plant and equipment controlled by SAPOL.

Land and Buildings controlled by SAPOL were revalued, as at 30 June 1999, to their written down current cost following an independent valuation prepared by Colliers Jardine Consultancy and Valuation Pty Limited using the deprival value methodology. 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 estimated 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**
The Government provides appropriations to the Department of Justice. Agencies within the Justice Portfolio receive operating funds via intra-sector grants provided by the Department of Justice. These grants are recognised as revenues when SAPOL obtains the right to receive these contributions.
- Appropriations to SAPOL designated as an 'Equity Contribution' are recognised directly in Equity in accordance with Treasurer's Instruction 3 'Appropriation'.
- (g) **Employee Benefits**
- (i) **Annual Leave**
A provision is raised at the end of the reporting period to reflect employee entitlements to annual leave. Liabilities for annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employee's services up to that date.
- (ii) **Long Service Leave**
A provision is raised at the end of the reporting period to reflect employee entitlements to long service leave. The provision for long service leave represents the amount which SAPOL has as a present obligation to pay resulting from employees' services provided up to the reporting date.
- For the year ended 30 June 2001 an actuarial assessment was performed for long service leave by the Department of Treasury and Finance. Related on-costs of payroll tax and superannuation are shown under Payables employment on-costs (refer Note 14). This policy is consistent with the requirements of Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.
- (iii) **Sick Leave**
No provision has been made for sick leave as entitlements are non-vesting and it is considered that sick leave is taken from the current year's entitlement.
- (iv) **Superannuation**
Contributions are made by SAPOL to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they occur. SAPOL is not liable for the payments to beneficiaries as this is the responsibility of the superannuation schemes.
- (h) **Workers Compensation**
A liability has been reported to reflect unsettled workers compensation claims. The workers compensation liability, which was based on an actuarial assessment, was provided by the 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 according to SAPOL's experience of claim numbers and payments over the period 1 July 1987- 30 June 2001. 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.
- A whole-of-government estimate was prepared by Taylor Fry Consulting Actuaries dated 31 August 2001, 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 Statement of Financial Performance in the period in which they are incurred (refer Note 16).
- (j) **Cash**
For the purpose of the Statement of Cash Flows, cash includes cash deposits which are used in the cash management function on a day to day basis. Administered cash is not included in the Statement of Cash Flows.
- (k) **Tax Equivalent Payments**
In accordance with the National Competition Policy principles, it was agreed that State Government Business Enterprises (GBEs) in competition with private industry would be liable for payment of Commonwealth, State and Local Government taxes. Although GBEs cannot legally pay the income tax, an equivalent payment is made to the Department of Treasury and Finance. For the purpose of determining Income Tax Equivalent payments, which are applicable only to the Police Security Services Branch of SAPOL's operations, the Income Tax liability is deemed to be equal to 34 percent of the net profit for the Police Security Services Branch.

(l) Accounting for Goods and Services Tax (GST)

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

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

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

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

(m) Rounding

All amounts are rounded to the nearest thousand dollars.

(n) Comparative Information

SAPOL has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

3. Output Classes of SAPOL

SAPOL has identified five major classes of outputs that it delivers to the community and the Minister for Police, Correctional Services and Emergency Services. 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 2001 are 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.

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 Benefits

	2001	2000
Employee benefits comprise:	\$'000	\$'000
Salaries and wages	183 166	175 271
Superannuation and payroll expenses	46 945	45 465
Annual, sick, long service leave and leave bank expenses	40 839	34 340
Workers compensation	13 148	8 499
Other employee related expenses	5 129	6 569
	289 227	270 144

5. Goods and Services	2001	2000
Goods and services expenses comprise:	\$'000	\$'000
Occupancy rent and rates	7 297	7 184
Computing expenses	9 513	11 504
Motor vehicle expenses	7 641	7 169
Communication expenses	5 159	4 348
Operating leases	5 947	4 569
Alarm installations, maintenance and monitoring	1 370	1 972
Repairs and maintenance - Buildings	3 555	4 226
Electricity, gas and fuel	2 410	2 196
Uniform issues	2 134	1 786
Minor equipment expenses	3 444	1 511
Cleaning infrastructure	1 249	1 333
Travel and accommodation	1 474	1 301
Agency staffing	1 559	1 155
Other administrative expenses	14 309	14 134
	67 061	64 388
6. Depreciation		
Depreciation expense was charged in respect of:		
Computers and communications equipment	3 132	2 255
Vehicles and transport vessels	536	499
Buildings and improvements	2 544	2 684
Office furniture and equipment	1 991	1 917
Weaponry and other	1 241	911
	9 444	8 266
7. Fees and Charges		
Fees and charges comprise:		
Police Security Services	5 658	6 178
Firearms licence and registration fees	2 984	2 788
Escorts - Wide load/other	972	867
Police information requests	1 132	910
Prosecution and other court fees	616	530
Other fees, etc	471	482
	11 833	11 755
8. Other Revenues		
Other Revenues include:		
Interest revenue	1 662	1 444
Contributed (donated) asset revenue	10	-
Grants	778	662
Employee benefits recoveries	2 708	1 914
Other	3 944	3 646
	9 102	7 666
9. Net Expenses from Disposal and Write Down of Non-Current Assets		
Proceeds from disposal of non-current assets	828	397
Less: Written down value of non-current assets disposal	794	1 804
Revenue from disposal of non-current assets	34	(1 407)
Assets transferred to DAIS*	1 650	-
Write down of non-current assets - Capitalisation policy**	4 649	-
Net write down of non-current assets - Stocktake***	2 419	-
	(8 684)	(1 407)
* \$1.650 million worth of buildings and improvements were transferred to the Department for Administrative and Information Services (DAIS) as part of the Government Radio Network.		
** \$4.649 million worth of assets were expensed by SAPOL as these related to items with a purchase price of under \$2 000. This is in accordance with its non-current asset policy of capitalising items with a purchase price of \$2 000 or more.		
*** Net write down of non-current assets - stocktake of \$2.419 million is the difference between assets retired and assets recognised for the first time as part of the Department's stocktake process.		
10. Cash Assets	2001	2000
	\$'000	\$'000
Cash at bank	33 366	43 835
Cash held in imprest account and petty cash	418	409
	33 784	44 244
11. Receivables		
Receivables	10 060	2 610
Less: Provision for doubtful debts	133	307
	9 927	2 303
12. Other Current Assets		
Prepayments	461	948
Accrued revenue	29	44
Accrued interest	123	187
Other	-	232
	613	1 411

Police Department

13. Property, Plant and Equipment

	Land*	Buildings and Improvements*	Weaponry	Computers and Communications Equipment	Office Furniture and Equipment	Vehicles and Transport	Vessels	Other	Work in Progress	Total \$'000
Gross value as at 1 July 2000	17 087	172 086	2 525	40 582	19 771	6 356	12 306	1 659		272 372
Additions - Purchase of assets	-	190	242	2 605	73	1 332	3 512	21 568		29 522
Assets transferred in (out)	-	-	-	1 501	5	-	(158)	(306)		1 042
Net non-current asset write down	(62)	(2 255)	(1 448)	(24 145)	(6 840)	(790)	(1 694)	-	**	(37 234)
Net non-current assets sold	(185)	(176)	-	-	-	(1 079)	-	-		(1 440)
Works in progress expensed	-	-	-	-	-	-	-	(59)		(59)
Gross value as at 30 June 2001	16 840	169 845	1 319	20 543	13 009	5 819	13 966	22 862		264 203
Accumulated depreciation as at 1 July 2000	-	67 826	2 453	32 243	14 786	3 200	6 283	-		126 791
Net non-current assets sold	-	(109)	-	-	-	(537)	-	-		(646)
Net non-current asset write down	-	(552)	(1 315)	(20 396)	(4 781)	(249)	(1 223)	-	**	(28 516)
Depreciation expense for the year	-	2 544	158	3 132	1 991	536	1 083	-		9 444
Assets transferred in (out)	-	-	-	168	(2)	-	(160)	-		6
Accumulated depreciation as at 30 June 2001	-	69 709	1 296	15 147	11 994	2 950	5 983	-		107 079
Net Book Value as at 30 June 2001	16 840	100 136	23	5 396	1 015	2 869	7 983	22 862		157 124
Net Book Value as at 1 July 2000	17 087	104 260	72	8 339	4 985	3 156	6 023	1 659		145 581

* Land, buildings and improvements excluding Mt Gambier Police Complex (valued at cost \$5.76 million) and a transportable building located at Christies Beach police station (valued at cost \$0.03 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.

** Refer Note 9.

14. Payables		2001	2000
Current:		\$'000	\$'000
Creditors		5 812	7 002
Accrued employee entitlements		3 224	2 978
Accrued employment on-costs		633	618
Payables employment on-costs		2 786	2 669
Prepaid revenue		-	25
		12 455	13 292
Non-Current:			
Payables employment on-costs		6 739	6 570
15. Employee Benefits			
Current:			
Long service leave		6 618	5 908
Annual leave		9 519	8 803
		16 137	14 711
Non-Current:			
Long service leave		55 850	51 282
16. Commitments for Operating Leases			
At the reporting date, SAPOL had the following obligations under non-cancellable operating leases:			
Payable no later than one year		12 091	10 369
Payable later than one year and not later than five years		34 676	24 860
Payable later than five years		8 092	5 591
Total Operating Lease Commitments (excluding GST)		54 859	40 820

Operating lease commitments are not recorded as a liability in the financial statements.

The property leases are non-cancellable leases, with rental payable in advance. Contingent rental provisions within the lease agreements require 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.

17. Targeted Voluntary Separation Packages (TVSPs)		2001	2000
Transactions on account of TVSPs for the reporting period were:		\$'000	\$'000
TVSP payments		247	88
Recoveries from the Department of the Premier and Cabinet in respect of TVSPs		43	143
Annual and long service leave accrued over the period of employment paid to employees who received TVSPs.		72	47

The number of employees who were paid TVSPs during 2000-01 totalled 7 (4).

18. Remuneration of Employees	2001	2000
The number of employees whose total normal remuneration paid or payable fell within the following bands was:	Number of Employees	Number of Employees
\$100 000 - \$109 999	10	11
\$110 000 - \$119 999	2	3
\$120 000 - \$129 999	-	3
\$130 000 - \$139 999	2	3
\$140 000 - \$149 999	3	1
\$160 000 - \$169 999	-	1
\$180 000 - \$189 999	-	1
\$190 000 - \$199 000	1	-
\$210 000 - \$219 999	-	1
\$220 000 - \$229 999	1	-
	19	24

The total normal remuneration paid or payable to these employees, was \$2.4 million (\$2.9 million) which includes eight current executive positions, ten senior management positions and one secondment to the East Timor Peacekeeping Force.

19. Payments to Consultants	SAPOL engaged consultants during the year and incurred expenses (inclusive of GST) of \$252 000 (\$257 000). This amount is included in the item 'Other Administrative Expenses' disclosed in Note 5.	
	2001	2000
	\$'000	\$'000
20. Accumulated Surplus		
Accumulated surplus represents the residual interest in SAPOL's equity (net assets). The South Australian Government holds the accumulated surplus interest in SAPOL on behalf of the community.		
Balance at 1 July	91 672	88 276
Net increase (decrease) in funds from AAS 29 transitional provision	-	657
(Decrease) Increase in net assets resulting from ordinary activities after tax equivalent payments*	(18 964)	2 739
Balance at 30 June	72 708	91 672

* The decrease in net assets resulting from ordinary activities after tax equivalent payments of \$18.964 million is attributable to increased workers' compensation, long service leave and asset write down expenses. Workers compensation and long service leave expenses increased by \$11.5 million based on actuarial assessments provided in 2000-01. An expense of \$8.718 million relates to non-current asset write downs as part of the SAPOL's asset stocktake, adherence to SAPOL's capitalisation policy and assets transferred to DAIS as part of the Government Radio Network. (Refer to Note 9).

21. Commitments for Capital and Recurrent Expenditure	At the end of the reporting period SAPOL had commitments for capital and recurrent expenditure which is not taken up in the Statement of Financial Position. This expenditure is due for payment:	
	2001	2000
	\$'000	\$'000
Not later than one year	6 168	3 391
Total (including GST)	6 168	3 391
GST included in Capital and Recurrent Commitments	561	308

22. **Contingent Liabilities**
As at 30 June 2001 the value of outstanding rewards for unsolved murders was \$2.9 million (\$2.8 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. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services	2001	2000
	\$'000	\$'000
Net cash provided by operating activities	3 022	16 652
Intra Sector Grants - Recurrent	(302 025)	(288 858)
- Other	(1 367)	(8 120)
Contributions from the Community Emergency Services Fund	(16 492)	(15 993)
Contribution for traffic policing services	(14 700)	(14 700)
Depreciation	(9 444)	(8 266)
Tax equivalent payments	67	148
Work in progress expensed	(59)	(9)
Asset transfers	1 036	-
Salvaged equipment written off	-	(37)
Change in assets and liabilities:		
Increase in receivables	7 624	764
(Decrease) in other current assets	(798)	(54)
(Decrease) Increase in inventories	(156)	197
Decrease (Increase) in payables and accruals	668	(250)
(Increase) in provisions	(12 173)	(4 851)
Net Cost of Services	(344 797)	(323 377)

24. Financial Instruments

(a) Terms and Conditions

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash at bank	10	Cash at bank comprises cash held in 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 5.06 percent as at 30 June 2001 (5.58 percent).
Receivables	11	Receivables are recorded at the amounts due to SAPOL, less a provision for doubtful debts. They are recorded when goods and services have been provided.	Receivables are due within 30 days of an invoice being raised.
Financial Liabilities			
Creditors	14	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided to SAPOL.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
Borrowings		SAPOL maintains an imprest amount of \$200 000 representing monies advanced by the Department of Treasury and Finance.	The advance from the Department of Treasury and Finance is interest free.

(b) Interest Rate Risk

Financial Instrument	Effective Interest Rate at 30.6.01 Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	2001 Total \$'000
Financial Assets:				
Cash at bank	5.06	33 366	-	33 366
Cash held in imprest account and petty cash		-	418	418
Receivables		-	9 927	9 927
		33 366	10 345	43 711
Financial Liabilities:				
Creditors		-	5 812	5 812
Borrowings: Advance from Department of Treasury and Finance		-	200	200
		-	6 012	6 012
2000 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

(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.

25. Auditors' Remuneration

The amount payable by SAPOL for audit services (inclusive of GST) during the reporting period was \$130 000 (\$116 000). The auditors provided no other services.

26. Other Minister for Police Payments

	2001 \$'000	2000 \$'000
Safety House Association	64	62
Crime Prevention Council	3	3
Community Development Fund SA - St John Ambulance Service	100	100
SA Water - Concession for Emergency Services	50	50
Fire Equipment Service	1 198	-
SA Ambulance Service Inc	-	24 398
	1 415	24 613

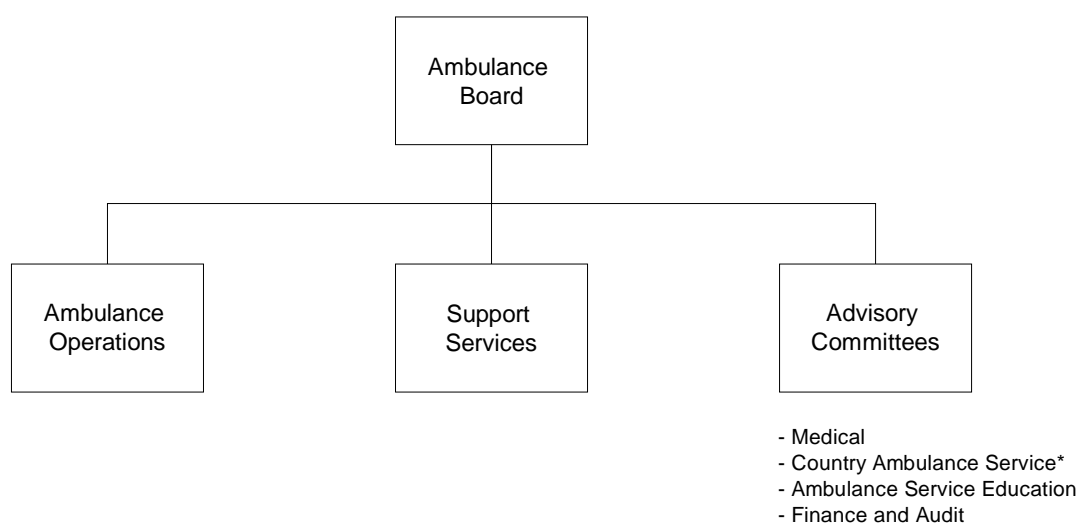
SA ST JOHN AMBULANCE SERVICE INC

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

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 from ordinary activities for the year of \$5.1 million (\$7.1 million).
- The Ambulance Cover Scheme incurred an operating deficit of \$ 6.4 million (\$3.9 million).
- Ambulance transport fees increased by \$4.8 million (\$2.5 million) which was offset by an increase in pensioner and Ambulance Cover concessions of \$3.6 million (\$1.5 million).
- The Ambulance Service revalued its land, buildings and leasehold improvements resulting in a revaluation increment of \$1.2 million. The Ambulance Service also revalued its communications equipment resulting in a revaluation decrement of \$937 000 which was offset against previous communication equipment revaluation increments reflected in the Asset Revaluation Reserve.

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

The scope of the external audit took into account an internal audit review of the Ambulance Service's internal controls performed by an external accounting firm. The external audit 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 report and the adequacy of internal controls.

The specific areas of audit attention included:

- budgetary control and management reporting
- ambulance transport revenue
- Ambulance Cover Scheme
- accounts payable
- payroll
- inventories
- property, plant and equipment.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the Chief Executive Officer. The main issues related to opportunities to improve the control environment through better documentation of management reporting and budgetary control processes. 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 Ambulance Service's control structure was that it was satisfactory.

This assessment had regard to the responses and action taken by the Ambulance Service to issues raised by both external and internal audit. The Board of the Ambulance Service has established a Finance and Audit Committee that regularly reviews all aspects of financial management and ensures that appropriate responses and follow-up action occurs in respect of issues raised by both external and internal audit.

Documentation of Policies and Procedures

In last year's Report, Audit commented that there was an absence of documented policies and procedures with respect to aspects of the payroll system and the management and accounting for non-current assets. Management responded that, with respect to formulating and documenting policies and procedures, it would review existing practices for compliance with the Financial Management Framework.

Audit noted that the review of compliance with the Financial Management Framework was included within the scope of the internal audit review of the Ambulance Service's internal controls.

The external audit this year revealed that policies and procedures for management reporting and budgetary control had not been completely documented. Management responded that policies and procedures for all activities, including management reporting and budgetary control, are presently being updated.

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 Inc. 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 the funding of Ambulance Service operations and to provide some analysis of cash flows.

The Department of Justice also appointed an external consultant in 1999-2000 to review options with respect to the future funding of the Ambulance Service. A synopsis of some of the findings arising from the review and action taken is included under the heading 'Further Commentary on Operations'.

Expenses and Revenues

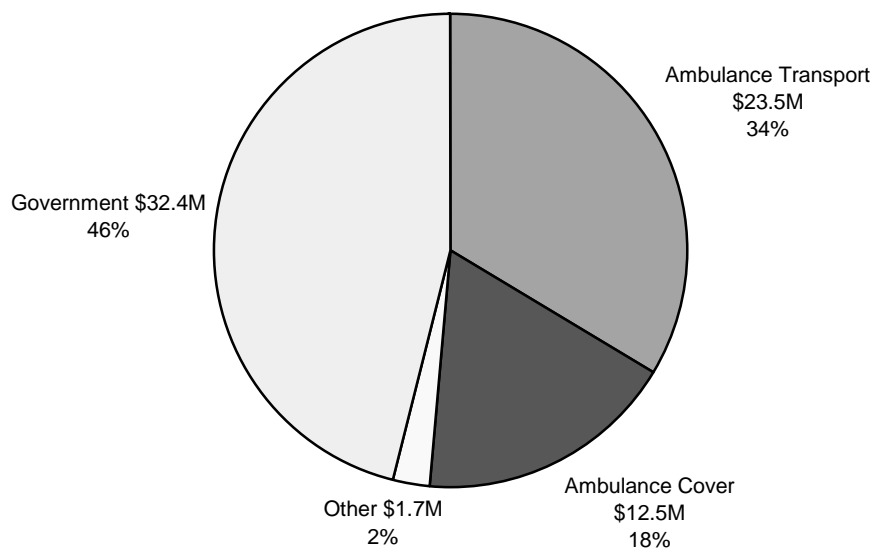
Total revenues for the year ended 30 June 2001 were \$70 million (\$68.4 million) and total expenses were \$64.9 million (\$61.3 million), resulting in a surplus from ordinary activities of \$5.1 million (\$7.1 million).

Revenues from government totalled \$32.4 million (\$30.9 million).

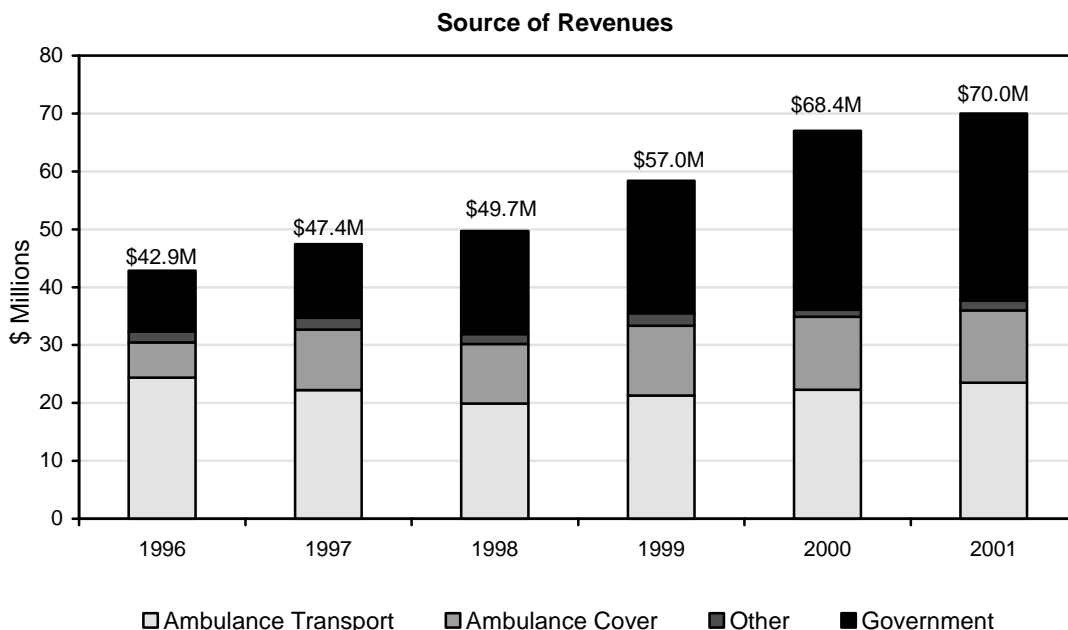
The accumulated surplus increased by \$4 million to \$12.4 million (\$8.4 million), while reserves increased to \$6.8 million (from \$5.4 million).

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 2000-01:



The following diagram depicts the movement in these revenues over the last six years:

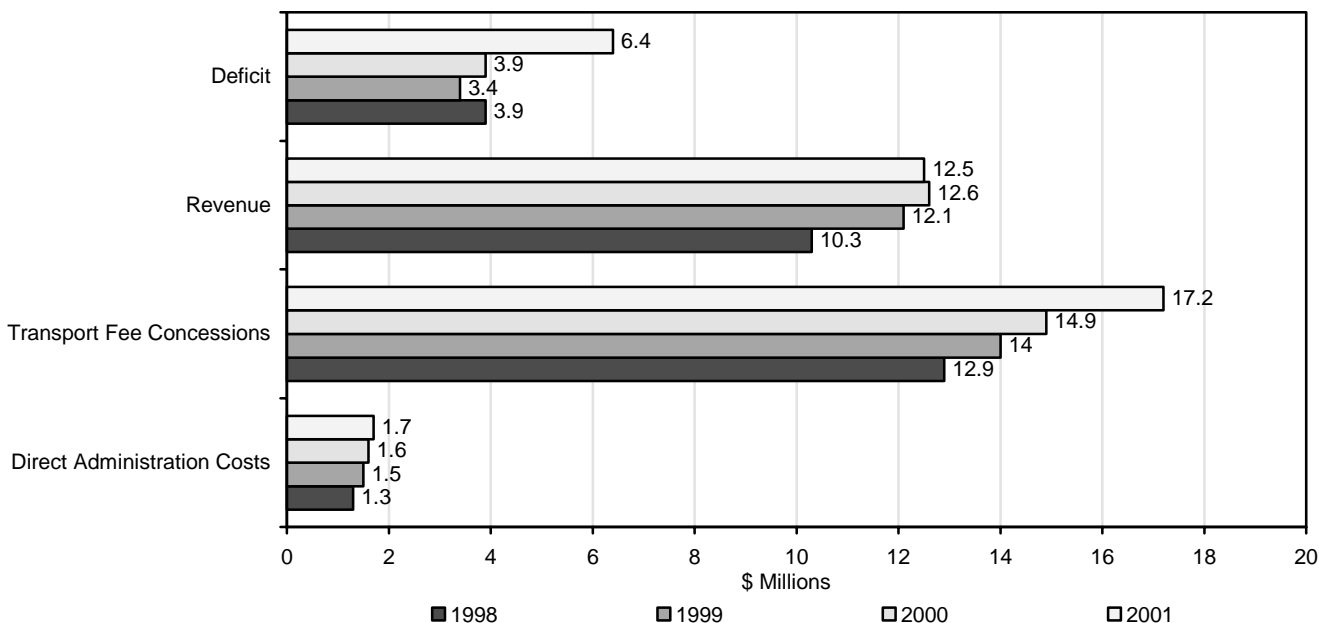


The acceleration of government funding over that time is clearly discernible, with revenues from government increasing from \$9.4 million in 1994-95 to \$32.4 million in 2000-01, an increase of 245 percent. This compares with an increase of only 16 percent in internally generated revenues over the same period, from \$32.4 million to \$37.7 million. The increasing reliance on government revenues is clearly evident from these figures.

Ambulance Cover Scheme

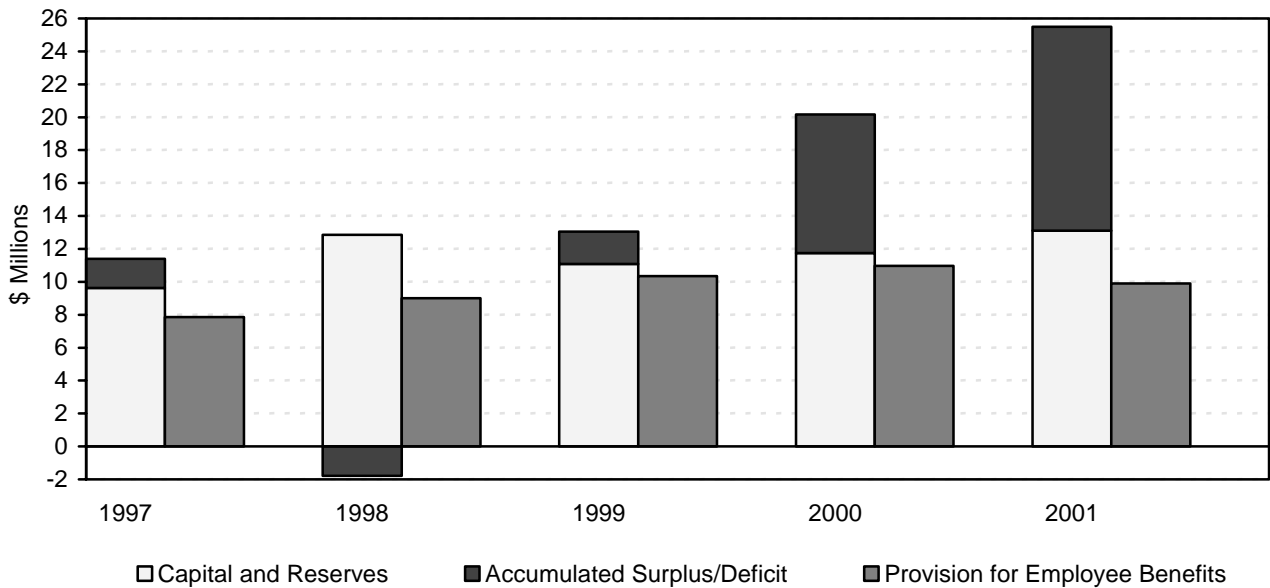
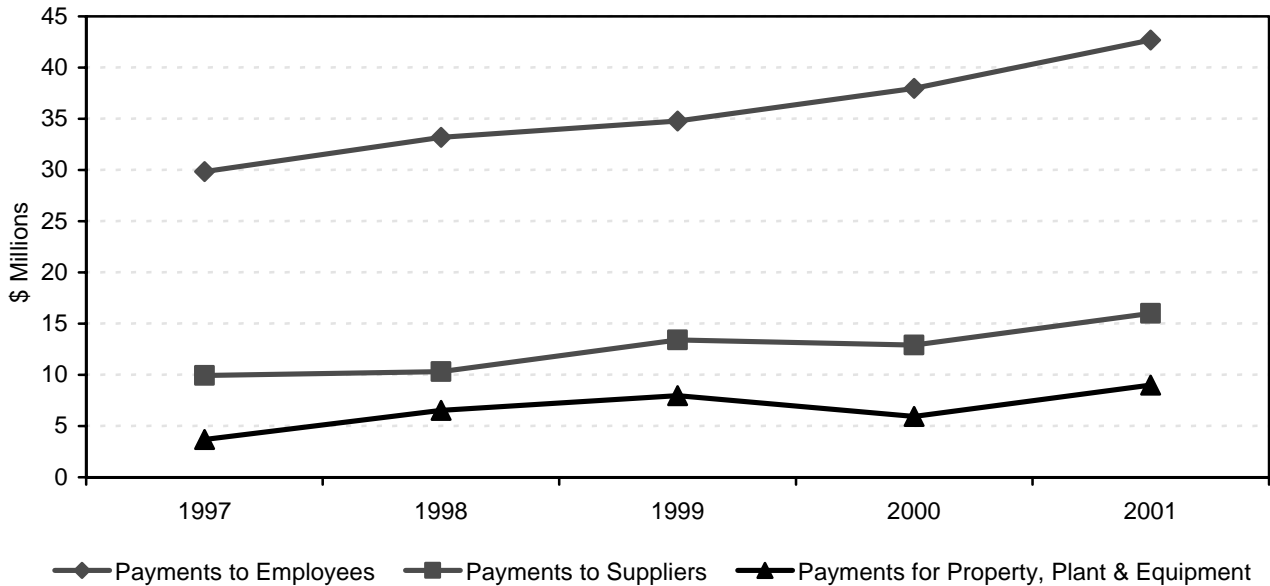
The Ambulance Cover Scheme has significantly impacted on the operating result since its inception. The cumulative deficit from operating the Scheme is \$23.4 million. There has been an increase in the operating deficit for 2000-01 to \$6.4 million (\$3.9 million), with an average annual operating deficit \$4.4 million, since 1998. Note 3 to the Financial Statements refers.

The following chart reflects the movement in revenues, expenses and deficit of the Ambulance Cover Scheme over the past four years and underlines the increasing trend in Transport Fee Concessions.



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 been a decrease in the provision for employee entitlements due to some staff being paid their entitlement in lieu of taking long service leave. There has been an increase in net assets in recent years due to additional funding from the State Government together with additional revenue from ambulance transport fees.

FURTHER COMMENTARY ON OPERATIONS

Review of the Ambulance Service

In last year's Report comment was made in respect of a consultant's review of the Ambulance Service undertaken at the request of the Department of Justice so that it may better assess the financial position of the Ambulance Service.

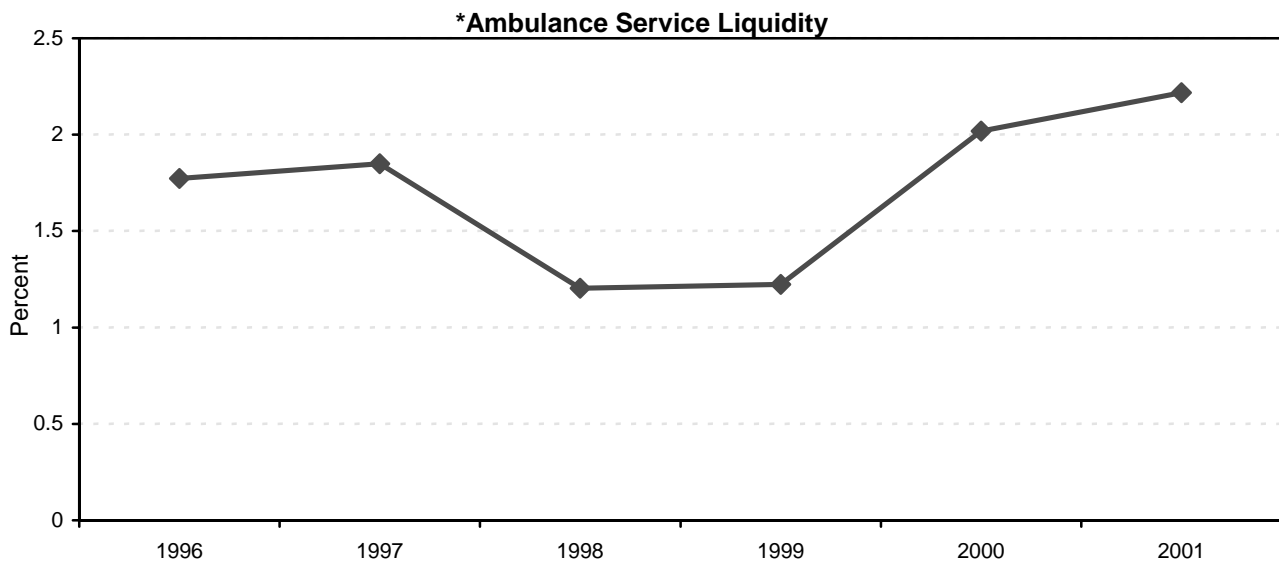
The consultant identified that the Ambulance Service had an ongoing funding shortfall which needed to be addressed as a matter of priority.

The consultant provided a number of suggestions for both the Government and the Ambulance Service to consider.

One of the suggestions was for the Government to provide additional funding to the Ambulance Service on an annual basis.

Additional funding of \$6.2 million was provided in 1999-2000 and increased annual funding of \$4 million started in 2000-01.

The increase funding has improved the liquidity of the Ambulance Service as reflected in the diagram below.



* Liquidity as measured by the ratio of current assets to current liabilities.

Further, the consultant suggested a formal service level agreement be established between the Government and the Ambulance Service in respect of funding for community service obligations. The Department of Justice has commenced negotiating such an agreement with the Ambulance Service.

The consultant also suggested that a review be undertaken of the structure of ambulance transport fees. The Department of Justice and the Ambulance Service reviewed the fee structure in 2000-01 and, as a result, a revised fee structure was introduced on 1 July 2001.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Operating Revenues:			
Sales of goods and services:			
Ambulance transport	2	23 467	22 256
Ambulance cover	3	12 514	12 643
Call direct		627	392
Other operating revenues	4	1 071	790
Total Operating Revenues		37 679	36 081
Revenues from Government	1(k),5	32 351	30 941
Non-operating revenues	6	(11)	1 374
Total Revenues		70 019	68 396
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	7	41 905	40 911
Goods and services	8	18 865	16 768
Depreciation	11	4 157	3 596
Total Expenses		64 927	61 275
SURPLUS FROM ORDINARY ACTIVITIES			
Net increase in asset revaluation reserve	14,17(a)	222	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS			
		5 314	7 121

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	1(j)	7 298	6 311
Investments	1(j)	5 000	5 071
Receivables	12	3 675	2 910
Inventories		162	159
Other	13	624	752
Total Current Assets		16 759	15 203
NON-CURRENT ASSETS:			
Property, plant and equipment	14	23 689	21 019
Total Non-Current Assets		23 689	21 019
Total Assets		40 448	36 222
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	15	2 533	2 836
Provision for employee benefits	16(a)	5 023	4 695
Total Current Liabilities		7 556	7 531
NON-CURRENT LIABILITIES:			
Provision for employee benefits	16(b)	7 416	8 529
Total Non-Current Liabilities		7 416	8 529
Total Liabilities		14 972	16 060
NET ASSETS			
		25 476	20 162
EQUITY:			
Capital		6 298	6 298
Reserves	17(a)	6 806	5 441
Accumulated surplus	17(b)	12 372	8 423
TOTAL EQUITY	17(c)	25 476	20 162
Commitments	19		
Contingent Liabilities	19		

Statement of Cash Flows for the year ended 30 June 2001

		2001	2000
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		33 071	31 982
Receipts from Australian Taxation Office		1 405	-
Receipts from government		32 090	30 941
Interest received		925	569
Payments to suppliers		(15 976)	(12 896)
Payments to employees		(42 674)	(37 959)
Net Cash provided by Operating Activities	20(b)	8 841	12 637
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		1 100	1 473
Payments for property, plant and equipment		(9 025)	(5 935)
Net Cash used in Investing Activities		(7 925)	(4 462)
NET INCREASE IN CASH HELD		916	8 175
CASH AT 1 JULY		11 382	3 207
CASH AT 30 JUNE	20(a)	12 298	11 382

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

The significant accounting policies adopted in the preparation of this financial report are:

(a) Entity Definition

SA St John Ambulance Service Inc (SA 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 SA Ambulance Service operates in accordance with the *Ambulance Services Act 1992* and under a licence issued by the Minister for Health.

SA Ambulance Service is incorporated under the *Associations Incorporations Act 1985*, and the registered office is located at 216 Greenhill Road Eastwood, South Australia.

The trading name of SA St John Ambulance Service Inc., SA Ambulance Service, is formally registered with the Office of Consumer and Business Affairs.

The principle activities of SA Ambulance Service are the provision of high quality pre-hospital care and patient transport.

(b) Basis of Preparation

The financial report is a general purpose financial report which has been drawn up in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, other mandatory professional reporting requirements, Department of Treasury and Finance Accounting Policy Statements, Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*, and the *Associations Incorporation Act 1985*. The financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention except for certain assets that have been revalued.

(c) Revenue Recognition*Ambulance Transport Revenue*

Ambulance transport revenue comprises revenue earned, net of discounts and allowances from the provision of patient transport, and is recognised when the service is provided or when the fee in respect of services provided is receivable.

Ambulance Cover Revenue

SA Ambulance Service operates an Ambulance Cover scheme whereby members pay a premium to cover themselves against the cost of ambulance transport. Ambulance Cover revenue is recognised upon receipt of the premium.

Call Direct Revenue

Call Direct revenue comprises the sale of alarm monitoring units, accessories and monitoring income. Units and accessories revenue are recognised at point of sale. Monitoring income is brought to account when accrued.

Other Operating Revenues

Other operating revenues comprise interest received and donations. Donations are recognised when received, and interest when accrued.

Revenues from Government

Revenues from the State Government comprise contributions to meet the costs of the Government's Community Service Obligation, for which services are provided by SA Ambulance Service, and funds for a motor vehicle replacement program. Government revenues are recognised on receipt.

Non-Operating Revenues

Non-operating revenues represent asset sales, rental, commissions and discounts received and sundry revenue. The net profit (loss) from asset sales is included as revenue upon sale.

(d) Taxation

The SA 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 revalued equipment, is recorded at cost. Refer to Note 14 for details of revalued equipment. All items of non-current assets, with the exception of land, have a limited useful life, which is reviewed annually, and are systematically depreciated in a manner that reflects the consumption of service potential.

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

	Years
Buildings and leasehold improvements	40
Information technology	3
Motor vehicles	1 to 8
Plant and equipment*	5 to 25
Communications	6

* Comprises office furniture and equipment, fixtures and fittings, medical and training equipment.

(g) Operating Leases

Operating lease assets are not capitalised, and lease payments are charged as operating expenses in the period in which they are incurred.

(h) Employee Benefits

Provision has been made in the financial report for SA Ambulance Service's liability for employee benefits for services rendered to balance date.

In determining the liability for employee benefits, consideration has been given to possible future increases in wage and salary rates and SA Ambulance Service's experience with staff attrition. Related on-costs have also been included in the liability.

Annual Leave

The provision for employee benefits for annual leave is based on legal contractual benefits at balance date. Current wage rates are used in the calculation of the provision.

Sick Leave

No provision has been made for sick leave because entitlements are non-vesting and it is considered that sick leave is taken from the current year's entitlements.

Accrued Days Off

The provision for employee benefits for accrued days off is based on legal contractual benefits at balance date. Current wage rates are used in the calculation of the provision.

Long Service Leave

The liability for employee benefits for long service leave represents the amount SA Ambulance Service has a present obligation to pay resulting from employee's services provided up to the balance date.

The provision has been calculated at nominal amounts based on current salaries and wages rates using an assessed benchmark of seven years service as a shorthand estimate of long service leave liability in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Benefits'. The current benchmark was calculated in 1999 by SA Ambulance Service management in accordance with the requirements of AAS 30. It is anticipated that the next benchmark assessment, due in 2002, will be subject to actuarial review.

Workers Compensation

SA Ambulance Service is recognised as an exempt employer under section 61 of the *Workers Rehabilitation and Compensation Act 1986*. The liability for employee benefits for workers compensation is based upon an actuarial assessment conducted by Brett & Watson Pty Ltd (members of the Institute of Actuaries of Australia) at 30 June 2001.

Superannuation Funds

SA Ambulance Service contributes to two superannuation funds for the benefit of its employees. Contributions are charged as expenditure as they are made. There is no liability for payments to beneficiaries as this is the responsibility of the superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes. Further information is set out in Note 18.

(i) Reserves

The amounts recorded as reserves, excluding asset revaluation, are represented by actual funds set aside for express purposes as follows:

Country Branch Reserves

These reserves are under the control of Country Branch committees in accordance with the provisions of SA Ambulance Service Country Branch Regulations and are applied to meet branch requirements.

Country Capital Reserve Fund

This Fund is specifically applied for the purchase of capital items deemed necessary for the effective operation of country branches. Allocations from this Fund are controlled by the Country Ambulance Services Advisory Committee (CASAC). Revenues are received from transfers from the Country Operating Reserve Fund, interest earnings and transfers from Country Branch Reserves towards capital projects.

Country Operating Reserve Fund

The Country Operating Reserve Fund (CORF) was established to meet operating costs that relate to the operations of country branches. Allocations from the Fund are controlled by CASAC. Revenues are received from volunteer branch operating surpluses as defined in the SA Ambulance Service Country Branch Regulations.

(j) Financial Instruments

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

SA Ambulance Service's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2001, are as follows:

Financial Assets

Cash assets are comprised mainly of deposits at call with the Commonwealth Bank of Australia (CBA). The interest rate prevailing on deposits totalling \$7.3 million (\$6.3 million) with the CBA at 30 June 2001 varied from 4.25 percent to 4.75 percent (5.75 percent).

Investments totalling \$5 million (\$5.1 million) constitute term deposits with the CBA. As at 30 June 2001 the prevailing interest rate was 4.9 percent (6.04 percent).

Receivables are recognised when the service is provided and are reported at amounts due that are net of discounts and doubtful debts.

Financial Liabilities

Payables are raised for amounts billed or billable but unpaid and are normally paid within trading terms.

(k) Economic Dependency

A significant proportion of revenue is derived from Government, without which the SA Ambulance Service would not be able to provide Community Service Obligations. Revenue from Government was \$32.4 million in 2001 (\$30.9 million).

(l) Reclassification of Financial Information

The SA Ambulance Service has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

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

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

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

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

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

2. Ambulance Transport	2001	2000
	\$'000	\$'000
Fees raised	52 577	47 749
Less: Concessions - Pensioners	11 954	10 568
- Ambulance Cover	17 156	14 925
	23 467	22 256
3. Ambulance Cover		
Ambulance Cover revenue	12 514	12 643
Less: Transport fee concessions	17 156	14 925
Direct administration costs	1 719	1 570
Ambulance Cover Deficit	(6 361)	(3 852)
4. Other Operating Revenues		
Interest	918	613
Donations	153	177
	1 071	790

5. Revenues from Government	2001	2000
Funding was received from the State Government for the following purposes:	\$'000	\$'000
Operations (Community Service Obligations)*	14 530	12 940
Contribution towards Ambulance Cover deficit	7 893	7 131
Other recurrent funding *	7 724	7 724
Vehicle purchases	2 204	3 146
	32 351	30 941
	<hr/>	<hr/>
	<hr/>	<hr/>
* Includes \$972 000 in 2000-01 from the Community Emergency Services Fund, comprising \$763 000 towards Community Service Obligations (\$744 000 in 1999-2000) and \$209 000 towards the South Australian Government Radio Network included in other 'recurrent funding'.		
6. Non-Operating Revenues	2001	2000
Asset Disposals:	\$'000	\$'000
Revenue from disposal of assets	994	1 305
Written down value of disposed assets	1 279	1 126
Net (Loss) Gain from Disposal of Assets	(285)	179
Other Non-Operating Revenue Items:		
Rental revenue	74	45
Commission and discount revenue	27	39
Sundry revenue	173	1 111
	(11)	1 374
	<hr/>	<hr/>
7. Employee Benefits		
Salaries and wages, annual and sick leave	36 647	35 508
Long service leave	540	636
Superannuation	2 601	2 326
Workers compensation	2 117	2 441
	41 905	40 911
	<hr/>	<hr/>
8. Goods and Services		
Communications	1 735	1 393
Information technology	958	907
Vehicle operating	2 307	2 076
Occupancy	1 416	1 304
Medical	2 010	1 829
Training, travel, uniforms and other staff expenses	2 658	2 028
Marketing	813	799
Bad debts	3 559	3 335
Discounts on ambulance transports	348	343
Professional, fees and other expenses	3 061	2 754
	18 865	16 768
	<hr/>	<hr/>
9. Auditors' Remuneration		
Amounts paid and payable to the auditors for auditing of the financial report	43	63
The auditors provided no other services.		
10. Consultancy Payments		
Amounts paid during the period for consultancy assignments	2	14
	<hr/>	<hr/>
11. Depreciation		
Buildings	58	32
Leasehold improvements	101	91
Motor vehicles	2 174	1 872
Plant and equipment	1 219	1 014
Communications equipment	605	587
	4 157	3 596
	<hr/>	<hr/>
12. Receivables		
Debtors	5 036	4 104
Less: Provision for doubtful debts	1 361	1 194
	3 675	2 910
	<hr/>	<hr/>
13. Other Current Assets		
Prepayments	558	574
Accrued revenue	66	178
	624	752
	<hr/>	<hr/>
14. Property, Plant and Equipment		
Land:		
Opening balance	1 012	1 115
Additions	24	79
Disposals	-	(182)
Revaluation write-up	301	-
Closing Balance	1 337	1 012
Net Book Value *	1 337	1 012
	<hr/>	<hr/>

14. Property, Plant and Equipment (continued)	2001	2000
Buildings:	\$'000	\$'000
Opening balance	2 094	1 247
Additions	104	847
Disposals	(32)	-
Revaluation write-up	6 471	-
Closing Balance	8 637	2 094
Accumulated Depreciation:		
Opening balance	38	6
Depreciation for the year	58	32
Disposals	(1)	-
Revaluation write-up	5 860	-
Closing Balance	5 955	38
Net Book Value *	2 682	2 056
Leasehold Improvements:		
Opening balance	1 607	1 121
Additions	285	486
Disposals	(6)	-
Revaluation write-up	372	-
Closing Balance	2 258	1 607
Accumulated Depreciation:		
Opening balance	164	73
Depreciation for the year	101	91
Disposals	-	-
Revaluation write-up	125	-
Closing Balance	390	164
Net Book Value *	1 868	1 443
Motor Vehicles:		
Opening balance	17 005	15 493
Additions	5 996	3 775
Disposals	(1 671)	(2 263)
Closing Balance	21 330	17 005
Accumulated Depreciation:		
Opening balance	7 089	6 538
Depreciation for the year	2 174	1 872
Disposals	(876)	(1 321)
Closing Balance	8 387	7 089
Net Book Value **	12 943	9 916
Plant and Equipment:		
Opening balance	9 283	6 719
Additions	1 470	2 709
Disposals	(2 219)	(145)
Closing Balance	8 534	9 283
Accumulated Depreciation:		
Opening balance	5 452	4 581
Depreciation for the year	1 219	1 014
Disposals	(1 868)	(143)
Closing Balance	4 803	5 452
Net Book Value **	3 731	3 831
Communication Equipment		
Opening balance	3 936	3 845
Additions	5	91
Disposals	(212)	-
Revaluation write-up	27	-
Closing Balance	3 756	3 936
Accumulated Depreciation:		
Opening balance	1 175	588
Depreciation for the year	605	587
Disposals	(116)	-
Revaluation write-up	964	-
Closing Balance	2 628	1 175
Net Book Value ***	1 128	2 761
Total Net Book Value	23 689	21 019

* Land, buildings and leasehold improvements were independently revalued on a deprival basis at 30 June 2001 by Knight Frank (SA) Pty Ltd (Certified Practising Valuers). The comparatives at 30 June 2000 include \$511 000 of properties at Valuer-General valuations with the balance of \$4 million at cost.

** Motor vehicles and plant and equipment are recorded at cost.

*** Communication equipment was revalued on a deprival basis at 30 June 2001 by Ambulance Service Management. The comparatives at 30 June 2000 include \$2.545 million of equipment valued on a deprival basis at 30 June 1998. The balance of \$216 000 was recorded at cost.

14.	Property, Plant and Equipment (continued)	2001	2000
	The net increase in asset revaluation reserve comprises:	\$'000	\$'000
	Land write-up	301	-
	Buildings write-up	611	-
	Leasehold improvements write-up	247	-
	Communications equipment write-down	(937)	-
		222	-
15.	Payables		
	Trade creditors	2 433	2 818
	Other creditors	100	18
		2 533	2 836
16.	Provision for Employee Benefits		
	(a) Current:		
	Annual leave	2 662	2 433
	Accrued days off	975	858
	Long service leave	285	284
	Workers compensation	708	781
	Accrued salaries and wages	393	339
		5 023	4 695
	(b) Non-Current:		
	Annual leave	1 794	1 680
	Accrued days off	335	347
	Long service leave	3 162	4 320
	Workers compensation	2 125	2 182
		7 416	8 529
	Total Provision for Employee Benefits	12 439	13 224
17.	Movement in Equity		
	(a) Reserves		
	Asset Revaluation Reserve:		
	Balance at 1 July	3 053	3 053
	Revaluation increment (decrement)	222	-
	Balance at 30 June	3 275	3 053
	Country Branch Reserves:		
	Balance at 1 July	623	716
	Transfers from accumulated surplus	46	24
	Transfers to Country Capital Reserve Fund	(1)	(117)
	Balance at 30 June	668	623
	Country Capital Reserve Fund:		
	Balance at 1 July	1 765	1 010
	Transfers to accumulated surplus	(591)	(1 368)
	Transfers from Country Branch Reserves	1	117
	Transfer from Country Operating Reserve Fund	1 688	2 006
	Balance at 30 June	2 863	1 765
	Country Operating Reserve Fund:		
	Balance at 1 July	-	-
	Transfers from accumulated surplus	1 688	2 006
	Transfer to Country Capital Reserve Fund	(1 688)	(2 006)
	Balance at 30 June	-	-
	Total Reserves	6 806	5 441
	(b) Accumulated Surplus		
	Balance at 1 July	8 423	1 964
	Surplus from operating activities	5 092	7 121
	Transfers to reserves	(1 143)	(662)
	Balance at 30 June	12 372	8 423
	(c) Total Equity		
	Balance at 1 July	20 162	13 041
	Surplus from operating activities	5 092	7 121
	Revaluation write-up	222	-
	Transfers from accumulated surplus to reserves	(1 143)	(662)
	Transfers to reserves from accumulated surplus	1 143	662
	Balance at 30 June	25 476	20 162

18. Superannuation Funds**(a) SA Ambulance Service Superannuation Fund**

SA Ambulance Service employees are eligible to receive benefit from the SA Ambulance Service Superannuation Fund. A benefit is payable on retirement, death, disablement or leaving SA Ambulance Service, in accordance with the Fund's Trust Deed and Rules. The Fund is a resident regulated superannuation fund that complies with superannuation laws.

The Fund provides lump sum benefits, calculated either on a defined benefit basis or on an accumulated basis, if higher. Defined benefits reflect a member's period of Fund membership and Final Average Salary. Contributory members of the Fund make mandatory contributions at a rate of five percent of salary. Non-contributory members are not required to make contributions.

SA Ambulance Service contributes towards the Fund's defined benefits and basic accumulation benefits in accordance with the recommendation of the actuary. In respect of all but a small proportion of the membership, it also contributes to the Fund in accordance with the relevant employee award. By contributing, SA Ambulance Service avoids incurring a charge in respect of members in accordance with Superannuation Guarantee legislation. Contributions are charged as expenditure as they are made.

Mr Christos Papanicolas, a principal of William M Mercer Pty Ltd, carried out the most recent actuarial investigation of the Fund as at 1 July 1999. The investigation confirmed that the Fund's assets were sufficient for it to meet the benefits that would have been vested under it in the event of its termination or on the voluntary or compulsory termination of the employment of each member.

	\$'000
Net market value of Fund's assets as at 1 July 1999	46 407
Value of accrued benefits as at 1 July 1999	<u>41 682</u>

Excess of Net Market Value of Fund Assets Over Value of Accrued Benefits as at 1 July 1999	4 725
---	-------

Total of vested benefits as at 1 July 2000	47 632
Net market value of Fund assets as at 1 July 2000	53 731

(b) Statewide Superannuation Trust

In respect of a small proportion of the workforce, SA Ambulance Service pays its contributions in accordance with the relevant employee award to the Statewide Superannuation Trust. By making these contributions, SA Ambulance Service avoids incurring a charge in respect of members in accordance with Superannuation Guarantee legislation. Contributions are charged as expenditure as they are made.

The Statewide Superannuation Trust provides lump sum benefits on leaving employment for any reason, calculated on an accumulated basis. Members are not required to make contributions to the Trust.

19. Commitments and Contingent Liabilities**(a) Lease Commitments (excludes GST)**

Operating lease expenditure contracted for is payable as follows:

	2001 \$'000	2000 \$'000
Not later than one year	78	89
Later than one year but not later than five years	137	185
Later than five years	<u>183</u>	<u>237</u>
	<u>398</u>	<u>511</u>

SA Ambulance Service has operating lease arrangements for the use of properties at Ashford Hospital, Port Adelaide, and Flinders University. Total rental expenditure for 2000-01 was \$204 000 (\$144 000 in 1999-2000). Future operating lease commitments represent the present value of future cash outflows to be made as per the lease agreements. Terms of renewal are as mutually agreed by SA Ambulance Service and the lessor.

SA Ambulance Service has a number of other operating leases for the use of property. The value of these leases is immaterial.

(b) Capital Commitments (excludes GST)

Agreement outstanding as at 30 June 2001:

	2001 \$'000	2000 \$'000
Purchase of ambulances at estimated cost less payments made:		
Not later than one year	892	1 738
Construction of new ambulance stations at estimated cost less payments made:		
Not later than one year	<u>553</u>	<u>32</u>
	<u>1 445</u>	<u>1 770</u>

(c) Contingent Liabilities

The nature of operations is such that potential exposures to litigation and other incidents giving rise to financial liability is considered by SA Ambulance Service to be less than likely. Following a consideration of all relevant factors, the Ambulance Board is of the opinion that no liability is required to be disclosed as being contingent.

20. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand, 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:

	2001 \$'000	2000 \$'000
Cash assets	7 298	6 311
Investments	<u>5 000</u>	<u>5 071</u>
	<u>12 298</u>	<u>11 382</u>

	2001	2000
(b) Reconciliation of Surplus from Ordinary Activities to Net Cash provided by Operating Activities	\$'000	\$'000
Surplus from Ordinary Activities	5 092	7 121
Add: Items classified as investing activities:		
Net profit (loss) on the sale of non-current assets	285	(179)
Add (Less): Non-cash items:		
Depreciation (refer Note 11)	4 157	3 596
Acquisition of non-current assets for nil consideration	-	(511)
Net Cash provided by Operating Activities before change in Assets and Liabilities	9 534	10 027
Change in assets and liabilities effecting the Statement of Financial Performance during the financial year:		
Increase in receivables	(765)	(370)
(Increase) Decrease in inventory	(3)	21
Decrease in other current assets	128	178
Decrease in accrued revenue for non-current assets disposals	(104)	(168)
(Decrease) Increase in payables	(303)	1 607
Decrease (Increase) in payables for non-current asset purchases	1 139	(1 541)
(Decrease) Increase in provision for employee benefits	(785)	2 883
Net Cash provided by Operating Activities	8 841	12 637

21. Remuneration of Employees

The number of employees whose remuneration inclusive of superannuation and other benefits from SA Ambulance Service fell within the following bands was:

	2001	*2001	2000
	Number of	Number of	Number of
	Employees	Employees	Employees
\$100 001 - \$110 000	3	1	1
\$110 001 - \$120 000	3	-	4
\$120 001 - \$130 000	1	-	-
\$130 001 - \$140 000	1	1	-
\$140 001 - \$150 000	-	-	1
\$150 001 - \$160 000	1	1	-
\$160 001 - \$170 000	2	1	-
\$170 001 - \$180 000	1	-	-

The total remuneration received, or due and receivable, from the SA Ambulance Service by the employees whose remuneration exceeded \$100 000 was

\$'000	\$'000	\$'000
1 588	549	716

* Excludes payments made to employees in lieu of taking long service leave.

22. 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 2000 to the signing of this financial report are:

Miss R M Pak-Poy (Chairman)	Mr W G Newman
Mr F A Butler (Deputy Chairman)	Mr D R Hawking
Mr I Pickering	Ms I Redmond
Mr P L Daniell (resigned 27.2.01)	Ms C L Elder
Prof G D Phillips	Mr M Scott (from 9.4.01)
Mr P L Palmer	

All persons served for the entire period unless otherwise indicated. During the year, a total of \$89 000 (\$89 000) in Directors' fees and other benefits and \$7 000 (\$5 000) in superannuation benefits were payable.

Mr I Pickering is employed as Chief Executive of SA Ambulance Service and does not receive a Directors' fee.

The number of Directors whose remuneration was due or receivable from the SA Ambulance Service within the following bands was:

	2001	2000
	Number of	Number of
	Directors	Directors
\$1 - \$10 000	6	6
\$10 001 - \$20 000	4	3

23. Related Party Disclosures

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

Related party disclosures comprise the provision of legal advice and services by Minter Ellison, a firm in which Miss R M Pak-Poy is a partner, \$42 000 (\$35 000).

SOUTH AUSTRALIAN METROPOLITAN FIRE SERVICE

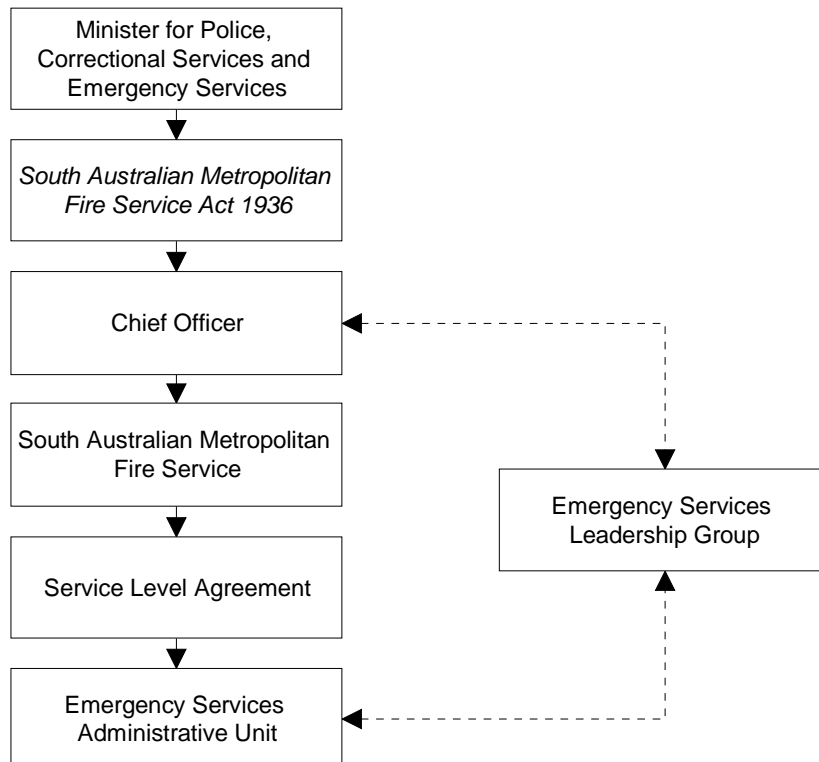
FUNCTIONAL RESPONSIBILITY AND ORGANISATION STRUCTURE

The South Australian Metropolitan Fire Service (SAMFS), 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.

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

The SAMFS' financial management is heavily reliant on information and reporting provided by ESAU. During the year the Emergency Services Executive Forum (the Forum) was reconstituted as the Emergency Services Leadership Group (ESLG). The ESLG comprises the chief executive officers of the SAMFS, ESAU, the Country Fire Service, the Director, State Emergency Services (a division of ESAU) and the Deputy Chief Executive Officer of the Department of Justice. Some of the key roles of the ESLG are to ensure that emergency services operate in an integrated manner and that appropriate strategic and business plans consistent with the Government's priorities are established, maintained and implemented.

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



SIGNIFICANT FEATURES

- Contributions from the Community Emergency Services Fund totalled \$64 million (\$63.5 million).
- Net assets increased to \$67.3 million (\$64.6 million) due mainly to the revaluation of certain assets and the transfer of assets for no consideration from the Government Radio Network.
- Accumulated Surplus at 30 June 2001 was \$29 million (\$33.5 million).
- Cash assets increased by \$7.5 million to \$35 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 11(2) of the *South Australian Metropolitan Fire Service Act 1936* provides for the Auditor-General to audit the accounts of the Corporation (SAMFS) 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 audit of the SAMFS during 2000-01 required Audit to direct much of its focus to the audit of the 'centralised accounting' structure maintained by ESAU and to test transactions at this level.

During 2000-01 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 debtors and cash receipting
- investments.

Audit Communications to Management

During the year, Audit met with management on several occasions.

Those meetings provided an opportunity to discuss various issues arising from the audit of the SAMFS. An Audit management letter has yet to be provided to the SAMFS Acting Chief Officer at the time of preparing this Report.

Notwithstanding, Audit considered that the internal control weaknesses identified during the course of the audit were sufficient to result in a qualified Controls Opinion. Further comment is provided under 'Audit Findings and Comments'.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The results of the 2000-01 audit of the SAMFS identified weaknesses in the control framework, as administered by the SAMFS and ESAU. Further discussion on the nature of the control weaknesses and background to these is provided hereunder. The result is that the 'Controls Opinion' is qualified for the SAMFS.

While the Controls Opinion has been qualified, Audit transactional testing did not reveal evidence of material misstatement in the financial report.

On 2 August 2000 the SAMFS applied monies from its reserves to make what was subsequently characterised as a loan to ESAU for an amount of \$2 million. The amount was credited to the ESAU Operating Account (a Special Deposit Account established pursuant to section 8 of the *Public Finance and Audit Act 1987*).

This application of the SAMFS reserves effectively provided a source of working capital for ESAU, an administrative unit created under the *Public Sector Management Act 1995*. The \$2 million was subsequently repaid to the SAMFS by ESAU, together with interest of \$6 000 on 18 August 2000. There was a restitution of the SAMFS' original funds position and there was no financial disadvantage to the SAMFS as a result of this transaction. While the transaction is disclosed within the SAMFS financial report for the reporting period ending 30 June 2001, the initial application of funds made by the SAMFS is considered to be unlawful in terms of section 9 of the *South Australian Metropolitan Fire Service Act 1936*. The following outlines the reasoning for this view.

The SAMFS is a Corporation constituted of the Minister and the functions of the Corporation, as set out in section 9 of the *South Australian Metropolitan Fire Service Act 1936*, are as follows:

- a) *to provide efficient services in fire districts for the purpose of fighting fires and of dealing with other emergencies; and*
- b) *to provide services with a view to preventing the outbreak of fire in fire districts.*

In connection with this, section 83 of the Act states:

The money required for the purposes of this Act shall be paid by the Corporation out of the monies received by it under this Act, and the sums to be contributed and paid to the Corporation by the Treasurer shall be paid out of monies voted by Parliament for that purpose.

In consideration of these provisions of the Act, I am of the opinion that the payment for the stated purposes of a loan to ESAU could not be considered to be consistent with the purposes outlined in the Act. It is also relevant to note that while the transaction is characterised as a loan, there is no formal documentation giving effect to a loan agreement.

Financial Management Framework

In last year's Supplementary Report I offered commentary on the operation of the Financial Management Framework (FMF), including an assessment of the SAMFS' adherence to the prescribed principles of the FMF.

This included comment that 1999-2000 had been characterised as a transition year, during which there was an evolution in the relationship between the SAMFS and ESAU. Reference was also drawn to the responsibilities of chief executives to develop, implement and document policies, procedures and systems which would assist accountability to be discharged.

The 2000-01 audit identified numerous internal control weaknesses. These included considerations of adequacy of segregation of duties, authorisation of transactions and maintenance of accounting reconciliations and review processes in general.

These observations were drawn notwithstanding improvements in a number of other areas, some relating to issues identified in last year's Supplementary Report. These were notably:

- the formalisation of the Finance Function Service Level Agreement;
- the definition of principles and methodology to support service recharges from ESAU to the SAMFS and the attendant authorisation of the same charges by both entities;
- improved asset recording and valuation processes;
- regular financial reporting to the SAMFS Executive.

Notwithstanding, it was Audit's opinion that a significant causation factor for these control weakness was the absence of appropriate consideration and understanding of an internal control framework within the Finance Function Service Level Agreement.

In particular, Audit considered that both the SAMFS and ESAU struggled to implement a sound internal control framework and that there was a general lack of coordination in implementing the same.

Audit considered that the responsibility for the breakdowns in internal control was shared between the two entities and that a joint effort would be required to remedy this situation.

The overall position during 2000-01 was nevertheless less than satisfactory. Audit considered that this was in part a legacy from the previous financial year where the ability to catch up many issues was affected by other complexities associated with areas such as asset accounting, to which significant resources were devoted.

EXTRACT FROM INDEPENDENT AUDIT REPORT

Independent Audit Report

With respect to my 2000-01 Independent Audit Report I have issued a qualified audit opinion. An extract from the Independent Audit Report is provided hereunder:

Qualification

With respect to 1999-2000 I issued a qualified Independent Audit Report for the South Australian Metropolitan Fire Service. The qualification related to a loan transaction for an amount of \$21 million from the South Australian Metropolitan Fire Service to the Emergency Services Administrative Unit. I was of the opinion that the loan was unlawful as it was not in accordance with the relevant statutory requirements as set out in the South Australian Metropolitan Fire Services Act 1936.

With respect to 2000-01 the South Australian Metropolitan Fire Service applied monies from its section 21 Deposit Account on 2 August 2000 for the purposes of making a loan of funds to the Emergency Services Administrative Unit for the amount of \$2 million. The loan was subsequently repaid by the Emergency Services Administrative Unit on 18 August 2000.

I am of the opinion that the loan made by the South Australian Metropolitan Fire Service was not consistent with the functions of the Corporation as set out in section 9 of the South Australian Metropolitan Fire Service Act 1936, being:

- a) *to provide efficient services in fire districts for the purposes of fighting fires and dealing with other emergencies; and*
- b) *to provide services with a view to preventing the outbreak of fire in fire districts.*

In connection with this, section 83 of the same Act states:

... the money required for the purposes of this Act shall be paid by the Corporation out of the monies received by it under this Act, and the sums to be contributed and paid to the Corporation by the Treasurer shall be paid out of monies voted by Parliament for that purpose.

The substance of the transaction was to apply funds to the credit of the Emergency Services Administrative Unit Special Deposit Account, for the purposes of providing working capital to that agency. As such the transaction departs from relevant statutory requirements and is unlawful to that extent. The original funds position of the South Australian Metropolitan Fire Service was restored on 18 August 2000, with the principal amount being repaid.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's 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 Metropolitan Fire Service at 30 June 2001, the results of its operations and its cash flows for the year ended 30 June 2001.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Metropolitan Fire 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 South Australian Metropolitan Fire Service in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, 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

Results of Operations

Net Assets increased by 4 percent to \$67.3 million. Revenues increased marginally to \$68.9 million (\$68.1 million).

Operating expenses increased by \$5.6 million or 9 percent, to \$67.5 million. This increase is primarily as a result of an increase in other employee entitlements due mainly to the effect of industrial bargaining and higher than expected overtime costs.

Statement of Financial Position

As at 30 June 2001, the SAMFS had net assets of \$67.3 million, 57 percent of which was represented in the form of an Asset Revaluation Reserve of \$38.3 million (\$31.1 million). Revaluations of non-current assets were undertaken on the basis of deprival value consistent with the Treasurer's Accounting Policy Statements.

Cash assets at 30 June 2001 was \$35 million (\$27.6 million) and represented 38 percent (32 percent) of total assets. This level of cash assets is due primarily to delays in the capital expenditure program.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Recoveries	3	2 388	1 842
Interest on investments		1 529	1 534
Other revenue		519	633
Total Revenues		4 436	4 009
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee entitlements	4	51 892	48 098
Depreciation and amortisation	5	4 438	3 703
Emergency services administrative unit recharge	6	3 534	3 541
Government radio network costs	7	1 404	1 392
Operational, administration and general expenses	8	6 252	5 145
Total Expenses		67 520	61 879
NET COST OF SERVICES		63 084	57 870
REVENUES FROM STATE GOVERNMENT:			
Contributions from the Community Emergency Services Fund		64 036	63 507
Grants from Commonwealth Government		433	537
Total Revenues from Government		64 469	64 044
CHANGE IN NET ASSETS			
Net revenues from restructuring	24	-	543
Net revenues from disposal of non-current assets	9	-	1
Net revenues from the transfer of assets from the Government Radio Network		833	-
Revaluation of non-current assets	15	471	4 249
Change in net assets resulting from revenues, expenses, restructuring and valuation adjustments		1 304	4 793
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		2 689	10 967

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets	17(i)	35 028	27 556
Receivables	10	934	1 117
Inventories		8	41
Prepayments		5	15
Total Current Assets		35 975	28 729
NON-CURRENT ASSETS:			
Property, plant and equipment	11	56 205	56 685
Total Non-Current Assets		56 205	56 685
Total Assets		92 180	85 414
CURRENT LIABILITIES:			
Payables	12	4 442	3 559
Provisions	13	5 333	5 067
Total Current Liabilities		9 775	8 626
NON-CURRENT LIABILITIES:			
Borrowings	14	5 226	5 226
Provisions	13	9 852	6 924
Total Non-Current Liabilities		15 078	12 150
Total Liabilities		24 853	20 776
NET ASSETS		67 327	64 638
EQUITY:			
Accumulated surplus		28 999	33 508
Asset revaluation reserve	15	38 328	31 130
TOTAL EQUITY	26	67 327	64 638
Commitments and Contingent Liabilities	16		

Statement of Cash Flows for the year ended 30 June 2001

		2001	2000
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:		\$'000	\$'000
Employee entitlements	Note	(48 383)	(47 661)
Operating and administration		(5 641)	(5 825)
Government Radio Network costs		(1 404)	(1 392)
Emergency Services Administrative Unit recharge		(3 534)	(3 541)
RECEIPTS:			
Cost recoveries and other income		3 206	2 193
Interest on investments		1 413	1 534
CASH FLOWS FROM GOVERNMENT:			
Contributions from the Community Emergency Services Fund		64 036	63 507
Grants from Commonwealth Government		433	537
Net Cash provided by Operating Activities	17(ii)	<u>10 126</u>	<u>9 352</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of non-current assets		11	1
Payments for non-current assets		(2 665)	(3 777)
Net Cash used in Investing Activities		<u>(2 654)</u>	<u>(3 776)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		2 000	21 000
Loan funds provided		(2 000)	(21 000)
Net Cash provided by Financing Activities		<u>-</u>	<u>-</u>
NET INCREASE IN CASH HELD		<u>7 472</u>	<u>5 576</u>
CASH AT 1 JULY		<u>27 556</u>	<u>21 980</u>
CASH AT 30 JUNE	17(i)	<u>35 028</u>	<u>27 556</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The SA Metropolitan Fire Service (the Corporation) is a statutory authority under the *South Australian Metropolitan Fire Service Act 1936* (the Act).

(a) Objectives

The Corporation's objectives are to provide for the fighting and prevention of fires in its fire districts, and to provide for the protection of life, property and the environment threatened by other emergencies.

(b) Funding

Funding from 1 July 1999

The funding of the South Australian Metropolitan Fire Service (SAMFS) is derived from the Community Emergency Services Fund (the Fund), which was established by the *Emergency Services Funding Act 1998* (the Act), assented to in September 1998.

The Act replaces the former arrangements for funding the emergency services agencies through insurance premiums and State and Local Government contributions, with a system that provides for the collection of a levy on fixed and mobile property, which applied from 1 July 1999. The funds collected in payments of the levy are credited to 'the Fund'.

The SAMFS is directly funded from 'the Fund' for the cost of its operational services in the protection of South Australian citizens and their property.

The SAMFS also receives funds from the same source for the cost of strategic and administrative services delivered to it by the Emergency Services Administrative Unit (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 subject to service level agreements with ESAU, which at reporting date were still in draft form.

Recoveries

Charges for a number of services, including Fire Safety, Brigade Attendance and Private Fire Alarms, are made on a fee-for-service basis. These charges are reviewed and approved by the State Government annually. (Refer Note 3).

Grant

The Commonwealth Government provides reimbursement to the State for the provision of emergency services to protect Commonwealth properties. Under a South Australia Department of Treasury and Finance formula, this grant is apportioned between the Country Fire Service Board and the Corporation. The grant reported as revenue is the portion received by the Corporation.

Other Revenue

An arrangement is in place for the Defence Science and Technology Organisation (DSTO) to contribute to the fire protection of its properties that are located within the State.

2. Significant Accounting Policies

(a) Basis of Accounting

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

(b) Accounting for Non-Current Assets

Property, plant and equipment are carried at cost or deprival value.

The Corporation revalues all land, buildings, fire appliances and rescue classes of equipment to deprival value. On an ongoing basis, revaluations are made in accordance with a regular policy whereby independent valuations are obtained every three years and carrying amounts adjusted accordingly.

Items acquired since the last revaluation are valued at cost. During 2000-01, in accordance with a management plan, land and buildings comprising metropolitan fire stations were revalued. (Refer Note 11). The amount transferred to the Asset Revaluation Reserve was \$471 000 (Refer Note 15).

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

	Years
Vehicles	15
Computer equipment	5
Communications equipment	10
Plant and equipment	10
Buildings	1-30

A detailed assessment was undertaken during 2000-01 of the useful lives of buildings. The basis of this assessment was analysis of the operational capacity of buildings and analysis of the variation between the useful life recommended by SAMFS management compared to the assessment reported by the independent valuer.

(c) Employee Entitlements

(i) Wages and Salaries, Annual Leave and Sick Leave

Liabilities reflect employee entitlements to accrued wages and salaries and annual leave. These liabilities are calculated on current wage rates. Relevant employment on-costs are shown under 'Payables' (Refer Note 12). Sick leave is not provided for as it is non-vesting. However, entitlements are accumulated, and sick leave taken is deducted from the employee entitlement.

(ii) Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. The liability has been based on current salaries and wages rates. Relevant employment on-costs are shown under 'Payables' (Refer Note 12). The Department of Treasury and Finance have advised that from July 2000, a benchmark of eight years can be used for 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 calculated on that basis.

(iii) Superannuation

Contributions are made by the Corporation to the SA Metropolitan Fire Service Superannuation Fund and to the South Australian Superannuation Board, Superannuation Benefit Scheme (Refer Note 22). These contributions are treated as an expense when they occur. The Corporation has no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes.

(iv) Workers Compensation

To reflect the liability for outstanding workers compensation claims the Corporation has raised a provision as at balance date. The Corporation fully funds this provision, as well as lump sum payments, medical costs, legal costs and all other workers compensation related expenses. Provision for non-current workers compensation has increased in 2000-01 due to the collapse of HIH Insurance. (Refer Note 13). The SAMFS had workers compensation excess cover for \$350 000 with CIC Insurance. CIC was taken over by HIH who have subsequently gone into provisional liquidation.

(v) Targeted Voluntary Separation Packages (TVSPs)

Four non-operational positions were identified as surplus. The incumbents of all positions accepted Targeted Voluntary Separation Packages in accordance with the approval of the Commissioner for Public Employment in respect of TVSPs. The packages totalled \$121 000 including outstanding leave of \$12 000. Reimbursement of \$65 000 for the packages has been received in 2000-01, the remaining \$44 000 will be recovered in 2001-02.

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

(e) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

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

The gross proceeds of non-current asset sales are included as revenue at the date control of assets passes to the buyer.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(f) Comparative Financial Information

The Corporation has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

3. Recoveries		2001	2000
Cost recovery revenues for the reporting period comprised:		\$'000	\$'000
Fire alarm		944	931
Fire attendance fees		777	372
Computer aided despatch project		-	97
Commercial training fees		78	144
Fire safety fees		197	135
Marine commercial operations		120	114
Fuel rebate		46	-
Other recoveries		226	49
		2 388	1 842
4. Employee Entitlements			
Employee entitlement expenses for the reporting period comprised:			
Salaries and wages		40 256	38 927
Payroll tax and superannuation		6 330	6 564
Long service leave		841	1 382
Workers compensation		4 182	1 052
Other employee related expenses		283	173
		51 892	48 098
5. Depreciation			
Depreciation expenses for the reporting period were charged in respect of:			
Buildings		2 239	1 705
Computer equipment		235	242
Plant and equipment		405	318
Communications equipment		213	177
Fire appliances		1 346	1 261
		4 438	3 703
6. Emergency Services Administrative Unit Costs			
On 1 July 1999 the Emergency Services Administrative Unit (ESAU) was established to provide strategic and support services to the SA Metropolitan Fire Service, the Country Fire Service and the State Emergency Service. ESAU delivers services defined in the service level agreements and recovers the cost from these organisations. In the reporting period the Corporation made the following payment for services:			
		2001	2000
		\$'000	\$'000
ESAU administration charge		3 534	3 541
7. Government Radio Network Costs			
Government radio network expenses for the reporting period were charged in respect of:			
Contribution towards GRN - Voice		930	930
Contribution towards GRN - Paging		39	38
Other GRN costs		435	424
		1 404	1 392
The Corporation has been charged by the Department for Administrative and Information Services for costs associated with the provision of emergency communication services, including voice, paging and data transmission using the Government Radio Network.			
8. Operational, Administration and General Expenses		2001	2000
Operational, administration and general expenses for the reporting period were charged in respect of:		\$'000	\$'000
Consumables and minor purchases		1 064	920
Repairs and maintenance		1 400	1 032
Rates, taxes and rent		726	705
Uniforms		655	415
Communication expenses		472	430
Energy		339	321
Light vehicle expenses		407	332
Travel and training		397	258
Other expenses		792	732
		6 252	5 145

9. Net Revenues from Disposal of Non-Current Assets		2001	2000
		\$'000	\$'000
Proceeds from disposal of non-current assets		11	1
Less: Written down value of non-current assets		11	-
Net Gain on Disposal of Non-Current Assets		-	1
<hr/>			
10. Receivables			
Current:			
Sundry debtors		744	1 116
Less: Provision for doubtful debts		2	3
		742	1 113
GST refunds		76	-
Accrued interest receivable		116	4
		934	1 117
<hr/>			
11. Property, Plant and Equipment		2001	
		Cost/	Written
		Valuation	Down
		\$'000	Value
		Accumulated	Value
		Depreciation/	\$'000
		Amortisation/	\$'000
Land		8 505	8 505
Buildings		33 371	30 517
Vehicles		26 994	11 537
Communications equipment		3 444	1 697
Computer equipment		2 225	460
Plant and equipment		5 810	2 560
Work in progress		929	929
Total Property, Plant and Equipment		81 278	56 205
<hr/>			
		2000	
		Cost/	Written
		Valuation	Down
		\$'000	Value
		Accumulated	Value
		Depreciation/	\$'000
		Amortisation/	\$'000
Land		8 323	8 323
Buildings		32 627	31 532
Vehicles		24 405	9 780
Communication equipment		2 352	817
Computer equipment		2 185	649
Plant and equipment		5 323	2 439
Work in progress		3 145	3 145
Total Property, Plant and Equipment		78 360	56 685
<hr/>			
The valuations of freehold land and buildings were based upon their written-down deprival value as at balance date. These valuations were performed by Andrew J Lucas, MBA, B.App.Sc (Val), AVLE (Val), ASA a qualified officer of Valcorp Australia Pty Ltd.			
12. Payables		2001	2000
Payables comprise the following:		\$'000	\$'000
Accrued employee entitlements		1 297	1 121
On-costs re employee entitlement provisions and accruals		1 448	1 709
Creditors		1 697	729
		4 442	3 559
<hr/>			
13. Provision for Employee Entitlements			
Current Liabilities:			
Annual leave		3 479	3 121
Long service leave		800	600
Workers compensation		1 054	1 346
		5 333	5 067
<hr/>			
Non-Current Liabilities:			
Long service leave		6 455	6 924
Workers compensation		3 397	-
		9 852	6 924
<hr/>			
14. Borrowings			
Borrowings comprise the following for the reporting period:			
Financing of building		5 226	5 226
<hr/>			
Due for repayment:			
Later than five years		5 226	5 226
		5 226	5 226
<hr/>			
15. Asset Revaluation Reserve			
Balance at 1 July		31 130	26 881
Revaluation of non-current assets (refer Note 2(b))		6 727	-
Adjustment in accounting treatment (Refer Note 26)		38 328	31 130
<hr/>			

16.	Commitments	2001	2000
	(a) Commitments for Capital Expenditures	\$'000	\$'000
	At the end of the reporting period the Corporation had entered into contracts for the following capital expenditure which are not included in the financial statements. These projects are due for completion within one year ie by 30 June 2002		
	Fire appliances	1 909	1 351
	Fire stations and other equipment	1 911	3 142
		3 820	4 493
	(b) Contingent Liabilities		
	At year end there were no known contingent liabilities. Exposure in 1999-2000 relating to the supply of fire appliances in connection with the Lowes Industries (North Island) Limited contract was resolved by the re-letting of the contract to Frazers of New Zealand.		
	(c) Contractual Commitments		
	At the end of the reporting period the Corporation had the following commitments on contracts.		
		2001	2000
		\$'000	\$'000
	Payable no later than one year	245	-
	Payable later than one year and not later than five years	130	-
	Total	375	-
17.	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 and at bank.		
	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:	2001	2000
		\$'000	\$'000
	Cash on hand (including petty cash)	5	4
	Deposits lodged with the Treasurer	35 023	27 552
		35 028	27 556
	(ii) Reconciliation of Net Cost of Services to Net Cash provided by Operating Activities		
	Net cash provided by operating activities	10 126	9 352
	Contributions from the Community Emergency Services Fund	(64 036)	(63 507)
	Commonwealth grants	(433)	(537)
	Decrease in employee entitlements	(3 194)	106
	(Increase) Decrease in payables	(883)	673
	Depreciation	(4 438)	(3 703)
	(Decrease) Increase in prepayments	(10)	8
	(Decrease) Increase in inventories	(33)	7
	(Decrease) Increase in receivables	(183)	274
	Income from restructuring	-	(543)
	Net Cost of Services	(63 084)	(57 870)
18.	Remuneration of Auditors		
	The amount due and payable for audit services provided by the Auditor-General's Department	17	15
	The auditors provided no other services.		
19.	Consultancies	2001	2000
	Total expenditure (excluding GST) on three consultancies in 2000-01 amounted to \$23 000 (\$190 000).	Number of Consultants	Number of Consultants
		\$'000	\$'000
	Less than \$10 000	2	16
	\$10 000 - \$50 000	1	4
	Greater than \$50 000	-	1
20.	Remuneration of Employees	2001	2000
	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
	\$100 001 - \$110 000	1	-
	\$130 001 - \$140 000	1	1
	The aggregate remuneration for all employees referred to above was \$233 000 (\$139 000).		
21.	Borrowings		
	During the year 2000-01 the Emergency Services Administrative Unit (ESAU) borrowed \$2 000 000 from the cash reserves of the SA Metropolitan Fire Services (SAMFS) for use as working capital, pending receipt of monies from the Community Emergency Services Fund. ESAU paid SAMFS interest at the Treasurer's average overnight cash deposit rate at 5.93 percent per annum. Interest totalling \$6 000 is shown as interest in the Statement of Financial Performance. The borrowing has been repaid.		

22. Superannuation

The Corporation's contributions to the SA Metropolitan Fire Service Superannuation Fund, an externally managed Fund, represent its ongoing liability to provide benefits for employee members and their dependants on retirement, disability or death. The Fund is subject to a triennial review, and the contribution level is based on recommendations by the actuary.

As at 30 June 2000, the last available reporting date, the Fund reported:	\$'000
Investments	140 104
Accrued benefits (as at 1 July 1998)	88 993
Vested benefits	106 976

In addition, to comply with the Commonwealth Superannuation Guarantee legislation for employees who are not members of that Fund, the Corporation has made contributions during the year of 8 percent of those employees' salaries and wages to the South Australian Superannuation Board.

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

Financial Instrument	Notes	Accounting Policies and Methods	Nature of Underlying Instrument
<i>Financial Assets:</i>			
Cash at bank	17(i)	Cash at bank comprises cash held in a Department of Treasury and Finance Deposit Account. Interest revenue is recorded on an accrual basis.	Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance and is based on the average daily balance of the Deposit Account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts, which varied between 5.06 percent and 6.10 percent during 2000-01 (4.63 percent and 5.58 percent in 1999-2000).
Receivables	10	Sundry debtors are recorded at the amounts due to the Corporation, less a provision for doubtful debts. They are recorded when goods have been supplied and services completed.	Sundry debtors are due within 30 days of the rendering of an account.
<i>Financial Liabilities:</i>			
Payables	12	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided to the Corporation.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
Borrowings	14	Borrowings are recorded at the amounts equal to proceeds received, less repayments of principal made. Interest expense is recognised on an accrual basis.	Loans are carried at the amounts borrowed. Interest on the building finance is calculated as 6.25 percent of the 1986 base 'net capital cost' adjusted by movements in the Adelaide Consumer Price Index since 1986. The term of the borrowing is 40 years from 1 July 1985 to 29 June 2025. The Corporation may exercise an option to repay the borrowing on 1 July 2005 subject to the terms of the 'underlease' agreement.

(b) Interest Rate Risk

Financial Instrument	Effective Interest Rate at 30.6.01 Percent	2001		2001 Total \$'000
		Interest Bearing \$'000	Non-Bearing \$'000	
<i>Financial Assets:</i>				
Cash at bank	5.06	35 023	5	35 028
Receivables		-	934	934
		35 023	939	35 962
<i>Financial Liabilities:</i>				
Payables		-	1 697	1 697
Borrowings - Building	10.91	5 226	-	5 226
		5 226	1 697	6 923
Financial Instrument	Effective Interest Rate at 30.6.00 Percent	2000		2000 Total \$'000
		Interest Bearing \$'000	Non-Bearing \$'000	
<i>Financial Assets:</i>				
Cash at bank	5.06	27 552	4	27 556
Receivables		-	1 117	1 117
		27 552	1 121	28 673
<i>Financial Liabilities:</i>				
Payables		-	729	729
Borrowings - Building	10.91	5 226	-	5 226
		5 226	729	5 955

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument	Note	2001		2000	
		Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:					
Cash at bank	17(i)	35 028	35 028	27 556	27 556
Receivables	10	934	934	1 117	1 117
		35 962	35 962	28 673	28 673
Financial Liabilities:					
Payables	12	1 697	1 697	729	729
Borrowings - Building	14	5 226	5 226	5 226	5 226
		6 923	6 923	5 955	5 955

(d) Credit Risk Exposure

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

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

24. Net Revenues from Restructuring

As a result of the restructuring of administrative arrangements that occurred upon the commencement of the Emergency Services Administrative Unit, the following liabilities were transferred from the SA Metropolitan Fire Service to ESAU from 1 July 1999:

	2001 \$'000	2000 \$'000
Annual leave	-	130
Long service leave provision	-	347
Payables	-	66
	-	543

25. Events Occurring after Balance Date

Nil.

26. Movement in Equity

	Accumulated Surplus		Asset Revaluation Reserve	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Balance at 1 July	33 508	26 790	31 130	26 881
Change in net assets	1 385	6 718	-	-
Asset revaluation	-	-	471	4 249
Assets received from Government Radio Network	833	-	-	-
Adjustment in accounting treatment*	(6 727)	-	6 727	-
Balance at 30 June	28 999	33 508	38 328	31 130

* The Corporation has processed in the financial year ended a prior period adjustment totalling \$6 727 000 in respect of an error in the accounting treatment of accumulated depreciation consequent upon the change in effective useful life of buildings. As this error resulted in conjunction with the revaluation of buildings, the net result is a reduction in accumulated surplus and increase in accumulated depreciation.

27. Asset Movement Schedule

	Land and Buildings \$'000	Fire Appliances \$'000	Communication Equipment \$'000	Computer Equipment \$'000	Plant and Equipment \$'000	Work in Progress \$'000	Total \$'000
Gross Carrying Amount							
Balance at 30 June 2000	40 950	24 405	2 352	2 185	5 323	3 145	78 360
Transfer from Work in Progress	29	3 109	24	(67)	239	(3 334)	-
Additions	426	-	1 069	113	289	1 118	3 015
Disposals	-	(520)	(1)	(6)	(41)	-	(568)
Net revaluation increments	471	-	-	-	-	-	471
Balance at 30 June 2001	41 876	26 994	3 444	2 225	5 810	929	81 278
Accumulated Depreciation/Amortisation							
Balance at 30 June 2000	(1 095)	(14 625)	(1 535)	(1 536)	(2 884)	-	(21 675)
Disposals	-	514	1	6	39	-	560
Net adjustments from reassessment of estimated useful lives	(576)	-	-	-	-	-	(576)
Recoverable amount write downs	1 056	-	-	-	-	-	1 056
Depreciation expense	(2 239)	(1 346)	(213)	(235)	(405)	-	(4 438)
Balance at 30 June 2001	(2 854)	(15 457)	(1 747)	(1 765)	(3 250)	-	(25 073)
Net Book Value							
As at 30 June 2000	39 855	9 780	817	649	2 439	3 145	56 685
As at 30 June 2001	39 022	11 537	1 697	460	2 560	929	56 205

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

Revenues from the sale of goods and services for local government elections decreased by \$2.3 million. Correspondingly, expenditures on supplies and consumables associated with conducting non-Parliamentary elections decreased by \$1.7 million while expenses incurred in preparation for the next State election increased by \$1 million.

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 relating to internal control matters were discussed with the Electoral Commissioner and Finance Officer with general consensus reached on how to address these issues. A formal management letter detailing Audit's findings and recommendations was forwarded to the Electoral Commissioner only recently and as such there has not been the opportunity to formally respond to the matters raised. Issues raised were not considered to be material so as to impact on the Controls Opinion.

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

Operations

The level of activity decreased markedly during 2000-01.

During 2000-01 there were only 34 ballot elections held in comparison to 84 such elections, during the previous financial year. This contributed to a decrease in overall revenues from ordinary activities of around 200 percent to \$1 million (\$3 million).

Expenditure, however, decreased by only 14 percent to \$4.2 million, largely because of an increase in expenses associated with preparation for a State election to \$1 million. While the announcement of a State election did not occur during 2000-01 the Office was compelled to start preparation for a pending election given various statutory responsibilities of the Electoral Commissioner and the uncertainty associated with a firm date for the election.

Financial Position

Net assets decreased by \$374 000 to \$1.5 million as at 30 June 2001.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES	4	1 045	2 980
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	5	1 436	1 454
Depreciation	6	79	95
Other expenses from ordinary activities	7	2 645	3 200
Total Expenses		4 160	4 749
NET COST OF SERVICES		3 115	1 769
REVENUES FROM GOVERNMENT:			
Appropriations		2 741	1 841
CHANGE IN NET ASSETS		(374)	72
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(374)	72

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets	12(a)	1 652	1 562
Receivables		133	550
Inventories		74	93
Other		15	8
Total Current Assets		1 874	2 213
NON-CURRENT ASSETS:			
Property, plant and equipment	8	427	354
Total Non-Current Assets		427	354
Total Assets		2 301	2 567
CURRENT LIABILITIES:			
Payables		451	384
Provision for employee entitlements	9	112	115
Total Current Liabilities		563	499
NON-CURRENT LIABILITIES:			
Provision for employee entitlements	9	263	219
Total Non-Current Liabilities		263	219
Total Liabilities		826	718
NET ASSETS		1 475	1 849
EQUITY:			
Accumulated surplus	10	1 475	1 849
TOTAL EQUITY		1 475	1 849
Commitments	11		

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Sale of goods and services		1 186	2 561
Interest		154	126
CASH FLOWS FROM GOVERNMENT:			
Receipts from appropriations		2 871	1 710
PAYMENTS:			
Employee entitlements		(1 389)	(1 408)
Supplies and consumables		(2 580)	(3 150)
Net Cash provided by (used in) Operating Activities	12(b)	242	(161)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchase of non-current assets		(153)	(241)
Proceeds from the sale of assets		1	-
Net Cash used in Investing Activities		(152)	(241)
NET INCREASE (DECREASE) IN CASH HELD		90	(402)
CASH AT 1 JULY		1 562	1 964
CASH AT 30 JUNE	12(a)	1 652	1 562

Schedule of Revenues and Expenses for the year ended 30 June 2001

	Outputs (See Note 3)	1	2001	2	Total	2000
		\$'000	\$'000	\$'000	\$'000	Total
REVENUES:						
Government revenues		2 684	57	2 741		1 841
Sale of goods and services		120	771	891		2 855
Interest		154	-	154		125
Total		2 958	828	3 786		4 821
EXPENSES:						
Employee entitlements		1 074	362	1 436		1 454
Supplies and consumables		2 216	429	2 645		3 200
Depreciation		69	10	79		95
Total		3 359	801	4 160		4 749
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		(401)	27	(374)		72

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. 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.

2. Significant Accounting Policies

(a) 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.

(b) 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. There were no administered revenues or expenses during the year and no assets or liabilities relating to administered resources at 30 June 2001.

(c) 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.

(d) Other Revenues

The primary source of other revenues is derived from fees charged to Local Government and other third parties in relation to the conduct of elections and industrial ballots.

(e) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Office. Cost is determined as the fair value of the assets which is represented by the purchase consideration together with the costs incidental to the acquisition.

(f) Depreciation

The non-current assets are depreciated over their useful lives using the straight line method. The expected useful lives are as follows:

	Years
Office equipment and furniture and fittings	10
Computer equipment and software	3
Leasehold improvements	6

(g) Employee 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.

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.

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 Statement of Financial Performance. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes.

(h) Operating Leases

Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to expenses over the period of expected benefit.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value.

(j) Financial Instrument Disclosures

Customer accounts are generally settled within 30 days and are carried at amounts due. The collectibility 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 5.06 percent.

(k) Comparative Figures

The Office has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised standards, comparative amounts have been reclassified in order to comply with the new presentation format.

3. Output Class and Outputs of the Office

The Output Class of the Office is to provide electoral services and this is achieved through two Outputs and their broad terms are as follows:

Output 1: Parliamentary Electoral Services

- ensure that eligible electors can register their votes effectively and conveniently and have confidence in the management of the electoral process;
- maintain an accurate register of voters;
- ensure 'disadvantaged' electors are not denied the ability to exercise their franchise;
- develop appropriate publicity and education programs to ensure that the public is informed of its democratic rights and obligations;
- provide comprehensive and efficient administrative, human resources, research and education, financial management and computing services.

Output 2: Non-Parliamentary Electoral Services

- provide statutory, industrial and other organisations with a facility capable of meeting their electoral needs economically and effectively;
- provide information to organisations seeking advice on electoral matters;
- conduct elections for and provide electoral service to Local Government Authorities.

4. Revenues from Ordinary Activities

	2001 \$'000	2000 \$'000
Local Government elections	109	2 371
Other Local Government services	291	282
Industrial elections	206	59
User charges	285	143
Interest	154	125
	1 045	2 980

5. Employee Entitlements

Employee entitlements comprised:

Salaries, wages and allowances	1 078	1 169
Annual leave expense	75	69
Long service leave expense	67	16
Payroll tax	84	80
Superannuation costs	132	120
	1 436	1 454

6.	Depreciation	2001	2000
	Depreciation comprised:	\$'000	\$'000
	Office equipment and furniture and fittings	25	18
	Computer equipment and software	46	70
	Leasehold improvements	8	7
		<u>79</u>	<u>95</u>
<hr/>			
7.	Other Expenses from Ordinary Activities		
	Production and maintenance of electoral rolls	631	666
	State election expenses	986	19
	Conducting non-parliamentary elections	223	1 916
	Accommodation and services costs	90	169
	Payments to consultants (Note 14)	1	3
	Other operating expenses	714	427
		<u>2 645</u>	<u>3 200</u>
<hr/>			
8.	(a) Property, Plant and Equipment		
	Office equipment and furniture and fittings - At cost	422	294
	Less: Accumulated depreciation	89	70
		<u>333</u>	<u>224</u>
	Leasehold improvements - At cost	46	46
	Less: Accumulated depreciation	17	9
		<u>29</u>	<u>37</u>
	Computer equipment and software - At cost	342	327
	Less: Accumulated depreciation	277	234
		<u>65</u>	<u>93</u>
	Total Written Down Value of Property, Plant and Equipment	<u>427</u>	<u>354</u>
<hr/>			
(b)	Reconciliation of Property, Plant and Equipment		
		2001	
		Office Equipment etc \$'000	Computer Equipment and Software \$'000
			Leasehold Improve- ments \$'000
			Total \$'000
	Gross Carrying Amount:		
	Balance at 1 July:	294	327
	Additions	135	18
	Disposals	(7)	(3)
	Balance at 30 June	<u>422</u>	<u>342</u>
	Accumulated Depreciation:		
	Balance at 1 July:	(70)	(234)
	Disposals	6	3
	Depreciation	(25)	(46)
	Balance at 30 June	<u>(89)</u>	<u>(277)</u>
	Net Book Value:		
	As at 30 June 2001	333	65
	As at 30 June 2000	<u>224</u>	<u>93</u>
<hr/>			
9.	Provision for Employee Entitlements	2001	2000
	Current Liabilities:	\$'000	\$'000
	Provision for annual leave	65	76
	Provision for long service leave	47	39
		<u>112</u>	<u>115</u>
	Non-Current Liability:		
	Provision for long service leave	263	219
	Total Provision for Employee Entitlements	<u>375</u>	<u>334</u>
<hr/>			
10.	Equity		
	Accumulated surplus:		
	Balance at 1 July	1 849	1 777
	Change in net assets	(374)	72
	Balance at 30 June	<u>1 475</u>	<u>1 849</u>
<hr/>			
11.	Commitments		
	Non-cancellable operating lease commitments:		
	Payable no later than one year	210	81
	Payable later than one year and not later than five years	561	755
		<u>771</u>	<u>836</u>
<hr/>			

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.

12. 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:

	2001 \$'000	2000 \$'000
Cash at bank	1 652	1 562

(b) Reconciliation of Change in Net Assets to Net Cash provided by (used in) Operating Activities

Change in net assets	(374)	72
Items not involving cash:		
Depreciation expense	79	95
Gain on disposal of assets	(7)	-
Change in operating assets and liabilities		
Decrease (Increase) in receivables	417	(432)
Decrease in inventory	19	8
Increase in payables	67	19
Increase in provision for employee entitlements	41	77
Net Cash provided by (used in) Operating Activities	242	(161)

13. Remuneration of Employees

During the period ended 30 June 2001 remuneration of employees whose individual remuneration was not less than \$100 000 shown in \$10 000 bands was as follows:

	2001 Number of Employees	2000 Number of Employees
\$100 000 - \$109 999	1	1
\$140 000 - \$149 999	1	1
	2	2

Total remuneration received by these employees for the year was \$251 000 (\$247 000).

14. Payments to Consultants

During 2000-01 the Office engaged consultants to assist in its operations. The cost of these consultancies was \$1 000 (\$3 000). The payments for these consultancies fall into the following bands:

	2001 Number of Consultancies	2000 Number of Consultancies
The number of consultancies whose payments fall within the followings bands:		
\$0 - \$9 999	1	3
	1	3

15. 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). The auditors received no other benefits.

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
- South Australian Motor Sport Board
- South Australian Tourism Commission

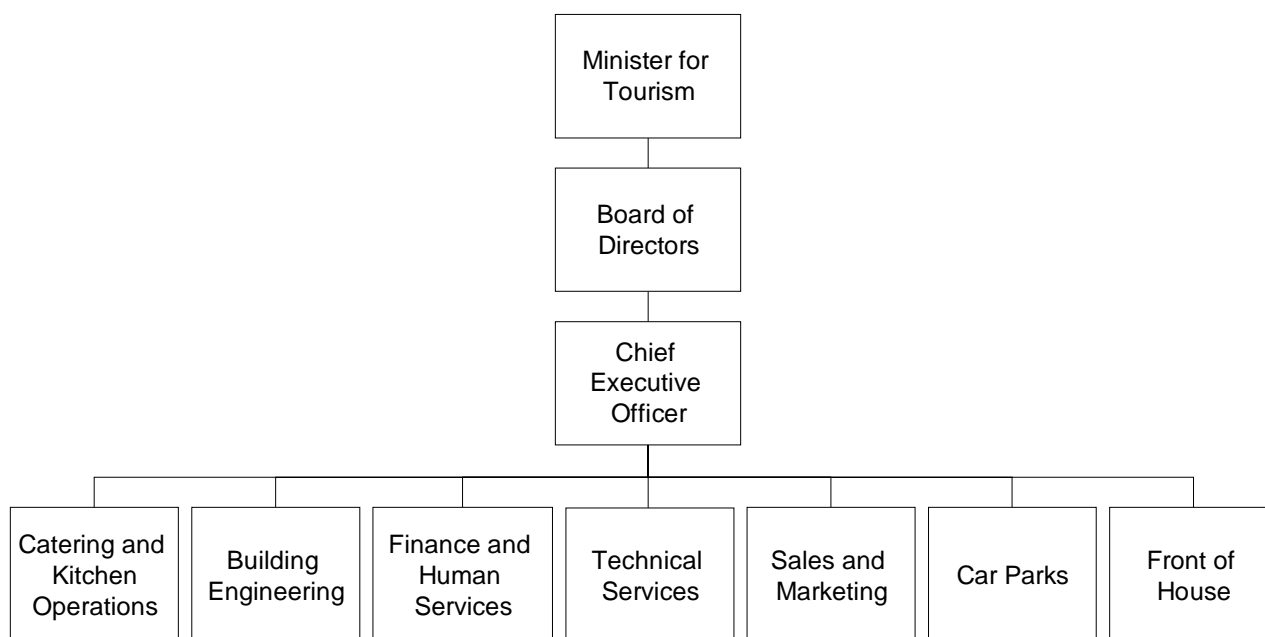
ADELAIDE CONVENTION CENTRE CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Adelaide Convention Centre Corporation was established on 10 August 2000, as a subsidiary to the Minister for Tourism pursuant to regulations under the *Public Corporations Act 1993*. On establishment, the Corporation assumed the operations of the Adelaide Convention Centre. The former Adelaide Convention Centre had operated under a Board of Management established in 1987 by Order-in-Council.

The functions of the Corporation are to:

- manage and operate the Adelaide Convention Centre site, and to hold and manage assets associated with the Adelaide Convention Centre;
- manage, promote and sponsor events at the Adelaide Convention Centre site or elsewhere;
- foster and assist the commercial development of the Adelaide Convention Centre site in order to complement and enhance the commercial potential of the Adelaide Convention Centre;
- carry out other functions conferred on the subsidiary by the Minister.



In 1999-2000, work commenced on the major extension to the Centre facility and is scheduled for completion in September 2001.

AUDIT MANDATE AND COVERAGE

Audit Authority

The Schedule to the *Public Corporations Act 1993*, requires the Adelaide Convention Centre 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 Convention Centre Corporation.

Scope of Audit

The specific areas of audit attention included:

- Follow up of issues that were commented on in last year's report relating to Risk Management Policy, Internal Audit Activity and Policy and Procedure development.
- Annual review of certain record keeping processes and controls associated with the administrative and business cycle activities:
 - centre and car park revenue
 - purchasing, creditor and payroll disbursements
 - property, plant and equipment
 - general ledger maintenance
 - goods and services tax reporting
 - financial reporting.

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

Risk Management Policy and Practice

Comment was made in last year's report regarding the status of developments of the Corporation concerning risk management policy and practice. It was indicated that the Corporation had appointed a full time Risk and Safety Manager and that a Risk Policy and Plan were due for completion and approval in early 2001.

Audit reviewed as part of this year's interim audit, progress with respect to this control area of business governance.

Audit has noted finalisation of the Risk Policy, preparation of formal Business Risk Management Procedures, development of the Risk Management Plan and the formulation of a Disaster Plan Framework and Disaster Plan. In addition the Corporation has commenced an annual review of its risk profile as outlined in the Risk Management Plan.

Internal Audit Activity

In the previous Report it was mentioned that the Corporation had advised that it was developing a form of internal audit process to enable periodic audits to be undertaken in relation to various activities performed by the Corporation.

A formalised internal audit activity process as envisaged by the Corporation was not in operation during 2000-01.

Audit was advised in August 2001 that the Corporation is determining an internal audit approach and activity to be undertaken in 2001-02.

Policy and Procedural Documentation

Audit has raised in previous years the importance of having up to date succinct documentation that outlines significant policy and procedural requirements pertaining to the major operating and financial activities of the Corporation.

Audit noted that the Corporation had finalised the revision of documentation of policy and procedural matters during the year which has involved sign off by the Chief Executive Officer and the Chairman of the Audit Committee.

Commentary on General Financial Controls

The audit of the financial accounts and record keeping processes and controls associated with the administrative and business cycle activities 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 Convention Centre 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 Convention Centre 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

Statement of Financial Performance - Operating Result

The operating profit result of \$61.8 million includes revenues received from the South Australian Government of \$60 million in the nature of capital contributions towards the major extension of the Convention Centre facility.

Statement of Financial Position - Assets

The recorded value of buildings, plant and equipment at 30 June 2001 was \$128.5 million (\$71.3 million). This increase principally reflects the cost of work in progress of the facility extension. The value of work in progress at 30 June 2001 was \$70.4 million.

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. In August 2001, Cabinet approved additional funding of up to \$7.4 million. 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.

The Cabinet approval of May 1999 included a requirement that up to \$7.5 million of the funding would be sourced from the Adelaide Convention Centre Future Asset Replacement Account. In late June 2001, an amount of \$3.0 million was transferred to the Adelaide Convention Centre Operating Account and the remaining \$4.5 million was transferred in August 2001.

Comment on the Adelaide Convention Centre extension project is included in Volume 1 of this Part of the Report relating to the Department for Administrative and Information Services.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Revenues from operating activities	4	17 593	17 277
Revenues from non-operating activities	5	60 000	17 177
Total Revenues		77 593	34 454
EXPENSES FROM ORDINARY ACTIVITIES:			
Salaries, wages and related payments	15(a)	7 378	7 321
Operational overheads	6	4 896	4 592
Raw materials and consumables used		1 248	2 110
Depreciation and amortisation	7	2 279	2 205
Total Expenses		15 801	16 228
OPERATING PROFIT BEFORE INCOME TAX EQUIVALENT		61 792	18 226
Tax equivalent regime income tax equivalent expense	3(b), 8	-	(828)
OPERATING PROFIT AFTER INCOME TAX EQUIVALENT		61 792	17 398
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE SOUTH AUSTRALIAN GOVERNMENT AS OWNER		61 792	17 398

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash on deposit, at bank and on hand	23(a)	15 033	6 255
Receivables	10	460	1 540
Inventories	3(i)	144	175
Taxation assets		7	10
Other current assets	11	441	864
		16 085	8 844
NON-CURRENT ASSETS:			
Specific purpose deposits	12, 23(a)	8 579	12 100
Buildings, plant and equipment	13	128 527	71 330
		137 106	83 430
Total Assets		153 191	92 274
CURRENT LIABILITIES:			
Creditors, accruals and provisions	14	1 027	1 667
Provision for employee entitlements	15(b)	501	536
Deposits held		883	798
		2 411	3 001
NON-CURRENT LIABILITIES:			
Provision for employee entitlements	15(b)	558	570
		558	570
Total Liabilities		2 969	3 571
NET ASSETS		150 222	88 703
FUNDS OF THE CENTRE:			
South Australian Government equity		77 804	77 804
Retained profit	16	71 969	10 450
Asset revaluation reserve		449	449
TOTAL FUNDS OF THE CENTRE		150 222	88 703
Commitments	17		

Statement of Cash Flows for the year ended 30 June 2001

		2001	2000
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Facility charges		10 694	13 282
GST on facility charges		1 002	-
Refund of GST		4 513	-
Interest income		1 900	367
Other revenue		30	18
Operating contribution from SA Government		6 649	2 799
		24 788	16 466
Payments to employees		(7 425)	(7 180)
Payment to suppliers		(6 233)	(6 459)
Payment of GST on purchases		(5 512)	-
Payment of income tax		(828)	(676)
		(19 998)	(14 315)
Net Cash provided by Operating Activities	23(b)	4 790	2 151
CASH FLOWS FROM INVESTING ACTIVITIES:			
Funding received for building extension		60 000	15 927
Adelaide Railway Station Area Service Facilities		-	1 250
Proceeds from sale of assets		130	150
Payment for assets		(59 663)	(14 548)
Net Cash provided by Investing Activities		467	2 779
NET INCREASE IN CASH HELD		5 257	4 930
CASH AT 1 JULY		18 355	13 425
CASH AT 30 JUNE	23(a)	23 612	18 355

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment and Functions

(a) Establishment

On 10 August 2000, the Adelaide Convention Centre Corporation was established as a subsidiary to the Minister for Tourism by Regulations issued under the *Public Corporations Act 1993*.

(b) Functions

The functions of the Corporation are to:

- manage and operate the Adelaide Convention Centre site, and to hold and manage assets associated with the Adelaide Convention Centre;
- manage, promote and sponsor events at the Adelaide Convention Centre site or elsewhere;
- foster and assist the commercial development of the Adelaide Convention Centre site in order to complement and enhance the commercial potential of the Adelaide Convention Centre.

2. Funding

(a) Contributions from SA Government

The South Australian Government (through the Minister for Tourism) provides funding to the Corporation for expenses relating to the maintenance of the common areas, Exhibition Hall land rent and the depreciation of buildings. The funding for the depreciation of buildings and residual annual funding is transferred by the Department of Treasury and Finance into an interest bearing Special Deposit Account titled 'Adelaide Convention Centre Future Asset Replacement Account'. With the approval of the Treasurer, these funds are available for the replacement and upgrade of assets and minor works.

In addition, the South Australian Government provided funding to subsidise a shortfall in revenue as a result of the effects of the building extension works on the business of the Centre.

All other financial activities of the Corporation are conducted through an interest bearing Special Deposit Account titled 'Adelaide Convention Centre Operating Account'.

(b) Specific Capital Funding for the Extension of the Adelaide Convention Centre

In May 1999, Cabinet approved an \$85 million upgrade to the Adelaide Convention Centre to provide an additional 7000 square metres of column free exhibition space with banquet facilities for up to 4 800 people. The project commenced during 1999-2000 with completion scheduled for September 2001. The project is being administered by the Department for Administrative and Information Services (DAIS) who are responsible for the overall budget of the project. In August 2001, following consultation with all parties involved and on DAIS' recommendation, Cabinet approved additional funding of \$7.4 million. Funds received from the South Australian Government during the year were \$60 million (\$15.9 million).

The Cabinet approval of May 1999 also included a requirement that up to \$7.5 million of the funding would be sourced from the Adelaide Convention Centre Future Asset Replacement Account. In late June 2001, an amount of \$3.0 million was transferred to the operating account and the remaining \$4.5 million was transferred in August 2001.

3. Significant Accounting Policies

Although the establishment of the Adelaide Convention Centre Corporation created a new legal entity, its operations and accounting policies used are consistent with those adopted by the previous structure, so for reporting purposes the financial statements reflect no change to the reporting entity.

The following is a summary of the significant accounting policies adopted by the Corporation 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, Treasurer's Instructions and Accounting Policy Statements 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 have 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 financial statements have also been prepared in accordance with the historical cost convention and do not take account of changes in either the general purchasing power of the dollar or current valuations with the exception of the revaluation of non-current assets.

(b) Tax Equivalent Regime

The Corporation is required to pay income tax equivalents using the Accounting Profits Model and other tax equivalents to the State Government in accordance with Treasurer's Instruction 22 'Tax and Tax Equivalents Applicable to Government Businesses'.

(c) Dividend Policy

The Department of Treasury and Finance have determined a distribution policy, which will apply to the Corporation as being 75 percent of the operating profit before income tax equivalents. This distribution is reduced by the income tax equivalent expense plus the other Tax Equivalent Regime expenditure resulting in a dividend which is paid to the Department of Treasury and Finance. The deduction of income tax equivalent and other tax equivalent regime expenditure from the gross 75 percent distribution ensures consistency with Competitive Neutrality and Department of Treasury and Finance policies concerning budget neutrality.

(d) Revenue Recognition

Revenue from Operating Activities is recorded in the Statement of Financial Performance at the time it is earned or at the time control passes to the Corporation. This is generally at the conclusion of an event or after a service has been provided. Interest revenues are recognised as they accrue.

(e) Provision for Doubtful Debts

The Corporation's Board of Directors has 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 2001 are added to this figure.

(f) Depreciation and Amortisation of Non-Current Assets

Buildings and all plant and equipment are depreciated on a straight line basis with the exception of crockery, cutlery and glassware. The assets in the class of 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.

Leasehold improvements are amortised over the period of the lease.

	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.

(g) Valuation of Non-Current Assets

In accordance with 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. The Treasurer has exempted the Corporation from the revaluation requirement, which was due this financial year until the completion of the building extension.

Notwithstanding the above, all non-current assets are reviewed annually to determine whether their carrying amounts require any write downs to recoverable amounts.

(h) Work in Progress

The Corporation 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. All costs are then transferred to the relevant non-current asset account.

(i) 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. Cost is assigned on a current cost basis.

(j) Leases

The Corporation has no finance leases.

The Corporation has entered into operating leases for the land on which the buildings are situated and for office accommodation. Lease payments are included as expenditure over the accounting periods covered by the lease term (refer Note 17 for further details).

(k) Employee Entitlements**(i) Employee Number**

The Corporation had 180 (174) full time equivalent employees as at 30 June 2001, of which 99 were permanent and 81 were casual. The number of casual employees actually working is dependent on the level of activity in the Centre. The Corporation has a casual labour base workforce of 259 employees.

(ii) Employer Superannuation

The Corporation made contributions of \$554 000 (\$500 000) in respect of its employees for the financial year to several superannuation schemes operated by the South Australian Government.

(iii) Accrued Salaries and Wages

Liability for salaries and wages is measured as the portion of unpaid service as at 30 June 2001 at current pay rates.

(iv) 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 in the provision and calculated in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

(v) 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.

(vi) 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 in the provision and calculated in accordance with Australian Accounting Standard 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 2001). 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 on what was taken during the current financial year and based on estimates of long service leave due to be taken during the 12 months ending 30 June 2002.

(l) Financial Instruments

The Corporation's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised as at 30 June 2001, are as follows:

Financial Assets

Cash on deposit and at bank comprises deposits at call with the Department of Treasury and Finance, South Australian Government Financing Authority (SAFA) 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 2000-01 calculated on a quarterly basis was 5.07 percent. For the deposits with Bank SA, the interest rates as at 30 June 2001 ranged from nil to 1 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. 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 5.06 percent to 6.10 percent and the average interest rate on the monies at SAFA ranged from 4.90 percent to 6.40 percent.

Total Receivables (Note 10) are reported at amounts due less the provision for doubtful debts.

Financial Liabilities

Trade creditors (Note 14) 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 Corporation 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.

(m) Comparative Figures

Where appropriate, the comparative figures have been adjusted where additional note disclosures have been shown in the current financial year.

4. Revenues from Operating Activities	2001	2000
	\$'000	\$'000
Catering	4 419	6 576
Room hire	1 048	1 592
Technical services	1 195	1 448
Car parking	3 258	3 297
Contribution from SA Government ^(a)	5 957	3 646
Interest received or earned	1 686	700
Sundry income	30	18
Total Revenue from Operating Activities	17 593	17 277
(a) Contributions received for the 2000-01 financial year as part of the annual funding (refer to Note 2(a) for further details) includes the revenue shortfall subsidy of \$2.5 million.		
5. Revenues from Non-Operating Activities		
Contributions to the Adelaide Convention Centre upgrade ^(a)	60 000	15 927
Adelaide Railway Station Area Service Facilities Maintenance Agreement ^(b)	-	1 250
Total Revenue from Non-Operating Activities	60 000	17 177
(a) Contributions received from the South Australian Government towards the upgrade of the Centre (refer to Note 2(b) for further details).		
(b) One-off payment received from Funds SA for the maintenance of the Adelaide Railway Area Service Facilities from 1 July 1999.		
6. Operational Overheads		
Maintenance	509	483
Marketing and promotions	1 039	925
Building service costs	1 724	1 430
Administration expenses and sundries	1 567	1 569
Loss on disposal of assets	57	185
Total Operational Overheads	4 896	4 592
7. Depreciation and Amortisation		
Depreciation expense for the reporting period was charged in respect of:		
Buildings	1 410	1 405
Plant, equipment, furniture, fixtures, fittings and motor vehicles	857	800
	2 267	
Amortisation expense for the reporting period was charged in respect of:		
Leasehold improvements	12	-
Total Depreciation and Amortisation	2 279	2 205
8. Income Tax Equivalent Expense		
As per Note 3(b) the Corporation is required to pay income tax equivalents using the Accounting Profits Model.		
Operating profit before income tax equivalent expense	61 792	18 226
Less: Exempt income ^(a)	(62 500)	(15 927)
Assessable operating (loss) profit before income tax equivalent expense	(708)	2 299
Income tax equivalent expense ^(b)	-	(828)
Assessable (Loss) Profit after Income Tax Equivalent Expense	(708)	1 471
(a) The Treasurer has exempted the Contributions received for the upgrade of the Centre plus the revenue shortfall subsidy from the tax equivalent regime.		
(b) The income tax equivalent expense is 34 percent (36 percent) of the assessable operating profit.		
9. Dividend Paid or Provided For		
The Treasurer has exempted the Corporation from providing for a dividend from the 2000-01 financial year results.		
Distribution based on 75 percent of 1999-2000 assessable profit before income tax equivalent expense ^(a)	1 724	-
Less tax equivalent regime expenses:		
Income tax equivalent expense	(828)	-
Other tax equivalent regime expenses	(623)	-
Total Dividend Paid or Provided For	273	-
(a) A dividend for the 1999-2000 financial year was not recognised in the financial accounts of that year as a result of a divergent view in the calculation formula between the Department of Treasury and Finance and the Adelaide Convention Centre. Since the formulation of the Corporation, the Department of Treasury and Finance have determined the formula for the calculation of a dividend and as a result a provision has been made for the 1999-2000 dividend in the current financial year.		
10. Receivables		
Trade receivables	387	363
Less: Provision for doubtful debts	25	32
	362	331
Other receivables	98	1 209
Total Receivables	460	1 540

11. Other Current Assets			2001	2000
			\$'000	\$'000
Prepayments			296	204
Accrued income			145	660
Total Other Current Assets			441	864
12. Specific Purpose Deposits				
Future Asset Replacement Deposit Account			7 226	10 803
Adelaide Railway Station facilities maintenance investment in SAFA			1 353	1 297
Total Specific Purpose Deposits			8 579	12 100
13. Buildings, Plant and Equipment		2001		2000
Buildings	\$'000	\$'000	\$'000	\$'000
Opening balance	56 213		56 213	
Additions	179		-	
Closing Balance		56 392		56 213
Accumulated depreciation:				
Opening balance	(2 810)		(1 405)	
Depreciation expense	(1 410)		(1 405)	
Closing Balance		(4 220)		(2 810)
Net Carrying Amount		52 172		53 403
Leasehold Improvements				
Opening balance	-		-	
Additions	294		-	
Closing Balance		294		-
Accumulated amortisation:				
Opening balance	-		-	
Amortisation expense	(12)		-	
Closing Balance		(12)		-
Net Carrying Amount		282		-
Plant and Equipment				
Opening balance	4 880		3 302	
Additions	1 166		1 872	
Disposals	(229)		(294)	
Closing Balance		5 817		4 880
Accumulated depreciation:				
Opening balance	(1 021)		(417)	
Depreciation expense	(715)		(655)	
Disposals	67		51	
Closing Balance		(1 669)		(1 021)
Net Carrying Amount		4 148		3 859
Furniture, Fixtures and Fittings				
Opening balance	805		763	
Additions	113		78	
Disposals	-		(36)	
Closing Balance		918		805
Accumulated depreciation:				
Opening balance	(181)		(83)	
Depreciation expense	(100)		(104)	
Disposals	-		6	
Closing Balance		(281)		(181)
Net Carrying Amount		637		624
Motor Vehicles				
Opening balance	189		167	
Additions	84		117	
Disposals	(60)		(95)	
Closing Balance		213		189
Accumulated depreciation:				
Opening balance	(50)		(47)	
Depreciation expense	(42)		(41)	
Disposals	35		38	
Closing Balance		(57)		(50)
Net Carrying Amount		156		139
Crockery, Cutlery and Glassware				
			699	699
Work in Progress			70 433	12 606
Total Buildings, Plant and Equipment		128 527		71 330
14. Creditors, Accruals and Provisions			2001	2000
			\$'000	\$'000
Trade creditors			676	450
Accruals			78	389
Provision for dividend			273	-
Provision for income tax equivalent expense			-	828
Total Creditors, Accruals and Provisions			1 027	1 667

15. Employee Entitlements and Related Expenses	2001	2000
(a) Salaries, Wages and Related Payments	\$'000	\$'000
Salaries and wages	5 908	6 044
Superannuation and payroll tax expenses	955	879
Annual and long service leave expenditure	515	398
Total Employee Entitlements and Related Expenses	7 378	7 321
(b) Provision for Employee Entitlements and Related Costs		
Current:		
Accrued salaries and wages	27	89
Annual Leave	266	283
Long service leave	149	106
Employee on-costs	59	58
Total Current	501	536
Non-Current:		
Long service leave	501	511
Employee on-costs	57	59
Total Non-Current	558	570
16. Retained Profit		
Retained profit (loss) at 1 July	10 450	(6 948)
Dividends provided for or paid	(273)	-
Operating profit after income tax equivalents	61 792	17 398
Retained Profit at 30 June	71 969	10 450

17. Expenditure Commitments
Lease Commitments
(Refer Note 3(j) for further details).

The Corporation has entered into operating leases for the land on which the buildings are situated, and for office accommodation. The leases are reviewed each year for adjustments in the Consumer Price Index.

Operating lease obligations:		
Not later than one year	383	266
Later than one year and not later than five years	1 534	1 064
Later than five years	22 073	20 519
Total Lease Obligations	23 990	21 849

18. Consultants
The Adelaide Convention Centre engaged one consultant for the period 2000-01 with expenditure being \$11 000:

Ernst & Young - GST Technical Issues Consultation.

19. Remuneration of Executives greater than \$100 000	2001	2000
The number of executives 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 Corporation were:	Number of Executives	Number of Executives
\$110 000 - \$119 999	-	1
\$120 000 - \$129 999	-	1
\$150 000 - \$159 999 ^(a)	1	-
\$190 000 - \$199 999	-	1
\$220 000 - \$229 999 ^(b)	2	-

The aggregate remuneration of the executives referred to in the above bands was \$576 000 (\$430 000).

- (a) Included in executive's remuneration is \$28 000 of long service leave that was converted to cash.
- (b) Included in executive's remuneration is \$126 000 of leave entitlements that was paid on retirement.

20. Related Party Information
The names of each person holding the position of board member of the Adelaide Convention Centre Corporation 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 directors of the Board may use the services of the Centre under terms and conditions no more favourable than members of the public.

21. Remuneration of Directors	2001	2000
The number of directors who received, or were due to receive, remuneration from the Corporation were:	Number of Members	Number of Members
\$0 (South Australian Government employee)	1	1
\$0 - \$9 999	5	5
\$10 000 - \$19 999	1	1

The aggregate remuneration of the Board members referred to in the above bands was \$62 000 (\$59 000).

22. Remuneration to Auditors	2001	2000
The total received, or due and receivable by the Auditor-General's Department in respect of:	\$'000	\$'000
Auditing the accounts	34	33

23. 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 ^(a)	14 993	6 209
Cash on hand	40	46
	15 033	6 255
Non-Current:		
Specific purpose deposits ^(b)	8 579	12 100
Total cash on deposit, at bank and on hand	23 612	18 355

(a) Includes \$6.4 million to be applied to the Centre upgrade which cannot be used as operational cash.

(b) Specific purpose deposits (refer Note 12) cannot be used as operational cash.

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

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	61 792	17 398
Non-operating revenue	(60 000)	(17 177)
	1 792	221
Depreciation	2 279	2 205
Loss on disposal of assets	57	185
Decrease (Increase) in receivables	1 080	(727)
Decrease in inventories	31	29
Decrease (Increase) in other current assets	426	(685)
(Decrease) Increase in creditors, accruals and provisions	(913)	635
Increase in security deposits held	85	147
(Decrease) Increase in provision for employee entitlements	(47)	141
Net Cash provided by Operating Activities	4 790	2 151

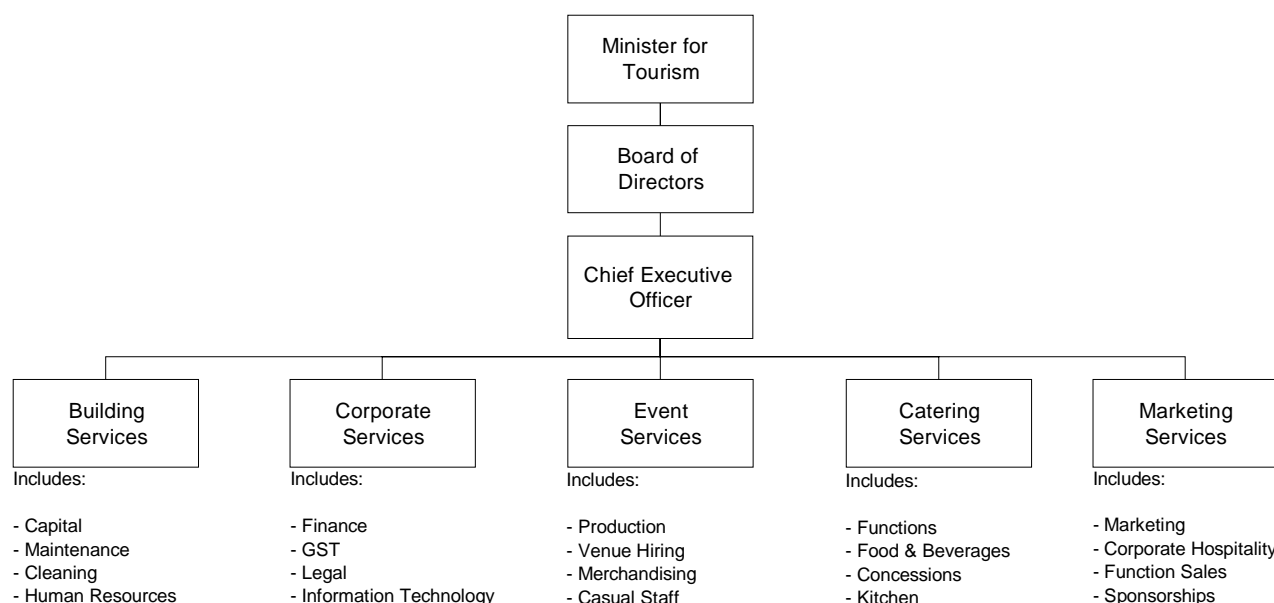
ADELAIDE ENTERTAINMENTS CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Adelaide Entertainments Corporation, a subsidiary to the Minister for 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.



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 2000-01 specific areas of audit attention included:

- Follow up of important strategic management and policy and procedural matters that were the subject of correspondence to the Corporation in 1999-2000 and commented on in last year's Report.

- Annual review of financial accounting and recording processes and associated controls covering the following areas:
 - 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
 - Goods and Services Tax (GST) operating obligations.

Audit Communications to Management

An audit management letter conveying issues raised from the audit was forwarded to the Chief Executive of the Corporation. The main matters communicated and the Corporation's response is outlined in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Follow up of 1999-2000 Audit Issues

Last year Audit raised certain issues of a strategic management and policy and procedural nature which the Corporation advised it would address during 2000-01. The status of these matters follows.

Charter and Performance Statement

Last year Audit raised the need for the Corporation to prepare a charter and performance statement that reflected the Corporation's current position and legal status under the Public Corporations legislation and that these be submitted to the Treasurer and responsible Minister for approval.

Audit follow up revealed that a revised charter and performance statement reflecting the Corporation's current position and legal status was approved by the Minister for Tourism and the Treasurer during the year.

Internal Audit Related Activity

Last year Audit raised the need for the Corporation to implement some form of internal audit activity that would review and report to the Corporation's Audit Committee on areas of risk identified by the Corporation.

Audit follow up revealed that although consideration had been given to the formulation of strategic/annual audit plans, individual audit assignments and who would perform the review function (ie internal or outsourced) these matters had not yet been finalised.

Audit was advised that the Audit Committee will initiate the internal audit function and associated plans in 2001-02.

Dividend and Taxation Policy

Last year Audit raised the need for the Corporation to discuss with the Department of Treasury and Finance the issue of outstanding dividends payable by the Corporation in respect of the 1997-98 to 1999-2000 financial years (totalling \$2.2 million), formulation of a dividend policy taking into account the Corporation's current financial position and to seek confirmation from the Department of Treasury and Finance that it is not required to pay the Treasurer taxation equivalents.

Audit follow up revealed the Treasurer:

- approved retention of \$1.7 million of outstanding dividends payable by the Corporation on the condition that they were applied for specific purposes;
- determined that no dividend was payable by the Corporation in respect of the 2000-01 year.

The above determinations result in a dividend still payable by the Corporation of \$538 000. Note 17(a) to the financial statements refers.

As regards taxation policy, during the year the Treasurer advised the Corporation it had been granted exemption from payment of taxation equivalents.

Policy and Procedural Documentation

During 1998-99 and 1999-2000 Audit raised the need for the Corporation to complete documentation of its policies and procedures consistent with the requirements of Treasurer's Instruction 2 'Financial Management Policies'.

This matter was again communicated with the Corporation during the year and Audit was advised that implementation of its Event Business Management System (EBMS) during 2000-01 delayed the review of Corporation policies and procedures, but with the implementation of EBMS nearing completion the review of the Corporation's policies and procedures will be prioritised in 2001-02.

Commentary on General Financial Controls

In relation to the annual review of financial accounting, record keeping and associated controls the results of the audit were satisfactory.

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 Corporation recorded an operating deficit of \$2.1 million (\$334 000). The increased deficit reflects primarily:

- a decrease in revenue of \$683 000, which is mainly the result of reduced event activity during the year;
- an increase of \$341 000 in event production costs principally associated with the Corporation undertaking self-entrepreneurial events;
- a \$495 000 correction in the application of financial accounting policy associated with corporate suite income.

Corporation revenue has over the past four years fallen from \$6.7 million in 1997-98 to \$5.7 million in 2000-01. Over this same period expenses have remained relatively constant, ie \$7.1 million to \$7.3 million (excludes correction of fundamental error).

Land and Buildings were revalued during the year and resulted in an increment of \$2.7 million.

Statement of Financial Performance for the year ended 30 June 2001

		2001	2000
REVENUE FROM ORDINARY ACTIVITIES:		\$'000	\$'000
Sale of food and beverage	Note 3	1 788	2 194
Corporate suite lease		1 243	1 210
Venue hire		1 122	1 328
Other revenue	4	1 580	1 684
Total Revenues		5 733	6 416
EXPENSES FROM ORDINARY ACTIVITIES:			
Salaries, wages and related payments		2 717	2 709
Depreciation	5	1 519	1 555
Other expenses	6	3 065	2 486
Correction of fundamental error	7	495	-
Total Expenses		7 796	6 750
OPERATING DEFICIT		(2 063)	(334)
Net increase in asset revaluation reserve	16	2 672	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE SOUTH AUSTRALIAN GOVERNMENT AS OWNER		609	(334)

Statement of Financial Position as at 30 June 2001

		2001	2000
CURRENT ASSETS:		\$'000	\$'000
Cash assets	Note 8	3 517	2 505
Inventories	9	95	95
Receivables	10	669	488
Total Current Assets		4 281	3 088
NON-CURRENT ASSETS:			
Land and buildings	11	48 820	47 192
Plant and equipment	12	1 158	1 261
Total Non-Current Assets		49 978	48 453
Total Assets		54 259	51 541
CURRENT LIABILITIES:			
Payables	13	2 899	1 150
Employee entitlements and related payments	14	123	113
Total Current Liabilities		3 022	1 263
NON-CURRENT LIABILITIES:			
Employee entitlements and related payments	14	73	45
Total Non-Current Liabilities		73	45
Total Liabilities		3 095	1 308
NET ASSETS		51 164	50 233
EQUITY:			
Capital provided by South Australian Government	15	55 536	55 536
Asset revaluation reserve	16	7 716	5 044
Accumulated deficit	17	(12 088)	(10 347)
TOTAL EQUITY		51 164	50 233
Commitments	26		

Statement of Cash Flows for the year ended 30 June 2001

		2001	2000
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
Receipts from customers		5 416	6 596
Net ticket sales from (to) promoters		1 179	(1 525)
GST received from customers		519	-
Interest received		176	157
Payments to suppliers and employees		(5 402)	(5 129)
GST paid to suppliers		(272)	-
Payment to Australian Taxation Office of GST		(232)	-
Net Cash provided by Operating Activities	25(a)	1 384	99
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for plant and equipment		(372)	(376)
Proceeds from sale of equipment		-	19
Net Cash used in Investing Activities		(372)	(357)
NET INCREASE (DECREASE) IN CASH HELD		1 012	(258)
CASH AT 1 JULY		2 505	2 763
CASH AT 30 JUNE	25(b)	3 517	2 505

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 significant accounting policies which have been adopted in the preparation of these financial statements are:

(a) **Basis of Preparation of Financial Statements**

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 Consensus Views).

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 AEC has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of the financial statements. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

(b) **Revenue Recognition**

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised when it is earned.

(c) **Depreciation of Non-Current Assets**

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all depreciable assets. The major asset categories and their expected useful lives are as follows:

	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

(d) **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.

(e) **Valuation of Non-Current Assets**

In accordance with Australian Accounting Standards AAS 10 'Accounting for the Revaluation of Non-Current Assets', AAS 38 '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. An independent valuation was carried out for land and buildings as at 30 June 2001 by Edward Rushton Australia Pty Ltd, licensed valuers, using the deprival basis.

(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.

(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' services 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.
- (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 comprises cash on hand and deposits at call with the South Australian Government Financing Authority (SAFA) and Westpac. The deposits are recorded at cost. Interest revenues are recognised as they accrue. For deposits with SAFA, interest is calculated on the average 30 day bank bill rate. For deposits with Westpac the interest rate is calculated on 35 points below the average Commonwealth bank bill issued weekly.

Receivables are reported at amounts due less the provision for doubtful debts.

Financial Liabilities

Trade creditors are recognised for goods and services that have been supplied but have not been paid as at 30 June 2001. Trade Creditors are recorded at cost and are normally settled within 30 days.

The AEC holds all ticket monies in trust on behalf of the ticket purchaser. Event payables represent a liability to the hirer on the completion of an event or to BASS for refunds in the event of a cancellation.

Contribution (by way of dividend) to the South Australian Government is recognised at cost.

Income received in advance mainly comprises corporate suite license fees and event/function deposits received in advance. Income received in advance is recognised as revenue at the time the event/function is held or service provided.

(h) Goods and Services Tax (GST) System Changes

Costs incurred to update existing systems or to design and implement new systems to deal with the GST are charged as expense as incurred, except where they result in an enhancement of future economic benefits and are recognised as an asset.

3. Sale of Food and Beverage	2001	2000
	\$'000	\$'000
Food	1 132	1 389
Beverage	656	805
	1 788	2 194
	<hr/>	<hr/>
Cost of sales	1 048	1 247
	<hr/>	<hr/>
4. Other Revenue		
Recovery of production costs	596	714
Merchandise	191	122
Interest	176	157
Car park	149	179
Equipment hire	91	89
Sundry	377	423
	1 580	1 684
	<hr/>	<hr/>
5. Depreciation		
Buildings (refer Note 11)	1 044	1 044
Plant and equipment (refer Note 12)	475	511
	1 519	1 555
	<hr/>	<hr/>
6. Other Expenses		
Administration	987	711
Production costs	603	262
Food and beverage purchases	523	615
Utilities	376	357
Repairs and maintenance	335	376
Sales and marketing	148	122
Bad debt expense	16	(18)
Other	77	61
	3 065	2 486
	<hr/>	<hr/>

7. Correction of Fundamental Error

In the early years of the AEC's history recognition of corporate suite income was changed from the cash basis to the accrual basis. A mistake in the application of the accrual accounting policy has resulted in an understatement of corporate suite unearned income liability at 30 June 2001 of \$495 000.

Restated financial information is presented to show the information that would have been disclosed in the 2000 and 2001 financial statements had the error not been made.

		2001	2000				
		Restated	Restated				
		\$'000	\$'000				
Statement of Financial Performance:							
Revenue from ordinary activities		5 733	6 416				
Expenses from ordinary activities		7 301	6 750				
Operating Deficit		(1 568)	(334)				
Restatement of Accumulated Deficit:							
Accumulated deficit at 1 July		(10 842)	(10 508)				
Restated operating deficit		(1 568)	(334)				
Net transactions with the South Australian Government as Owners		322	-				
Accumulated Deficit at 30 June		(12 088)	(10 842)				
8. Cash Assets							
Cash at bank and on hand		2 507	1 551				
SAFA investment		1 010	954				
		3 517	2 505				
9. Inventory							
Beverages		71	74				
Food		24	21				
		95	95				
10. Receivables							
Trade debtors		435	384				
Less: Provision for doubtful debts		20	4				
		415	380				
Accrued income and sundry debtors		160	70				
Prepaid expenses		94	38				
		669	488				
11. Land and Buildings							
Gross Carrying Amount:	Land	Buildings	Total				
Balance at 1 July	\$'000	\$'000	\$'000				
Net revaluation increments (decrements)	7 520	49 498	57 018				
Balance at 30 June	(60)	5 592	5 532				
	7 460	55 090	62 550				
Accumulated Depreciation:							
Balance 1 July	-	9 826	9 826				
Depreciation expense	-	1 044	1 044				
Net revaluation increments (decrements)	-	2 860	2 860				
Balance at 30 June	-	13 730	13 730				
Net Book Value:							
As at 30 June 2000	7 520	39 672	47 192				
As at 30 June 2001	7 460	41 360	48 820				
12. Plant and Equipment	Site Plant & Equipment	Kitchens & Concessions	Office & Administration	Production Equipment	Furniture & Fittings	Audio Visual Equipment	Total
Gross Carrying Amount:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	1 096	879	978	770	554	352	4 629
Additions	163	56	35	92	23	3	372
Balance at 30 June	1 259	935	1 013	862	577	355	5 001
Accumulated Depreciation:							
Balance at 1 July	652	801	670	574	413	258	3 368
Depreciation expense	85	40	160	73	70	47	475
Balance at 30 June	737	841	830	647	483	305	3 843
Net Book Value:							
As at 30 June 2000	444	78	308	196	141	94	1 261
As at 30 June 2001	522	94	183	215	94	50	1 158
13. Payables							
Trade creditors and accruals						2001	2000
Event payables						\$'000	\$'000
Contributions to South Australian Government						629	200
Income received in advance						1 242	63
						538	860
						490	27
						2 899	1 150

14. Employee Entitlements and Related Payments		2001	2000
Current:		\$'000	\$'000
Accrued wages		28	13
Annual leave		78	78
Long service leave		-	7
Employee on-costs		17	15
		123	113
Non-Current:			
Long service leave		63	39
Employee on-costs		10	6
		73	45
15. Capital Provided by the South Australian Government			
Land		7 189	7 189
Buildings		44 534	44 534
Site plant and equipment		2 975	2 975
Working capital		838	838
		55 536	55 536
16. Asset Revaluation Reserve			
Land:			
Balance at 1 July		331	331
Increments (decrements) on revaluation		(60)	-
Balance at 30 June		271	331
Buildings:			
Balance at 1 July		4 713	4 713
Increments (decrements) on revaluation		2 732	-
Balance at 30 June		7 445	4 713
		7 716	5 044
17. Accumulated Deficit			
Balance at 1 July		(10 347)	(10 013)
Transactions with the South Australian Government as owners:			
Dividend to South Australian Government (a)		(1 379)	-
Dividend retained (a)		1 701	-
Operating deficit		(2 063)	(334)
Balance at 30 June		(12 088)	(10 347)

(a) Pursuant to the AEC Charters of prior years, dividends payable by the AEC to the South Australian Government as at 30 June 2000 totalled \$2.2 million. On 20 May 2001 the Treasurer approved retention of \$1.7 million in respect of these dividends payable by the AEC and determined that \$nil dividend was payable in respect of the 2000-01 year. The table below refers:

Recognised in prior years:		\$'000	\$'000
Dividend in respect of 1997-98			860
Recognised in current year:			
Dividend in respect of 1998-99		665	
Dividend in respect of 1999-2000		714	
			1 379
Total dividend payable			2 239
Less: Dividends approved by the Treasurer for retention by the AEC			1 701
Dividend Payable as at 30 June 2001			538

18. Financial Instruments

(a) Credit Risk

The credit risk of financial assets which have been recognised on the Statement of Financial Position is generally the carrying amount, net of any estimates for doubtful debts.

(b) Interest Rate Risk

The AEC's exposure to interest rate risk and the effective weighted interest rate is set out in the following table. Exposures arise predominantly from financial assets and financial liabilities bearing variable interest rates.

	2001			
	Weighted Average Effective Interest Rate Percent	Variable Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:				
Cash at bank	5.52	2 507	-	2 507
SAFA investment account	5.73	1 010	-	1 010
Trade debtors	-	-	415	415
Other receivables	-	-	254	254
		3 517	669	4 186

(b) **Interest Rate Risk (continued)**

	Weighted Average Effective Interest Rate Percent	2001		Total \$'000
		Variable Interest Rate \$'000	Non- Interest Bearing \$'000	
Financial Liabilities:				
Trade creditors and accruals	5.52	158	471	629
Event payables	5.52	1 242	-	1 242
Contributions to South Australian Government	-	-	538	538
Income received in advance	-	-	490	490
		1 400	1 499	2 899
		2000		Total \$'000
	Weighted Average Effective Interest Rate Percent	Variable Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:				
Cash at bank	5.04	1 551	-	1 551
SAFA investment account	5.03	954	-	954
Trade debtors	-	-	380	380
Other receivables	-	-	108	108
		2 505	488	2 993
Financial Liabilities:				
Trade creditors and accruals	5.04	60	140	200
Event payables	5.04	63	-	63
Contributions to South Australian Government	-	-	860	860
Income received in advance	-	-	27	27
		123	1 027	1 150

(c) **Net Fair Value**

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their net fair value.

19. **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:

	2001 Number of Executives	2000 Number of Executives
\$140 001 - \$150 000	1	-
\$150 001 - \$160 000	-	1

20. **Superannuation**

Pursuant to the Commonwealth Government's Superannuation Guarantee legislation, the AEC is required to contribute 8 percent (7 percent) of AEC employee's eligible earnings to externally managed superannuation funds. Payments made to externally managed superannuation funds during the year totalled \$168 000 (\$149 000).

21. **Board of Directors**

The following Directors served on the Board of the AEC during the year:

A Fletcher	(Chairman)
G Wallace	
A Killey	
S Laws	(resigned 31 October 2000)
M Burgess	(commenced 1 August 2000)
A Ashby	(commenced 3 February 2001)

Members of the Board received Director's fees as shown in the following table:

	2001 Number of Members	2000 Number of Members
\$0 - \$10 000	5	4
\$10 001 - \$15 000	1	1

The aggregate amount of remuneration received, or due and receivable, by AEC Directors in connection with the management of the AEC was \$52 000 (\$55 000).

22. **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 used by Directors of the Board during the year under normal commercial arrangements.

23. **Remuneration of Auditors**

Amounts received or due and receivable by the Auditor-General's Department for auditing the AEC financial statements were \$24 000 (\$22 000).

24. Payments to Consultants	Payments to consultants totalled \$124 000 (\$104 000), and fell within the following bands:	2001	2000
		Number of Consultants	Number of Consultants
	\$0 - \$10 000	12	4
	\$10 001 - \$50 000	4	4

Range	Consultant	Description
\$10 001 - \$50 000	McGregor Tan	Market Research
	K B Consulting	GST and systems implementation
	P Tregilgas	Site and commercial development research
	Hardy Milazzo	Site and commercial development plans

25. Notes to the Statement of Cash Flows	(a) Reconciliation of Net Cash provided by Operating Activities to Operating Deficit	2001	2000
		\$'000	\$'000
	Operating deficit	(2 063)	(334)
	Depreciation	1 519	1 555
	Profit on sale of equipment	-	(19)
	Bad debt expense	16	(18)
	Change in assets and liabilities:		
	(Increase) Decrease in receivables	(197)	69
	(Increase) Decrease in inventory	-	35
	Increase (Decrease) in payables	2 071	(1 203)
	Increase (Decrease) in employee entitlements and related payments	38	14
	Net Cash provided by Operating Activities	1 384	99

(b) Reconciliation of Cash
 For the purposes of the Statement of Cash Flows, cash comprises cash on hand and in banks and investments in money market instruments. Refer Note 8.

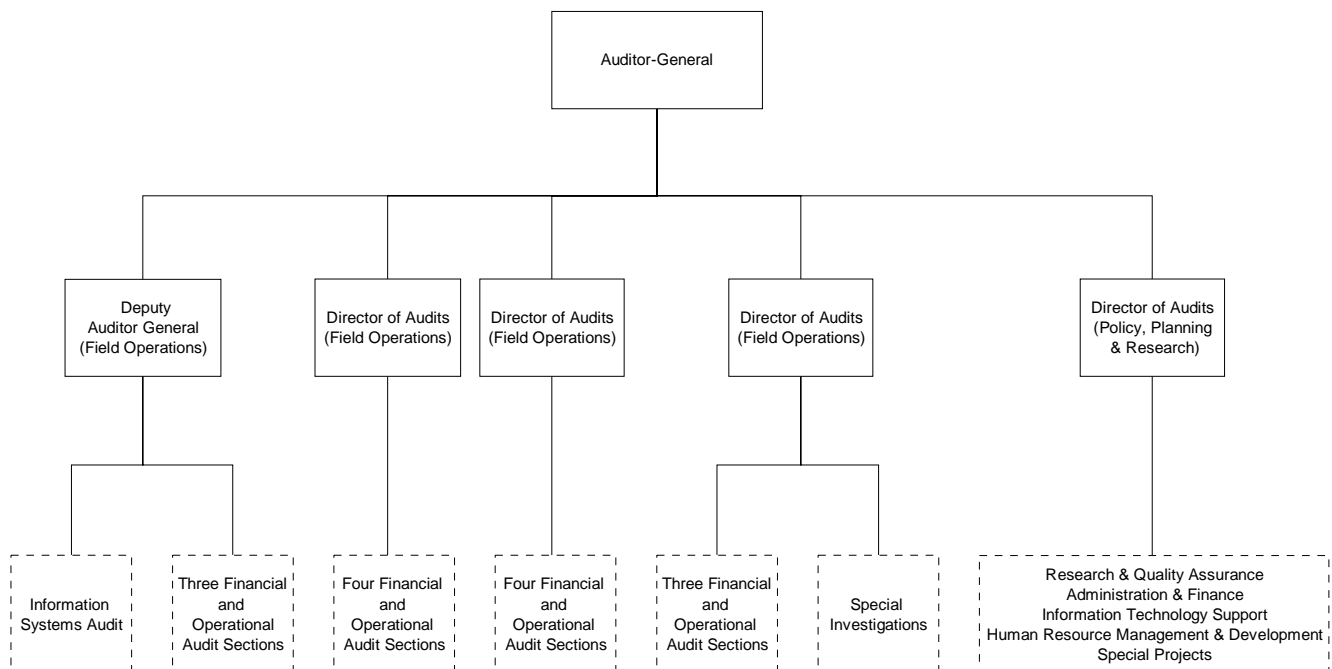
26. Commitments	At 30 June the AEC had the following obligations under cancellable agreements for the service and maintenance of AEC equipment, grounds, security, etc. These obligations have not been recognised as liabilities in the Financial Statements.	2001	2000
		\$'000	\$'000
	Not later than one year	140	157
	Later than one year but not later than five years	151	27
		291	184

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 of 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 Grant Thornton as auditor of the Auditor-General's Department. An unqualified Independent Audit Report was issued in respect of the year ended 30 June 2001.

AUDIT FINDINGS AND COMMENTS

Grant Thornton reported the results of their audit in a management letter dated 13 August 2001. In that letter they indicated, 'no significant matters of concern came to our attention during the course of the audit which require reporting'.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee entitlements	1.3	5 220	5 069
Employment on-costs		1 013	983
Administration expenses, minor equipment and sundries		867	1 016
Contract audit fees		664	687
Consultancies		1 110	990
Accommodation and service costs		504	469
Depreciation	1.4, 5.2	269	281
Loss on disposal of assets	4	30	33
Total Expenses from Ordinary Activities		9 677	9 528
REVENUES FROM ORDINARY ACTIVITIES:			
Other income		2	-
NET COST OF SERVICES		9 675	9 528
REVENUES FROM GOVERNMENT:			
Revenues from Government	3	9 654	9 922
NET DEFICIT (SURPLUS)		21	(394)

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash	1.7, 8.1	596	857
Receivables	1.7	131	18
Total Current Assets		727	875
NON-CURRENT ASSETS:			
Computer and office facilities	1.4, 5	1 338	1 236
Less: Accumulated depreciation	1.4, 5	870	747
Total Non-Current Assets		468	489
Total Assets		1 195	1 364
CURRENT LIABILITIES:			
Creditors and accruals	1.7	77	266
Cash advance - Imprest accounts	1.7	3	3
Employee entitlements	1.3, 6	534	505
Employment on-costs		118	135
Total Current Liabilities		732	909
NON-CURRENT LIABILITIES:			
Employee entitlements	1.3, 6	1 045	1 019
Employment on-costs		141	138
Total Non-Current Liabilities		1 186	1 157
Total Liabilities		1 918	2 066
NET ASSETS DEFICIENCY	7	723	702
EQUITY:			
Opening balance - Deficiency		702	1 096
Add: Decrease (Increase) in net assets		21	(394)
FUNDS DEFICIENCY	7	723	702

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee entitlements		(5 231)	(5 132)
Employment on-costs		(1 033)	(983)
Goods and services		(3 459)	(3 091)
Goods and services tax on investing activities		(29)	-
RECEIPTS:			
Other income		2	-
Goods and service tax refunds		212	-
CASH FLOWS FROM GOVERNMENT:			
Recurrent appropriations	3	9 654	9 922
Net Cash provided by Operating Activities	8.2	116	716
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of computer and office facilities		(426)	(247)
Disposal of computer and office facilities		49	46
Net Cash used in Investing Activities		(377)	(201)
NET (DECREASE) INCREASE IN CASH HELD		(261)	515
CASH AT 1 JULY		857	342
CASH AT 30 JUNE	8.1	596	857

Schedule of Administered Expenses and Revenues for the year ended 30 June 2001

	Note	Special Acts		Administered Revenue	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
ADMINISTERED EXPENSES:					
Employee entitlements	1.3, 9.2	212	208	-	-
Amounts paid/payable to consolidated account		-	-	8 360	8 236
Goods and services tax paid/payable		-	-	443	-
Total Administered Expenses		212	208	8 803	8 236
ADMINISTERED REVENUES:					
Fees for audit services	9.1	-	-	7 913	8 234
Sundry revenue		-	-	4	2
Goods and services tax received/receivable on audit fees		-	-	443	-
Appropriation under Special Acts	3, 9.2	196	188	-	-
Appropriation - Goods and Services Tax	3	-	-	290	-
Total Administered Revenues		196	188	8 650	8 236
ADMINISTERED REVENUE LESS ADMINISTERED EXPENSES		(16)	(20)	(153)	-

Schedule of Administered Assets and Liabilities as at 30 June 2001

	Note	Special Acts		Administered Revenue	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
ADMINISTERED ASSETS:					
CURRENT:					
Receivables	1.7, 9.1	-	-	590	56
Total Administered Assets		-	-	590	56
ADMINISTERED LIABILITIES:					
CURRENT:					
Employee entitlements	1.3, 6	93	85	-	-
Creditors and accruals		-	4	-	-
Amounts payable to consolidated account	9.1	-	-	590	56
Goods and services tax payable		-	-	153	-
Total Current Liabilities		93	89	743	56
NON-CURRENT:					
Employee entitlements	1.3, 6	157	145	-	-
Total Non-Current Liabilities		157	145	-	-
Total Administered Liabilities		250	234	743	56

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. 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. The appropriation is paid into a special deposit account titled 'Auditor-General's Department Operating Account'. In addition appropriation 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.

Administered items are funded by Parliamentary appropriations on a cash basis.

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, annual leave, long service leave and workers compensation.

- **Salaries, Wages and 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.
- **Sick Leave**
No liability is recognised, as sick leave taken by employees is considered to be taken from the current year's accrual.

1.3 Employee Entitlements (continued)

- *Long Service Leave*
Long service leave is recognised on a pro-rata basis for the employee service periods up to the reporting date. The Department of Treasury and Finance has advised that a benchmark of eight years service 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 2001 has been calculated at nominal amounts based on current salary and wage rates for employees with eight or more years service.

The long service leave to be taken in the 12 months to 30 June 2002 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.

- *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 Office for the Commissioner for Public Employment. This actuarial estimate provides for the estimated cost of ongoing payments to employees as required under current legislation.

For the first time the Department has recorded a workers compensation liability. In prior years the Department paid a premium to the Government Workers Compensation (GWC) Fund, administered by the Department of the Premier and Cabinet, and all claims were met from this fund. As part of a devolution of responsibility for day to day claims the Department is now financially responsible for all its day to day claims. All lump sum settlements are still funded from the GWC Fund.

- *Superannuation*
The Department's liability for superannuation is to the Department of Treasury and Finance rather than the superannuation beneficiaries. The Department pays amounts to the Department of Treasury and Finance which represents the Department's share of the accruing liability to employees in relation to the Government's various superannuation schemes. The liability for superannuation is included in Employment on-costs.

1.4 Computer and Office Facilities

Computer and office facilities 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 Department has two Administered Items namely:

- *Special Acts*
As provided in subsection 24(4) of the Act, the Department receives a separate appropriation for the cash salary and allowances of the Auditor-General
- *Administered Revenue*
Section 39 of the Act provides for the levying of fees for audit services provided by the Department and all monies received by the Department are credited to the Consolidated Account. In addition the Department receives a specific cash appropriation to fund the payment of Goods and Services Tax on audit fees to the Australian Taxation Office.

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 2001, are as follows:

- Cash is held in two Special Deposit Accounts 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 9.1). Terms are 14 days;
 - Goods and Services Tax Receivable. Terms are 14 days of submission of quarterly Business Activity Statement;
 - 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;
- 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

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

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

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

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

1.9 Comparative Figures

The Department has adopted the presentation and disclosure requirements of Australian Accounting Standard AAS 1 'Statement of Financial Performance' and Australian Accounting Standard AAS 36 'Statement of Financial Position' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

Where necessary, the following comparative figures have been adjusted to conform with changes in presentation in 2000-01, namely:

- Expenditure totalling \$775 000 was reclassified in the Statement of Financial Performance from the output special investigations to consultancies to comply with the requirement for disclosure of expenses arising from ordinary activities by nature;
- Workers Compensation expenditure totalling \$11 000 was reclassified in the Statement of Financial Performance from administration expenses, minor equipment and sundries to employee entitlements;
- Unpaid PAYG tax and employee superannuation contributions totalling \$68 000 were reclassified in the Statement of Financial Position from employee entitlements to creditors and accruals;
- Payroll tax and employer superannuation accruals totalling \$273 000 were reclassified in the Statement of Financial Position from creditors and accruals to employment on-costs.

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. During the year the Department spent \$8 648 000 on this output.
- *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. During the year the Department conducted work on the following Special Investigations:

- the long term lease of the State's Electricity Assets;
- Hindmarsh Soccer Stadium Redevelopment;
- Pelican Point Power Station Contract Summary.

Expenditure on this output totalled \$1 029 000.

3. Funding of the Department

Appropriations to the Department in 2000-01 amounted to \$9 654 000 (\$9 922 000). The Department's appropriation for the 2000-01 financial year included an additional \$400 000 funding approved by the Treasurer for Special Investigations.

The appropriations to the Department consisted of \$9 254 000 (\$9 028 000) for Prescribed Audits and \$400 000 (\$894 000) for three Special Investigations.

In addition the Treasurer approved the use of \$569 000 held in the special deposit account titled 'Accrual Appropriation Excess Funds'. Those funds were used for payments associated with sundry creditors and special investigations that was deposited in the 'Accrual Appropriation Excess Funds' in the previous year. The balance of that account at 30 June 2001 was \$285 000 (\$854 000).

Appropriations under Special Acts are reported under Administered Items.

A summary of appropriations and departmental accrual funding for the year is set out below.

3.	Funding of the Department (continued)	Department		Administered Items	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
	Appropriations:				
	Prescribed audits	9 254	9 028	-	-
	Special Investigations	400	894	-	-
	Special acts	-	-	196	188
	Appropriation - Goods and Services Tax	-	-	290	-
		9 654	9 922	486	188
	Accrual Appropriation Excess Funds Account:				
	Unspent appropriation for the year	-	394	-	-
	Accrual funding used for payments during year	(569)	-	-	-
	Additional accrual funding for the year	-	121	-	-
		(569)	515	-	-
	Add: Balance of funds held at beginning of year	854	339	-	-
	Balance of funds held at end of year	285	854	-	-
4.	Loss on Disposal of Assets			2001 \$'000	2000 \$'000
	Historic cost of assets disposed			225	269
	Less: Accumulated depreciation			146	190
				79	79
	Trade-in on disposal			49	46
	Total Loss on Disposal of Assets			30	33
5.	Computer and Office Facilities				
5.1	Classes of Computer and Office Facilities				
	Computing and office equipment - At cost			798	731
	Less: Accumulated depreciation			455	383
				343	348
	Computer software - At cost			298	252
	Less: Accumulated depreciation			252	240
				46	12
	Library - At cost			16	27
	Less: Accumulated depreciation			16	27
				-	-
	Leasehold improvements - At cost			76	76
	Less: Accumulated depreciation			76	76
				-	-
	Projects - At cost			150	150
	Less: Accumulated depreciation			71	21
				79	129
	Total Computer and Office Facilities			468	489
5.2	Reconciliation of Carrying Amount				
		Carrying Amount		Depreciation Expense	Carrying Amount
		1 July	Additions		30 June
		\$'000	\$'000	\$'000	\$'000
	Computing and office equipment	348	281	79	343
	Computer software	12	46	-	46
	Library	0	-	-	0
	Leasehold improvements	0	-	-	0
	Projects	129	-	50	79
	Total Computer and Office Facilities	489	327	79	468
6.	Employee Entitlements				
		Department		Special Acts	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
	Current:				
	Salaries	14	-	1	-
	Annual leave provision	334	325	92	85
	Long service leave provision	183	180	-	-
	Workers compensation provision	3	-	-	-
	Total Current	534	505	93	85
	Non-Current:				
	Long service leave provision	1 033	1 019	157	145
	Workers compensation provision	12	-	-	-
	Total Non-Current	1 045	1 019	157	145
	Aggregate Employee Entitlement Liability	1 579	1 524	250	230

Employee entitlements recorded under Special Acts relate to the salary and allowances of the Auditor-General.

7. **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.

8. Notes to the Statement of Cash Flows**8.1 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:

	2001 \$'000	2000 \$'000
Auditor-General's Department Operating Account	308	-
Accrual appropriation excess funds	285	854
Cash - Imprest accounts	3	3
	<u>596</u>	<u>857</u>

8.2 Reconciliation of Net Cost of Services to Net Cash provided by Operating Activities

Net cost of services	(9 675)	(9 528)
Cash flows from government	9 654	9 922
Depreciation	269	281
Increase in receivables	(113)	(18)
Increase (Decrease) in employee entitlements	55	(114)
(Decrease) Increase in creditors and accruals	(90)	140
Decrease in employment on costs	(14)	-
Loss on disposal of assets	30	33
Net Cash provided by Operating Activities	<u>116</u>	<u>716</u>

9. Administered Items**9.1 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.

	2001 \$'000	2000 \$'000
Fees outstanding at 1 July	56	211
Add: Billings (including goods and services tax)	8 356	8 234
	<u>8 412</u>	<u>8 445</u>
Less: Receipts (including goods and services tax)*	7 822	8 389
Fees outstanding at 30 June	<u>590</u>	<u>56</u>

* These amounts are credited to the Consolidated Account. In addition, sundry income paid into Consolidated Account during the year totalled \$4 000 (\$2 000).

At 30 June, the value of audit work in progress was \$2 512 000 (\$2 803 000). The Department is of the opinion that this amount is recoverable.

9.2 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.

10. Remuneration of Employees

The number of employees whose total remuneration is within the followings bands was:

	2001 Number of Employees	2000 Number of Employees
\$110 000 - \$119 999	-	3
\$120 000 - \$129 999	4	1
\$130 000 - \$139 999	1	1
\$240 000 - \$249 999	-	1
\$250 000 - \$259 999	1	-

Total remuneration received or receivable by these employees was \$881 000 (\$853 000).

11. 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 expense for minimum lease payments for operating leases was \$499 000 (\$467 000).

11. Operating Leases (continued)		
Operating Lease Commitments	2001	2000
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	473	482
Later than one year and not later than five years	898	1 361
Later than five years	-	-
Total Operating Lease Commitments	1 371	1 843
12. Remuneration of Auditor		
Amounts received, or due and receivable, for audit	7	8
Amounts received, or due and receivable, for other services	-	-
	7	8

DEPARTMENT OF THE PREMIER AND CABINET

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

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.

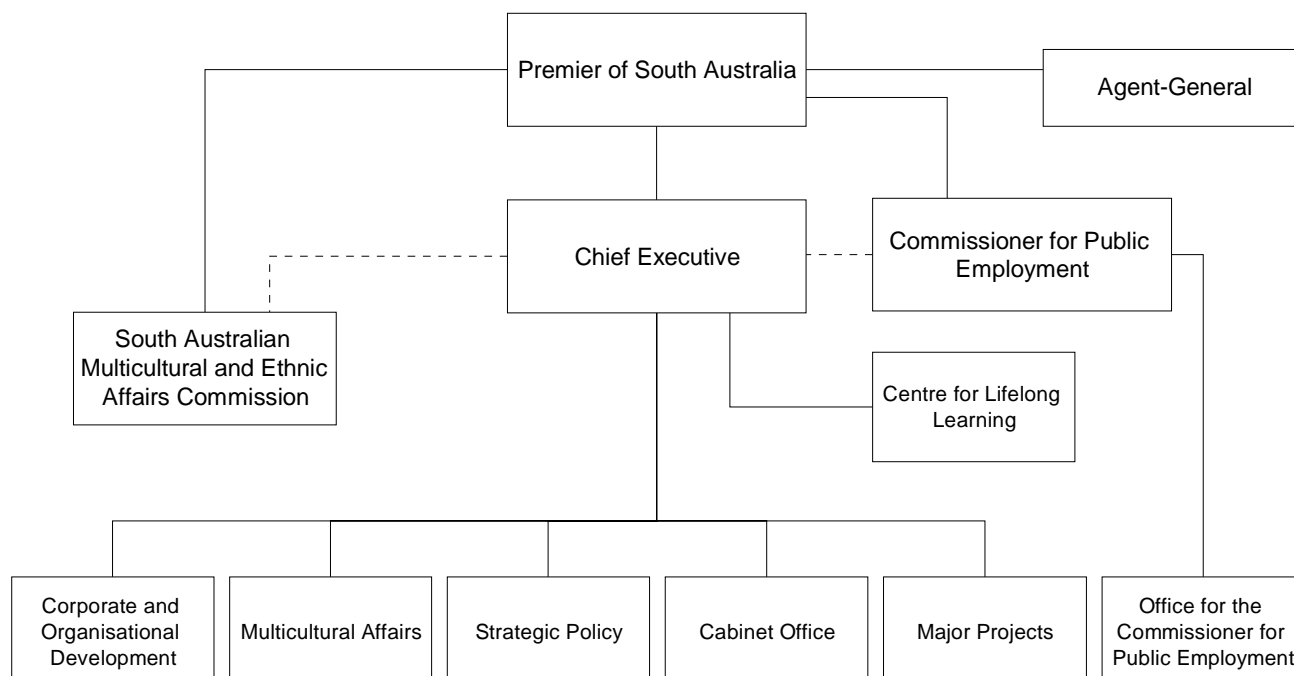
To facilitate the achievement of these objectives, the Department has been organised on a broadly functional basis, comprising a number of branches and offices which perform distinct roles consistent with the charter of the Department.

CHANGES TO AGENCY ORGANISATIONAL STRUCTURE

During the year, there was a restructure of functions within the Department of the Premier and Cabinet, including the creation of two new divisions:

- *Strategic Policy Division*: responsible to the Chief Executive for providing whole-of-government policy advice and co-ordination on issues of medium term importance to the State; and
- *Major Projects Division*: responsible for supporting the Government's priority of economic development through co-ordination of major projects across Government agencies.

The following depicts the organisation structure of the Department as at 30 June 2001.



SIGNIFICANT FEATURES

- Total operating expenses were \$55.0 million (\$51.8 million).
- Revenues from government were \$47.2 million (\$44.9 million).
- Increase in net assets resulting from operations was \$3.0 million (\$1.0 million).
- Cash as at 30 June 2001 was \$19.8 million (\$18.7 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 environment.

The Department maintains an Internal Audit function, sourced from external providers. To determine the extent and nature of Audit procedures to be adopted having regard to Internal Audit work, Audit reviewed relevant reports, noting actions taken or otherwise proposed by the Department to address the issues raised.

Audit coverage included the following areas:

- Review of the engagement and management of external consultants/contractors.
- Implementation of prescribed elements of the Financial Management Framework.
- Revenue raising and receipting, including interpreting and translating services.
- Accounting for fixed assets.
- Processing and disbursement of expenditure, including payroll.
- Administered items, including the Targeted/Voluntary Separation Packages Scheme and the Government Workers Rehabilitation and Compensation Fund.

External Audit was coordinated with the audit of the activities of the Corporate Services Branch of the Department of Treasury and Finance, which provided accounting, financial management, human resources services, administration and Information Technology services to the Department under a Service Level Agreement.

As from 1 July 2001 responsibility for the majority of those functions was assumed by the Department and are now managed internally.

Audit Communications to Management

Issues affecting the Department that arose from the audit process were forwarded to the Department. A satisfactory response was received for all matters raised.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control structure of the Department was assessed as satisfactory. A summary of the issues raised with respect to one Division are detailed below.

Interpreting and Translating Centre

The audit of revenue raisings within the Division of Multicultural Affairs' Interpreting and Translation Centre identified a number of issues, including:

- problems with the integrity of financial information being reported in the financial records;
- scope for improvement in the content and preparation of monthly management reports;
- a lack of controls over accessing data files;
- a lack of documented procedures for some key areas.

A key recommendation made to the Department was that a structure be established to develop and implement an action plan to address the issues raised.

The response received from the Department confirmed that a steering committee was established to achieve improvements in the above key areas.

None of the matters raised had a material effect on the audit of the Department's 30 June 2001 Financial Statements.

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 was \$3.0 million (\$1.0 million);
- Cash increased by \$1.1 million (\$2.0 million) to \$19.8 million mainly reflecting an increase in the accrual appropriation to the Department;
- Revenue from ordinary activities increased by \$2.8 million, which mainly resulted from the receipt of reimbursements for Olympic Football expenses (\$1.2 million) and a grant from the Commonwealth Government (\$0.9 million).
- User charges and fees increased by \$538 000 million (12 percent), reflecting growth in recoveries for service providers and revenue derived from the Interpreting and Translating Centre.

- Other expenses increased by \$2.8 million. This increase predominantly reflects payments to contractors increasing by \$2.5 million due mainly to costs associated with the Olympic Football Tournament.

FURTHER COMMENTARY ON OPERATIONS

Olympic Football Tournament

On 10 September 1997 the Government signed a Memorandum of Understanding (MOU) with the Sydney Organising Committee for the Olympic Games (SOCOG) for the hosting of soccer matches at Hindmarsh stadium as part of the Olympic Football Tournament.

Pursuant to the MOU the State was required to contribute certain costs associated with the organisation and staging of the matches. The MOU also provided for ticketing and revenue sharing arrangements in relation to revenue generated from the matches.

The Department of Industry and Trade (DIT) was assigned initial responsibility for the hosting of the matches. On 28 January 2000 responsibility was transferred to the Department of the Premier and Cabinet (DPC). Revenue and expenditure in relation to the matches were administered by the South Australian Tourism Commission on behalf of the DPC.

The matches in Adelaide were held during September 2000.

Expenditure incurred and revenue earned by DIT and DPC in relation to the organisation and staging of the matches are as follows:

EXPENSES:	Total
	\$'000
Olympic Taskforce	1 310
Stadium operations	1 159
Capital	699
Temporary seating	598
Advertising and marketing	335
Training sites	277
Security	227
Transport	227
Athletes village	151
Insurance	86
Other expenses (including SOCOG fees)	3 379
Total	8 198
REVENUES:	
Ticket and corporate suite revenue	1 254
SOCOG reimbursement of capital expenditure	699
SOCOG fee return	525
Programs, parking and sundry	14
Total	2 492
NET COST OF MATCHES	5 706
GOVERNMENT REVENUE:	
Appropriation	6 653
Net Result	947

It should be noted that the expenditure above does not include expenditure incurred by entities other than DIT and DPC, eg South Australian Police Department (SAPOL).

The MOU required the State to, on request, provide SOCOG a detailed report on the organisation and staging of matches in Adelaide within 30 days of the end of the Olympic Games. Audit was advised that SOCOG has not requested or notified the State that it required the detailed report referred to in the MOU.

Responsibility for Administered Items

The Department has the responsibility for administering the Government Workers Rehabilitation and Compensation Fund and the Targeted/Voluntary Separation Package Schemes Fund. Details of the audit coverage and the financial statements relating to the operations of both funds are included after the Department's Financial Statements. Other administered items are shown within the Notes to the Financial Statements.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	6(a)	25 214	24 933
Accommodation and service costs		3 955	4 005
Depreciation expenses	7	595	467
Other expenses from ordinary activities	8	25 212	22 384
Total Expenses		54 976	51 789
REVENUES FROM ORDINARY ACTIVITIES:			
User charges and fees	9(a)	5 199	4 661
Interest		1 058	783
Other revenues from ordinary activities	9(b)	4 521	2 531
Total Revenues		10 778	7 975
NET COST OF SERVICES FROM ORDINARY ACTIVITIES			
		44 198	43 814
REVENUES FROM GOVERNMENT:			
Appropriations		46 566	44 207
Grants and subsidies		602	650
Total Revenues from Government		47 168	44 857
NET RESULT			
		2 970	1 043
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		2 970	1 043

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets	10	19 827	18 679
Receivables	10,11	1 681	1 534
Other	12	185	29
Total Current Assets		21 693	20 242
NON-CURRENT ASSETS:			
Property, plant and equipment	13	4 063	3 921
Works of art	13	30	30
Total Non-Current Assets		4 093	3 951
Total Assets		25 786	24 193
CURRENT LIABILITIES:			
Payables	10,14	1 413	3 068
Provision for employee entitlements	6(b)	1 927	1 733
Total Current Liabilities		3 340	4 801
NON-CURRENT LIABILITIES:			
Imprest account	10	4	23
Payables	10,14	570	480
Provision for employee entitlements	6(b)	4 006	3 993
Total Non-Current Liabilities		4 580	4 496
Total Liabilities		7 920	9 297
NET ASSETS			
		17 866	14 896
EQUITY:			
Retained surplus	15	17 866	14 896
TOTAL EQUITY		17 866	14 896
Commitments and Contingent Liabilities	16		

Statement of Cash Flows for the year ended 30 June 2001

	2001	2000
	Inflows (Outflows) \$'000	Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
PAYMENTS:		
Employee costs	(25 029)	(23 471)
Accommodation and service costs	(3 999)	(3 690)
Other expenses from ordinary activities	(26 707)	(23 172)
GST payments on purchases	(2 211)	-
GST payments to taxation authority	(162)	-
Total Payments	(58 108)	(50 333)
RECEIPTS:		
User charges and fees	4 905	4 269
Interest	1 025	798
Other receipts from ordinary activities	5 079	2 797
GST receipts on receivables	311	-
GST receipts from taxation authority	1 762	-
Total Receipts	13 082	7 864
CASH FLOWS FROM GOVERNMENT:		
Revenues from government	47 168	44 872
Total Cash Flows from Government	47 168	44 872
Net Cash provided by Operating Activities	2 142	2 403
	17	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment for property, plant and equipment	(994)	(497)
Net Cash used in Investing Activities	(994)	(497)
NET INCREASE IN CASH HELD	1 148	1 906
CASH AT 1 JULY	18 679	16 634
CASH INCREASE (DECREASE) AS A RESULT OF RESTRUCTURING	-	139
CASH AT 30 JUNE	19 827	18 679

Output Class Schedule of Department's Expenses and Revenues for the year ended 30 June 2001

Output Class (Refer Note 5)				2001	2000
	1	2	3	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Expenses from Ordinary Activities	(30 390)	(19 735)	(4 849)	(54 974)	(53 190)
Operating Revenues from Ordinary Activities	30 662	19 402	7 880	57 944	54 233
NET RESULT	272	(333)	3 031	2 970	1 043

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 2000-01 and have also been allocated on a broad basis.

Schedule of Administered Expenses and Revenues for the year ended 30 June 2001

	2001	2000
	Total	Total
	\$'000	\$'000
ADMINISTERED EXPENSES:		
Premier - Other payments	1 853	1 225
Salary and allowances pursuant to:		
<i>Agent-General Act 1901</i>	327	263
<i>Parliamentary Remuneration Act 1990</i>	238	203
National Wine Centre	2 426	-
Targeted Voluntary Separation Package Schemes Account	50 281	65 217
Government Workers Rehabilitation and Compensation Fund	8 157	7 679
Total Administered Expenses	63 282	74 587
ADMINISTERED REVENUES:		
National Wine Centre	18 076	5 209
International Rose Garden	(218)	4 132
State Disaster Relief Fund	4	4
Targeted Voluntary Separation Package Schemes Account	68 400	53 924
Government Workers Rehabilitation and Compensation Fund	4 384	5 068
Total Administered Revenues	90 646	68 337
ADMINISTERED REVENUES LESS ADMINISTERED EXPENSES	27 364	(6 250)

Schedule of Administered Assets and Liabilities as at 30 June 2001

	2001		2000	
	Assets \$'000	Liabilities \$'000	Net Assets (Liabilities) \$'000	Net Assets (Liabilities) \$'000
ADMINISTERED ASSETS AND LIABILITIES:				
Premier - Other payments	-	-	-	(115)
National Wine Centre	24 398	(462)	23 936	5 209
International Rose Garden	11 144	-	11 144	11 362
State Disaster Relief Fund	87	-	87	83
Targeted Voluntary Separation Package Schemes Account	12 953	(3 584)	9 389	(8 730)
Government Workers Rehabilitation and Compensation Fund	4 657	(18 830)	(14 173)	(10 457)
	53 239	(23 856)	30 383	(2 648)

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 schedules.

Trust Funds

The Department has received monies in a trustee capacity for various trusts as set out in Note 22. 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 22.

(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 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 2001. Income and expenses arising from transactions in a foreign currency are brought to account at the average exchange rate that applied during the period in which they occurred. Unrealised losses resulting from currency transactions have been brought to account in the Statement of Financial Performance.

(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 13).

(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:

Buildings and improvements	Years 10-40
Furniture and fittings	5-10
Office equipment	3
Systems development	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.

(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.

(iv) Employment On-Costs

The liability for employment oncosts includes superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave. These amounts are classified under payables.

(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 Assets

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.

(l) Goods and Services Tax

The accounting policies adopted for the treatment of 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. The Department prepares a Business Activity Statement on behalf of its administered entities under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payment and entitled to the receipt of GST. As such, the GST applicable to these entities forms part of the Statement of Financial Position and Cash Flow Statement of the Department.

(m) Rounding

All amounts are rounded to the nearest thousand dollars.

3. Major Activity

Responsibility for the Olympic Football Tournament was transferred from the Department of Industry and Trade on 28 January 2000 and included in the 1999-2000 Departmental financial report. For the reporting period of 2000-01 all revenue and expenditure of the Olympic Football Tournament has again been included in the Department's financial report. The tournament was administered by the South Australian Tourism Commission on the Department's behalf.

Below is a summary of the revenue and expenditure for the Olympic Football Tournament for the reporting period of 2000-01.

Expenses:	\$'000
Return to Treasury	800
Fee for Service - SA Tourism Commission	39
Employee costs	117
Accommodation and service costs	146
Other expenses from ordinary activities	4 537
Total Expenses	5 639
Revenue:	
Appropriation	2 878
User charges and fees	1 254
Other revenues from ordinary activities	1 238
Total Revenue	5 370
Net Result	(269)

Carried forward funding from 1999-2000 was \$443 000. As at completion of the Olympic Football Tournament the outstanding cash balance was \$147 000.

4. Comparative Information

The Department has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

5. Output Classes of the Department

Outputs are defined as goods or services produced, provided to or acquired for external customers. The Department has identified three 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 2001 are summarised below (refer to the Output 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.

6. Employee Entitlements

(a) Employee Costs	2001	2000
	\$'000	\$'000
Wages and salaries	17 601	18 480
Superannuation and payroll tax expenses	3 288	3 350
Annual and long service leave expenses ⁽¹⁾	2 271	1 394
Board fees ⁽²⁾	188	166
Other employee related expenses	1 866	1 543
	25 214	24 933

(1) Annual leave and long service taken during the year was expensed under annual and long service leave expenses in 2000-01 but has been shown as expensed under wages and salaries in 1999-2000

(2) Represents fees paid for membership to the South Australian Centenary of Federation Committee, South Australian Centre for Life Long Learning Board, SAMEAC Secretariat and the Remuneration Tribunal.

(b) Provision for Employee Entitlements

Current:	2001	2000
	\$'000	\$'000
Annual leave	1 365	1 202
Long service leave	562	531
	1 927	1 733
Non-Current:		
Long service leave	4 006	3 993
	5 933	5 726

(c) Number of Employees at End of Financial Year

2001	2000
Number	Number
299	290

7. Depreciation Expenses	2001	2000
Depreciation was charged in respect of:	\$'000	\$'000
Buildings and improvements	93	97
Furniture and fittings	270	87
Office equipment	126	259
Motor vehicles	22	24
Systems development	84	-
	595	467
8. Other Expenses from Ordinary Activities		
General administration	20 378	19 466
EDS charges	567	510
Consultants	1 283	1 896
Contractors	2 984	512
	25 212	22 384
9. Revenue from Ordinary Activities		
(a) User Charges and Fees Comprised:		
Interpreting and translating services	2 107	1 997
Other recoveries for services	3 092	2 664
	5 199	4 661
(b) Other Revenue from Ordinary Activities Comprised:		
Reimbursement for TVSPs paid	696	701
Recovery of costs from the Adelaide City Council for the Capital City Project Team	91	178
Revenue from restructuring	-	528
Reimbursement for workers compensation claims	-	61
Reimbursement from SOCOG for Olympic Football expenses	1 224	-
Grant from private industry	60	138
Grant from Commonwealth Government	900	-
Other sundry items	1 550	925
	4 521	2 531

10. 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	Floating Interest Rate		Non-Interest Bearing		Total Carrying Amount		Weighted Average Effective Interest Rate	
	2001	2000	2001	2000	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	Percent	Percent
Financial Assets:								
Cash on hand	19 822	18 656	5	23	19 827	18 679	5.06	5.58
Receivables	-	-	1 681	1 534	1 681	1 534		
	19 822	18 656	1 686	1 557	21 508	20 213		
Financial Liabilities:								
Imprest account	-	-	4	23	4	23		
Payables	-	-	1 983	3 548	1 983	3 548		
	-	-	1 987	3 571	1 987	3 571		

(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.

11. Receivables	2001	2000
	\$'000	\$'000
Fees receivable	1 689	1 577
Less: Provision for doubtful debts	8	43
	1 681	1 534
12. Other Current Assets		
Prepayments	185	29

13. **Property, Plant and Equipment**

	Buildings and improvements \$'000	Furniture and fittings \$'000	Office equipment \$'000	Systems development \$'000	Motor vehicles \$'000	Works of Art \$'000	Total \$'000
Valuation at Current and Historical Cost							
Balance at 1 July	2 352	2 595	723	600	71	30	6 371
Additions	-	301	54	388	-	-	743
Disposals	-	-	(244)	-	-	-	(244)
Balance at 30 June	2 352	2 896	533	988	71	30	6 870
Accumulated Depreciation							
Balance at 1 July	(240)	(1 654)	(477)	-	(49)	-	(2 420)
Disposals	-	-	238	-	-	-	238
Depreciation expense	(93)	(270)	(126)	(84)	(22)	-	(595)
Balance at 30 June	(333)	(1 924)	(365)	(84)	(71)	-	(2 777)
Net Book Value							
As at 30 June 2000	2 112	941	246	600	22	30	3 951
As at 30 June 2001	2 019	972	168	904	-	30	4 093

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.

14. **Payables**

	2001 \$'000	2000 \$'000
Current:		
Employee costs	320	414
Accommodation and service costs	8	60
Payments to consultants	77	157
Administration expenses	782	1 946
Department of Industry and Trade - Funds received on behalf of	176	176
Unearned revenue	50	65
Purchases of non-current assets	-	250
	1 413	3 068
Non-Current:		
Employee costs	570	480

15. **Retained Surplus**

Balance at 1 July	14 896	13 853
Net result for the period	2 970	1 043
Balance at 30 June	17 866	14 896

16. **Commitments for Expenditure and Contingent Liabilities**(a) **Operating Leases**

At the reporting date, the Department's operating leases are for the lease of office accommodation and office equipment.

- Office accommodation is leased from the Real Estate Management business unit of the Department for Administrative and Information Services (DAIS). The leases are non-cancellable with terms ranging from two to five years with some leases having right of renewal. The rental amount is based on floor space and the time period of the lease, with the rental rate reviewed taking into account movements in market rental values or CPI. Rental is payable in arrears.
- Office equipment leases are non-cancellable with rental payable in arrears. No contingent rental provisions exist within the lease arrangement and no options exist to renew the leases at the end of their term.

For the current financial year, the total amount of rental expense for minimum lease payments for operating leases was \$2 711 000.

Operating Lease Commitments

Commitments under non-cancellable operating leases at the reporting date are not recognised as liabilities in the financial report, are payable as follows:	2001 \$'000	2000 \$'000
Not later than one year	2 719	2 603
Later than one year and not later than five years	5 130	7 512
Later than five years	166	279
	8 015	10 394

(b) **Contingent Obligations**

The Department is not aware of any contingent liabilities or claims against the Department not accounted for in the Financial Statements.

17. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services from Ordinary Activities	2001	2000
	\$'000	\$'000
Net cash provided by operating activities	2 141	2 403
Cash flows from government	(47 168)	(44 872)
Non-cash items:		
Depreciation expense	(595)	(467)
Gain (Loss) on disposal of assets	(7)	-
Gain (Loss) on restructuring	-	528
Non cash extraordinary item	-	(118)
Change in operating assets and liabilities:		
Increase (Decrease) in receivables	147	(409)
Increase (Decrease) in prepayments	156	(274)
(Increase) Decrease in payables	1 334	219
(Increase) Decrease in provision for employee entitlements	(207)	(824)
Net Cost of Services	(44 198)	(43 952)

18. Remuneration of Employees	2001	2000
The number of employees whose total employment cost was over \$100 000 fell within the following bands:	Number of	Number of
	Employees	Employees
Department of the Premier and Cabinet:		
\$100 000 - \$109 999	4	4
\$110 000 - \$119 999	3	2
\$120 000 - \$129 999	2	4
\$130 000 - \$139 999	5	4
\$140 000 - \$149 999	2	1
\$150 000 - \$159 999	2	-
\$160 000 - \$169 999	1	2
\$170 000 - \$179 999	2	2
\$180 000 - \$189 999	-	2
\$190 000 - \$199 999	3	2
\$210 000 - \$219 999	-	1
\$250 000 - \$259 999	1	1
\$270 000 - \$279 999	-	1
	25	26
Unattached Unit:		
\$110 000 - \$119 999	2	-
\$120 000 - \$129 999	1	3
\$160 000 - \$169 999	-	1
\$170 000 - \$179 999	1	-
\$200 000 - \$209 999	1	1
	5	5

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 \$4.379 million (\$4.758 million).

Unattached unit consists of *Public Sector Management Act 1995* employees who are unable to be placed in government agencies and authorities.

19. Payments to Consultants	2001	2000
	Number of	Number of
	Consultants	Consultants
Payments to consultants fell within the following bands:		
\$0 - \$10 000	64	48
\$10 001 - \$50 000	20	21
\$50 001 - \$100 000	2	3
\$100 001 - \$150 000	2	4
\$150 001 - \$200 000	-	2
\$200 001 - \$250 000	1	1

The total payments to the 89 (79) consultants was \$1.27 million (\$1.896 million) in 2000-01.

20. Remuneration of Auditors	2001	2000
	\$'000	\$'000
Amounts received or due and receivable by the auditors with respect to the audit of the Department are:		
Auditing the financial report	87	84

21. Targeted Voluntary Separation Package (TVSPs) Scheme	2001	2000
	Number of	Number of
	Employees	Employees
Number of employees paid TVSPs	5	5
Amount paid to these employees:	2001	2000
	\$'000	\$'000
TVSP	696	704
Accrued annual and long service leave	425	292
	1 121	996
Amount recovered from the Targeted Voluntary Separation Package Scheme Special Deposit Account	696	704

These amounts are included in the Financial Statements.

22. 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:

	2001	2000
	\$'000	\$'000
Bank of Tokyo Cultural and Social Exchange Program:		
Cash balance 1 July	149	151
Receipts	9	8
Less: Expenditure	-	10
Cash Balance at 30 June	158	149
SA Okayama Account:		
Cash balance 1 July	36	34
Receipts	2	2
Less: Expenditure	-	-
Cash Balance at 30 June	38	36

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 OBJECTIVES

The Targeted Voluntary Separation Package Schemes (TVSP) 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.

The primary aims of the TVSP scheme are to facilitate workforce restructuring, the enhancement of the workforce skills profile, graduate recruitment and the ongoing modernisation and improvement of the efficiency and productivity of the public sector by:

- providing an enhanced separation offer to facilitate ongoing restructuring;
- enhancing the skill base of the South Australian public sector;
- providing increased graduate employment and an improved youth employment profile in the South Australian public sector;
- providing agencies an additional capacity to meet existing youth recruitment targets and to assist in the ongoing employment of these young people.

During the year the Government approved the implementation of an Enhanced Targeted Voluntary Separation Package (ETVSP) Scheme for a six month period, which provided an increased separation benefit for non-executive employees accepting packages during that period. A key element of the ETVSP Scheme was to provide an additional separation payment of 12 weeks pay, such that the total payment would be based on additional separation payment of 12 weeks pay, such that the total payment would be based on 20 weeks pay, plus an additional 3 weeks pay for each complete year of service, up to a maximum of 116 weeks.

ADMINISTRATIVE RESPONSIBILITY

The TVSP Scheme is administered by the Department of the Premier and Cabinet's Office for the Commissioner for Public Employment.

The costs associated with the schemes are processed through a Treasurer's Special Deposit Account titled 'Targeted Voluntary Separation Package Schemes'. Payments through the account include separation costs, terminal leave payments, workers compensation and costs associated with the processing of packages. The principal source of funds consists of monies appropriated by Parliament to the Treasurer.

The calculation of the separation payments are based on staged levels of payment depending on separation date and years of service, and are set out in the Determinations of the Commissioner for Public Employment issued under the *Public Sector Management Act 1985*.

SIGNIFICANT FEATURES

- Payments for Targeted Voluntary Separation Packages decreased by \$15.0 million (23.5 percent) to \$48.9 million.
- Appropriations increased by \$14.5 million (26.9 percent) to \$68.4 million.
- Cash increased by \$13 million due to the appropriation of monies for payments that had not been made as at 30 June 2001. The additional appropriations are available to cover expected separations under the current Enhanced Separation Scheme which is due to expire on 19 September 2001.

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.

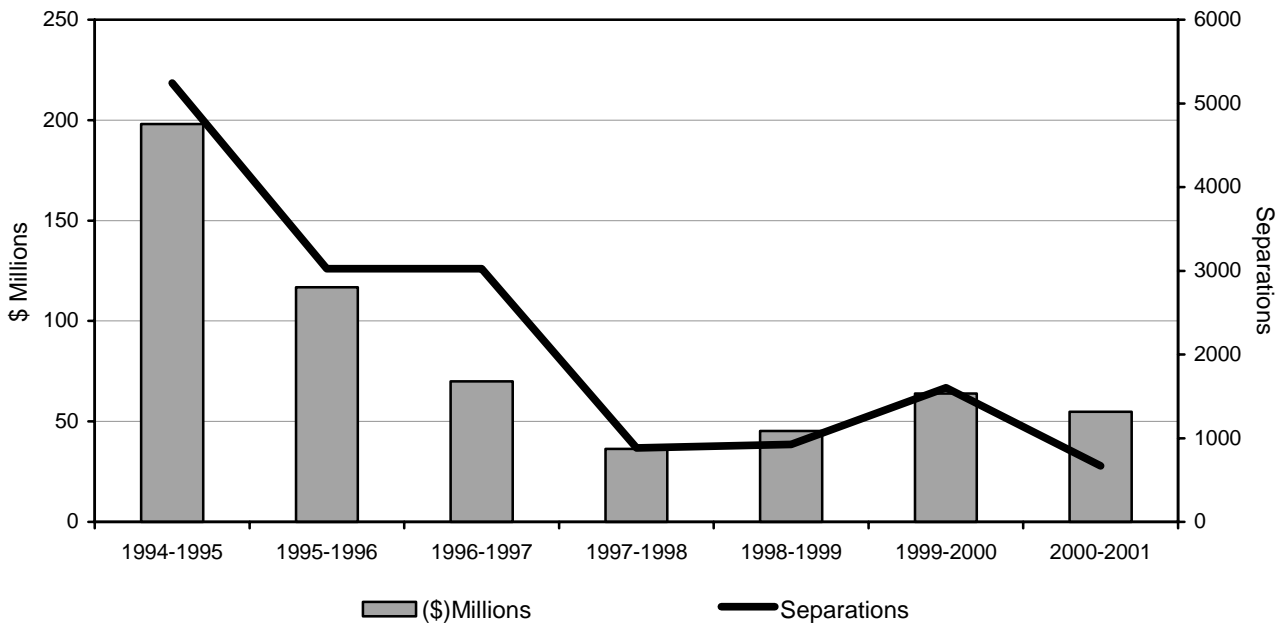
Scope of the Audit

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.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

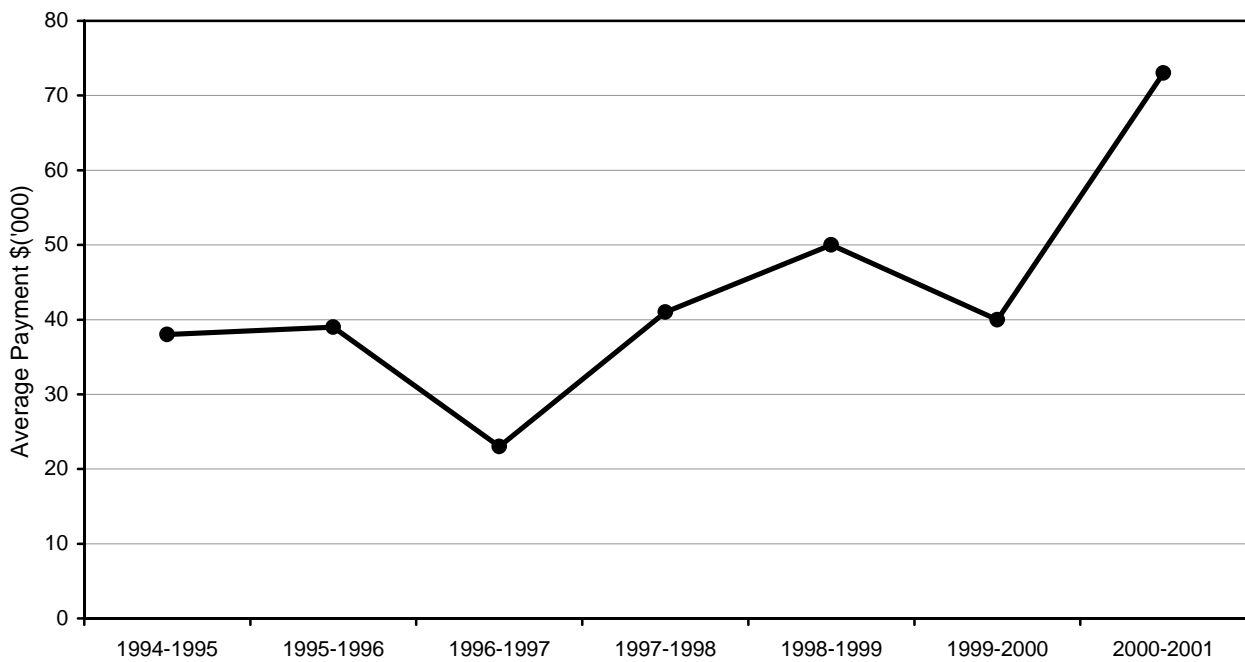
Total Separations

The total number of separations and the cost of those separation packages, excluding other payments, for the past seven years is illustrated in the following graph.



The number of payments made in the last year (668) represent the lowest for the period depicted.

The following graph illustrates the average Targeted Voluntary Separation Package payments made over the last seven years.



The increase in average payments from \$40 000 (1999-2000) to \$73 000 (2000-01) is related to a number of factors, including:

- primarily an increase in packages taken by employees with greater levels of service; and
- the introduction of the Enhanced Targeted Voluntary Separation Package in 2001, which increased benefits to employees.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Targeted Voluntary Separation Packages	3	48 880	63 946
Incentives	4	-	592
Workers compensation		1 156	410
Other expenses from ordinary activities	5	245	269
Total Expenses		50 281	65 217
REVENUES FROM ORDINARY ACTIVITIES:			
Recovery of overpayments		-	3
Total Revenues		-	3
NET COST OF SERVICES	8	(50 281)	(65 214)
REVENUES FROM GOVERNMENT			
Appropriations		68 400	53 921
Total Revenues from Government		68 400	53 921
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS		18 119	(11 293)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		18 119	(11 293)

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash		12 953	-
Total Current Assets		12 953	-
Total Assets		12 953	-
CURRENT LIABILITIES:			
Payments due to agencies	6	3 564	8 730
Total Current Liabilities		3 564	8 730
Total Liabilities		3 564	8 730
NET ASSETS		9 389	(8 730)
EQUITY:			
Retained surplus (deficit)	7	9 389	(8 730)
TOTAL EQUITY		9 389	(8 730)

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Targeted Voluntary Separation Packages		(54 046)	(56 473)
Incentives		-	(592)
Workers compensation		(1 156)	(410)
Other expenses from ordinary activities		(245)	(318)
Total Payments		(55 447)	(57 793)
RECEIPTS:			
Recovery of overpayments		-	3
Total Receipts		-	3
CASH FLOWS FROM GOVERNMENT:			
Appropriations		68 400	53 921
Total Cash Flows from Government		68 400	53 921
Net Cash provided by (used in) Operating Activities	8	12 953	(3 869)
NET INCREASE (DECREASE) IN CASH HELD		12 953	(3 869)
CASH AT 1 JULY		-	3 869
CASH AT 30 JUNE		12 953	-

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 and Accounting Policy Statements promulgated under the provisions of the <i>Public Finance and Audit Act 1987</i> , 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 Fund obtains control over the assets comprising the contribution. Control over appropriation is normally obtained upon their receipt.		
	(d) Cash For the purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis.		
3.	Targeted Voluntary Separation Packages		
	Agencies receiving reimbursements above \$1 million for the year are:	2001	2000
		\$'000	\$'000
	Department for Transport, Urban Planning and the Arts	6 183	39 809
	Department of Human Services	4 431	7 384
	Department of Education, Training and Employment	30 113	6 250
	Department for Administrative and Information Services	1 708	6 271
	Department of Justice	1 256	1 305
	Department of Primary Industries and Resources	3 366	859
	Other agencies	1 823	2 068
		<u>48 880</u>	<u>63 946</u>
4.	Incentives		
	Agencies receiving reimbursement for the year ended 30 June 2001 are:		
	Department of Human Services	-	592
		<u>-</u>	<u>592</u>
5.	Other Expenses from Ordinary Activities		
	Expenses incurred in administering the Schemes are reimbursed to the following:		
	Department of the Premier and Cabinet	238	203
	Crown Solicitor	-	50
	Audit Fees	7	7
	State Superannuation Office	-	9
		<u>245</u>	<u>269</u>
6.	Payments due to Agencies		
	Unreimbursed TVSP payments due to agencies	3 557	8 723
	Accrued audit fees due to the Auditor-General's Department	7	7
		<u>3 564</u>	<u>8 730</u>
7.	Accumulated Surplus		
	Balance at 1 July	(8 730)	2 563
	(Decrease) Increase in net assets resulting from operations	18 119	(11 293)
	Balance at 30 June	<u>9 389</u>	<u>(8 730)</u>
8.	Reconciliation of Net Cash provided by (used in) Operating Activities to Net Cost of Services		
	Net cash provided by (used in) operating activities	12 953	(3 869)
	Cash flows from government	(68 400)	(53 921)
	Change in operating assets and liabilities:		
	(Increase) Decrease in creditors	5 166	(7 424)
	Net Cost of Services	<u>(50 281)</u>	<u>(65 214)</u>

GOVERNMENT WORKERS REHABILITATION AND COMPENSATION FUND

ADMINISTERED RESPONSIBILITY

The Government Workers Rehabilitation and Compensation Fund (the GWRC Fund) is administered by, but not controlled by, the Department of the Premier and Cabinet.

OBJECTS OF THE FUND

The GWRC Fund was established to provide funding of the rehabilitation programs and payments of workers compensation benefits for government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury and disease suffered as a result of work.

SIGNIFICANT FEATURES

- The net result for the GWRC Fund was an increase in net liabilities of \$3.8 million (\$2.6 million) reflecting the funding arrangements, whereby appropriations are principally for claim payments, and do not reflect the increasing liability for outstanding claims.
- There was a deficiency of net assets of \$14.2 million (\$10.5 million) as at 30 June 2001.

AUDIT MANDATE AND COVERAGE

The audit of the Department of the Premier and Cabinet included matters relating to the audit of the GWRC 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 audit was with respect to financial reporting, including valuations undertaken of the Fund's liabilities and assets, where applicable. The audit also included the review of controls over the claims management system.

Audit Communications to Management

No material issues were formally communicated to management during the year. Matters during the course of the audit were satisfactorily addressed by the Department.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Outstanding Claims

The GWRC Fund's Statement of Financial Position is dominated by the provision for outstanding claims, which by its nature is a highly subjective number. As a result, independent actuaries are appointed to undertake an analysis of the outstanding claims liability for the whole of the Government.

The outstanding claims liability is based on the number of claims reported and payments for each payment type during each accident period. The actuary then uses a statistical model to estimate the total outstanding claims, including 'incurred but not reported claims'. The liability is also adjusted for a number of other factors, including inflating and discounting of claims to their present value and an estimate of the cost of administering the outstanding claims.

Unlike the requirements for private sector funds, however, no prudential margin is provided to give additional assurance that the estimate will be sufficient to meet future claim payments. The actuary has indicated that this approach is similar to that adopted by similar government funds in other jurisdictions.

With respect to the GWRC Fund, the outstanding claim liability as at 30 June 2001 was \$18.8 million (\$18.1 million).

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
OPERATING EXPENSES:			
Claims expenses	3	7 373	7 415
Other expenses from ordinary activities	4	785	264
Total Expenses		8 158	7 679
OPERATING REVENUES:			
Premiums		-	354
Transfer from Targeted Voluntary Separation Packages Scheme		1 156	410
Other revenues from ordinary activities	5	(825)	320
Total Revenues		331	1 084
NET COST OF SERVICES	11	(7 827)	(6 595)
REVENUES FROM GOVERNMENT:			
Appropriation		4 053	3 984
Total Revenues from Government		4 053	3 984
DECREASE IN NET ASSETS RESULTING FROM OPERATIONS		(3 774)	(2 611)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(3 774)	(2 611)

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash		4 500	6 172
Receivables	6(a)	16	618
Other	7	27	
Total Current Assets		4 543	6 790
NON-CURRENT ASSETS:			
Receivables	6(b)	57	873
Total Non-Current Assets		57	873
Total Assets		4 600	7 663
CURRENT LIABILITIES:			
Payables	8	38	29
Outstanding claims liability	9	5 220	6 121
Total Current Liabilities		5 258	6 150
NON-CURRENT LIABILITIES:			
Outstanding claims liability	9	13 573	11 970
Total Non-Current Liabilities		13 573	11 970
Total Liabilities		18 831	18 120
NET ASSETS		(14 231)	(10 457)
EQUITY:			
Retained surplus (deficit)	10	(14 231)	(10 457)
TOTAL EQUITY		(14 231)	(10 457)

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Lump sum settlements		(5 842)	(4 090)
Income maintenance		(249)	(173)
Legal costs		(65)	(123)
Other claim costs		(515)	(427)
Payments to consultants		(50)	(35)
Other expenses		(753)	(854)
Total Payments		(7 474)	(5 702)
RECEIPTS:			
Recoveries from third parties		306	899
Premiums		287	145
Transfer from targeted voluntary separation packages		1 156	410
Other		-	5
Total Receipts		1 749	1 459
CASH FLOWS FROM GOVERNMENT:			
Appropriations		4 053	3 984
Total Cash Flows from Government		4 053	3 984
Net Cash used in Operating Activities	11	(1 672)	(259)
NET DECREASE IN CASH HELD		(1 672)	(259)
CASH AT 1 JULY		6 172	6 431
CASH AT 30 JUNE		4 500	6 172

NOTES TO AND FORMING PART OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

1. Objectives

The Government Workers Rehabilitation and Compensation Fund (the Fund) was established to provide for the funding of rehabilitation programs and payment of workers compensation benefits for government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury and disease suffered as a result of work.

2. Summary of Significant Accounting Policies

(a) **Basis of Accounting**

The accounts have been prepared in accordance with the Treasurer's Instructions and Accounting Policy Standards 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;
- recoveries from third parties, mainly in regard to motor vehicle accidents.

(c) **Claims Expenses Met from the Fund**

The following expenses for claims are met by the Fund:

- Lump sum settlements for small and certain medium sized government agencies covered by the Fund.
- A portion of lump sum settlements to larger government agencies.
- Income maintenance, legal costs and other costs for three specific agencies.

(d) **Appropriations**

Appropriations are recognised as revenues when the Fund obtains control over the assets comprising the contribution. Control over appropriations is normally obtained upon their receipt.

(e) **Receivables**

Funding is obtained by recoveries from third parties. The level of receivables in relation to third party recoveries has been established on the basis of an independent actuarial assessment of the estimated revenue expected from recovery action against third parties. The actuarial assessment includes the separation of the receivables into current and non-current.

(f) **Cash**

For purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis.

(g) **Outstanding Claims Liability**

The provision for outstanding liability of the Fund covers those claims expenses stated in 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

Payables (Note 8) are raised for amounts billed but unpaid and are normally settled within 30 days.

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

3. Claims Expense Claims expense comprised of:	2001			2000		
	Cash Flow Payments \$'000	Movement in Outstanding Liability \$'000	Total Expense \$'000	Cash Flow Payments \$'000	Movement in Outstanding Liability \$'000	Total Expense \$'000
Lump sum settlements	5 842	5 129	10 971	4 000	(1 920)	2 080
Income maintenance	249	(70)	179	173	566	739
Legal costs	65	-	65	123	543	666
Other	515	(4 357)	(3 842)	1 051	2 879	3 930
	6 671	702	7 373	5 347	2 068	7 415

4. Other Expenses from Ordinary Activities	2001 \$'000	2000 \$'000
WorkCover exempt employer levy	46	131
Consultants ⁽ⁱ⁾	59	40
Audit fees	10	4
Funding transfer to other agencies	606	-
Other	64	89
	785	264

(i) The consultant expenses relate to the services provided by the actuary (Taylor Fry Consulting Actuaries).

5. Other Revenue from Ordinary Activities	2001 \$'000	2000 \$'000
Recoveries from third parties	(825)	315
Sundry revenue	-	5
	(825)	320

6. Receivables	The Fund's third party recoveries receivable was determined by an independent actuary valuation performed by Taylor Fry Consulting Actuaries).	
(a) Current		
Third party recoveries	16	331
Premiums receivable	-	287
	16	618
(b) Non-Current		
Third party recoveries	57	873
	57	873
(c) Total		
Third party recoveries	73	1 204
Premiums receivable	-	287
	73	1 491

7. Other Assets	Prepaid insurance	
	27	-
	27	-

8. Payables	Consultant fees	
	28	19
Other	10	10
	38	29

9. **Outstanding Claims Liability**
The Fund's 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 2001. The whole-of-government estimate can be found in a report prepared by Taylor Fry Consulting Actuaries, dated August 2001 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.

(a) Current:	2001 \$'000	2000 \$'000
Income maintenance	347	324
Lump sum settlements	4 680	4 497
Other	193	1 300
	5 220	6 121
(b) Non-Current:		
Income maintenance	1 001	1 094
Lump sum settlements	12 218	7 272
Other	354	3 604
	13 573	11 970
(c) Total:		
Income maintenance	1 348	1 418
Lump sum settlements	16 898	11 769
Other	547	4 904
	18 793	18 091

	2001	2000
	\$'000	\$'000
10. Retained Deficit		
Balance at 1 July	(10 457)	(7 846)
Increase (Decrease) in net assets resulting from operations	(3 774)	(2 611)
Balance at 30 June	<u>(14 231)</u>	<u>(10 457)</u>
11. Reconciliation of Net Cash provided by (used in) Operating Activities to Net Surplus (Cost) of Services		
Net cash provided by (used in) operating activities	(1 672)	(259)
Cash flow from Government	(4 053)	(3 984)
Change in operating assets and liabilities:		
Increase (Decrease) in receivables	(1 418)	(376)
Increase (Decrease) in prepayments	27	-
Decrease (Increase) in payables	(9)	91
Decrease (Increase) in claims liability	(702)	(2 067)
Net Cost of Services	<u>(7 827)</u>	<u>(6 595)</u>

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 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 had the right to stage a motor sport event for a fixed period of five years, which commenced in 1999. The option to extend the contract for a further five years was exercised during the year and now concludes in 2008. Pursuant to a Naming Rights Sponsorship Agreement, ending with the conclusion of the event in 2003, the event is known as the 'Clipsal 500 Adelaide'.

Under certain contractual arrangements entered into by the Premier of the State of South Australia, the Board and a company, 'Panoz Motorsport Australia Pty Ltd', a temporary motor racing circuit was established and a race event in the 'Le Mans' style known as 'The Race of 1000 Years' was staged on 29, 30 and 31 December 2000.

In addition, pursuant to a permit issued by the Confederation of Australian Motor Sport, the Board staged the Rally of South Australia on 6, 7 and 8 July 2001.

SIGNIFICANT FEATURES

- The Board received funding from the State Government (through the South Australian Tourism Commission) of \$7 446 000, for capital and operating requirements associated with the staging of 'The Race of 1000 Years'.
- In June 2001, the Board received \$2 250 000 from the Treasurer by way of a short term non-interest bearing loan to meet the Board's immediate cash flow requirements. These funds are to be repaid by 31 December 2001 unless otherwise approved by Cabinet.
- The Board's Financial Statements show an operating deficit of \$698 000 (operating deficit of \$398 000) 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 capital contributions received in respect of the 1998-99 and 1999-2000 financial years, the operating result would have been an operating deficit of \$1 913 000 (operating deficit of \$513 000). The same accounting treatment was applied in respect of the financial reporting periods ending 30 June 1999 and 30 June 2000.
- With respect to assets acquired for 'The Race of 1000 Years', the Board has resolved that assets considered to be surplus and of no future economic benefit to the Board be written down to their recoverable amount as at the reporting date. As a result the write-down of assets at 30 June 2001, totalled \$1 152 000.

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 events 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 2000-01 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

State Government Contributions

During the reporting period, the Board received contributions from the State Government comprising:

- An operating grant of \$500 000.
- Specific funding of \$7 446 000 from the State Government (through the South Australian Tourism Commission) by way of grants for the capital and operating requirements associated with the staging of 'The Race of 1000 Years'.
- A short term non-interest bearing loan of \$2 250 000 from the Treasurer to meet the Board's immediate cash flow requirements. These funds are to be repaid by 31 December 2001 unless otherwise approved by Cabinet.

The Statement of Cash Flows refers.

Operating Result

The Statement of Financial Performance of the Board for the period ended 30 June 2001 records an operating deficit of \$698 000 (operating deficit of \$398 000).

This result takes into account, the write-down of fixed assets at 30 June 2001 of \$1 152 000, in relation to assets acquired for the staging of 'The Race of 1000 Years'. As mentioned previously the Board had resolved that these assets were surplus and of no future economic benefit to Board operations due to the one off nature of the event.

As explained in Notes 2.1 and 2.2 to the Financial Statements, the Board has again 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 capital contributions (grants) totalling \$5.8 million received during the reporting periods ended 30 June 1999 and 30 June 2000. 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 \$1 913 000 (operating deficit of \$513 000).

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 2.1 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 Capital grant funds provided by the State Government in 1998-99 and 1999-2000'.

Accounting Policy Statement APS 11 'contributions' requires that grants be recognised as revenues when received. The Board has determined that the capital grants received be amortised over the initial 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 \$3.4 million has been recognised as revenue with the remaining \$2.4 million recognised as a liability. This has resulted in the Board showing an operating deficit for the reporting period of \$698 000 against an operating deficit of \$1 913 000 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 2001, the results of its operations and its cash flows for the period then ended.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Net ticket sales:			
Clipsal 500		2 652	2 964
Rally of South Australia		93	-
Corporate facilities, net of direct costs		2 717	2 804
State Government grants:			
Operating	1	500	780
Race of 1000 Years	1	7 446	-
Official suppliers		938	951
Other sponsorship:			
Clipsal 500		544	578
Rally of South Australia		95	-
Interest from non-related persons		127	97
Amortisation of capital grants	2.1, 2.2, 12	1 215	1 215
Asset hire		19	30
Other		40	27
Total Revenues		16 386	9 446
EXPENSES FROM ORDINARY ACTIVITIES:			
Circuit construction		9 084	4 406
Event staging and contracts		2 133	1 634
Support events		637	388
Historical program		-	311
Legends program		94	-
Salaries, wages and related payments	3	610	459
Administration		538	489
Marketing and advertising		1 173	1 033
Rally of South Australia		234	-
Public relations and media		292	151
Depreciation and amortisation		1 137	969
Fixed assets write-downs	2.4	1 152	-
Loss on sale of fixed assets		-	4
Total Expenses		17 084	9 844
OPERATING DEFICIT		(698)	(398)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(698)	(398)

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash	15.1	548	22
Receivables	5	1 530	1 566
Other	6	19	176
Total Current Assets		2 097	1 764
NON-CURRENT ASSETS:			
Fixed assets	7	5 715	5 874
Other	8	175	211
Total Non-Current Assets		5 890	6 085
Total Assets		7 987	7 849
CURRENT LIABILITIES:			
Payables	9	2 735	2 847
Borrowings	1, 10	2 250	110
Provisions	11	50	27
State Government grant - Capital	12	1 215	1 215
Total Current Liabilities		6 250	4 199
NON-CURRENT LIABILITIES:			
State Government grant - Capital	12	1 215	2 430
Total Non-Current Liabilities		1 215	2 430
Total Liabilities		7 465	6 629
NET ASSETS		522	1 220
EQUITY:			
Accumulated surplus		522	1 220
TOTAL EQUITY		522	1 220
Contingent Liabilities	14		

Statement of Cash Flows for the year ended 30 June 2001

		2001	2000
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and sponsors	Note	\$'000 9 181	\$'000 8 070
Payments to suppliers and employees		(16 774)	(9 478)
Interest received		127	97
State Government contributions		7 946	780
Net Cash provided by (used in) Operating Activities	15.2	480	(531)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for plant and equipment		(2 048)	(2 316)
Proceeds from the sale of plant and equipment		-	15
Payments for intangible assets		(46)	(59)
Non-interest bearing loan from the Treasurer		2 250	-
State Government contributions		-	1 100
Net Cash provided by (used in) Investing Activities		156	(1 260)
NET INCREASE (DECREASE) IN CASH HELD		636	(1 791)
CASH AT 1 JULY		(88)	1 703
CASH AT 30 JUNE	15.1	548	(88)

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 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 had the right to stage a motor sport event for an initial fixed period of five years, commencing in 1999. The option to extend the contract for a further five years was exercised during the year and now concludes in 2008. Pursuant to a Naming Rights Sponsorship Agreement ending with the conclusion of the event in 2003, the event is known as the 'Clipsal 500 Adelaide'.

Under certain contractual arrangements entered into by the Premier of the State of South Australia, the Board and a company, Panoz Motorsport Australia Pty Ltd, a temporary motor racing circuit was established and a race event in the 'Le Mans' style known as 'The Race of 1000 Years' was staged on 29, 30 and 31 December 2000.

Pursuant to a permit issued by the Confederation of Australian Motor Sport, the board staged the Rally of South Australia on 6, 7 and 8 July 2001.

The Board received funding from the State Government of \$500 000 for operating activities in the year. The State Government received signage and other promotional benefits from the event under the 'Sensational Adelaide' logo. The Board has included \$7 446 000 as income from the State Government (through the South Australian Tourism Commission) to fund the capital and operating requirements of 'The Race of 1000 Years'.

In June 2001, the Board received \$2 250 000 million from the Treasurer by way of a short term non-interest bearing loan to meet the Board's immediate cash flow requirements. These funds are to be repaid by 31 December 2001 unless otherwise approved by Cabinet.

2. Statement of Significant Accounting Policies

2.1 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 Capital Grant funds provided by the State Government in 1998-99 and 1999-2000.

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.

2.2 Amortisation of State Government Grant - Capital

In 1998-99 and 1999-2000, the State Government provided a total of \$5.8 million for race staging capital.

In accordance with International Accounting Standard IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance', the grant is being amortised over the initial fixed five year period of the race staging contract. The grant has been disclosed as a liability.

2.2 Amortisation of State Government Grant - Capital (continued)

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. If APS 11 had been applied, the result for the reporting period would have been as follows:

	2001		2000	
	APS 11 \$'000	Board Policy \$'000	APS 11 \$'000	Board Policy \$'000
Revenue - State Government Grant - Capital	-	1 215	1 100	1 215
Operating (Deficit) Surplus	(1 913)	(698)	(513)	(398)
Assets	7 987	7 987	7 849	7 849
Liabilities	5 035	7 465	2 984	6 629
Equity	2 952	522	4 865	1 220

Therefore the application of APS 11 would result in an operating deficit for the year of \$1 913 000. The application of IAS 20 results in an operating deficit of \$698 000 which the Board believes to be a true reflection of the result for the year.

2.3 Revenue Recognition

Except as described in Note 2.2 above, revenues from Ordinary Activities are recorded in the Statement of Financial Performance at the time they are earned or at the time control passes to the Board. Interest revenues are recognised as they accrue.

2.4 Fixed Assets

The Board does not own any land or permanent buildings.

All fixed assets controlled by the Board 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 Board. 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 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.

In accordance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets', specific assets or classes of assets which have an individual or total value greater than \$1 million at the time of acquisition are required to be revalued every three years. As a result, the Board engaged the services of Andrew Lucas (Certified Practising Valuer) from Valcorp Australia Pty Ltd, 14 Waymouth Street, Adelaide SA 5000, to undertake a valuation of the concrete safety barriers. The valuation was based on deprival value. The difference between the valuation and the carrying amount of the assets is not considered to be material and therefore no adjustment has been made in the Statement of Financial Position.

In accordance with Board policy (refer Note 2.6), the Board has determined that assets acquired for 'The Race of 1000 Years', and considered to be surplus and of no future economic benefit be written-down to their recoverable amount as at the reporting date.

2.5 Depreciation and Amortisation

Depreciation is calculated on a straight line basis to write off the assets over their useful economic lives (generally 2-10 years). Where assets retain some realisable value at the completion of the extended race staging contract, namely on conclusion of the event in 2008, these assets are depreciated over terms extending beyond that date.

Establishment costs are amortised over periods in a manner which reflects the consumption of their future economic benefits.

2.6 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.

2.7 Principles of Consolidation

There were no controlled entities during the reporting period.

2.8 Income Tax

The entity is exempt from income tax.

2.9 Leased Assets

The entity has no finance leases.

2.10 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

At the reporting date, no employees had accrued entitlements for long service leave.

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.

2.11 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 4.7 percent.

2.12. Financial Instruments

The Board's maximum exposure to credit risk at reporting date in relation to each class of recognised assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Board has no significant exposure to any concentrations of credit risk.

The Board 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. By definition, prepayments do not represent an exposure to interest rate risk.

2.13 Goods and Services Tax

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

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

The net GST receivable from the taxation authority is included as part of receivables in the Statement of Financial Position.

3. Salaries, Wages and Related Payments	2001	2000
Salaries, wages and related payments comprise:	\$'000	\$'000
Salaries, wages annual and sick leave	514	399
Superannuation	47	28
Other employee on-costs	49	32
Total	610	459
<hr/>		
4. Superannuation		
The superannuation costs included in the Financial Statements relate to the Commonwealth Government's Superannuation guarantee legislation. The payments of \$47 000 (\$28 000) have been made to an externally managed fund.		
5. Receivables		
Current:		
Trade debtors	1 137	928
Amount owing by BASS for funds held in trust (refer Note 9)	272	607
Provision for doubtful debts	(29)	(9)
Non-trade amounts:		
Unrelated parties	150	40
	1 530	1 566
<hr/>		
6. Other Assets		
Current:		
Prepayments	19	175
Other	-	1
	19	176
<hr/>		
7. Fixed Assets	2001	
Concrete Safety Barriers:	\$'000	\$'000
Balance at 1 July	1 229	
Additions	230	
Recoverable amount write-downs	(171)	
Balance at 30 June		1 288
Accumulated Depreciation:		
Balance at 1 July	(123)	
Depreciation expense	(138)	
Balance at 30 June		(261)
Net Carrying Amount		1 027

		2001	
		\$'000	\$'000
7.	Fixed Assets (continued)		
	Other Racing Infrastructure, Plant and Equipment:		
	Balance at 1 July	6 326	
	Additions	1 818	
	Recoverable amount write-downs	(944)	
	Balance at 30 June	<u>7 200</u>	7 200
	Accumulated Depreciation:		
	Balance at 1 July	(1 558)	
	Depreciation expense	(954)	
	Balance at 30 June	<u>2 512</u>	2 512
	Net Carrying Amount	<u>4 688</u>	4 688
	Total Fixed Assets	<u>5 715</u>	5 715
8.	Other Assets		
	Non-Current:		
	Establishment costs:		
	Balance at 30 June	302	
	Additions	46	
	Recoverable amount write-downs	(37)	
	Balance at 30 June	<u>311</u>	311
	Accumulated amortisation	(91)	
	Amortisation expense	(45)	
	Balance at 30 June	<u>(136)</u>	(136)
	Net Carrying Amount	<u>175</u>	175
9.	Payables	2001	2000
	Current:	\$'000	\$'000
	Trade creditors	1 654	1 853
	Other creditors and accruals	758	387
	Funds held in trust ⁽ⁱ⁾	323	607
		<u>2 735</u>	<u>2 847</u>
	(i) Advance ticket sales for Year 2002 event.		
10.	Borrowings		
	Current:		
	Unsecured:		
	Bank overdraft (Interest bearing)	-	110
	The Treasurer (Non-interest bearing)	2 250	-
		<u>2 250</u>	<u>110</u>
11.	Provisions		
	Current:		
	Employee entitlements	50	27
12.	State Government Grant - Capital		
	State Government Grant - Capital	5 800	5 800
	Less: Accumulated amortisation	3 370	2 155
		<u>2 430</u>	<u>3 645</u>
	Reconciled to:		
	Current	1 215	1 215
	Non-current	1 215	2 430
		<u>2 430</u>	<u>3 645</u>
13.	Accumulated Surplus		
	Accumulated surplus at 1 July	1 220	1 618
	Operating deficit	(698)	(398)
	Accumulated Surplus at 30 June	<u>522</u>	<u>1 220</u>
14.	Contingent Liabilities		
	Contingent obligations are items in the nature of liabilities, which 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 Board to make payments in respect of them will arise.		
	The Board is currently contesting a claim concerning the staging of 'The Race of 1000 Years'. It is not possible to estimate the amounts payable, if any, with respect to this claim.		
15.	Notes to the Statement of Cash Flows	2001	2000
	15.1 Reconciliation of Cash	\$'000	\$'000
	Cash on hand	1	1
	Cash at bank	547	21
		<u>548</u>	<u>22</u>
	Less: Bank overdraft (Unsecured)	-	110
		<u>548</u>	<u>(88)</u>

15.2	Reconciliation to Net Cash provided by (used in) Operating Activities to Operating Deficit	2001	2000
		\$'000	\$'000
	Operating deficit	(698)	(398)
	Adjustments from non-cash income and expense items:		
	Depreciation and amortisation	1 137	969
	Amortisation of State Government grant - Capital	(1 215)	(1 215)
	Fixed assets write-downs	1 152	-
	Net loss on sale of fixed assets	-	4
	Transfers to (from) provisions:		
	Employee entitlements	23	14
	Doubtful debts	20	(8)
	Changes in assets and liabilities:		
	(Increase) Decrease in assets:		
	Accounts receivable	16	(712)
	Prepayments	157	(101)
	Increase (Decrease) in liabilities:		
	Trade creditors	172	559
	Other liabilities	(284)	357
	Net Cash provided by (used in) Operating Activities	480	(531)

16. Financing Arrangements

The State Government pledges financial support for the entity.

17. Employee Remuneration

One employee received remuneration greater than \$100 000. The total remuneration paid was \$150 000.

Remuneration received, or due and receivable, by the auditor of the entity for:	2001	2000
	\$'000	\$'000
Audit or review of Financial Statements	17	14
Under provision for prior year	-	6
	17	20

18. Related Parties**18.1 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:

R Cook	Chairman	J Patten
D McNeil	Deputy Chairman	J Turbill
M Brock		C Smerdon
P Hansen		B Ventura
R Hayward		

18.2 Directors Loans

There are no loans to directors.

18.3 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	CAMS Ltd	\$132 185	License and Permit Fees and Insurance
J Patten	Harris Scarfe Ltd	\$22 500	Sponsorship revenue - Family Day
M Brock	Brock Partners	\$4 000	Corporate Karts Sponsorship
B Ventura, R Hayward	Adelaide City Council	\$50 000	Sponsorship Revenue
B Ventura, R Hayward	Adelaide City Council	\$6 491	Circuit construction costs, net of contributions received

All corporate facilities purchased by directors or by related entities are at arms-length rates.

19. Remuneration of Directors of the Board

The number of Directors who received, or were due to receive, remuneration were:

	2001	2000
	Number of	Number of
	Directors	Directors
\$1 - \$10 000	7	7
\$10 001 - \$20 000	2	2

The total remuneration of the Directors was \$105 000.

20. Consultants

There were no consultants engaged where individual amounts exceeded \$10 000.

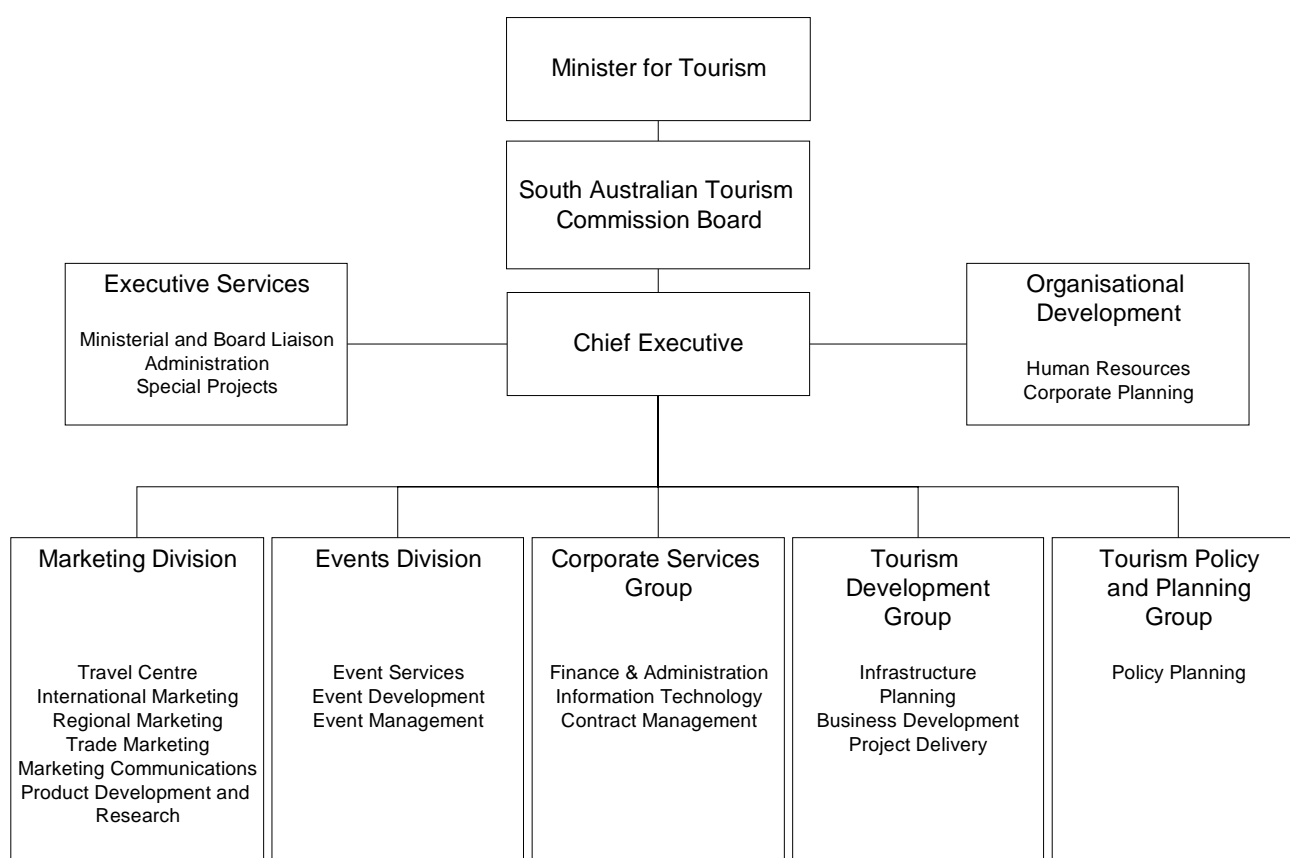
SOUTH AUSTRALIAN TOURISM COMMISSION

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.



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 2000-01 specific areas of audit attention included:

- Follow up of important risk management practice, internal audit activity and financial management policy and procedural matters that were the subject of correspondence to the Commission in 1999-2000 and commented on in last year's Report.

- Annual review of financial accounting and recording processes and associated controls covering the following areas:
 - revenue, receipting and banking
 - ATLAS ticketing system
 - accounts payable
 - salaries and wages
 - property, plant and equipment (fixed assets)
 - general ledger and journals
 - management reporting and budgetary control
 - Olympic football tournament
 - Le Mans car race
 - Goods and Services Tax (GST) operating obligations.

Audit Communications to Management

An audit management letter conveying issues raised from the audit was forwarded to the Chief Executive of the Commission in July 2001. The main matters communicated and the Commission's response is outlined in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Follow up of 1999-2000 Audit Issues

Last year Audit raised certain issues which the Commission advised it would address during 2000-01. The status of these matters follows:

Risk Management Practice

Last year Audit raised the need for the Commission to formulate a Risk Management Plan covering all operational areas of the organisation.

As at June 2001 work had not commenced on the Risk Management Plan as attention was focused during the year on other important matters, eg GST implementation, the Olympic Football Tournament and the Le Mans Car Race.

However, the Commission's Audit Committee has agreed to pursue the engagement of a consultant experienced in risk management and that suitable resources (human and financial) be allocated to ensure ongoing monitoring and management of a Risk Management Plan.

Internal Audit Related Activity

Last year Audit raised the need for the Commission to implement a formal program of internal audit activity, utilising the Risk Management Plan as a basis to perform such activity.

Audit follow up revealed that although the Commission's Audit Committee had given consideration to the formulation of a strategic/annual audit plan, the plan had not been finalised.

The Commission has advised that a strategic/annual audit plan will be finalised and an internal audit review function implemented in 2001-02.

Financial Management Policies and Procedures

During 1998-99 and 1999-2000 Audit raised the need for the Commission to finalise its Policies and Procedures Manual to reflect the requirements of the Treasurer's Instructions and the Financial Management Framework.

Audit follow up revealed that although the Commission's policies and procedures had been updated, they did not cover all the required elements of the Treasurer's Instructions and the Financial Management Framework.

The Commission has indicated that it will review its current policies and procedures and update them to reflect the requirements of the Treasurer's Instructions and the Financial Management Framework.

Commentary on General Financial Controls

In relation to the annual review of financial accounting, record keeping and associated controls the results of the audit were 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 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

Commission Operations

The Commission's overall expenditure for 2000-01 amounted to \$56.1 million, an increase of \$7 million over the previous year.

The reduction in Cash holdings from \$9.1 million at 30 June 2000 to \$4.3 million at 30 June 2001 was applied to the increased expenditure outlays.

The main items of expenditure related to Advertising and Promotion and Industry Assistance. Of Industry Assistance, Tourism Infrastructure Grants amounted to \$9.2 million, an increase of \$2.8 million compared to the previous year.

Administered Items

Note 1 to the Financial Statements and Schedule of Administered Revenues and Expenses provide details of activities administered by the Commission.

One such administered item relates to the Olympic Football Tournament held in October 2000. Comment regarding this tournament is provided in that section of Part B of this Report titled 'Department of the Premier and Cabinet'.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Revenue from government	4	43 856	46 806
Participation fees	5	5 668	3 537
Interest		971	656
Commission on sales		452	444
Other revenue		1 674	868
Total Revenue		52 621	52 311
EXPENSES FROM ORDINARY ACTIVITIES:			
Salaries, wages and related payments		9 632	8 342
Advertising and promotion		15 820	14 327
Industry assistance	6	15 550	14 319
Administrative costs		6 271	5 041
Event operations		6 426	4 688
Accommodation and services costs		1 713	1 705
Depreciation and amortisation	7	563	505
Bad and doubtful debts expense		11	10
Loss on disposal of assets	8	30	166
Interest on borrowings		73	-
Total Expenses		56 089	49 103
OPERATING (DEFICIT) SURPLUS		(3 468)	3 208
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE SOUTH AUSTRALIAN GOVERNMENT AS OWNER	18	(3 468)	3 208

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash	21(b)	4 305	9 083
Receivables	9	3 141	733
Prepayments	10	50	74
Total Current Assets		7 496	9 890
NON-CURRENT ASSETS:			
Plant and equipment	11	2 556	2 528
Intangibles	12	308	348
Total Non-Current Assets		2 864	2 876
Total Assets		10 360	12 766
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	13	4 035	4 725
Other liabilities	14	494	235
Employee entitlements	15	693	680
Borrowings	16	113	-
Total Current Liabilities		5 335	5 640
NON-CURRENT LIABILITIES:			
Payables	13	64	51
Other liabilities	14	15	-
Employee entitlements	15	480	428
Borrowings	16	1 287	-
Total Non-Current Liabilities		1 846	479
Total Liabilities		7 181	6 119
NET ASSETS		3 179	6 647
EQUITY:			
Tourism infrastructure reserve	17	1 481	4 482
Accumulated surplus	18	1 698	2 165
TOTAL EQUITY		3 179	6 647
Commitments	19		
Contingent Obligations	20		

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH USED:			
Salaries, wages and related payments		(9 529)	(8 526)
Goods and services		(45 028)	(39 436)
Borrowing costs		(73)	-
GST paid to suppliers		(4 107)	-
CASH RECEIVED:			
Recurrent appropriation		40 511	43 806
Other State Government funding		3 345	3 000
Commission earned		452	444
Interest received		896	581
Participation fees		5 668	3 537
GST recovered from Australian Taxation Office		2 667	-
GST received from customers		714	-
Other		376	861
Net Cash (used in) provided by Operating Activities	21(a)	(4 108)	4 267
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchase of non-current assets		(2 073)	(833)
Proceeds from disposal of assets		3	25
Net Cash used in Investing Activities		(2 070)	(808)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Receipt of Borrowings		1 480	-
Repayment of Borrowings		(80)	-
Net Cash provided by Financing Activities		1 400	-
NET (DECREASE) INCREASE IN CASH HELD		(4 778)	3 459
CASH AT 1 JULY		9 083	5 624
CASH AT 30 JUNE	21(b)	4 305	9 083

Schedule of Administered Revenues and Expenses for the year ended 30 June 2001

	Olympic Football		SA Motor Sport Board		ACCC*		2001 \$'000	2000 \$'000
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000		
ADMINISTERED REVENUES:								
State Government appropriation	-	-	10 343	780	-	-	10 343	780
Transfers from:								
Department of the Premier and Cabinet	2 878	1 929	-	-	-	-	2 878	1 929
South Australian Tourism Commission	-	-	330	-	-	-	330	-
Operating revenue	2 492	-	-	-	-	-	2 492	-
	5 370	1 929	10 673	780	-	-	16 043	2 709
ADMINISTERED EXPENSES:								
Employee costs	117	144	-	-	-	-	117	144
Advertising and promotion	245	83	-	-	-	-	245	83
Administrative costs	3 853	1 135	-	-	-	-	3 853	1 135
Event operations	439	114	-	-	-	-	439	144
Accommodation and service costs	146	36	-	-	-	-	146	36
Transfer to:								
Department of the Premier and Cabinet	839	-	-	-	-	-	839	-
SA Motor Sport Board	-	-	10 196	780	-	-	10 196	780
ACCC*	-	-	-	-	-	5 927	-	5 927
	5 639	1 512	10 196	780	-	5 927	15 835	8 219

* Adelaide Convention Centre Corporation

Schedule of Administered Assets and Liabilities as at 30 June 2001

	Olympic Football		SA Motor Sport Board		ACCC*		2001 \$'000	2000 \$'000
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000		
ADMINISTERED ASSETS:								
Cash	148	443	341	-	-	-	489	443
Receivables	-	156	330	-	-	-	330	156
Other	-	5	-	-	-	-	-	5
Total Administered Assets	148	604	671	-	-	-	819	604
ADMINISTERED LIABILITIES:								
Payables	-	182	194	-	-	-	194	182
Employee entitlements	-	5	-	-	-	-	-	5
Total Administered Liabilities	-	187	194	-	-	-	194	187

* Adelaide Convention Centre Corporation

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;
- 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 Statement of Financial Performance 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) *Olympic Football Tournament*
Receipts and payments in respect of the Olympic Football Tournament were administered by the Commission until 1 January 2001 on behalf of the Department of the Premier and Cabinet.
- (ii) *SA Motor Sport Board*
The Commission administers the appropriation transfers from the Department of Treasury and Finance to the South Australian Motor Sport Board.
- (iii) *Adelaide Convention Centre Corporation*
Funding for the upgrade of the Adelaide Convention Centre was administered by the Commission until November 1999 on behalf of the Minister for Tourism.

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 Consensus). The accrual basis has been used in the preparation of the financial statements.

The Commission has adopted the presentation of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation' and disclosures for the first time in the preparation of the financial statements. In accordance with the requirements of these new or revised standards, comparative amounts have been reclassified in order to comply with the new presentation format.

(b) Recognition of Revenues*Commission*

Commission earned on sales of travel through the SA Travel and Visitor Centre is recognised at the date of ticketing.

Interest

Interest earned on deposit accounts at the Department of Treasury and Finance are recognised as revenue as it accrues.

Participation Fees

The Commission earns revenue from participants in the Tourism Industry through cooperative marketing schemes, subscriptions and training fees. This revenue is recognised as it accrues.

Revenues from Government

Appropriation from Government and contributions from other Government agencies are recognised as revenue in the period in which the monies are received and the Commission obtains control of the asset.

(c) Depreciation

Items of plant and equipment are depreciated on a straight line basis over their expected useful lives. The estimated useful lives of each asset class are as follows.

	Years
Office and electrical equipment	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) Inventories

Consumable supplies are not recognised in the Statement of Financial Position as the value of these supplies is not considered material.

(e) Plant and Equipment

All plant and equipment controlled by the Commission with an individual value greater than \$2 000 are recognised as Plant and Equipment in the Statement of Financial Position. Items of Plant and Equipment are recorded at Historic Cost less Accumulated Depreciation.

Minor items of Plant and Equipment with an individual value less than \$2 000 are expensed in the Statement of Financial Performance at the time of acquisition.

(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 Payables (Note 13).

Salaries and Wages

Salaries and wages due and receivable by employees as at the balance date.

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.

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 2000-01 a total of \$704 000 (\$609 000) 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, \$79 000 (\$97 000) 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 2001, are as follows:

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 comprises Cash on hand and at Treasury and Deposits at call. Cash is recorded at nominal amounts. Interest on cash is credited to revenue as it accrues.

Receivables are recognised at the nominal amounts due less provision for bad or doubtful debts (maximum credit risk). Credit terms are net 14 days.

Financial Liabilities

Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.

Payables are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. With the exception of employee on-costs, payables are normally settled within 30 days. It is policy to effect early payment where a discount can be achieved.

Borrowings are recognised at their principle amounts. Interest is expensed as it accrues. The term of the loan is 10 years commencing in 2000-01. The Borrowings were for working capital purposes.

(i) Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated currency gains and losses are not material.

3. Output Class Schedule of Expenses and Revenues for the year ended 30 June 2001

The Commission has identified three broad output classes that reflect the nature of the services delivered to the South Australian community. These are:

Output Class 1: Marketing South Australia

Relates to the positioning of the State's tourism products and services and South Australia as a tourism destination within national and international markets and incorporates the development and management of major events.

Output Class 2: Tourism Development

Relates to the creation of a positive and supportive business environment within which private tourism enterprise can flourish and incorporates tourism infrastructure planning.

Output Class 3: Central Coordination and Policy Advice

Includes all coordination of whole-of-government initiatives as well as policy advice and development on tourism issues.

Revenues and Expenditure by Output Class for the year are as follows:

	Marketing South Australia	Tourism Development	Central Coordination & Policy Advice	2001 Total \$'000	2000 Total \$'000
REVENUES:	\$'000	\$'000	\$'000	\$'000	\$'000
Commission on sales	452	-	-	452	444
Participation fees	5 258	260	150	5 668	3 537
Interest	816	105	50	971	656
Other revenue	1 610	41	23	1 674	868
Revenues from Government	34 013	8 730	1 113	43 856	46 806
Total	42 149	9 136	1 336	52 621	52 311
EXPENSES:					
Salaries, wages and related payments	8 216	803	613	9 632	8 342
Advertising and promotion	15 770	31	19	15 820	14 327
Industry assistance	5 460	10 057	33	15 550	14 319
Administration costs	5 726	331	214	6 271	5 041
Event operations	6 042	259	125	6 426	4 688
Accommodation and services costs	1 510	142	61	1 713	1 705
Depreciation and amortisation	494	46	23	563	505
Loss on disposal of assets	18	7	5	30	166
Interest on borrowings	43	18	12	73	-
Doubtful debts expense	11	-	-	11	10
Total	43 290	11 694	1 105	56 089	49 103
OPERATING (DEFICIT) SURPLUS	(1 141)	(2 558)	231	(3 468)	3 208
4. Revenue from Government				2001 \$'000	2000 \$'000
Recurrent appropriation from South Australian Government				40 511	46 806
Transfers from other government agencies				3 345	3 000
				43 856	49 806
5. Participation Fees					
Cooperative marketing/advertising				1 065	1 093
Sponsorship revenue				4 497	2 420
Subscriptions for tourism publications				22	-
Subscription to Tourism Accreditation Program				33	-
Workshops/training				51	24
				5 668	3 537
6. Industry Assistance					
Sponsorship of events				2 018	4 436
Tourism infrastructure grants				9 177	6 351
Tourism marketing boards/information centre grants				2 202	1 769
Marketing support				1 241	1 184
Road signage program				683	283
Membership of tourism industry bodies				152	216
Trade show subsidies				77	80
				15 550	14 319

7. Depreciation and Amortisation		2001	2000
The aggregate amount of depreciation and amortisation expensed during the year for each class of depreciable asset were as follows:		\$'000	\$'000
Plant and equipment:			
Office equipment		213	280
Fitouts		231	110
Pageant assets		79	75
		<u>523</u>	<u>465</u>
Intangibles:			
Goodwill		30	30
Event naming rights		10	10
		<u>40</u>	<u>40</u>
		<u>563</u>	<u>505</u>
8. Loss on Disposal/Write-off of Assets			
Office Equipment:			
Historic cost of assets disposed/written-off		421	963
Less: Accumulated depreciation		408	772
		<u>13</u>	<u>191</u>
Proceeds from disposal		3	25
		<u>10</u>	<u>166</u>
Pageant assets:			
Historic cost of assets disposed/written-off		121	14
Less: Accumulated depreciation		101	14
		<u>20</u>	<u>-</u>
		<u>30</u>	<u>166</u>
9. Receivables			
Debtors		2 371	743
Less: Provision for doubtful debts		20	10
		<u>2 351</u>	<u>733</u>
GST receivable		790	-
		<u>3 141</u>	<u>733</u>
10. Prepayments			
Event sponsorship and advertising		7	65
Other		43	9
		<u>50</u>	<u>74</u>
11. Plant and Equipment			
		2001	
		Office	Pageant
		Equipment	Assets
		\$'000	\$'000
Gross Carrying Amount:			
Balance at 1 July		1 162	1 969
Purchases		331	146
Disposals		421	-
Balance at 30 June		<u>1 072</u>	<u>2 115</u>
Accumulated Depreciation:			
Balance at 1 July		828	110
Depreciation expense		213	231
Disposals		408	-
Balance at 30 June		<u>633</u>	<u>341</u>
Net Book Value:			
As at 30 June 2000		334	1 859
As at 30 June 2001		<u>439</u>	<u>1 774</u>
12. Intangibles			
Goodwill:		2001	2000
Goodwill in Christmas Pageant at cost		\$'000	\$'000
Less: Accumulated amortisation		200	200
		<u>52</u>	<u>42</u>
		<u>148</u>	<u>158</u>
Event Naming Rights:			
World Solar Challenge at cost		300	300
Less: Accumulated amortisation		140	110
		<u>160</u>	<u>190</u>
		<u>308</u>	<u>348</u>
13. Payables			
Current:			
Trade creditors		2 683	2 052
Accrued expenses		1 185	2 576
Employee on-costs		103	97
GST payable		64	-
		<u>4 035</u>	<u>4 725</u>
Non-Current:			
Employee on-costs		64	51
		<u>64</u>	<u>51</u>

14. Other Liabilities		2001	2000
Current:		\$'000	\$'000
Unclaimed monies		46	33
Unearned revenue		444	202
Workers compensation*		4	-
		494	235
Non-Current:			
Workers compensation*		15	-
* The workers compensation provision is an actuarial estimate of the outstanding liability at 30 June provided by Taylor Fry Consulting Actuaries engaged through the Office for the Commissioner for Public Employment. This actuarial estimate provides for the estimated cost of ongoing payments to employees as required under current legislation.			
15. Employee Entitlements		2001	2000
Current:		\$'000	\$'000
Provision for annual leave		521	466
Provision for long service leave		172	214
		693	680
Non-Current:			
Provision for long service leave		480	428
16. Borrowings			
Balance 1 July		-	-
Add: Borrowings received		1 480	-
Less: Repayments		80	-
Balance 30 June		1 400	-
Represented by:			
Current borrowings		113	-
Non-current borrowings		1 287	-
		1 400	-
17. 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:			
Balance 1 July		4 482	2 237
Transfer to (from) accumulated surplus		(3 001)	2 245
Balance 30 June		1 481	4 482
18. Accumulated Surplus			
Balance at 1 July		2 165	1 202
Operating (Deficit) Surplus		(3 468)	3 208
Transfer (to) from Tourism Infrastructure Reserve		3 001	(2 245)
Balance 30 June		1 698	2 165
19. 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:			
Not later than one year		843	791
Later than one year but not later than five years		2 104	2 472
Later than five years		671	-
		3 618	3 263
These commitments have been calculated at current rates as lease terms are reviewed at regular intervals.			
(b) Other Commitments			
The commission has entered into agreements 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 giving rise to a future rather than a present obligation for payment. These commitments are summarised as follows:			
		2001	2000
		\$'000	\$'000
Tourism marketing boards		1 835	-
Tourism infrastructure projects		1 480	5 991
Events		885	1 880
Grant/support to Tourism Council of Australia		-	30
Adelaide Convention and Tourism Authority grants		-	615
Grant to 'One and All'		-	150
Other programs		-	50

20. 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 concerning the staging of the Le Mans event in Adelaide. It is not possible to estimate the amount payable, if any, with respect to this claim.

21. Notes to the Statement of Cash Flows

(a) Reconciliation of Net Cash (used in) provided by Operating Activities to Operating Result	2001	2000
	\$'000	\$'000
Net cash (used in) provided by operating activities	(4 108)	4267
Depreciation and amortisation	(563)	(505)
Net loss on disposal of equipment	(30)	(166)
Change in assets and liabilities:		
Decrease in prepayments	(24)	(115)
Increase in receivables	2 408	253
Decrease in lease liabilities	-	4
(Increase) Decrease in employee entitlements	(65)	184
(Increase) in other liabilities	(274)	(171)
Increase in payables	(812)	(543)
Operating (Deficit) Surplus	(3 468)	3 208

(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:

	2001	2000
	\$'000	\$'000
Cash at 30 June comprised:		
Cash on hand and at Treasury (unexpended balance)	3 386	8 585
Deposits at call (accrual appropriation funds)	919	498
	4 305	9 083

22. Financial Instrument**(a) Interest Rate Risk**

The following table details the Commission's exposure to interest rate risk as at 30 June 2001.

	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate Maturity			Non-Interest Bearing	Total
			Less than 1 year	1 to 5 years	Greater than 5 years		
	Percent	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:							
Cash - Operating account	5.80	3 386	-	-	-	-	3 386
Cash - Accrual appropriation funds	5.92	919	-	-	-	-	919
Receivables		-	-	-	-	3 141	3 141
		4 305	-	-	-	3 141	7 446
Financial Liabilities:							
Payables		-	-	-	-	3 682	3 682
Borrowings	6.72	-	114	536	750	-	1 400
		-	114	536	750	3 682	5 082

(b) Credit Risk

The Commission does not have any significant credit risk exposure to any single creditor.

The carrying amount of financial assets recorded in the financial statements, net of provisions for doubtful debts, represent the Commission's maximum exposure to credit risk.

(c) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represent their respective net fair values.

23. Targeted Voluntary Separation Packages (TVSPs)

In accordance with government policy to reduce the public sector work force, 4 (11) employees of the Commission were paid TVSPs during 2000-01. Payments totalling \$94 000 (\$391 000) were met by the Commission and have been or will be recovered from the Department of the Premier and Cabinet. During the year \$187 000 (\$297 000) was recovered from the Department of the Premier and Cabinet.

In addition, accrued annual leave and long service leave entitlements amounting to \$18 000 (\$91 000) were paid to those employees who received a TVSP.

24. 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)	M Angelakis
P Styles (Deputy Chairman)	N Downer
T Bettess	L Bowes
P Hurley	P Hoffman

(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.

25. Remuneration of Directors of the Board

The number of Directors whose total remuneration received or due and receivable fell within the following bands was:

	2001	2000
	Number of Board Members	Number of Board Members
\$0 - \$10 000	-	5
\$10 001 - \$20 000*	6	4
\$20 001 - \$30 000	1	2
\$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 \$135 000 (\$143 000).

26. Remuneration of Employees

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

	2001	2000
	Number of Employees	Number of Employees
\$100 001 - \$110 000	1	2
\$110 001 - \$120 000	-	2
\$120 001 - \$130 000	2	1
\$130 001 - \$140 000	-	2
\$150 001 - \$160 000	1	-
\$210 001 - \$220 000	1	-
\$230 001 - \$240 000	-	1

The total remuneration received or due and receivable by employees whose remuneration exceeded \$100 000 was \$733 000 (\$1 056 000). The remuneration includes salary, employer's superannuation costs, use of a motor vehicle, associated fringe benefits tax and termination payments where applicable.

27. Auditors' Remuneration

Amounts received, or due and receivable by the Auditor-General's Department for auditing of the accounts

2001	2000
\$'000	\$'000
53	50

28. Consultants

Total expenditure on 18 (27) consultancies in 2000-01 amounted to \$609 000 (\$774 000).

	2001	
	Number of Consultants	\$'000
Less than \$10 000	10	33
\$10 000 - \$50 000	7	216
Greater than \$50 000	1	360

Consultancies costing between \$10 000 and \$50 000 per Consultancy

<i>Project</i>	<i>Consultants</i>
State Wide Tourism PAR and Planning Bulletin	Nolan Rumsby Planners
SA Tourism Plan - Global trends	Ruthven Investments Pty Ltd
Tourism Development Performance Criteria Report	Hassell Pty Ltd
SATC Strategy Development Procedure	BDA Marketing Planning Pty Ltd
SA Tourism Review	BDA Marketing Planning Pty Ltd
Wine Sector Market Research	Market Equity (SA) Pty Ltd
SA Regional Branding Research	Sweeney Research

Consultancies Costing in Excess of \$50 000 per Consultancy

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:

- focuses on services for the generation, synthesis and dissemination of information and technology;
- regulates the use of and protects the State's natural and productive resources;
- provides 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.



SIGNIFICANT FEATURES

- Net cost of services increased by \$10.4 million to \$124 million.
- The cost of supplies and services increased by \$16.8 million to \$89.3 million.
- Advances and grants received increased by \$7.1 million to \$32.7 million.
- The cost of the Locust Control Program was \$6.6 million.
- \$3.1 million was expended on the Fruit Fly Eradication Program.
- Expenditure on the Loxton Irrigation Scheme was \$11.2 million.
- Royalties received were \$109.1 million, an increase of \$27.6 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 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 2000-01 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 reviewed major elements of the Locust Control Program and ascertained whether the Department had processes in place to capture all transactions for Goods and Services Tax (GST) reporting purposes.

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 Department's initiatives to implement modern concepts and principles in financial management consistent with the requirements of the Financial Management Framework. In particular, Audit had noted the Department's progress with respect to risk management and that a Risk Manager had not been appointed.

During the year, the Department appointed a Principal Adviser, Risk Management and Audit and also established a Risk and Audit Committee. In addition, Charters were developed for both the Risk and Audit Committee and the Risk Management and Audit Unit.

Significant work has been undertaken by the Department to develop risk identification mechanisms.

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

Statement of Financial Performance

Net Cost of Services

The net cost of services increased by \$10.4 million to \$124 million as a result of an increase in expenses from ordinary activities of \$18.8 million offset by an increase in revenues from ordinary activities of \$8.4 million.

The principal increases in expenses were adverse events \$7.5 million and the Loxton Irrigation Scheme \$9.3 million.

An increase of \$7.1 million in advances and grants was the main reason for the increase in revenues from ordinary activities.

Adverse Events

Notes 4 and 5 to the financial statements make comments on costs of \$12.5 million for adverse events. The major costs related to the Locust Control Program \$6.6 million (\$488 000), the Fruit Fly Eradication Program \$3.1 million (\$1.6 million) and Ovine Johne's disease \$2.6 million (\$765 000). Comments on the programs for locust control and fruit fly eradication are included under 'Further Commentary on Operations'.

FURTHER COMMENTARY ON OPERATIONS

Locust Control Program

Due to the early identification of a significant plague locust problem expected to occur in the spring of 2000, the Department undertook extensive planning prior to the commencement of any field operations.

To maximise the impact of the program and reduce the risk of damage to agricultural production in the State, a framework was established that included input from other government agencies, local government, industry liaison groups and a community reference group.

The extent of the outbreak of plague locusts was the reason for costs increasing from \$551 000 in 1999-2000 to \$6.6 million in 2000-01. The major costs included purchase of chemicals \$3.4 million, and aircraft hire and associated costs of \$1 million.

Fruit Fly Eradication

A large number of outbreaks involving Mediterranean fruit fly has contributed to increased costs in 2000-01. Costs for the year were \$3.1 million and included \$2.2 million for contractors and \$270 000 for purchase of chemicals.

As a result of community concerns about the health and safety aspects of the program, the Minister for Primary Industries and Resources announced, in May 2001, the halt to cover spraying and in June 2001 approved an independent review of the program. The review is to be completed by the end of August 2001 and the findings will be presented to a Reference Panel, constituted of key stakeholders, for final recommendations to be made.

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.

Current total estimated cost is \$24 million with the potential to expand initially to \$33 million under the National Action Plan for Salinity and Water Quality. Infrastructure works ownership is transferred to the South Eastern Water Conservation and Drainage Board (SEWCDB) at nil consideration at the completion of each stage. At 30 June 2001, total infrastructure assets transferred were \$6.5 million.

During 2000-01 expenditure on this project was \$4.4 million with total program costs to date being \$16.7 million. Levies received from the local community were \$990 000 (\$873 000) and Commonwealth funding was \$nil (\$674 000). Commonwealth funding to date totals \$5.4 million. The Commonwealth funding has been withheld since 1999-2000 due to environmental concerns and the need to satisfy a number of conditions of the Plan. The Department expects that funding from the Commonwealth will be re-instated in 2001-02.

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 \$39.1 million with the State and Loxton growers' share being estimated to be \$24.6 million over the projected construction period of five years.

During 2000-01 expenditure on the project was \$11.2 million with total program costs to date being \$14.9 million. Funding received from the Commonwealth was \$5.2 million.

Remote Areas Energy Scheme

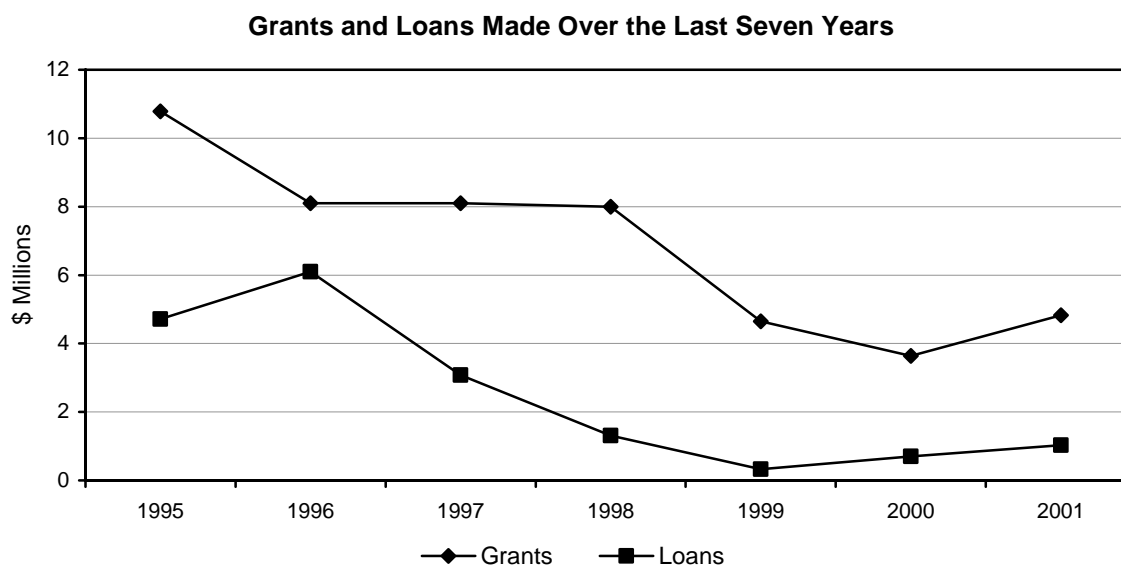
The Department assumed sole responsibility for electricity supply and service of customers in the areas covered by the Remote Areas Energy Scheme (RAES) Electricity Distribution Systems.

During 2000-01 subsidies paid relating to RAES amounted to \$5 million (\$3 million). In this period RAES electricity sales totalled \$664 000 (\$791 000).

Rural Finance and Development

Assistance to Primary Producers

The following graph shows the level of assistance provided to the rural sector over the last seven years.



Assistance to the rural sector was \$5.9 million (\$4.3 million) comprising:

	2001	2000
	\$'000	\$'000
Grants ⁽ⁱ⁾	4 824	3 636
Loans	1 027	704
	5 851	4 340

(i) Includes:

- The FarmBis Program \$2.9 million (\$786 000). The Program, which is part of the Commonwealth Government's Agriculture - Advancing Australia package, is a \$14.5 million initiative which includes grants and support costs for farmers to improve their business management skills.
- The Eyre Peninsula Regional Strategy \$590 000 (\$1.9 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 in 2000-01 was by way of interest rate subsidy. In 1999-2000, support was by way of a re-establishment grant or interest rate subsidy.
- The Riverland Rural Partnership Program \$635 000 (\$413 000). The Program develops and implements a range of targeted support measures for the sustainable economic development of the region. Producers will have opportunities to improve management practices, improve productivity and resource efficiency, improve quality and quantity of products and enhance current export opportunities.

Refer to Note 6 to the Financial Statements.

Loans Outstanding by the Rural Sector

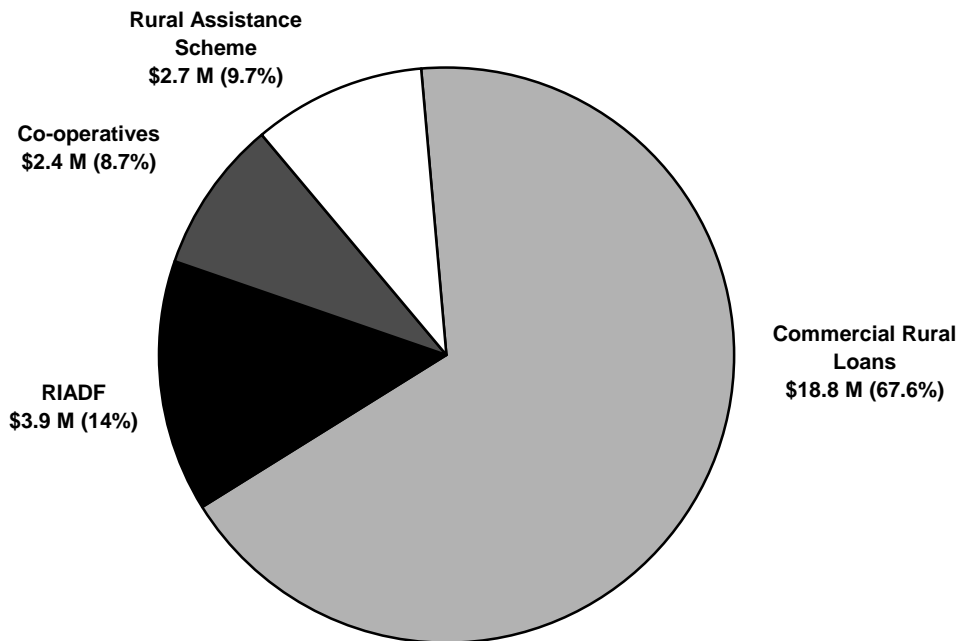
As at 30 June 2001 the rural sector had balances of loans outstanding totalling \$27.8 million (\$34 million).

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 2001 divided into the schemes under which the loans were made.

Total advances for the year amounted to \$1 million (\$704 000) and \$6.6 million (\$6.7 million) was repaid by the rural sector.

Analysis of Loans Outstanding as at 30 June 2001 by Scheme



Administered Funds

Included in the Program Schedule of Departmental Administered Expenses and Revenues for the 2000-01 financial year are the following:

National Heritage Trust

The Natural Heritage Trust of Australia Reserve was established by the *Natural 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 2000-01 financial year Commonwealth Grants were \$23.1 million (\$25.1 million). Expenditure was \$22.5 million (\$25.5 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 2000-01 receipts from the major customers were \$220.9 million (\$209.2 million) and payments to gas producers totalled \$220.9 million (\$209.2 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 is operated through a Deposit Account (refer to Notes 2(b) and 30 to the Financial Statements) 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	Receipts \$'000	Payments \$'000	Funds held at 30 June \$'000
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
2000-01	910	1 790	3 931

Royalties

Royalties received in respect to mineral and petroleum production and gas licences increased by \$27.6 million to \$109.1 million during 2000-01. The increase is the result of:

- a reduction of \$2.3 million in royalties from gas licences due to a decrease in the gas sales levy;
- an increase of \$17.4 million in royalties from natural gas/liquids mainly as a result of an increase in oil prices;
- an increase of \$12.4 million in royalties from minerals following increased production at Roxby Downs.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	4	78 393	78 783
Supplies and services	5	89 293	72 472
Grants	6	21 406	19 181
Interest		1 564	1 842
Provision for doubtful debts	7	544	(420)
Depreciation and amortisation	8	5 694	5 389
Other	9	943	1 772
Total Expenses		197 837	179 019
REVENUES FROM ORDINARY ACTIVITIES:			
User charges, fees and rentals	10	25 090	24 655
Advances and grants	11	32 696	25 549
Interest	12	5 646	6 102
Sales of goods	13	4 905	4 300
Other	14	5 499	4 839
Total Revenues		73 836	65 445
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		124 001	113 574
REVENUES FROM GOVERNMENT:			
Pursuant to <i>Appropriation Act 2000</i>	2(d)	113 850	107 635
DECREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES BEFORE RESTRUCTURING		10 151	5 939
NET EXPENDITURE FROM RESTRUCTURING		-	3 398
DECREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES AFTER RESTRUCTURING	37	10 151	9 337
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	37	10 151	9 337

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash	2(h),33	63 701	69 750
Receivables	16	7 627	5 942
Loans	17	1 787	1 729
Inventories	18	3 659	2 654
Prepayments		-	516
Other	20	27	32
Total Current Assets		76 801	80 623
NON-CURRENT ASSETS:			
Loans	17	23 900	29 977
Inventories	18	257	264
Property, plant and equipment	19	95 149	96 883
Other	20	51	42
Total Non-Current Assets		119 357	127 166
Total Assets		196 158	207 789
CURRENT LIABILITIES:			
Creditors and accruals	21	7 904	5 787
Borrowings	22	693	462
Accrued interest on borrowings		465	542
Provision for employee entitlements	23	4 511	4 455
Other		517	-
Total Current Liabilities		14 090	11 246
NON-CURRENT LIABILITIES:			
Creditors and accruals	24	3 360	3 098
Borrowings	22	20 469	24 547
Provision for employee entitlements	23	15 120	15 231
Lease incentive	2(f)	2 813	3 210
Total Non-Current Liabilities		41 762	46 086
Total Liabilities		55 852	57 332
NET ASSETS		140 306	150 457
EQUITY:			
General reserve	25	2 000	2 000
Committed grants reserve	26	13 979	12 187
Asset revaluation reserve		1 753	1 753
Accumulated surplus		122 574	134 517
TOTAL EQUITY	37	140 306	150 457
Commitments	27		
Contingent Liabilities	35		

Statement of Cash Flows for the year ended 30 June 2001

		2001	2000
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees	Note	(167 937)	(153 474)
Grants paid		(21 406)	(19 181)
Receipts from customers		36 580	32 287
Grants received		33 184	25 139
Interest on loans to the rural sector		2 844	3 300
Interest paid on loans		(1 641)	(2 070)
Interest on cash balances		3 010	2 991
GST payments on purchases		(10 508)	-
GST receipts on sales		2 029	-
GST receipts from taxation authority		6 019	-
CASH FLOWS FROM GOVERNMENT:			
Pursuant to <i>Appropriation Act 2000</i>	2(d)	113 850	107 635
Net Cash used in Operating Activities	33	<u>(3 976)</u>	<u>(3 373)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(3 491)	(8 017)
Proceeds from sale of property, plant and equipment		105	2 294
Payment of lease liability		(397)	-
Loans advanced to the rural sector		(1 027)	(704)
Loans repaid by the rural sector		6 619	6 737
Net Cash provided by Investing Activities		<u>1 809</u>	<u>310</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings from Treasury		914	695
Principal repaid to Treasury/SAFA		(4 796)	(7 788)
Net Cash used in Financing Activities		<u>(3 882)</u>	<u>(7 093)</u>
NET DECREASE IN CASH HELD		<u>(6 049)</u>	<u>(10 156)</u>
CASH AT 1 JULY		<u>69 750</u>	<u>79 906</u>
CASH AT 30 JUNE	33	<u>63 701</u>	<u>69 750</u>

Program Schedule of Departmental Administered Expenses and Revenues for the year ended 30 June 2001

	Sheep Industry Levy \$'000	Grains Industry Levy \$'000	Cattle Industry Fund \$'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 Mgmt Task Force \$'000	SA Water Corpor- ation \$'000	Other \$'000	2001 Total \$'000
ADMINISTERED EXPENSES:															
Payment to Cooper Basin producers	-	-	-	-	-	-	-	-	-	-	220 928	-	-	-	220 928
Natural Heritage Trust	-	-	-	-	-	-	-	-	-	22 467	-	-	-	-	22 467
Interest payment	-	-	-	99	-	-	-	-	-	-	-	-	-	-	99
Fisheries licences	-	-	-	-	-	-	12 188	-	-	-	-	-	-	-	12 188
Compensation payments	-	-	66	-	-	-	-	-	-	-	-	-	-	-	66
Commonwealth levies	-	282	-	-	-	-	-	-	-	-	-	-	-	92	374
Salaries costed to administered funds	6	-	-	-	-	-	-	-	-	-	-	-	-	220	226
Supplies and services	852	-	350	-	-	4	2	-	1	3	-	229	-	462	1 903
Sitting fees	1	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Grants	-	-	-	-	-	101	-	-	-	-	-	-	-	201	302
Subsidy	9	-	-	-	-	-	-	-	-	-	-	-	77 084	-	77 093
Other	350	-	-	-	-	-	17	-	-	-	-	101	-	1 356	1 824
Total Expenses	1 218	282	416	99	-	105	12 207	-	1	22 470	220 928	330	77 084	2 331	337 471
ADMINISTERED REVENUES:															
Natural gas revenue	-	-	-	-	-	-	-	-	-	-	220 928	-	-	-	220 928
Natural Heritage Trust	-	-	-	-	-	-	-	-	-	23 094	-	-	-	-	23 094
Fisheries licences	-	-	-	123	-	-	13 313	-	-	-	-	-	-	7	13 443
Advances and grants	-	-	-	-	-	-	-	-	-	-	-	-	-	40	40
Commonwealth levies	-	890	-	-	-	-	-	-	-	-	-	-	-	1 876	2 766
Stamp duties	1 319	-	223	-	-	86	-	-	-	-	-	-	-	-	1 628
Interest on cash balances	43	7	163	18	1	57	-	-	-	-	-	-	-	6	295
Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	77 084	-	77 084
Other	-	-	25	168	-	-	3	-	-	1 075	-	-	-	430	1 701
Total Revenues	1 362	897	411	309	1	143	13 316	-	-	24 169	220 928	-	77 084	2 359	340 979
ADMINISTERED REVENUES LESS EXPENSES	144	615	(5)	210	1	38	1 109	-	(1)	1 699	-	(330)	-	28	3 508

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

	Sheep Industry Levy \$'000	Grains Industry Levy \$'000	Cattle Industry Fund \$'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 Mgmt Task Force \$'000	SA Water Corpor- ation \$'000	Other \$'000	2000 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 Assets and Liabilities as at 30 June 2001

	Sheep Industry Levy \$'000	Grains Industry Levy \$'000	Cattle Compensation \$'000	Gulf St Vincent Prawn Fishery \$'000	Soil Conser- vation \$'000	Swine Compen- sation \$'000	Fisheries Research And Develop- ment \$'000	Egg Industry Dereg- ulation \$'000	Natural Heritage Trust \$'000	Natural Gas Authority \$'000	Energy Mgmt Task Force \$'000	Pastoral Board \$'000	Other \$'000	2001 Total \$'000
ADMINISTERED ASSETS:														
Current Assets:														
Receivables	-	-	-	-	-	-	-	-	-	-	133	-	145	278
Cash	611	619	2 785	18	23	974	1 864	465	3 092	399	1 114	-	683	12 647
Total	611	619	2 785	18	23	974	1 864	465	3 092	399	1 247	-	828	12 925
Non-Current Assets:														
Property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	23 591	-	23 591
Total Assets	611	619	2 785	18	23	974	1 864	465	3 092	399	1 247	23 591	828	36 516
ADMINISTERED LIABILITIES:														
Current Liabilities:														
Creditors and accruals	4	-	2	-	-	-	-	-	-	-	111	8	141	266
Total	4	-	2	-	-	-	-	-	-	-	111	8	141	266
Non-Current Liabilities:														
Borrowings	-	-	-	1 195	-	-	-	-	-	-	-	-	-	1 195
Total Liabilities	4	-	2	1 195	-	-	-	-	-	-	111	8	141	1 461
NET ASSETS	607	619	2 783	(1 177)	23	974	1 864	465	3 092	399	1 136	23 583	687	35 055
EQUITY:														
Accumulated surplus (deficit)	607	619	2 783	(1 177)	23	974	1 864	465	3 092	399	1 136	23 583	687	35 055

Program Schedule of Departmental Administered Assets and Liabilities as at 30 June 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	Egg Industry Dereg- ulation \$'000	Natural Heritage Trust \$'000	Natural Gas Authority \$'000	Energy Mgmt Task Force \$'000	Other \$'000	2000 Total \$'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

Output Schedule of Departmental Expenses and Revenues for the year ended 30 June 2001

	Information Services	State Resource Regulation Services	Coordination and Advice	Facilitation Services	2001 Total	2000 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:						
Supplies and services	31 620	22 456	3 620	31 597	89 293	72 472
Employee costs	36 937	16 843	6 082	18 531	78 393	78 783
Grants	2 741	863	37	17 765	21 406	19 181
Depreciation and amortisation	2 682	1 223	458	1 331	5 694	5 389
Interest	-	-	-	1 564	1 564	1 842
Provision for doubtful debts	55	68	1	420	544	(420)
Other	321	102	257	263	943	1 772
Total Expenses	74 356	41 555	10 455	71 471	197 837	179 019
REVENUES FROM ORDINARY ACTIVITIES:						
User charges, fees and rentals	10 011	12 472	256	2 351	25 090	24 655
Advances and grants	12 940	3 446	297	16 013	32 696	25 549
Sales of goods	3 358	7	1	1 539	4 905	4 300
Interest	212	212	212	5 010	5 646	6 102
Other	2 028	448	103	2 920	5 499	4 839
Total Revenues	28 549	16 585	869	27 833	73 836	65 445
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	45 807	24 970	9 586	43 638	124 001	113 574
GOVERNMENT REVENUES:						
Pursuant to <i>Appropriation Act 2000</i>	40 319	21 978	8 436	43 117	113 850	107 635
DECREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES	5 488	2 992	1 150	521	10 151	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 government agency focused on sustainable economic development.

PIRSA delivers specialist services and advice with the potential to increase the prosperity of South Australians, to improve their quality of life and to ensure the sustainable development of the State's resource base for future generations. PIRSA delivers these services through locations across South Australia.

PIRSA's business is to optimise the return on South Australia's natural assets by:

- fostering the sustainable development of new and existing industries across the food, fibre, minerals and energy sectors;
- facilitating global competitiveness and innovative solutions;
- building partnerships between industry, the community and government;
- providing information and knowledge to help people make the right decisions for themselves;
- regulating to preserve resources for future generations.

The principal sources of funds for 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 represent the operations of PIRSA for the year 1 July 2000 to 30 June 2001.

This financial report is a general purpose financial report.

The accounts have been prepared in accordance with applicable Australian Accounting Standards, Statements of Accounting Concepts, Urgent Issues Group Abstracts and Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The accounts have been prepared on the accrual basis of accounting. Except for certain assets which are at 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.

(b) The Reporting Entity (continued)**Trust Funds**

The Department has received monies in a trustee capacity for trusts as set out in Note 30. As the Department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the Department's objectives, they are not brought to account in the financial statements, but are shown in Note 30.

Transfer of the Pastoral Board from the Department for Environment and Heritage

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 responsibility for the *Pastoral Land Management and Conservation Act 1989* was transferred from the Department for Environment and Heritage to Primary Industries and Resources SA. On 18 December 2000 the Pastoral Board and the Unit administering this Act were transferred to PIRSA. The revenue, expenditure and cash flows associated with their operations were transferred to PIRSA effective from 1 July 2000 and have been included in these statements.

Bio Innovation SA

Bio Innovation SA became a separate entity effective 14 June 2001. Refer to Note 36 for details of this change.

(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 15.

(f) Non-Current Assets

Items of property, plant and equipment are recorded in the Statement of Financial Position as detailed below unless otherwise indicated:

(i) Land and Buildings

In accordance with current Accounting Policy Statements issued by the Department of Treasury and Finance, the Department has applied the Australian Accounting Standard AAS 38 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis while the relationship between fair value and the existing valuation basis in the South Australian public sector is examined further.

The Department has adopted the requirements of the Department of Treasury and Finance Accounting Policy Statements APS 3 'Revaluation of Non-Current Assets' and 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:

Buildings	Years 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.

The fit-out costs for this leased property were met by the lessor. In accordance with Urgent Issues Group Abstract 3 'Lessee Accounting for Lease Incentives under a Non-Cancellable Operating Lease', this fit-out has been treated as a lease incentive giving rise to both an asset and a liability being the cost of the fit-out. The asset is amortised over the period of the lease and the liability is reduced through lease payments over the term of the lease.

(g) **Employee Entitlements**

(i) **Salaries and Wages 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 entitlement 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 age, this liability is recorded by the SA Superannuation Board. The Department records a liability for any outstanding employer superannuation contributions payable to the SA Superannuation Board. The Department also recognises a non-employee entitlement liability for the superannuation on-cost on long service leave, annual leave and accrued salaries and wages.

During the year 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.

(h) **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 2001 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.

(i) **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.

(j) **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. In addition, review of individual loan balances is undertaken and specific provisions are created where appropriate. This approach has been retained for 2000-01 and will be reviewed in 2001-02.

(k) **Goods and Services Tax (GST)**

Legislation to introduce the goods and services tax (GST) on 1 July 2000, titled *A New Tax System (Goods and Services Tax) Act 1999*, was assented to on 8 July 1999. The GST replaces the wholesale sales tax regime and a number of other taxes.

(k) Goods and Services Tax (GST) (continued)

The GST legislation provides that the price quoted for the supply of goods and services and the price paid by the purchaser must include the amount of the GST where applicable. As such, the gross proceeds collected by the supplier includes the amount of GST. The GST is collected on behalf of the taxation authority. The purchaser of goods and services subject to the GST is, in many circumstances, able to obtain input tax credits for the GST included in the price of the goods and services acquired. Therefore, the price paid by the purchaser includes the GST that will be recovered from the taxation authority where an input tax credit can be claimed.

The Department has complied with Urgent Issues Group Abstract 31 'Accounting for the Goods and Services Tax (GST)' which provides that cash flows must be included in the statement of cash flows on a gross basis in accordance with Accounting Standards AASB 1026 and AAS 28 'Statement of Cash Flows', and revenues, expenses and assets must be recognised net of the amount of GST, except that receivables and payables must be stated inclusive of GST and the amount of GST incurred by a purchaser that is not recoverable from the taxation authority must be recognised as part of the cost of acquisition of an asset or as part of an item of expense.

3. Outputs of the Department**(a) General**

Information about the Department's output classes is set out in the Output Class Summary.

(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 legislative responsibilities or Cabinet policy.

Output Class 3 - Coordination and Advice

The focus is on coordination of whole-of-government initiatives or services as well as policy advice and development for and on behalf of the Minister.

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.

4. Employee Costs**

	2001 \$'000	2000 \$'000
Salaries and wages	66 177	66 597
Superannuation	7 324	7 381
Payroll tax	4 945	4 405
Annual and long services leave expenses*	(53)	400
	78 393	78 783

* 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.

** 2000-01 figures include costs of \$1.8 million (\$1.5 million) for adverse events and \$204 000 (\$130 000) for the Upper South-East Dryland Salinity and Flood Management Plan. Supply and service costs associated with these activities are disclosed in Note 5.

5. Supplies and Services

	2001 \$'000	2000 \$'000
Professional services	19 621	20 474
Operational and administrative costs	14 074	13 739
Utility and property costs	9 446	10 045
Computing costs	5 770	4 537
Travel	8 176	7 521
Vehicle and equipment operating costs	2 060	2 133
Adverse events ⁽¹⁾	10 727	3 534
Upper South-East Dryland Salinity and Flood Management ⁽²⁾	4 242	4 349
Telephone calls and rental	1 948	2 293
Loxton Irrigation Scheme ⁽³⁾	11 189	1 900
Staff training and development	1 536	1 618
Other	504	329
	89 293	72 472

(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. The significant increase in adverse events expenditure in 2000-01 is due primarily to the Locust Control Program.

(2) The drainage component of the Upper South East Dryland 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. Current total estimated cost is \$24 million with potential to expand initially to \$33 million under the National Action Plan for Salinity and Water Quality. Infrastructure works ownership will be transferred to the South-Eastern Water Conservation Drainage Board, upon completion of each stage. Employee costs associated with the Upper South East Dryland Salinity and Flood Management Plan.

(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 \$39.1 million with the State and Loxton growers' share estimated to be \$24.6 million spread over the projected construction period of five years.

Primary Industries and Resources

6. Grants Paid	2001	2000
Rural Finance and Development:	\$'000	\$'000
Rural Adjustment Scheme	-	363
Eyre Peninsula Regional Strategy	590	1 941
Young Farmers Scheme	-	49
FarmBis	2 887	786
Central North East Farm Assistance Program	61	-
Rural counsellors	274	-
Project funding	193	84
Property management planning	117	-
South East Confined Aquifer Rehabilitation Scheme	56	-
Branched Broomrape	11	-
Riverland Rural Partnership Program	635	413
	4 824	3 636
Other State and Local Government Agencies:		
Animal and Plant Control Commission	3 451	3 558
University of Adelaide	642	742
Roxby Downs Council	490	321
Dog Fence Board	367	350
Natural Heritage Trust	-	392
Agriculture Fisheries Forestry Australia	293	-
Other	459	423
	5 702	5 786
Private Sector:		
Remote Areas Energy Scheme	4 971	2 995
Collaborative payments	2 460	4 089
SA Food and Beverage Exporters Association	600	-
SA Steel and Energy Project	-	750
Anangu-Pitjantjatjara Council	100	150
Stone Industry Association	140	-
Soil Conservation Board	228	213
Ovine Johne's Disease	-	22
Other	2 381	1 540
	10 880	9 759
Total Grants Paid	21 406	19 181
7. Provision for Doubtful Debts		
Movements in the provision for doubtful debts (refer Note 2(j)) during the period were:		
Balance at 1 July	2 471	2 891
Less: Write-offs	635	-
	1 836	2 891
Add: Amount provided	544	(420)
Balance at 30 June	2 380	2 471
8. Depreciation and Amortisation Expenses		
Depreciation:		
Plant and equipment	3 658	3 652
Building and improvements	1 623	1 601
Borehole network	-	120
	5 281	5 373
Amortisation:		
Leasehold improvements	397	-
Amdel loan	16	16
	413	16
Total Depreciation and Amortisation Expenses	5 694	5 389
9. Other Expenses		
Capital loss on early repayment of debt to the Department of Treasury and Finance	21	126
Guarantee fees	37	72
Contributions to external bodies	504	328
Department for Water Resources externally funded projects	-	872
Other	381	374
	943	1 772
10. User Charges, Fees and Rentals		
Fishing licences*	8 484	8 750
Mining and petroleum application fees	354	391
Gas and electricity licence fees	2 220	1 520
Remote Areas Energy Scheme electricity sales	664	791
Mining and petroleum rentals	5 178	4 743
Consultancy and service	6 104	6 405
Other licences	384	259
Seed analysis and certification	877	765
Inspection and registration	486	587
Other	339	444
	25 090	24 655

* 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 2001 \$1.8 million of those contributions, which have been recognised as revenue in the Statement of Financial Performance are yet to be spent in the manner specified by the contributors.

	2001			2000		
	Grants Received \$'000	Expenditure \$'000	Unexpended Grants \$'000	Grants Received \$'000	Expenditure \$'000	Unexpended Grants \$'000
Commonwealth Grants						
Rural Adjustment Scheme	-	-	-	226	226	-
Eyre Peninsula Regional Strategy	856	856	-	532	532	-
Riverland Rural Partnership Program	385	385	-	661	413	248
FarmBis	2 462	2 462	-	1 073	786	287
Central North East Farm Assistance Program	83	83	-	-	-	-
Loxton Irrigation Scheme	5 200	5 200	-	-	-	-
Natural Heritage Trust	6 027	4 768	1 259	7 253	6 958	295
Branched Broomrape	634	634	-	39	39	-
Murray Darling Basin Commission	133	133	-	262	262	-
Other	170	170	-	62	62	-
Total Commonwealth Grants	15 950	14 691	1 259	10 108	9 278	830
State Grants						
Natural Heritage Trust	-	-	-	82	82	-
National Gas Pipelines Advisory Committee	436	388	48	387	-	387
Animal and Plant Control (Regions)	318	318	-	-	-	-
Farmed Seafood Initiative	50	2	48	180	112	68
Food Plan	431	431	-	141	141	-
Ovine Johne's Disease	934	934	-	-	-	-
Branched Broomrape	545	545	-	360	360	-
Other	831	831	-	726	726	-
Total State Grants	3 545	3 449	96	1 876	1 421	455
Industry Grants						
Fisheries RDC	1 189	1 189	-	1 289	1 191	98
Fisheries RDC Pro-active Grant	-	-	-	79	67	12
Grains RDC	6 073	6 046	27	5 996	5 996	-
Horticulture RDC	1 234	1 234	-	990	990	-
Pig RDC	448	357	91	698	512	186
Rural Industries RDC	463	438	25	308	308	-
Meat RDC	25	25	-	102	102	-
Dried Fruits RDC	112	86	26	214	135	79
Dairy RDC	221	196	25	181	134	47
International Wool Secretariat	195	195	-	174	174	-
SA Grains Industry Trust Fund	540	412	128	693	649	44
Co-operative RDC	104	104	-	-	-	-
Grape and Wine RDC	302	302	-	437	406	31
CRC for aquaculture	276	168	108	-	-	-
CRC for beef	38	38	-	-	-	-
CRC for viticulture	249	212	37	-	-	-
Animal Health Council	-	-	-	126	126	-
Other	1 732	1 732	-	2 278	2 278	-
Total Industry Grants	13 201	12 734	467	13 565	13 068	497
Total Grants Received	32 696	30 874	1 822	25 549	23 767	1 782

12. Interest Revenue		2001	2000
		\$'000	\$'000
Loans to the rural sector		2 608	3 087
Deposits lodged with Treasury		3 038	3 015
		5 646	6 102
13. Sales of Goods			
Plants		1 367	1 349
Livestock		946	352
Publications, books, maps and compact discs		478	672
Milk		614	627
Fruit and vegetables		206	231
Cereals		521	396
Wool and skins		245	162
Other		528	511
		4 905	4 300
14. Other Revenue			
South-Eastern Water Conservation Drainage Board levies		990	873
Loxton Irrigation external contributions		-	700
Seed royalties		448	390
Workers compensation recoveries		-	58
Government Employment Scheme recoups		194	579
Contribution from the Department for Water Resources		750	-
Transfer of Natural Disaster Relief Funding from administered funds		-	132
Hire of equipment		57	54
Reimbursements of salaries and project costs		2 349	677
Compensation for losses caused by delay in payment for Thebarton property		-	130
Other		711	1 246
		5 499	4 839

Primary Industries and Resources

15. Royalties			2001	2000
The following royalties were received and deposited into the Consolidated Account (refer Note 2(e)):			\$'000	\$'000
Licences:				
Gas licences			2 527	4 810
			2 527	4 810
Based on production:				
Natural gas/liquids			68 037	50 686
Minerals			37 199	24 796
Coal			1 327	1 224
			106 563	76 706
Total Royalties			109 090	81 516
16. Current Assets – Receivables				
Trade accounts receivable			6 854	4 689
Less: Provision for doubtful debts			256	119
			6 598	4 570
Accrued interest on loans and deposits			1 029	1 372
			7 627	5 942
17. Loans				
		2001		2000
(i) Rural Sector - Rural Finance and Development:		\$'000	\$'000	\$'000
Balance at 1 July			33 994	40 027
Advances during the year		1 027		704
Interest capitalised		2 844		3 300
			3 871	4 004
			37 865	44 031
Less: Principal repayments		9 463		10 037
Principal written off		635		-
Loans converted to grants		4		-
			10 102	10 037
Balance at 30 June			27 763	33 994
Other Loans:				
Balance 1 July			64	80
Less: Amortisation of loan			16	16
Balance at 30 June			48	64
Total Loan Balance at 30 June			27 811	34 058
(ii) Balance of Loans Outstanding comprises:				
Principal not yet due for repayment			27 811	33 821
Principal due but not yet paid			-	237
Total Principal Outstanding			27 811	34 058
(iii) Balance of Loans Classification:				
Current assets			1 787	1 729
Non-current assets			26 024	32 329
Less: Provision for doubtful debts			2 124	2 352
			23 900	29 977
			25 687	31 706
18. Inventories:				
Current:			2001	2000
			\$'000	\$'000
Livestock (Net realisable value)			1 961	1 454
Plants and related items (At cost)			642	526
Publications and other finished goods (At cost)			282	459
Other (At cost)			774	215
			3 659	2 654
Non-Current:				
Publications and maps (Net realisable value)			257	264
19. Property, Plant and Equipment				
Land:				
Land at independent valuation (30 June 1999)			9 682	9 682
Land at valuation (30 June 2000)			60	60
Land at cost			474	474
			10 216	10 216
Buildings and Improvements:				
Buildings at independent valuation (30 June 1999)			92 996	92 996
Buildings at valuation (30 June 2000)			461	461
Buildings at cost			1 731	1 526
Leasehold improvements			3 971	3 971
			99 159	98 954
Less: Accumulated depreciation and amortisation			30 744	28 724
			68 415	70 230

27. Commitments for Expenditure	2001	2000
Operating Leases	\$'000	\$'000
Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
Not later than one year	3 850	3 551
Later than one year and not later than five years	12 778	12 122
Later than five years	5 227	8 085
	21 855	23 758
Other		
Not later than one year	13 347	-
Later than one year and not later than five years	8 334	-
	21 681	-
Total Commitments for Expenditure	43 536	23 758

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 their terms.

Other consists of commitments for the Loxton Irrigation District Rehabilitation Project and the Upper South East Dryland Salinity and Flood Management Plan. Refer to Note 5 for additional information.

28. Targeted Voluntary Separation Packages (TVSPs)

In accordance with government policy to reduce the public sector workforce, 42 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 2001 payments amounted to \$3.1 million and \$3.1 million has been recovered. In addition to this \$1.2 million 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 \$2.5 million (\$2.2 million) on consultants. The cost of consultants for the 2000-01 year does not include GST.

Included in the consultancy cost of \$2.5 million is an amount of \$646 000 reimbursed to the Department of Treasury and Finance for the SA Gas Market Study. The Department received appropriation of \$500 000 to contribute towards this study. The study was commissioned by the Government to provide an authoritative assessment of the South Australian gas market over the medium term.

30. Trust Funds

The Trust Funds of the Department are:

Pleuro Pneumonia Fund

This Fund consists of monies belonging to all State Governments and the Federal Government. The Fund is controlled by the Standing Committee of Agriculture and all expenditure is subject to the approval of the Chairman. Funds are to be used principally for publication of the history of the Pleuro Pneumonia Eradication Campaign and are held in a Section 21 Deposit Account.

Extractive Areas Rehabilitation Fund

This Fund is credited with amounts by way of royalty on extractive minerals and is used for the rehabilitation of land disturbed by mining operations. The funds collected are used to limit damage to any aspect of the environment by such mining operations in addition to the promotion of research into methods of mining engineering and practice by which environmental damage might be reduced.

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. There were no transactions during the year.

Aggregate details of the transactions and balances relating to these Trust Funds for the year ended 30 June are as follows:

	Pleuro Pneumonia	Extractive Areas Rehabilitation Fund	2001 \$'000	2000 \$'000
Operations:				
Receipts	4	910	914	1 121
Less: Expenditure	-	1 790	1 790	1 575
Excess of receipts (expenditure)	4	(880)	(876)	(454)
Funds:				
Balance of funds 1 July	73	4 811	4 884	5 338
Add: Surplus (Deficit) for year	4	(880)	(876)	(454)
Fund balance at 30 June	77	3 931	4 008	4 884
Less: Commitments	-	2 100	2 100	2 150
Balance of Funds Available	77	1 831	1 908	2 734

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:

	2001 Number of Employees	2000 Number of Employees
\$100 000 - \$109 999	6	2
\$110 000 - \$119 999	5	6
\$120 000 - \$129 999	2	2
\$130 000 - \$139 999	4	-
\$140 000 - \$149 999	1	2
\$150 000 - \$159 999	1	1
\$160 000 - \$169 999	3	1
\$180 000 - \$189 999	1	1
\$220 000 - \$229 999	-	1
\$230 000 - \$239 999	1	1
Total	24	17

Note: These figures do not include employees who have received separation packages or payments for accrued annual leave and long service leave on departure from PIRSA.

Total remuneration received by the above employees was \$3.2 million (\$2.4 million).

32. Audit Fees

These accounts include \$212 000 (\$210 000) audit fees paid or payable to the Auditor-General's Department during the period.

33. (a) Cash	2001	2000
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:	\$'000	\$'000
Cash	60 165	66 214
Deposits at call	3 536	3 536
	63 701	69 750
(b) Reconciliation of Net Cost of Services from Ordinary Activities to Net Cash used in Operating Activities		
Net cost of services from ordinary activities	(124 001)	(113 574)
Cash flows from Government	113 850	107 635
Depreciation and amortisation	5 694	5 389
Increase (Decrease) in provision for doubtful debts	544	(420)
(Decrease) in provision for employee entitlements	(55)	(1 477)
Gain on sale of property, plant and equipment	(28)	(305)
(Increase) in receivables	(2 165)	(1 481)
(Increase) Decrease in workers compensation recoveries	(4)	12
Increase in inventories	(998)	(790)
Loans converted to grants	4	-
Decrease in accrued interest receivable	343	189
SAFA Capital loss	21	-
(Decrease) in accrued interest payable on loans	(77)	(101)
Increase in unearned revenue	517	-
Increase in creditors and accruals	2 379	1 550
Net Cash used in Operating Activities	(3 976)	(3 373)

34. Additional Financial Instruments Disclosure**(a) Interest Rate Risk**

PIRSA's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on those financial assets and financial liabilities, is as follows:

	Floating Interest Rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non- Interest Bearing \$'000	2001 Total \$'000
Financial Assets:						
Cash	63 701	-	-	-	-	63 701
Receivables	161	868	-	-	6 598	7 627
Loans to Rural Sector	-	12 461	10 766	2 412	-	25 639
Loans other	-	-	-	-	48	48
Total	63 862	13 329	10 766	2 412	6 646	97 015
Weighted Average Interest Rate (percent)	5.77	8.31	8.45	5.25		
Financial Liabilities:						
Borrowings RF&D	-	12 715	8 262	92	-	21 069
Borrowings Other	-	-	-	-	93	93
Payables	-	465	-	-	11 264	11 729
Total	-	13 180	8 262	92	11 357	32 891
Weighted Average Interest Rate (percent)		6.48	6.35	6.5		

(a) Interest Rate Risk (continued)	Floating Interest Rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non- Interest Bearing \$'000	2000 Total \$'000
Financial Assets	69 750	11 341	16 373	3 928	6 006	107 398
Weighted Average Interest Rate (percent)	4.97	8.08	8.76	6.99		
Financial Liabilities	-	12 328	13 020	110	8 978	34 436
Weighted Average Interest Rate (percent)		6.47	6.7	6.5		

(b) **Net Fair Value**

The carrying amounts of financial assets and liabilities at the reporting date all approximate their net fair values.

(c) **Credit Risk**

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

35. **Contingent Liabilities**

The nature of activities that PIRSA is involved in can create potential exposure to environmental, fisheries and petroleum matters, which PIRSA may be required to remedy in the future. PIRSA has some outstanding litigation in a number of these areas, specifically resulting from interpretation of fishing licences, past mining practices, petroleum exploration and animal health matters. These matters include:

(a) **Minerals and Energy Resources**

Certain matters associated with contaminants such as contaminated land and hazardous materials have been identified and are managed in accordance with recognised standards. This includes the environmental liabilities of past mining practices where there is no longer an active licence. For new activities, it is a lease condition that rehabilitation be undertaken by the leaseholder before a lease is surrendered. PIRSA's responsibility is to ensure that a lease is not surrendered before appropriate rehabilitation has occurred, thus minimising the likelihood of future environmental risks to government. Work is progressing to determine any liabilities that may be associated with this role. At this time, the financial impact cannot be reliably estimated.

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. Ownership of the Brukunga property was formally transferred to PIRSA during 1999-2000. It has been brought to PIRSA's attention that landowners downstream of the Brukunga mine site are considering a class action against the Minister for Primary Industries and Resources in respect to loss experienced due to contamination of Dawesley Creek.

In July 1999, an application was made to the Minister for Minerals and Energy to transfer mineral leases subject to a proclamation issued under the *National Parks and Wildlife Act 1972*, which states that the acquisition of rights are subject to the prior approval of the Minister for Environment and Heritage. The Minister for Environment and Heritage refused the acquisition of such rights. The Minister for Minerals and Energy advised that due to the Minister for Environment and Heritage's decision, the application to transfer the leases was not approved under section 83 of the *Mining Act 1971*. A claim has been made that the decisions made by both the Minister for Minerals and Energy and the Minister for Environment and Heritage were unreasonable and unfair. No amounts have been recognised at this stage because of significant uncertainty as to if any future costs may be incurred.

(b) **Petroleum**

As at 30 June 2001 litigation had commenced in the United States of America as a result of a collapsed rig off the South Australian coast. There has been an attempt to have the matter transferred to Australia, in which case if the application to transfer is successful there is a possibility that PIRSA may be enjoined in the action. At this time, the financial impact cannot be reliably estimated.

(c) **Fisheries**

As at 30 June 2001, PIRSA was involved in unresolved litigation for claims of unspecified damages for the management of the Gulf of St. Vincent Prawn Fishery. At this time, there exists significant uncertainty as to if any future costs may be incurred.

(d) **Other**

As at 30 June 2001, a number of unresolved litigation issues existed in regards to animal health. These involve both the Brucellosis Tuberculosis Eradication campaign from the 1970's and 1980's and the detection of Ovine Johne's disease. At this time, the financial impact cannot be reliably estimated.

36. **Bio Innovation SA**

Bio Innovation SA is a government initiative to attract investment and biotechnology companies to South Australia.

These statements include Bio Innovation SA financial transactions for the full 2000-01 year. Bio Innovation SA became a separate entity on 14 June 2001. The table below shows the payments and receipts for Bio Innovation SA from 14 June 2001 to 30 June 2001.

Employee costs	\$'000 22
Supplies and services	63
Asset purchases	5
	<u>90</u>

37. **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.

	2001				Total \$'000
	Accumulated Surplus \$'000	Committed Grants Reserve \$'000	General Reserve \$'000	Asset Revaluation Reserve \$'000	
Balance at 1 July	134 517	12 187	2 000	1 753	150 457
Change in net assets resulting from operations	(10 151)	-	-	-	(10 151)
Transfers to (from) reserves	(1 792)	1 792	-	-	-
Balance at 30 June	122 574	13 979	2 000	1 753	140 306

**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 Adelaide Festival Corporation (the Corporation) is a body corporate established pursuant to the *Adelaide Festival Corporation Act 1998*. The Corporation is an instrumentality of the Crown. 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 the next Festival being held in 2002.

SIGNIFICANT FEATURE

The operating result was a Deficit from Ordinary Activities of \$117 000 compared with a \$1.8 million deficit the previous year.

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 2000-01 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

An assessment of the Corporation's internal control structure identified that internal controls were adequate although there was room for improvement particularly with respect to the documentation of policies and procedures for all finance related activities.

It is relevant to note that the Corporation, through its responses to the following matters, indicated an intention to strengthen its internal control environment. At the time of the audit of the financial statements in August 2001 the Corporation had implemented most of the suggested improvements. The newly appointed Financial Controller has been instrumental in the implementation of these improvements.

Risk Management

The audit identified that a risk management policy and plan had not been developed and implemented across the organisation.

In response the Corporation indicated that a risk management policy and plan would be developed along with the documentation of policies and procedures for finance related activities.

Accounts Payable

The audit identified opportunities for improvement in relation to the timely performance of bank reconciliations and control of cheque stationery.

The Corporation indicated that revised procedures have been introduced to ensure the timely performance of bank reconciliations and to ensure there is an adequate segregation of duties. Further, a cheque register will be implemented.

Revenue

The audit of the revenue activity revealed that procedures for the authorisation of credit notes and the follow up of outstanding debtors could be improved.

In response the Corporation indicated revised procedures will be introduced to address the issues commented upon by Audit.

Payroll

The audit identified that improvements could be achieved in the maintenance of leave records, the availability of documentation to support the rates of pay of some employees and the timely reconciliation of payroll accounting records.

The Corporation indicated that leave records have now been updated and revised procedures will be adopted to ensure documentation was available to support employee rates of pay. Further, the reconciliation of the payroll accounting records has been brought up to date.

Other Financial Systems

With respect to the operation of other financial systems Audit commented that there was room for improvement in the maintenance of the asset register and the conduct of regular stocktakes of assets. Audit also commented on the need to improve the authorisation and control over journal entries.

In response the Corporation advised that the asset register has been brought up to date and a stocktake of assets conducted. As to the authorisation and control of journal entries the Corporation advised that revised procedures would be implemented.

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, 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

Statement of Financial Performance

In reviewing the financial performance of the Corporation it should be noted that, although the predominant role of the Corporation is to conduct the Adelaide Festival of Arts, its functions also extend to the promotion and conduct of other festivals and events. In recent years such events have included the Festival of Ideas and the Heads Up Festival. The Statement of Financial Performance includes the expenses and revenues associated with these events as well as the Adelaide Festival of Arts.

Consideration also needs to be given to the unique nature of these events and the effect that they have on the financial operations of the Corporation. In particular, because of the biennial nature of the Adelaide Festival of Arts, the financial results for the event are recorded mainly over a cycle of two financial years. Other festivals may also be active across a number of financial years.

Operating Result

The operating result for the year was a Deficit from Ordinary Activities of \$117 000 compared with a deficit of \$1.8 million for the previous year. It is relevant to note that 2000-01 is not a Festival of Arts year but preliminary activities have occurred for a forthcoming festival in March 2002 while the result for 1999-2000 reflect the year in which the Adelaide Festival of Arts (2000) was held and as a result the level of activity was much greater.

The expenses and revenues relating to other events and festivals are also included in this result.

Programmed Events

Note 6 to the Financial Statements details expenditure on Programmed Events. However, in determining the financial outcome of any particular event it should be noted that a share of the overhead costs reflected in the items Employee Expenses and Administration Expenses needs to be apportioned to those Programmed Events.

Government Grants

Grants received from the State Government totalled \$4 million (\$2.7 million). These grants include an operating grant of \$2 million as well as a specific grant of \$1.3 million to fund the development of a number of films as part of the 2002 Festival of Arts program.

The balance of grants received included funding of \$600 000 as part of a \$1 million funding package provided by Arts SA to assist the Corporation with short term cash flow difficulties. These funds have been provided on the understanding that they are an advance on future funding and will be recouped over a four year period commencing in 2002-03 by way of a reduction in the Corporation's future grants.

The \$2.7 million received in 1999-2000 also included an advance of \$1 million in relation to the Corporation's 2000-01 grant.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Grants from Government	3	4 052	3 733
Box office		21	2 454
Interest		15	93
Other income	4	335	4 887
Total Revenues		4 423	11 167
EXPENSES FROM ORDINARY ACTIVITIES:			
Administration	5	1 040	2 910
Programmed events	6	2 072	8 491
Employee entitlements		1 428	1 604
Total Expenses		4 540	13 005
DEFICIT FROM ORDINARY ACTIVITIES		(117)	(1 838)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(117)	(1 838)

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	7	80	50
Receivables	8	316	1 198
Total Current Assets		396	1 248
NON-CURRENT ASSETS:			
Property, plant and equipment	9	128	94
Total Non-Current Assets		128	94
Total Assets		524	1 342
LIABILITIES:			
CURRENT LIABILITIES:			
Bank overdraft	7	96	248
Payables	10	313	826
Provision for employee entitlements	11	80	94
		489	1 168
NON-CURRENT LIABILITIES:			
Provision for employee entitlements	11	6	28
Total Non-Current Liabilities		6	28
Total Liabilities		495	1 196
NET ASSETS		29	146
EQUITY:			
Accumulated surplus	12	29	146
TOTAL EQUITY		29	146

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Grants from Commonwealth Government and other bodies		52	983
State Government grant		4 000	2 750
Receipts from patrons/sponsors/donors and others		1 133	6 071
Interest received		15	93
Payments to performers and suppliers		(3 512)	(10 497)
Payments for wages and related payments		(1 428)	(1 559)
Net Cash provided by (used in) Operating Activities	13	260	(2 159)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for office equipment and furniture		(78)	(68)
Net Cash used in Investing Activities		(78)	(68)
NET INCREASE (DECREASE) IN CASH HELD		182	(2 227)
CASH AT 1 JULY		(198)	2 029
CASH AT 30 JUNE	7	(16)	(198)

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, applicable Urgent Issues Group Consensus Views and other mandatory reporting requirements. The report has been prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

2.2 Future Festivals

Expenditure related to the 2004 Adelaide Festival of Arts is treated as prepaid expenditure.

2.3 Foreign Exchange

Transactions in foreign currencies are translated at rates of exchange applicable at the date the foreign currency is acquired. Gains or losses arising from translations are taken directly to revenues or expenses.

2.4 Employee Entitlements

Provision has been made in the financial report for the Corporation's liability for employee entitlements arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees have been included in payables.

Annual Leave

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

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 eight 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 Workers Compensation

Contributions are made by the Corporation to the WorkCover Corporation to provide insurance coverage in relation to workers compensation. These contributions are treated as an expense as they occur. There is no liability to claimants as they have been assumed by WorkCover Corporation.

2.7 Income Tax

The income of the Adelaide Festival Corporation is exempt from income tax.

2.8 Comparative Figures

The Corporation has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

2.9 Property, Plant and Equipment

Office furniture and equipment is valued at cost.

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation of office furniture and equipment is calculated using the straight line method of allocation over a useful life of four years and is recognised in the report from the date of acquisition.

2.10 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 revenue when received.

Adelaide Festival Corporation

Sponsorship, Sundry Income and Interest

All income of this nature is recognised as revenue as it accrues.

Donations

All income of this nature is recognised as revenue when received.

2.11 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.	Grants from Government	2001	2000
		\$'000	\$'000
	Grants from South Australian Government	4 000	2 750
	Other Grants	52	983
		4 052	3 733
4.	Other Income		
	Other income includes:		
	Sponsorship	191	4 105
5.	Administration Expenses		
	Significant items of expenditure included in the total of administration expenses were:		
	Depreciation	44	32
	Operating leases	22	13
	Provision for doubtful debts	40	-
	Marketing	204	1 612
	Development	139	432
	Other expenses	591	821
		1 040	2 910
6.	Programmed Events		
	Festival of Ideas 1999	-	173
	Heads Up	100	539
	Festival of Arts 2000	18	7 774
	Festival of Ideas 2001	94	5
	Festival of Arts 2002	1 860	-
		2 072	8 491
7.	Reconciliation of Cash		
	For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and bank overdraft		
	Cash on hand and at bank	80	50
	Bank overdraft	(96)	(248)
		(16)	(198)
8.	Receivables		
	Trade debtors	336	876
	Less: Provision for doubtful debts	40	-
	Prepayments and accruals	20	243
	Other receivables	-	79
		316	1 198
9.	Property, Plant and Equipment		
	(a) Office equipment and furniture at cost	205	128
	Less: Accumulated depreciation	77	34
	Written Down Value	128	94
	(b) Book Value:		
	Balance at 1 July	128	67
	Add: Purchases	84	68
	Less: Disposals	7	7
	Balance at 30 June	205	128
	Accumulated depreciation		
	Balance at 1 July	34	3
	Less: Disposals	1	1
	Add: Depreciation expense	44	32
	Balance at 30 June	77	34
	Net Book Value	128	94
10.	Payables		
	Unsecured trade creditors and accruals	259	745
	Employee costs	54	81
		313	826
11.	Provisions		
	Provision for employee entitlements:		
	Current:		
	Annual leave	69	76
	Long service leave	11	18
		80	94
	Non-Current:		
	Long service leave	6	28
		6	28

12. Accumulated Surplus	2001	2000
	\$'000	\$'000
Balance at 1 July	146	1 984
Deficit from ordinary activities	(117)	(1838)
Balance at 30 June	<u>29</u>	<u>146</u>
13. Reconciliation of Deficit from Ordinary Activities to Net Cash provided by Operating Activities		
Deficit from Ordinary Activities	(117)	(1 838)
Items not involving cash:		
Depreciation	44	32
Changes in Assets and Liabilities:		
(Increase) Decrease in receivables	882	(1 089)
Increase (Decrease) in payables	(513)	698
Increase (Decrease) in provision for employee entitlements	(36)	38
Net Cash provided by (used in) Operating Activities	<u>260</u>	<u>(2 159)</u>

14. Remuneration to Auditors
The amount due to and receivable by the Auditor-General's Department for auditing the accounts for the year was \$11 900 (\$9 600). The auditors provided no other services.

15. Consultancies
During the year the Board engaged consultants to assist in its operation. The costs of these consultancies was \$108 000 (\$272 000).

The number of consultancies whose payments fell within the following bands were:

	2001	2000
	Number of	Number of
	Consultancies	Consultancies
\$nil - \$10 000	6	1
\$10 001 - \$50 000	1	2
\$50 001 and above	1	2

16. Commitments for Expenditure	2001	2000
Operating leases:	\$'000	\$'000
Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
Not later than one year	19	2
Later than one year and not later than five years	12	-
	<u>31</u>	<u>2</u>

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

The motor vehicle leases are non-cancellable leases, payable monthly in arrears. Options exist to renew the leases at the end of the term of the leases.

The property lease is a non-cancellable lease, payable monthly in advance. An option exists to renew the lease at the end of the term of the lease.

17. Remuneration of Employees	2001	2000
The number of employees whose total remuneration fell within the following bands:	Number of	Number of
	Employees	Employees
\$130 000 - \$139 999	-	1
\$140 000 - \$149 999	1	-

The amount earned during the year was \$140 000 (\$132 000).

18. Remuneration of Board Members	2001	2000
Remuneration of the Board Members fell between the following bands:	Number of	Number of
	Members	Members
\$nil - \$10 000	11	8
\$10 001 - \$15 000	-	1

The aggregate remuneration referred to in the above table for Board Members is \$66 000 (\$67 000).

19. Financial Instruments			
(a) Terms, Conditions and Accounting Policies			
Financial Instrument	Note	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial Assets:			
Cash on hand and at bank	7	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	All funds attract interest. The rate is determined by the bank at its discretion. The interest rate as at 30 June 2001 was 4.0 percent. Interest is paid monthly.
Receivables	8	Receivables are recognised at their nominal amounts. Amounts are recognised when services are provided. Collectibility of debts is assessed at balance date with any bad debts being written off prior to balance date.	Standard credit terms are 30 days.
Financial Liabilities:			
Payables	10	Creditors are recognised at their nominal amounts. Liabilities are recognised once the goods or services have been received.	Creditors are generally paid within 30 days.

(b) Interest Rate Risk		2001			Weighted Average Effective Interest Rate Percent	2000			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 Instrument	Note								
Financial Assets:									
Cash at bank	7	(17)	-	(17)	4.0	(198)	-	(198)	4.0
Cash on hand	7	-	1	1		-	-	-	
Receivables	8	-	316	316		-	1 198	1 198	
Total		(17)	317	300		(198)	1 198	1 000	
Financial Liabilities:									
Payables	10	-	313	313		-	826	826	
Total		-	313	313		-	826	826	

(c) **Net Fair Values of Financial Assets and Liabilities**

The net fair values of the financial assets and liabilities in this report approximate their carrying value.

(d) **Credit Risk Exposure**

The maximum credit risk exposure at reporting date in relation to each class of recognised financial asset and financial liability is the amount as indicated in the Statement of Financial Position.

20. **Related Party Disclosures**

The Board members are appointed by the Governor in accordance with the *Adelaide Festival Corporation Act 1998*.

During the period the following persons occupied the position of Board Members of the Adelaide Festival Corporation:

Dr E D Tweddell (Chair) until 1.4.01	Ms J Worth until 1.4.01
Mr J Morphett AM OBE (Chair) from 5.4.01	Mr J Sharman
Mr B Angove AM	Dr I Smylie until 1.4.01
Mr C Dunsford from 5.4.01	Ms N Downer
Mr J Hill from 5.4.01	Mr A G Steel AM
Mr F J Ford AM	

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).

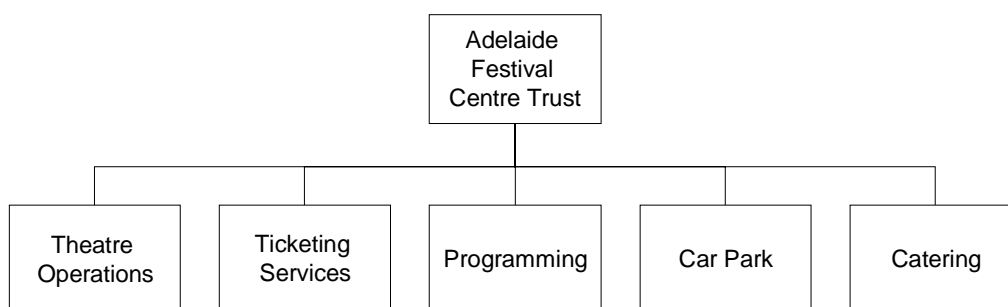
In November 1998 regulations were enacted under the *Public Corporations Act 1993* requiring that certain provisions of that Act be applied to the Trust. The applied provisions relate mainly to the governance and performance aspects of the Trust's operations.

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 aforementioned 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 consolidated operating result was a Deficit from Ordinary Activities of \$3.6 million compared with a Surplus from Ordinary Activities of \$3.8 million the previous year.
- There was an Accumulated Deficit at 30 June 2001 of \$3 million compared with an Accumulated Surplus of \$680 000 at 30 June 2000.

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 2000-01 specific areas of Audit attention included:

- Cash receipting
- Accounts payable
- Payroll
- BASS operations
- Asset register maintenance
- 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. Further commentary on these issues is contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Since 1998-99 the audit of the Trust has identified that there was scope for improvement in the internal controls within individual accounting systems. An assessment of the Trust's internal control structure in 2000-01 revealed that although improvement had been made there remained scope to enhance controls in a number of areas. In particular, the need to have appropriately documented and approved policies and procedures remains to be addressed.

Detailed below are the main activities in which Audit considers improvement can be achieved.

Accounts Payable and Purchasing

The audit of the accounts payable and purchasing activities identified opportunities for improvement in the processes associated with authorisation of purchase orders and the certification of receipt of goods and services. These issues have been commented on by Audit since 1999.

In response the Trust indicated that with the finalisation of financial policies and procedures, improved processes for the certification of receipt of goods and services will be developed. With respect to the authorisation of purchase orders the Trust advised that it has established authorities to purchase across the organisation and that in future all purchase orders will be signed by an authorised person in accordance with their predetermined delegation.

Revenue

The audit of the revenue activity revealed opportunities for improvement in the documentation supporting the hire rates charged to certain venue users and the procedures for invoicing fees to users for permanent car parks. Audit also identified the need for improvement in the authorisation of credit notes.

The Trust, in response, indicated that it is working to simplify the documentation of arrangements in relation to those venue users in question; the procedures in relation to invoicing fees to users for permanent car parks will be reviewed and improved; and the procedures in relation to the authorisation of credit notes will be revised to ensure the authorisation is evidenced.

Asset Register

The audit identified that an adequate and up-to-date asset register was not maintained for plant and equipment and land and buildings.

In response the Trust indicated that asset details are being transferred to a new asset register and this will be completed as soon as possible.

Event Management

The Trust contracted out the management of the Womad Festival to a private party. Audit review of the arrangements revealed that the lines of responsibility between the Trust and the private party were not clear resulting in inadequate documentation to support payments made together with inadequate assurance that all monies due for sponsorships and stall holder fees had been received.

In response the Trust indicated that the management arrangements for future Womad Festivals were under review and that the Audit observations will be taken into consideration when finalising those arrangements.

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

Statement of Financial Performance

Revenues and Expenses from Ordinary Activities

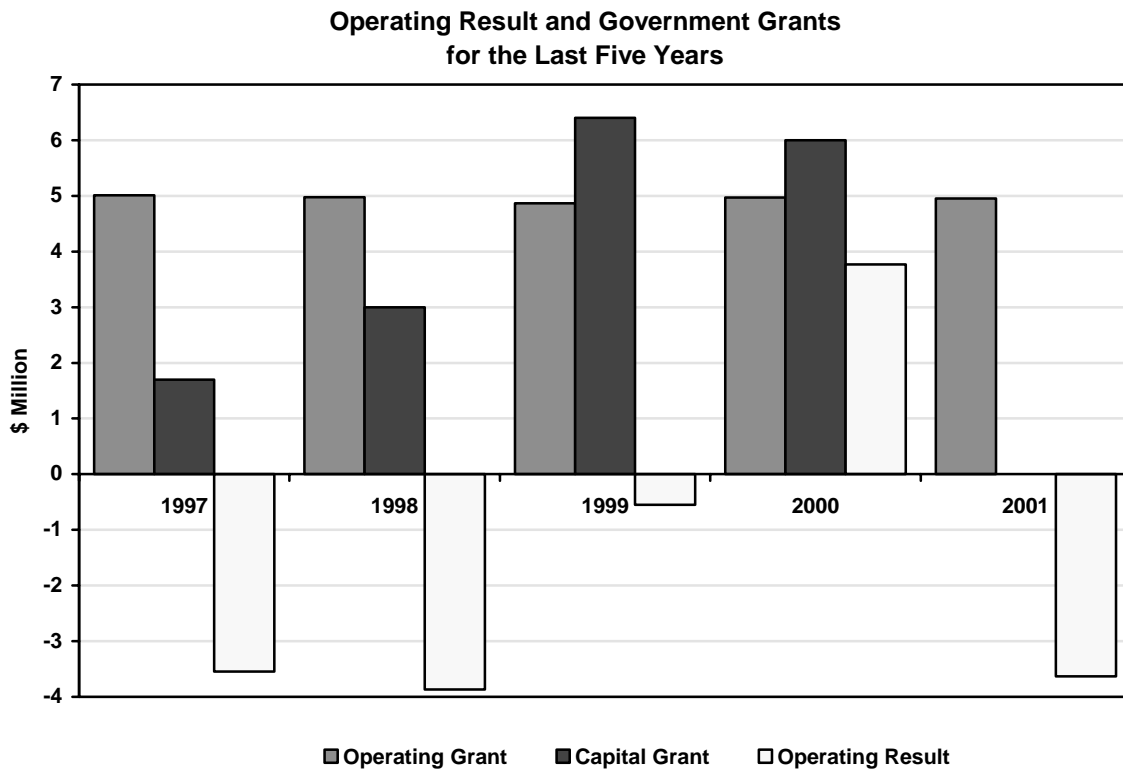
Note 4 to the Financial Statements discloses the revenues and expenses related to various activities of the Trust. Revenue from Programming and Theatre Activity increased by \$3.4 million with expenses also increasing by \$3.5 million. This increased activity was due mainly to the Womad and Cabaret Festivals held during the year.

Revenue from Ancillary Business Operations which includes catering, car parks and workshop activities decreased by \$2.7 million while expenses also decreased by \$2.1 million. The decrease was due mainly to reduced activity in the BASS and workshop areas of operation.

Operating Result

The consolidated Deficit from Ordinary Activities of \$3.6 million was a \$7.4 million turnaround from the Surplus from Ordinary Activities of \$3.8 million the previous year. The turnaround was due mainly to a decrease in government grants for capital replacement of \$6 million.

The following chart shows the Operating Result and Government Grants for the past five years.



The chart indicates that the trend of improved results in 1999 and 2000 was not sustained with the Trust incurring a Deficit from Ordinary Activities in 2001. Government grants for operating purposes have remained stable while no grants were received for capital purposes in 2001. Capital grants had been received in the three previous years to meet the cost of refurbishing and upgrading the Festival Theatre and surrounding environs.

Statement of Cash Flows

The Statement of Cash Flows indicates that cash held as at 30 June 2001 decreased by \$3.4 million from the previous year. The decrease in cash holdings is primarily as a result of expenditure on capital works associated with the upgrading of the Festival Theatre and surrounding environs for which the Trust had received grants in previous years.

It is relevant to note that of the cash assets held at 30 June of \$9.9 million, \$5.8 million is tied funding for capital works.

Statement of Financial Performance for the year ended 30 June 2001

	Note	Consolidated		AFCT	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:					
Revenues from ordinary activities		30 444	35 032	30 331	34 959
Total Revenues	4	30 444	35 032	30 331	34 959
EXPENSES FROM ORDINARY ACTIVITIES:					
Expenses from ordinary activities		31 669	28 942	31 669	28 942
Borrowing costs		2 409	2 324	2 409	2 324
Total Expenses	4	34 078	31 266	34 078	31 266
(DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES	5	(3 634)	3 766	(3 747)	3 693
NON-OWNER TRANSACTION CHANGES IN EQUITY					
Net credit to an asset revaluation reserve on revaluation of non-current assets		-	5 309	-	5 309
Total revenues, expenses and valuation adjustments recognised directly in equity		-	5 309	-	5 309
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(3 634)	9 075	(3 747)	9 002

Statement of Financial Position as at 30 June 2001

	Note	Consolidated		AFCT	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
CURRENT ASSETS:					
Cash assets	6	9 892	13 245	9 706	13 172
Receivables	7	1 972	2 014	1 972	2 014
Inventories	8	142	173	142	173
Other	9	39	143	39	143
		12 045	15 575	11 859	15 502
NON-CURRENT ASSETS:					
Property, plant and equipment and works of art	10,11	67 320	67 442	67 320	67 442
Total Non-Current Assets		67 320	67 442	67 320	67 442
Total Assets		79 365	83 017	79 179	82 944
CURRENT LIABILITIES:					
Payables	12	7 115	7 002	7 115	7 002
Borrowings	13	510	310	510	310
Provisions	14	719	703	719	703
Other	15	230	269	230	269
Total Current Liabilities		8 574	8 284	8 574	8 284
NON-CURRENT LIABILITIES:					
Payables	12	99	104	99	104
Borrowings	13	29 158	29 558	29 158	29 558
Provisions	14	680	583	680	583
Total Non-Current Liabilities		29 937	30 245	29 937	30 245
Total Liabilities		38 511	38 529	38 511	38 529
NET ASSETS		40 854	44 488	40 668	44 415
EQUITY:					
Reserves	16	43 808	43 808	43 808	43 808
Accumulated (deficit) surplus	17	(2 954)	680	(3 140)	607
TOTAL EQUITY		40 854	44 488	40 668	44 415
Commitments	18				
Contingent Liabilities	19				

Statement of Cash Flows for the year ended 30 June 2001

		Consolidated		AFCT	
		2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
RECEIPTS:	Note				
Receipts from patrons/customers		25 074	23 549	24 961	23 476
Interest received		474	266	474	266
PAYMENTS:					
Interest paid on borrowings		(2 409)	(2 124)	(2 409)	(2 124)
Payments for wages and related payments		(10 500)	(10 288)	(10 500)	(10 288)
Payments to suppliers		(17 763)	(13 526)	(17 763)	(13 526)
		(5 124)	(2 123)	(5 237)	(2 196)
CASH FLOWS FROM GOVERNMENT:					
Operating grant		3 154	3 080	3 154	3 080
Debt servicing grant		1 799	1 889	1 799	1 889
Other grants		40	131	40	131
Capital replacement grant		-	6 000	-	6 000
		4 993	11 100	4 993	11 100
Net Cash (used in) provided by Operating Activities	20	(131)	8 977	(244)	8 904
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment and works of art		(3 022)	(3 546)	(3 022)	(3 546)
Net Cash used in Investing Activities		(3 022)	(3 546)	(3 022)	(3 546)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of borrowings		(200)	(1 416)	(200)	(1 416)
Net Cash used in Financing Activities		(200)	(1 416)	(200)	(1 416)
NET (DECREASE) INCREASE IN CASH HELD		(3 353)	4 015	(3 466)	3 942
CASH AT 1 JULY		13 245	9 230	13 172	9 230
CASH AT 30 JUNE	6	9 892	13 245	9 706	13 172

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Adelaide Festival Centre Trust Objectives

The objectives of the Adelaide Festival Centre Trust (the Trust) are to:

- encourage and facilitate artistic, cultural and performing arts activities throughout the State;
- be responsible for the care, control, management, maintenance and improvement of the Adelaide Festival Centre and its facilities;
- provide expert advisory, consultative, managerial or support services to persons associated with artistic, cultural or performing arts activities;
- promote the involvement of young people and their families and extend activities into the school sector; and
- provide professional development opportunities for emerging talent.

2. 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, the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, and other mandatory reporting requirements. The financial report has been prepared on the basis of historical costs and does not take into account changing money values except where it is specifically stated.

Changes in Accounting Policy

There were no changes to the Trust's accounting policies during the year.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Trust as at 30 June 2001, 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

The Trust has adopted deprival value as the method for measuring the value of all 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. In accordance with the transitional provisions of Australian Accounting Standard AAS 38 'Revaluation of Non-Current Assets' the Trust has continued to apply the deprival value methodology of valuation.

The Trust revalues 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

The Trust has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

Interdivision Charges

The Trust's policy is to charge Trust productions theatre rental and all other charges that are billed 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.

Useful Lives of Assets	Estimated Useful Life
Asset class:	Years
Buildings	50-100
Plant and equipment	5-25

Employee Entitlements

Provision has been made in the financial report for the 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 payables.

Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave are recognised and measured as the amount unpaid at 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 Trust has estimated in respect to services provided by employees with a minimum of five years service.

Superannuation

Contributions are made by the Trust to a number of State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

Workers Compensation

Contributions are made by the Trust to the WorkCover Corporation to provide insurance coverage in relation to workers compensation. These contributions are treated as an expense when they occur. There is no liability for payments to claimants as they have been assumed by WorkCover Corporation.

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 Trust's policy is to recognise revenue when a good is supplied or service completed.

Income Tax Status

The activities of the entity are exempt from income tax.

Accounting for the Goods and Services Tax (GST)

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

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

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

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

3. Government Grants	Note	Consolidated		AFCT	
		2001	2000	2001	2000
Included in Revenues from Ordinary Activities were the following government grants:					
Operating grants received:		\$'000	\$'000	\$'000	\$'000
State Government:					
Operating base		3 154	3 080	3 154	3 080
Debt servicing - Interest		1 799	1 889	1 799	1 889
State Government Operating Grants		4 953	4 969	4 953	4 969
Other grants		40	131	40	131
Total Operating Grants		4 993	5 100	4 993	5 100
Capital grants received:					
State Government:					
Capital replacement		-	6 000	-	6 000
Total Grants		4 993	11 100	4 993	11 100

The Trust receives funding from the Government of South Australia and is reliant upon this funding for its continued operations.

4. Revenues and Expenses from Ordinary Activities					
Revenues from Ordinary Activities:					
Programming and theatre activity		10 932	7 554	10 932	7 554
Ancillary business operations		12 868	15 609	12 755	15 536
Government grants		4 993	11 100	4 993	11 100
Sundry income*		1 177	503	1 177	503
Interest		474	266	474	266
		30 444	35 032	30 331	34 959
Expenses from Ordinary Activities:					
Programming and theatre activity		12 723	9 215	12 723	9 215
Ancillary business operations		10 832	12 958	10 832	12 958
Administration and maintenance**		4 971	4 272	4 971	4 272
Depreciation		3 143	2 497	3 143	2 497
Interest		2 409	2 324	2 409	2 324
		34 078	31 266	34 078	31 266

* Included recoveries against past losses totalling \$296 000 in 2001.

** Includes operating lease (\$208 000 excluding GST) and bad debt (\$76 000) expenses in 2001.

5. Net Cost of Services					
Revenues from Ordinary Activities:					
Operations		25 451	23 932	25 338	23 859
Total Revenues from Ordinary Activities		25 451	23 932	25 338	23 859
Expenses from Ordinary Activities:					
Operations and services		28 526	26 445	28 526	26 445
Depreciation		3 143	2 497	3 143	2 497
Interest		2 409	2 324	2 409	2 324
Total Expenses from Ordinary Activities		34 078	31 266	34 078	31 266
Net Cost of Services		(8 627)	(7 334)	(8 740)	(7 407)
Revenues from Government:					
Operating grant		3 154	3 080	3 154	3 080
Capital replacement grant		-	6 000	-	6 000
Debt servicing grant		1 799	1 889	1 799	1 889
Other grants		40	131	40	131
Total Revenues from Government		4 993	11 100	4 993	11 100
Surplus (Deficit) from Ordinary Activities		(3 634)	3 766	(3 747)	3 693

6. Cash assets					
Cash at bank and on hand		*+9 892	*+13 245	*9 706	*13 172
		9 892	13 245	9 706	13 172

* Included in the cash at bank figure is \$5.8 million (\$8.7 million) tied capital grant.

+ Includes \$186 000 (\$73 000) cash at bank held by The Adelaide Festival Centre Foundation Incorporated.

7. Receivables					
Trade debtors		2 319	2 414	2 319	2 414
Less: Provision for doubtful debts		347	400	347	400
		1 972	2 014	1 972	2 014

8. Inventories					
Food and liquor		82	99	82	99
Raw materials		60	74	60	74
		142	173	142	173

9. Other Current Assets					
Prepayments		33	5	33	5
Work in progress		6	112	6	112
Hyatt catering profit reserve		-	26	-	26
		39	143	39	143

10. Property, Plant and Equipment and Works of Art	Consolidated		AFCT	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Land and Buildings:				
Freehold Land:	5 950	5 950	5 950	5 950
At independent valuation 1999				
Buildings:	94 605	94 605	94 605	94 605
At independent valuation 1999	(51 781)	(50 123)	(51 781)	(50 123)
Less: Accumulated depreciation	42 824	44 482	42 824	44 482
Work in progress	5 519	2 529	5 519	2 529
Total Land and Buildings	54 293	52 961	54 293	52 961
Plant and Equipment:				
At independent valuation 2000	18 071	18 071	18 071	18 071
Less: Accumulated depreciation	(8 557)	(7 074)	(8 557)	(7 074)
At cost	9 514	10 997	9 514	10 997
Less: Accumulated depreciation	(3)	57	(3)	57
Total Plant and Equipment	86	57	86	57
Works of Art:				
At independent valuation 1999	3 427	3 427	3 427	3 427
Total Property, Plant and Equipment and Works of Art	67 320	67 442	67 320	67 442

The 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 Kincaid Certified Valuer AAPI MSAA of Dominion Valuers and Auctioneers (SA). Works of Art were valued by James F B Bruce Valuer MSAV of Ian Bruce Pty Ltd as at 30 June 1999.

11. Asset Movement Schedule	Freehold Land \$'000	Buildings \$'000	Work in Progress \$'000	Plant and Equipment \$'000	Works of Art \$'000	Total \$'000
Book Value:						
Balance at 1 July 2000	5 950	94 605	2 529	18 128	3 427	124 639
Additions	-	-	2 990	32	-	3 022
Balance at 30 June 2001	5 950	94 605	5 519	18 160	3 427	127 661
Provision for Depreciation:						
Balance at 1 July 2000	-	50 124	-	7 074	-	57 198
Depreciation expense	-	1 657	-	1 486	-	3 143
Balance at 30 June 2001	-	51 781	-	8 560	-	60 341
Net Book Value	5 950	42 824	5 519	9 600	3 427	67 320

12. Payables	Consolidated		AFCT	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current Liabilities:				
Unsecured creditors and accruals	6 990	6 902	6 990	6 902
Employee entitlements	125	100	125	100
Total	7 115	7 002	7 115	7 002
Non-Current Liabilities:				
Employee entitlements	99	104	99	104
Total	7 214	7 106	7 214	7 106

13. Borrowings	Consolidated		AFCT	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current Liabilities:				
Borrowings from Government	510	310	510	310
Non-Current Liabilities:				
Borrowings from Government	29 158	29 558	29 158	29 558
Total	29 668	29 868	29 668	29 868

14. Provisions	Consolidated		AFCT	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current Liabilities:				
Provision for salaries, wages and annual leave	512	453	512	453
Provision for long service leave	207	250	207	250
Total	719	703	719	703
Non-Current Liabilities:				
Provision for long service leave	680	583	680	583

The current liability for long service leave has been determined using the average of the past six years' actual leave taken.

15. **Other Current Liabilities**
Other current liabilities comprise funds held on behalf of third parties.

16. Reserves	Consolidated		AFCT	
	2001	2000	2001	2000
Asset Revaluation Reserve:	\$'000	\$'000	\$'000	\$'000
Land:				
Opening balance	5 950	5 950	5 950	5 950
Closing balance	5 950	5 950	5 950	5 950
Buildings:				
Opening balance	27 049	27 049	27 049	27 049
Closing balance	27 049	27 049	27 049	27 049
Plant and Equipment:				
Opening balance	7 735	2 426	7 735	2 426
Movement	-	5 309	-	5 309
Closing balance	7 735	7 735	7 735	7 735
Works of Art:				
Opening balance	3 074	3 074	3 074	3 074
Closing balance	3 074	3 074	3 074	3 074
Total:				
Opening balance	43 808	38 499	43 808	38 499
Movement	-	5 309	-	5 309
Closing balance	43 808	43 808	43 808	43 808
17. Accumulated Surplus (Deficit)				
Accumulated Surplus (Deficit) at 1 July	680	(3 086)	607	(3 086)
Surplus (Deficit) from Ordinary Activities	(3 634)	3 766	(3 747)	3 693
Accumulated (Deficit) Surplus at 30 June	(2 954)	680	(3 140)	607
18. Commitments for Expenditure				
(a) Operating Leases				
Commitments under non-cancellable operating leases at reporting date are payable as follows:				
Not later than one year	129	188	129	188
Later than one year but not later than five years	56	133	56	133
Total	185	321	185	321
Equipment leases are for fixed lease periods. There are no contingent rental payments. There are options to extend the leases.				
Motor vehicle leases are for lease periods of two to three years. Rental payments are fixed.				
(b) Capital Works Contracts				
Commitments of \$4.211 million exist at the reporting date for capital works contracts that are equally proportionately unperformed. These are expected to be settled within 12 months.				
These liabilities are not recorded in the Statement of Financial Position.				
19. 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 three claims outstanding. These claims are limited to an insurance excess.				
20. Reconciliation of Deficit from Ordinary Activities to Net Cash provided by Operating Activities				
	Consolidated		AFCT	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Surplus (deficit) from ordinary activities	(3 634)	3 766	(3 747)	3 693
Adjustment for non-cash items:				
Depreciation	3 143	2 497	3 143	2 497
Provision for doubtful debts	(53)	192	(53)	192
Provision for leave entitlements	113	(126)	113	(126)
Changes in Assets and Liabilities:				
(Increase) Decrease in receivables	95	(871)	95	(871)
(Increase) Decrease in current assets	104	(20)	104	(20)
(Increase) Decrease in inventories	31	(49)	31	(49)
Increase in creditors	88	3 545	88	3 545
(Decrease) Increase in other current liabilities	(18)	43	(18)	43
Net Cash provided by Operating Activities	(131)	8 977	(244)	8 904
21. Remuneration to Auditors and Consultants				
Remuneration to auditors:				
Auditing the financial report	60	63	60	59
Other auditing services	34	28	34	28
	94	91	94	87
Number of Consultants:	Number of	Number of	Number of	Number of
Under \$10 001	7	4	7	4
\$10 001 - \$50 000	4	3	4	3
	11	7	11	7

21. Remuneration to Auditors and Consultants (continued)	Consolidated		AFCT	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Payments to Consultants:				
Under \$10 001	26	17	26	17
\$10 001 - \$50 000	108	60	108	60
	134	77	134	77

22. Remuneration of Employees	2001	2000
	Number of Employees	Number of Employees
The number of employees whose annual remuneration was over \$100 000 fell within the following bands:		
\$100 000 - \$109 999	1	1
\$110 000 - \$119 999	1	1
\$130 000 - \$139 999	1	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 \$520 000 (\$495 000).

23. Trustees Remuneration and Related Party Disclosures	2001	2000
	Number of Trustees	Number of Trustees
Trustees Remuneration		
The number of Trustees with income in the following bands was:		
\$0 - \$9 999	9	5
\$10 000 - \$19 999	1	1

The aggregate of the remuneration referred to in the above table for Trustees is \$72 000 (\$59 000).

Related Party Disclosures

The members of the Trust are appointed by the Government in accordance with the provisions of the *Adelaide Festival Centre Trust Act 1971*.

During the year the following persons occupied the position of Trustee of the Adelaide Festival Centre Trust:

Mr Richard Ryan AO	Ms Joanne Staugas (commenced 18.1.01)
Mr Mark Morelli	Ms Winnie Pelz (commenced 18.1.01)
Mrs Fiona Adler	Mr Pearce Bowman (commenced 15.2.01)
Mr Greg Mackie (commenced 1.8.00)	Mr James Porter (ceased 12.1.01)
Ms Robyn Archer (commenced 1.8.00)	Prof Thomas Shapcott AO (ceased 12.1.01)

Mr J Porter has an interest as an employee of the firm Piper Alderman Solicitors. This firm renders legal advice to the Trust. All dealings with the firm are in the ordinary course of business and on normal commercial terms and conditions.

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

As a part of the duties of office, from time to time, Trustees receive complimentary tickets to shows and events conducted by or through the Trust. These benefits serve to involve the Trustees in the product and business that is being managed and/or involve the execution of office in liaison with external parties.

24. Targeted Voluntary Separation Package Scheme (TVSPs)
In 2000-01 no TVSPs were paid. In 1999-2000 17 TVSPs totalling \$623 000 were paid and an additional \$218 000 was paid on account of accrued annual leave and long service leave. The TVSP amount of \$623 000 was paid by the Trust which subsequently received reimbursement of this amount from the Department of the Premier and Cabinet.

25. Financial Instruments

(a) Terms and Conditions			
Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash at bank and on hand	6	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	
Receivables	7	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. 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.
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.	

(a) Terms and Conditions (continued)

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Trade creditors	12	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is made net 30 days.
Deposits on behalf of other organisations	15	Monies held in trust being deposits held for other entities are recognised as liabilities.	The Trust holds monies on behalf of other entities.
Borrowings	13	Borrowings are recognised at their nominal amounts.	The interest rate is determined by the Treasurer on borrowings from the Department of Treasury and Finance. There are two elements to these borrowings, one with no maturity date (interest paid quarterly) and a second borrowing with a maturity date in 2011 (interest paid monthly).

(b) Interest Rate Risk

	Consolidated 2001			Weighted Average Interest Rate Percent	AFCT 2001			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 and on hand	9 892	-	9 892	4.0	9 706	-	9 706	4.0
Receivables	-	1 972	1 972		-	1 972	1 972	
	9 892	1 972	11 864		9 706	1 972	11 678	
Financial Liabilities:								
Deposits on behalf of other organisations	230	-	230		230	-	230	
Trade creditors	-	6 990	6 990		-	6 990	6 990	
Borrowings	28 368	1 300	29 668		28 368	1 300	29 668	
	28 598	8 290	36 888	7.5	28 598	8 290	36 888	7.5
Net Financial Assets (Liabilities)	(18 706)	(6 318)	(25 024)		(18 892)	(6 318)	(25 210)	
	2000				2000			
Financial Assets:								
Cash at bank and on hand	13 245	-	13 245	4	13 172	-	13 172	4
Receivables	-	2 014	2 014		-	2 014	2 014	
	13 245	2 014	15 259		13 172	2 014	15 186	
Financial Liabilities:								
Deposits on behalf of other organisations	269	-	269		269	-	269	
Trade creditors	-	6 902	6 902		-	6 902	6 902	
Borrowings	28 368	1 500	29 868		28 368	1 500	29 868	
	28 637	8 402	37 039	8.4	28 637	8 402	37 039	8.4
Net Financial Assets (Liabilities)	(15 392)	(6 388)	(21 780)		(15 465)	(6 388)	(21 853)	

(c) Interest Rate Risk

	Consolidated				AFCT			
	2001		2000		2001		2000	
	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 and on hand	9 892	9 892	13 245	13 245	9 706	9 706	13 172	13 172
Receivables	1 972	1 972	2 014	2 014	1 972	1 972	2 014	2 014
Total Financial Assets	11 864	11 864	15 259	15 259	11 678	11 678	15 186	15 186
Financial Liabilities:								
Deposits held on behalf of other organisations	230	230	269	269	230	230	269	269
Trade creditors	6 990	6 990	6 902	6 902	6 990	6 990	6 902	6 902
Borrowings	29 668	29 668	29 868	29 868	29 668	29 668	29 868	29 868
Total Financial Liabilities	36 888	36 888	37 039	37 039	36 888	36 888	37 039	37 039

(d) Credit Risk Exposure

The Trust's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Trust has no significant exposure to any concentrations of credit risk.

26. Controlled Entity

The consolidated financial statements at 30 June 2001 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 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 a Surplus from Ordinary Activities of \$3.8 million which was a decrease of \$800 000 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 controls established by the Board.

During 2000-01 specific areas of Audit attention included:

- revenue including cash receipting and banking, and bookshop operations
- expenditure including accounts payable, and salaries and wages
- investments
- property, plant and equipment including the adequacy of asset register maintenance
- 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 in that letter.

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 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’.

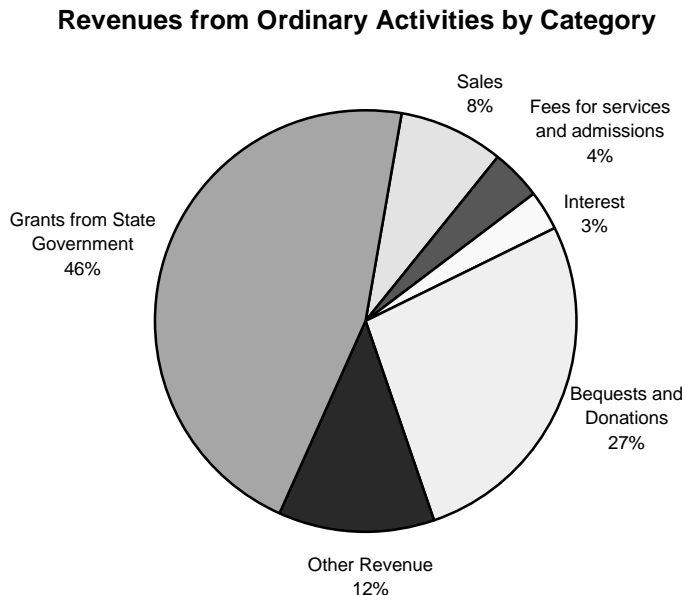
Audit formed the opinion that the controls exercised by the Art Gallery Board in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities were sufficient to provide reasonable assurance that the financial transactions of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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Revenues from Ordinary Activities

Revenues from Ordinary Activities for the year totalled \$11.3 million (\$11.9 million). Grants from State Government totalled \$5.3 million (\$5.5 million). The following chart shows the major categories of Revenues from Ordinary Activities as a percentage of total revenues.



The chart reveals that grants from State Government represent 46 percent of Revenues from Ordinary Activities which supports the view that the Board is dependent on the ongoing financial support of the State Government as expressed in Note 2(o) to the Financial Statements. Bequests and donations represent 27 percent of Revenues from Ordinary Activities.

Statement of Financial Position

Non-Current Assets

Heritage Collections

The Board was granted an exemption by the Treasurer from compliance with Accounting Policy Statement 3 ‘Revaluation of Non-Current Assets’ which requires non-current assets to be revalued every three years. The heritage collections, which were due to be revalued as at 30 June 2001, will now be revalued as at 30 June 2003 (refer Note 2(g)).

The written down value of Heritage Collections as at 30 June 2001 was \$333.2 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 2001 was \$29.3 million of which land, buildings and improvements amounted to \$29.2 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.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Sales of goods		921	865
Fees for services and admissions	3	477	389
Interest		337	230
Bequest and donations		1 689	1 681
Donations of heritage assets		1 321	2 159
Other revenue	3	1 321	1 071
Grants from State Government:			
Operations		5 263	5 218
Capital		-	289
Total Revenues		11 329	11 902
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	4	2 138	2 247
Administration expenses	4	2 750	2 482
Accommodation and service costs	4	2 413	2 359
Conservation of collections		206	177
Total Expenses		7 507	7 265
SURPLUS FROM ORDINARY ACTIVITIES	5	3 822	4 637
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		3 822	4 637

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets		4 247	4 617
Receivables	6	94	34
Inventories		187	180
Other	7	304	527
Total Current Assets		4 832	5 358
NON-CURRENT ASSETS:			
Property, plant and equipment	8	29 288	29 726
Heritage collections	9	333 184	329 415
Investments	10	2 647	2 241
Total Non-Current Assets		365 119	361 382
Total Assets		369 951	366 740
CURRENT LIABILITIES:			
Payables	11	249	465
Provision for purchase of works of art		-	350
Provision for employee entitlements	12	204	243
Total Current Liabilities		453	1 058
NON-CURRENT LIABILITIES:			
Payables	11	42	38
Provision for employee entitlements	12	567	577
Total Non-Current Liabilities		609	615
Total Liabilities		1 062	1 673
NET ASSETS		368 889	365 067
EQUITY:			
Accumulated surplus	13	367 198	363 376
Reserves	14	1 691	1 691
TOTAL EQUITY		368 889	365 067
Commitments	15		
Contingent Liabilities	16		

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Sales of goods		893	880
Fees for services and admissions		477	407
Interest		443	349
Bequests and donations		1 689	1 681
Other sundry receipts		715	649
PAYMENTS:			
Employee costs		(2 145)	(2 263)
Administration expenses		(4 793)	(4 086)
Accommodation and service costs		(563)	(463)
CASH FLOWS FROM GOVERNMENT:			
Grants from State Government - Operations		5 263	5 218
- Capital		-	289
Net Cash provided by Operating Activities	17	1 979	2 661
CASH FLOWS FROM INVESTING ACTIVITIES:			
PROCEEDS FROM:			
Sales/maturities of investments		267	643
PAYMENTS FOR:			
Purchase of works of art		(2 365)	(2 262)
Property, plant and equipment		(13)	-
Investments		(238)	(1 385)
Net Cash used in Investing Activities		(2 349)	(3 004)
NET DECREASE IN CASH HELD		(370)	(343)
CASH AT 1 JULY		4 617	4 960
CASH AT 30 JUNE	2(m)	4 247	4 617

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, applicable Urgent Issues Group Consensus Views and other mandatory reporting requirements. The report is prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) Change in Accounting Policies

There has been no change in accounting policies this financial year.

(c) The Reporting Entity

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

The financial report encompasses transactions through the following accounts: an interest bearing Special Deposit Account entitled 'Arts South Australia Operating Account', an interest bearing Deposit Account entitled 'Art Gallery Board Bequests Account' and an interest bearing cheque account entitled 'Art Gallery Bank SA Account'.

(d) Revenue

Revenue from sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account interest rates applicable to financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(e) Grants from State Government

Grants are recognised as revenue in the period in which the Board obtains control over the grants.

(f) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets acquired 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.

In accordance with the transitional provisions of Australian Accounting Standard AAS 38 'Revaluation of Non-Current Assets' the Board has continued to apply the deprival value methodology as the basis of valuing 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.

The Board was granted exemption by the Treasurer from compliance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' which requires non-current assets to be revalued every three years. The collections will now be revalued as at 30 June 2003.

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 2001 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 Deutscher
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 Deutscher
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 five 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:

Item	Years
Buildings and improvements	Useful life depends on individual asset items
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.
- (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) **Workers Compensation**
A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability according to the Board's experience of claim numbers and payments over the period 1 July 1987 to 30 June 2001. A separate valuation of the liabilities of the Board has not been undertaken and if such a valuation was performed it may result in a different assessed liability.
- (l) **Investments**
Investments are brought to account at cost.
- (m) **Cash Assets**
For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.
- (n) **Leases**
The Board has entered into a number of operating lease agreements for vehicles and photocopiers where the lessors effectively retain all of the risk and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.
- (o) **State Government Funding**
The financial report is prepared under the assumption of ongoing financial support being provided to the Board by the State Government.
- (p) **Accounting for the Goods and Services Tax (GST)**
In accordance with the requirements of the UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)' revenues, expenses and assets are recognised net of the amount of GST.

The amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

The net GST receivable/payable to the Australian Taxation Office is not recognised as a receivable/payable in the Statement of Financial Position as the Board is a member of an approved GST group of which Arts SA (Department for Transport, Urban Planning and the Arts) is responsible for the remittance and collection of GST. There are no cash flows relating to GST transactions with the Australian Taxation Office in the Statement of Cash Flows.
- (q) **Comparative Figures**
The Board has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

3. Revenues from Ordinary Activities	2001	2000
Fees for services and admissions comprised:	\$'000	\$'000
Fees for service	104	195
Admissions for temporary exhibitions	373	194
	477	389
Other revenue comprises the following categories of operating income:		
Sponsorships	238	188
Rent and hire income	191	198
Grants	159	127
Salaries recouped	45	74
Other	688	484
	1 321	1 071

There were no revenues earned as a result of non-operating activities.

4.	Expenses from Ordinary Activities	2001	2000
	Employee costs were incurred in relation to the following:	\$'000	\$'000
	Wages and salaries	1 769	1 775
	Superannuation and payroll tax expenses	325	332
	Annual, long service leave and other employee related expenses	44	140
		2 138	2 247
	Administration expenses were incurred in relation to the following:		
	Research, collections and exhibitions operational expenses	412	352
	Insurance and risk management	355	358
	Communications and stationery	542	473
	Cost of goods sold	363	402
	Marketing	407	299
	Depreciation of plant and equipment	19	19
	Operating lease expenditure	34	27
	Other	618	552
		2 750	2 482
	Accommodation and service costs were incurred in relation to the following:		
	Utility costs	517	494
	Maintenance	1 458	1 425
	Depreciation of buildings and improvements	438	440
		2 413	2 359

5.	Surplus from Ordinary Activities		
	Surplus from ordinary activities includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance for the entity:		
	Revenue from sale of investments	267	508
	Expenses from sale of investments	35	311
	Gain from Sale of Investments	232	197

6.	Receivables		
	Fees receivable	94	96
	Less: Provision for doubtful debts	-	62
		94	34

7.	Other Current Assets		
	Accrued interest and dividends	74	44
	Conservation prepayment	228	133
	Accrued revenue	2	-
	Works of art prepayment	-	350
		304	527

8.	(a) Property, Plant and Equipment		2001		2000		
		Gross Value	Accumulated Depreciation	Written Down Value	Gross Value	Accumulated Depreciation	Written Down Value
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Land, buildings and improvements - At valuation	40 033	10 816	29 217	40 033	10 378	29 655
	Plant and equipment - At cost	152	81	71	133	62	71
	Total	40 185	10 897	29 288	40 166	10 440	29 726

(b)	Reconciliation of Carrying Amounts of Property, Plant and Equipment		2001	
		Land, Buildings & Improvements	Plant and Equipment	Total
		\$'000	\$'000	\$'000
	Carrying amount at 1 July	29 655	71	29 726
	Additions	-	19	19
	Depreciation expense	(438)	(19)	(457)
	Carrying Amount at 30 June	29 217	71	29 288

9.	(a) Heritage Collections		2001		2000		
		At Cost	At Valuation	Total	At Cost	At Valuation	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Australian paintings and sculptures	3 698	102 073	105 771	2 116	102 073	104 189
	Australian and European decorative arts	710	14 089	14 799	562	14 089	14 651
	Asian art	2 274	6 071	8 345	2 239	6 071	8 310
	European paintings and sculptures	8 883	164 088	172 971	7 062	164 088	171 150
	Prints, drawings and photographs	530	27 912	28 442	378	27 912	28 290
	Numismatics	-	1 376	1 376	-	1 376	1 376
	Philatelic material	-	288	288	-	288	288
	Library	119	1 073	1 192	88	1 073	1 161
	Total	16 214	316 970	333 184	12 445	316 970	329 415

(b) Reconciliation of Carrying Amounts of Heritage Collections	2001			2000		
	Balance		Balance	Balance		Balance
	1 July \$'000	Additions \$'000	30 June \$'000	1 July \$'000	Additions \$'000	30 June \$'000
Australian paintings and sculptures	104 189	1 582	105 771	103 270	919	104 189
Australian and European decorative arts	14 651	148	14 799	14 365	286	14 651
Asian art	8 310	35	8 345	7 246	1 064	8 310
European paintings and sculptures	171 150	1 821	172 971	169 767	1 383	171 150
Prints, drawings and photographs	28 290	152	28 442	28 184	106	28 290
Numismatics	1 376	-	1 376	1 376	-	1 376
Philatelic material	288	-	288	288	-	288
Library	1 161	31	1 192	1 141	20	1 161
Total	329 415	3 769	333 184	325 637	3 778	329 415

10. Investments	2001	2000
Non-Current Investments:	\$'000	\$'000
Commonwealth securities	245	245
Shares, convertible notes and other investments in companies	2 402	1 996
	2 647	2 241

The market value of the portfolio at 30 June 2001 was \$4 million (\$3.6 million).

11. Payables		
Current Liability:		
Creditors and accruals	227	442
Employee costs	22	23
	249	465
Non-Current Liability:		
Creditors and accruals	2	2
Employee costs	40	36
	42	38

12. Provision for Employee Entitlements		
Current Liability:		
Provision for long service leave	29	28
Provision for workers compensation	64	95
Provision for annual leave	111	120
	204	243
Non-Current Liability:		
Provision for long service leave	339	317
Provision for workers compensation	228	260
	567	577

13. Accumulated Surplus		
Balance at 1 July	363 376	358 739
Surplus from ordinary activities	3 822	4 637
Balance at 30 June	367 198	363 376

14. Reserves		
Asset Revaluation Reserve - Land, Buildings and Improvements:		
Balance at 1 July	1 691	1 691
Movement in reserves	-	-
Balance at 30 June	1 691	1 691

15. Commitments for Expenditure		
Operating Leases:		
Commitments under operating leases at the reporting date are payable as follows:		
Not later than one year	16	9
Later than one year and not later than five years	19	4
	35	13

These operating lease commitments which are not recognised in the financial report as liabilities, comprise motor vehicle and photocopier leases which are non-cancellable leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of the terms.

16. Contingent Liabilities	
There are no known contingent liabilities as at 30 June 2001.	

17. Reconciliation of Surplus from Ordinary Activities to Net Cash provided by Operating Activities	2001	2000
	\$'000	\$'000
Surplus from ordinary activities	3 822	4 637
Non-Cash Items:		
Depreciation expense	457	459
Profit on sale of assets	(232)	(197)
Provision for doubtful debts	-	31
Donated investments	(203)	-
Donations of art work	(1 321)	(2 159)
Change in operating assets and liabilities:		
(Increase) Decrease in assets	(194)	(185)
Increase (Decrease) in liabilities	(350)	75
Net Cash provided by Operating Activities	1 979	2 661

18. Remuneration of Board Members	2001	2000
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	11	6
\$10 000 - \$19 999	1	2

The total income received or receivable by Board members for the year was \$74 000 (\$65 000). This amount includes superannuation payments of \$5 000 (\$4 000). Two Board members did not receive any remuneration during the 2000 financial year.

19. Remuneration of Auditors	2001	2000
	\$'000	\$'000
Audit fees in relation to the year ended 30 June 2001	20	19

The Auditors provided no other services to the Board.

20. Remuneration of Employees	2001	2000
The number of employees whose annual remuneration was over \$100 000 fell within the following bands:	Number of Employees	Number of Employees
\$160 000 - \$169 999	1	-
\$170 000 - \$179 999	-	1

The total remuneration received by this employee for the year was \$164 000 (\$178 000).

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, Ms ST McGregor, Mr D McKee, Ms C Bennett, Justice JR Mansfield (to 19 January 2001), Mr GD Pitt (to 19 January 2001), Ms K Sedgwick (from 20 July 2000), Mr R Cohen (from 19 January 2001), Ms S Tweddell (from 19 January 2001) and Ms V Hickey (from 19 January 2001).

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 2000-01 no TVSPs were paid. In 1999-2000 one TVSP totalling \$14 000 was paid, with an additional \$10 000 paid on account of accrued annual leave and long service leave. The TVSP amount of \$14 000 was paid by the Department for Transport, Urban Planning and the Arts, which subsequently received reimbursement of this amount from the Department of the Premier and Cabinet.

23. Payments to Consultants		Number of Consultants		Total Cost of Consultants
		2001	2000	2001
Payments to consultants during 2000-01 fell into the following ranges:		\$'000		2000 \$'000
Below \$10 000		1	3	1
				14

24. Financial Instruments				
(a) Terms and Conditions				
Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument	
Financial Assets				
Cash assets	2(m)	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis although some funds held within the total cash balance are non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are the Special Deposit Account entitled 'Arts South Australia Operating Account', the Deposit Account entitled 'Art Gallery Board Bequests Account' and the Bank SA account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts which is currently 5.06 percent (5.58 percent) as at 30 June 2001. The interest rate for funds held at Bank SA is currently 4.65 percent.	

(a) Terms and Conditions (continued)

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Receivables	6	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	10	Investments are brought to account at cost. Interest is credited to revenue as it accrues. Dividend revenue is recognised when the right to receive a dividend has been established.	Portfolio of shares, debentures and convertible notes. Interest income is received quarterly.

Financial Liabilities

Payables	11	Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
----------	----	---	---

(b) Interest Rate Risk

Financial Instrument	2001				2000			
	Interest Rate	Interest Bearing Floating Interest Rate	Non-Bearing Interest Rate	Total	Interest Rate	Interest Bearing Floating Interest Rate	Non-Bearing Interest Rate	Total
Financial Assets:	Percent	\$'000	\$'000	\$'000	Percent	\$'000	\$'000	\$'000
Cash assets	4.81	4 242	5	4 247	5.58	4 614	3	4 617
Receivables		-	94	94		-	34	34
Investments	7.20	1 676	*971	2 647	6.27	1 576	*665	2 241
		5 918	1 070	6 988		6 190	702	6 892
Financial Liabilities:								
Payables		-	229	229		-	444	444
		-	229	229		-	444	444

* Represents shares which are subject to payment of dividends.

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument:	Note	2001		2000	
		Total Carrying Amount	Net Fair Value	Total Carrying Amount	Net Fair Value
Cash assets		\$'000	\$'000	\$'000	\$'000
Receivables	6	4 247	4 247	4 617	4 617
Investments	10	94	94	34	34
		2 647	3 994	2 241	3 612
		6 988	8 335	6 892	8 263
Payables	11	229	229	444	444
		229	229	444	444

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.

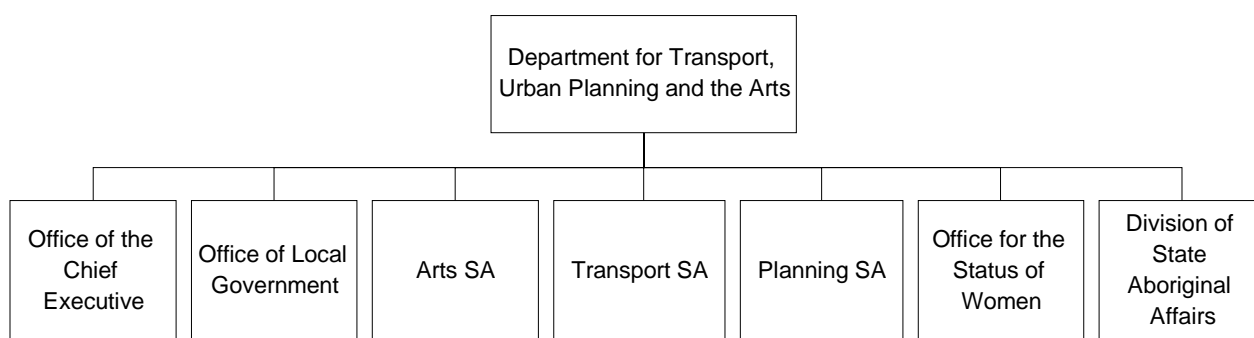
DEPARTMENT FOR TRANSPORT, URBAN PLANNING AND THE ARTS

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

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.

The following is a diagrammatic representation of the organisational structure of the Department for financial reporting purposes.



SIGNIFICANT FEATURES

- The Department recorded a surplus from Ordinary Activities of \$142 million (\$41 million last year).
- Network assets were revalued and as at 30 June 2001 have a written down value of \$4.6 billion.
- An increment of \$963 million was recorded in the Asset Revaluation Reserve.

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 2000-01 specific areas of Audit coverage included:

- motor vehicle registration and drivers' licensing
- asset registers
- contract administration
- 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. Satisfactory responses have been received in relation to the matters raised.

AUDIT FINDINGS AND COMMENTS

ARTS SA

Commentary on General Financial Controls

The overall internal control environment at Arts SA was assessed as satisfactory although Audit identified that there continued to be opportunities for improvement in relation to the management of grant activities.

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 that there was room for improvement. These areas are outlined below.

Accounts Payable and Purchasing

The audit of the accounts payable function revealed that there was room for improvement in the timely reconciliation of the Accounts Payable Disbursement Account and in the documentation available to support the authorisation of purchases.

In response Transport SA indicated that action would be taken to ensure that the Disbursement Account was reconciled on a timely basis and that adequate documentation was provided to support the authorisation of purchases.

Revenue

The audit revealed that improvements could be achieved in relation to the timely performance of reconciliations of the Transport SA Collection Account and the accounts receivable system to the general ledger.

In relation to controls over revenue from properties held by the Department, the audit identified the need for improvement in the timely review of the lease amounts for commercial properties. Audit also commented on the need for the authorisation of variations to the amounts charged to tenants for lease and other costs.

Transport SA advised that procedures have been revised to ensure that reconciliations are performed on a timely basis and that action has been taken to address the issues raised in relation to revenue from properties.

Public Transport Assets

The audit revealed the absence of a formal agreement between the Passenger Transport Board and Transport SA in relation to the arrangements for the ongoing lease of public transport assets.

In response Transport SA advised that a formal agreement would be established to reflect the arrangements between the parties.

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 and the timely renewal of contracts for outsourced services.

In response Transport SA advised that Customer Services Centre staff would be reminded of the need to comply with established procedures and that action would be taken to facilitate the timely renewal of contract arrangements.

DIVISION OF STATE ABORIGINAL AFFAIRS (DOSAA)

The audit identified room for improvement in the management of non-current assets and the review of leave recorded in the payroll system.

In response DOSAA indicated that revised procedures in relation to the management of non-current assets and the review of leave details 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 in operation were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

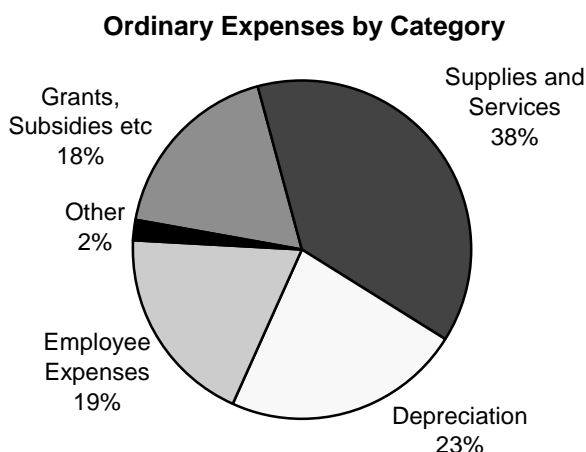
Audit formed the opinion that the controls exercised by the Department for Transport, Urban Planning and the Arts in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities were sufficient to provide reasonable assurance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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Expenses from Ordinary Activities

Expenses from Ordinary Activities for the year totalled \$485.7 million, the same as last year. The following chart shows the major categories of expenses as a percentage of Total Expenses.

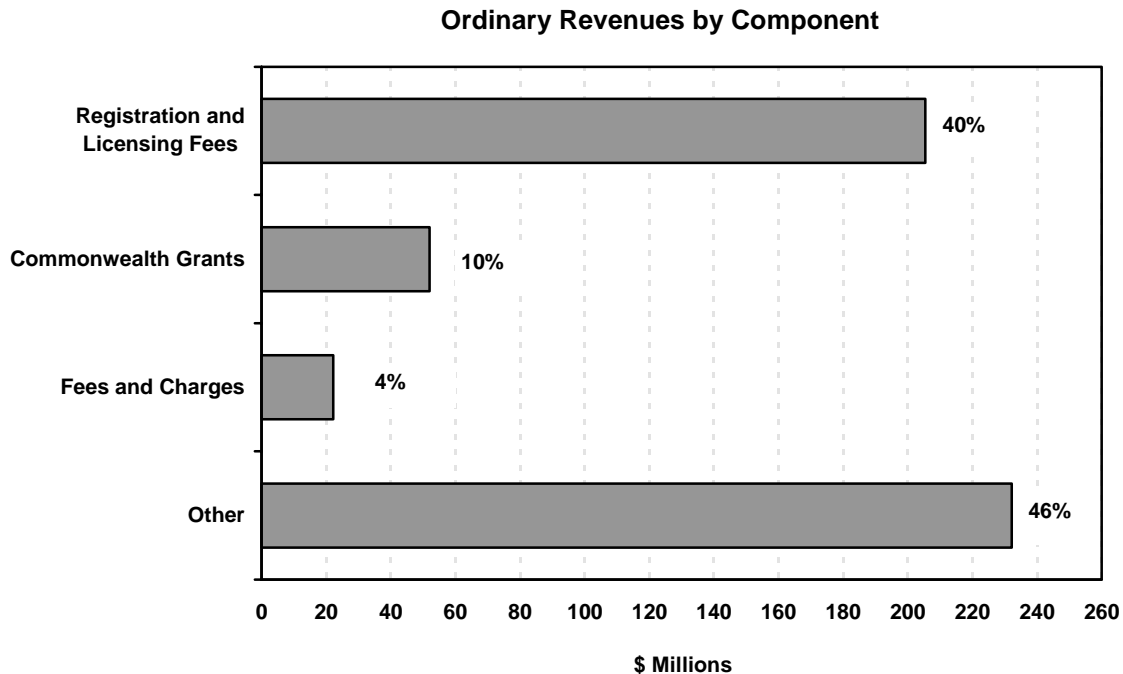


The chart reveals that depreciation expense represents 23 percent (22 percent) of Total Expenses. Grants and subsidies to other organisations represents 18 percent (18 percent) of Total Expenses.

Revenues from Ordinary Activities

Revenues from Ordinary Activities for the year totalled \$511.8 million (\$360.6 million). The increase of \$151.2 million is due mainly to an increase in Other Revenues of \$164.3 million. The main factor in this increase is a non-current asset revaluation increment of \$149.5 million which has been recorded as revenue to offset amounts previously expensed in relation to a non-current asset revaluation decrement.

The following chart shows the major components of Revenues from Ordinary Activities.



The chart indicates that motor registration and drivers' licence fees comprised 40 percent (55 percent) of Revenues from Ordinary Activities. Other revenues, which include a non-current asset revaluation increment mentioned above, accounted for 46 percent (18 percent) of Revenues from Ordinary Activities.

Revenues from Government

Appropriation from the State Government totalled \$120.6 million, a decrease of \$41.7 million from the previous year.

In 2000-01 the Department received for the first time an appropriation for Equity Contribution of \$38.5 million which has been shown as a direct contribution to Equity in the Statement of Financial Position in accordance with the requirements of Treasurer's Instruction 3 'Appropriation' (refer to Note 3(q) to the financial statements).

Statement of Financial Position

Current Assets

Cash Assets

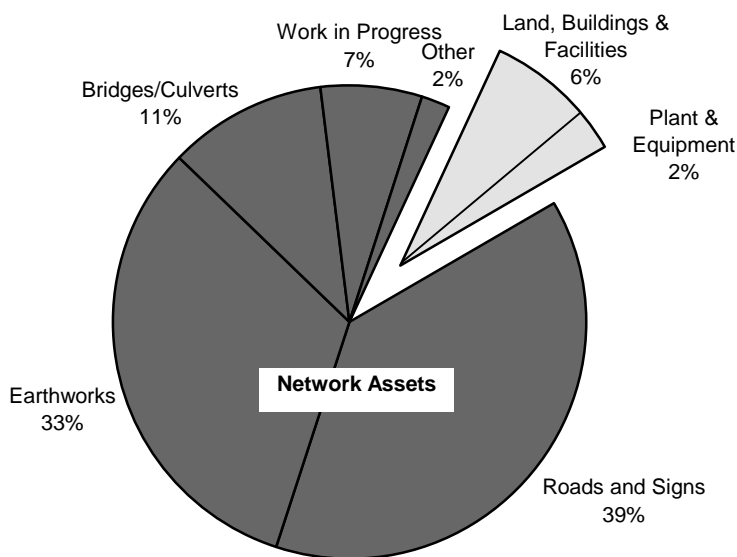
Cash assets decreased by \$23.4 million to \$69.9 million. Note 14 to the financial statements details the Deposit and Special Deposit Accounts which make up this total. The Highways Fund balance decreased by \$12.1 million mainly as a result of expenditure on a number of projects for which no additional funding was received. The Transport Operating Account also decreased by \$10.8 million. Cash held in the Arts SA Deposit Account balance increased by \$1.4 million to \$28.3 million. The level of cash held in this account is mainly as a result of holding funds for capital works at the State Library which have not yet been passed on to the Libraries Board of South Australia by way of capital grant.

Non-Current Assets

The written down value of non-current assets totalled \$5 billion, an increase of \$1.2 billion over the previous year. A complete revaluation of a number of subclasses within the Network Assets class resulted in a revaluation increment of \$1.1 billion. Of this revaluation increment, \$921.8 million was credited to the Asset Revaluation Reserve, with the remainder \$149.3 million shown as Other Revenue to reverse a previous revaluation decrement which was expensed.

It is relevant to note that a value for land under roads 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 and signs, earthworks, bridges and culverts, work in progress and other assets have a written down value of \$4.6 billion which represents 92 percent of Total Non-Current Assets. The major subclasses of Network Assets are roads and signs with a written down value of \$1.9 billion or 42 percent of the total value of Network Assets and earthworks with a written down value of \$1.6 billion or 36 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 (\$205.4 million) and grants from the Commonwealth Government (\$52 million). This regular source of funding explains the low level of outstanding borrowings (\$58.7 million) recorded in the Statement of Financial Position.

Equity

Reserves

The Asset Revaluation Reserve increased by \$963.4 million primarily as a result of the revaluation increment for Network Assets as mentioned previously.

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 2000-01 amounts collected on behalf of third parties totalled \$452.4 million and included \$278.4 million for Compulsory Third Party Insurance, \$102.6 million for stamp duty and \$25.5 million for the Emergency Services Levy.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	5	93 227	82 688
Depreciation	6	110 611	105 007
Supplies and services	7	185 616	200 429
Grants and subsidies	8	85 324	85 267
Borrowing costs		8 594	7 998
Other expenses		2 352	4 266
Total Expenses		485 724	485 655
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges for services	9	22 291	21 127
Interest and investment revenue		5 643	3 619
Commonwealth grants	10	51 969	75 558
Registration and licensing fees	11	205 352	198 086
Other revenues	12	226 539	62 258
Total Revenues		511 794	360 648
NET SURPLUS FROM (COST OF) SERVICES		26 070	(125 007)
REVENUES FROM GOVERNMENT:			
<i>Appropriation Act 2000</i>		120 594	162 274
Total Government Revenues		120 594	162 274
NET LOSS ON DISPOSAL OF NON-CURRENT ASSETS	13	3 513	830
NET REVENUES FROM RESTRUCTURING		-	5 561
SURPLUS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		143 151	41 998
INCOME TAX	3(n)	1 208	1 311
SURPLUS FROM ORDINARY ACTIVITIES		141 943	40 687
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net credit to an asset revaluation reserve on revaluation of non-current assets		963 422	169 823
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		963 422	169 823
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		1 105 365	210 510

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets	14	69 924	93 362
Receivables	15	23 686	10 428
Inventories	16	4 894	5 039
Investments	17	615	428
Other		2 545	4 163
Total Current Assets		101 664	113 420
NON-CURRENT ASSETS:			
Investments	17	968	1 578
Land, buildings and facilities	18	318 745	279 257
Plant and equipment	19	97 595	97 470
Network assets	20	4 612 888	3 494 549
Total Non-Current Assets		5 030 196	3 872 854
Total Assets		5 131 860	3 986 274
CURRENT LIABILITIES:			
Payables	21	58 566	50 707
Provision for employee entitlements	22	12 249	11 494
Other		2 330	2 477
Finance lease		-	46
Total Current Liabilities		73 145	64 724
NON-CURRENT LIABILITIES:			
Payables	21	3 153	2 272
Provision for employee entitlements	22	28 074	25 082
Borrowings	23	58 683	65 683
Other		331	295
Total Non-Current Liabilities		90 241	93 332
Total Liabilities		163 386	158 056
NET ASSETS		4 968 474	3 828 218
EQUITY:			
Accumulated surplus	24	3 776 082	3 637 748
Reserves	25	1 153 892	190 470
Equity contributions		38 500	-
TOTAL EQUITY		4 968 474	3 828 218
Commitments	26		
Contingent Liabilities	27		

Statement of Cash Flows for the year ended 30 June 2001

		2001	2000
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
	Note		
Employee expenses		(90 160)	(82 438)
Supplies and services		(179 632)	(195 229)
Grants and subsidies		(85 274)	(84 825)
Interest and other financing expenses		(8 635)	(7 992)
Other expenses		(4 052)	(682)
Total Payments		(367 753)	(371 166)
RECEIPTS:			
Fees and charges for services		22 353	20 893
Interest and investment revenue		5 587	3 563
Commonwealth grants		51 969	75 438
Registration and licensing fees		205 352	198 086
Other revenues		67 076	53 673
Total Receipts		352 337	351 653
CASH FLOWS FROM GOVERNMENT:			
Appropriation		120 594	161 742
Total Cash from Government		120 594	161 742
Net Cash provided by Operating Activities	28	105 178	142 229
CASH FLOWS FROM INVESTING ACTIVITIES:			
Network assets		(131 476)	(138 441)
Land, buildings and facilities		(73)	(2 146)
Plant and equipment		(30 020)	(7 682)
Other		-	(148)
Proceeds from asset sales		5 188	3 729
Proceeds from investments		415	115
Net Cash used in Investing Activities		(155 966)	(144 573)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends		(4 150)	(3 532)
Repayment of loan		(7 000)	(12 093)
Equity contributions		38 500	-
Net Cash provided by (used in) Financing Activities		27 350	(15 625)
NET CASH FLOWS FROM RESTRUCTURING		-	6 190
NET DECREASE IN CASH HELD		(23 438)	(11 779)
CASH AT 1 JULY		93 362	105 141
CASH AT 30 JUNE	14	69 924	93 362

Output Class Schedule of Departmental Expenses and Revenues for the year ended 30 June 2001

Output Class (Note 4)	2001											Total \$'000
	1 \$'000	2 \$'000	3 \$'000	4 \$'000	5 \$'000	6 \$'000	7 \$'000	8 \$'000	9 \$'000	10 \$'000	11 \$'000	
Departmental Expenses and Revenues												
Expenses from Ordinary Activities:												
Employee expenses	7 174	19 924	32 942	15 604	5 361	2 253	1 515	5 320	1 316	868	950	93 227
Depreciation	267	1 000	107 912	520	168	50	205	268	113	75	33	110 611
Supplies and services	6 647	18 925	129 011	10 880	3 933	1 901	1 611	8 496	3 025	705	482	185 616
Grants and subsidies	729	37	4 384	675	24 015	16 144	35 434	-	3 400	227	279	85 324
Borrowing costs	1	2 695	5 890	4	1	-	-	3	-	-	-	8 594
Other expenses	270	2 876	(2 260)	1 268	274	-	-	(76)	-	-	-	2 352
Total Expenses	15 088	45 457	277 879	28 951	33 752	20 348	38 765	14 011	7 854	1 875	1 744	485 724
Revenues from Ordinary Activities:												
Fees and charges for services	14	3 263	16 275	-	63	1 489	180	870	93	42	2	22 291
Interest and investment revenue	598	301	2 159	107	368	519	1 266	115	106	84	20	5 643
Commonwealth grants	63	2 855	47 065	-	133	62	430	1 252	109	-	-	51 969
Registration and licensing fees	-	21 263	174 100	-	669	-	-	9 320	-	-	-	205 352
Other revenues	311	22 762	185 931	776	1 720	2 850	1 296	9 954	369	512	58	226 539
Total Revenues	986	50 444	425 530	883	2 953	4 920	3 172	21 511	677	638	80	511 794
Net Surplus from (Cost of) Services	(14 102)	4 987	147 651	(28 068)	(30 799)	(15 428)	(35 593)	7 500	(7 177)	(1 237)	(1 664)	26 070
Revenues from Government:												
Appropriation	5 169	4 194	12 464	7 562	28 165	15 463	36 853	560	7 008	1 629	1 527	120 594
Total Government Revenues	5 169	4 194	12 464	7 562	28 165	15 463	36 853	560	7 008	1 629	1 527	120 594
Net Loss from Disposal of Non-Current Assets	-	-	3 428	-	-	-	-	-	85	-	-	3 513
Surplus (Deficit) from Ordinary Activities before Income Tax	(8 933)	9 181	156 687	(20 506)	(2 634)	35	1 260	8 060	(254)	392	(137)	143 151
Income tax	-	-	1 208	-	-	-	-	-	-	-	-	1 208
Surplus (Deficit) from Ordinary Activities	(8 933)	9 181	155 479	(20 506)	(2 634)	35	1 260	8 060	(254)	392	(137)	141 943
Non-owner transaction changes in equity:												
Net credit to an asset revaluation reserve on revaluation of non-current assets	-	-	963 422	-	-	-	-	-	-	-	-	963 422
Total revenues, expenses and valuation adjustments recognised directly in equity	-	-	963 422	-	-	-	-	-	-	-	-	963 422
Total changes in equity other than those resulting from transactions with the State Government as owner	(8 933)	9 181	1 118 901	(20 506)	(2 634)	35	1 260	8 060	(254)	392	(137)	1 105 365

Output Class Schedule of Administered Expenses and Revenues for the year ended 30 June 2001

Output Class (Note 4)	2001											Total \$'000
	1 \$'000	2 \$'000	3 \$'000	4 \$'000	5 \$'000	6 \$'000	7 \$'000	8 \$'000	9 \$'000	10 \$'000	11 \$'000	
Administered Expenses and Revenues from Ordinary Activities⁽¹⁾												
Expenses from Ordinary Activities:												
Employee expenses	-	-	-	-	-	-	-	184	-	-	293	477
Supplies and services	-	-	-	-	-	-	-	133	3 805	-	237	4 175
Grants and subsidies	-	-	-	1 169	-	-	-	2 119	-	-	171	3 459
Registration and licensing payments to third parties	-	-	-	-	-	-	-	452 442	-	-	-	452 442
Transfer payments	-	485	165 452	-	-	-	-	265	-	-	-	166 202
Total Expenses	-	485	165 452	1 169	-	-	-	455 143	3 805	-	701	626 755
Revenues from Ordinary Activities:												
Fees and charges for services	-	485	-	-	-	-	-	261	-	-	-	746
Grants	-	-	-	-	-	-	-	2 224	3 805	-	-	6 029
Reimbursement works	-	-	-	-	-	-	-	32	-	-	2	34
Registration and licensing receipts for third parties	-	-	-	-	-	-	-	452 442	-	-	-	452 442
Appropriation	-	-	165 452	1 169	-	-	-	184	-	-	660	167 465
Transfer payments	-	-	-	-	-	-	-	-	-	-	8	8
Total Revenues	-	485	165 452	1 169	-	-	-	455 143	3 805	-	670	626 724
Administered Expenses less Administered Revenues	-	-	-	-	-	-	-	-	-	-	31	31

(1) Administered expenses and revenues are not recognised in the Statement of Financial Performance but are reported here for information purposes (see Note 34).

Output Class Schedule of Departmental Assets and Liabilities and Administered Assets and Liabilities as at 30 June 2001

Output Class (Note 4)	2001											Total \$'000
	1 \$'000	2 \$'000	3 \$'000	4 \$'000	5 \$'000	6 \$'000	7 \$'000	8 \$'000	9 \$'000	10 \$'000	11 \$'000	
Departmental Assets and Liabilities												
Departmental Assets:												
Current assets	2 000	7 630	48 759	7 432	1 250	620	29 723	-	3 891	-	359	101 664
Non-current assets	129 995	591 313	3 935 991	299 133	58 072	22	14 765	-	861	-	44	5 030 196
Total Departmental Assets	131 995	598 943	3 984 750	306 565	59 322	642	44 488	-	4 752	-	403	5 131 860
Departmental Liabilities:												
Current liabilities	2 065	8 489	53 950	4 875	1 622	589	807	-	482	-	266	73 145
Non-current liabilities	2 556	10 612	67 445	6 017	1 612	254	618	-	891	-	236	90 241
Total Departmental Liabilities	4 621	19 101	121 395	10 892	3 234	843	1 425	-	1 373	-	502	163 386
Administered Assets and Liabilities⁽¹⁾												
Administered Assets:												
Current assets	6	170	188	24	3	-	-	-	6 191	-	50	6 632
Non-current assets	89	404	2 693	205	39	-	-	-	-	-	47	3 477
Total Administered Assets	95	574	2 881	229	42	-	-	-	6 191	-	97	10 109
Administered Liabilities:												
Current liabilities	6	170	188	24	3	-	-	-	6 191	-	79	6 661
Non-current liabilities	89	404	2 693	205	39	-	-	-	-	-	49	3 479
Total Administered Liabilities	95	574	2 881	229	42	-	-	-	6 191	-	128	10 140

(1) Administered assets and liabilities are not recognised in the Statement of Financial Position but are reported here for information purposes (see Note 34).

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 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 general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards, applicable Urgent Issues Group Consensus Views and other mandatory reporting requirements. The report is prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) **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 34.

(e) **Comparative Figures**

The Department has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

(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 Statement of Financial Performance. 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.

In accordance with the transitional provisions of Australian Accounting Standard AAS 38 'Revaluation of Non-Current Assets' the Department has continued to apply the deprival value methodology as the basis of valuing its non-current 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 held for departmental operations was revalued as at 30 June 2000 by the Valuer-General of South Australia. All Departmental buildings and facilities held for departmental operations were revalued by independent valuers as at 30 June 2001.

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 June 2001 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 facilities are valued at written down replacement cost. Major land sites are valued using information provided by the Valuer-General's Office as at 30 June 2000. 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 either by independent valuers, or by suitably qualified officers of Transport SA.

- **Network Assets (continued)**
A complete revaluation of the roads and signs, earthworks, bridges, culverts, busway assets (including Busway Interchanges), and other assets was undertaken as at 30 June 2001. A revaluation of traffic signals and road lighting 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 historic cost. The bus fleet and ferries are valued at written down replacement cost. The bus fleet was revalued by independent valuers and the ferries by suitably qualified Transport SA officers as at 30 June 2001.
- **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 and road lighting	15 years
Busway (including interchanges)	Useful life depends on individual asset items
Other	Useful life depends on individual asset items
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 Statement of Financial Performance in respect of that same class of asset, it is recognised as revenue in the Statement of Financial Performance, 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.

Roads, earthworks, bridges/culverts, busway assets (including interchanges) and other assets within the network assets class were physically revalued as at 30 June 2001. As a result of this valuation, assets with a book value of \$3 100 439 000 were revalued to \$4 169 178 000. This has resulted in an increase in the Asset Revaluation Reserve of \$919 481 000 with a further \$149 258 000 shown as Other Revenue to reverse a previous decrement.

Traffic signals, road lighting and other network assets were revalued in accordance with the Departmental price index. As a result assets with a book value of \$71 843 000 were revalued to \$74 118 000. This has resulted in an increase to the Asset Revaluation Reserve of \$2 275 000.

Buildings and Facilities used for marine and operations purposes were physically revalued as at 30 June 2001. As a result of this valuation, assets with a book value of \$121 888 000 were revalued to \$168 911 000. This has resulted in an increase in the Asset Revaluation Reserve of \$46 831 000 and a further \$192 000 shown as Other Revenue to reverse a previous decrement.

Buses and other plant (including ferries) were physically revalued as at 30 June 2001. As a result of this valuation, assets with a book value of \$99 906 000 were revalued to \$94 741 000. This has resulted in a decrease in the Asset Revaluation Reserve of \$5 165 000.

Land for road purposes and land under roads were revalued as at 30 June 2001. As a result of this revaluation, assets with a book value of \$83 858 000 were revalued to \$83 673 000. This has resulted in a \$185 000 decrement being shown as Other Expenses.

(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.
- (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 Payables in the Statement of Financial Position.

- (k) **Provision for Doubtful Debts**
The provision for doubtful debts has been calculated as 4 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 risks and benefits incidental to ownership of the items held under the lease agreements.
- (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.
- (o) **Accounting for the Goods and Services Tax (GST)**
In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:
- the amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
 - receivables and payables are stated with the amount of GST included.
- The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.
- Finance lease liabilities are stated inclusive of the amount of GST on the finance lease liability.
- Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Australian Taxation Office have however been classified as operating cash flows.
- (p) **Workers Compensation**
A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability according to the Department's experience of claim numbers and payments over the period 1 July 1987 to 30 June 2001. A separate valuation of the liabilities of the Department has not been undertaken and if such a valuation was performed it may result in a different assessed liability.
- (q) **Transactions By The Government As Owner**
Appropriations to the Department designated as 'equity contributions' are recognised directly in equity in accordance with Treasurer's Instruction 3 'Appropriation'.

4. **Departmental Output Classes**

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.

4. **Departmental Output Classes (continued)**

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.

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; 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 *Aboriginal Heritage Act 1988*.

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**

Employee expenses comprised:

Salaries and wages	67 515	60 502
Annual leave and long service leave	8 436	8 371
Superannuation	8 382	7 166
Payroll tax	5 164	4 578
Workers compensation and other expenses	3 730	2 071
	93 227	82 688

6. **Depreciation**

Depreciation was charged in respect of:

Buildings and facilities	4 878	5 723
Plant and equipment	13 221	12 888
Network assets	92 512	86 396
	110 611	105 007

7. **Supplies and Services**

Supplies and services included rental expenses for operating leases of \$5 807 000 and bad and doubtful debts expense of \$254 000.

8. **Grants and Subsidies**

Grants and subsidies comprised:

Lead Agency Art Grants:

Museum Board	6 729	19 412
Libraries Board of South Australia	23 461	11 716
Adelaide Festival Centre Trust	5 548	10 904
Art Gallery Board	5 205	5 507
Country Arts SA	4 981	4 681
South Australian Film Corporation	3 820	4 220
History Trust of South Australia	3 356	3 316
Adelaide Festival Corporation	4 000	2 750
State Opera of South Australia	1 018	1 700
South Australian Youth Arts Board	1 647	1 566
State Theatre Company of South Australia	1 513	1 485
Adelaide Symphony Orchestra	1 627	1 164
Jam Factory of Contemporary Craft and Design	882	974
Australian Dance Theatre	912	776
Carrick Hill Trust	664	736
Tandanya	554	577

Arts Industry Development Grants:

Project assistance	2 868	2 882
General purpose assistance	2 632	2 514
Other arts grants	4 250	2 174
Other	9 657	6 213
	85 324	85 267

Transport, Urban Planning and the Arts

9.	Fees and Charges for Services	2001	2000
	Fees and charges comprised:	\$'000	\$'000
	Road and marine related charges	14 154	12 703
	Road and marine fees	5 042	5 355
	Arts industry related fees	1 669	1 598
	Planning related fees	1 275	1 307
	Other	151	164
		22 291	21 127
10.	Commonwealth Grants		
	Commonwealth grants comprised:		
	<i>Australian Land Transport Development Act 1988</i>	45 812	68 035
	<i>Interstate Road Transport Act 1985</i>	3 212	2 639
	Australia Council	393	363
	Rail transfer agreement	-	3 851
	Other	2 552	670
		51 969	75 558
11.	Registration and Licensing Fees		
	Fees collected comprised:		
	Motor registration fees	181 197	173 797
	Drivers' licence fees	24 155	24 289
		205 352	198 086
12.	Other Revenues		
	Other revenues included:		
	Revaluation increment (refer to Note 3(i))	149 450	-
	Fair value of assets received for nil consideration	4 923	2 293
	Property rentals	3 754	4 758
	Commissions	4 620	4 505
	Reimbursement works and external project contributions	9 897	4 066
	Business/service provider unit revenues from external sources	3 032	2 818
	Registration and insurance contributions	4 673	4 845
13.	Net Loss on Disposal of Non-Current Assets		
	Gross value of assets	16 183	31 112
	Accumulated depreciation	7 480	26 549
	Written down value	8 703	4 563
	Proceeds received	5 190	3 733
	Net Loss	3 513	830
14.	Cash Assets		
	Balance of cash on hand and in Deposit and Special Deposit Accounts as at 30 June were:		
	Arts SA Deposit Account (including balances of the Office for the Status of Women)	28 312	26 896
	Planning SA Deposit Account	3 849	4 419
	Highways Fund	17 684	29 791
	Transport Operating Account	14 362	25 128
	Recreational Boating Facilities Fund	1 729	2 806
	Boating Administration Working Account	162	255
	North Haven Marina Fund	-	105
	Division of State Aboriginal Affairs Deposit Account	3 398	3 553
	Office of Local Government Deposit Account	428	409
		69 924	93 362
15.	Receivables		
	Receivables comprised:		
	Gross receivables	24 308	10 796
	Less: Provision for doubtful debts	622	368
	Net Receivables	23 686	10 428
16.	Inventories		
	Inventories comprised:		
	Supplies and stores	821	947
	Roadside materials	3 416	3 416
	External work in progress	657	676
		4 894	5 039
17.	Investments		
	Investments comprised:		
	Loans to:		
	Adelaide Festival Centre Trust	1 300	1 500
	South Australian Film Corporation	75	200
	Jam Factory of Contemporary Craft and Design	50	50
	Media Resource Centre	38	58
	Others	120	198
		1 583	2 006
	Current Assets	615	428
	Non-Current Assets	968	1 578
		1 583	2 006

18. Land, Buildings and Facilities

	2001			2000		
	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
Land as at 30 June:						
Held for cultural purposes	3 050	-	3 050	3 050	-	3 050
Held for Departmental operations	26 836	-	26 836	27 162	-	27 162
Held for road purposes	78 148	-	78 148	82 186	-	82 186
Held for marine purposes	3 614	-	3 614	4 597	-	4 597
Land under roads	5 524	-	5 524	5 297	-	5 297
Held for rail purposes	17 975	-	17 975	17 875	-	17 875
Total	135 147	-	135 147	140 167	-	140 167

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 2000. Land held for cultural purposes has been valued according to the Australian Valuation Office valuations conducted in 1999.

Land:	Cultural Purposes \$'000	Departmental Operations \$'000	Road Purposes \$'000	Marine Purposes \$'000	Land under Roads \$'000	Rail Purposes \$'000	Total \$'000
Gross Carrying Amount:							
Balance as at 1 July	3 050	27 162	82 186	4 597	5 297	17 875	140 167
Additions	-	-	175	-	147	100	422
Disposals	-	(326)	(3 948)	(983)	-	-	(5 257)
Net revaluation increments (decrements)	-	-	(265)	-	80	-	(185)
Balance as at 30 June	3 050	26 836	78 148	3 614	5 524	17 975	135 147

Net Book Value:							
Balance as at 30 June 2001	3 050	26 836	78 148	3 614	5 524	17 975	135 147
Balance as at 30 June 2000	3 050	27 162	82 186	4 597	5 297	17 875	140 167

	2001			2000		
	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	17 110	6 594	10 516	17 383	6 388	10 995
Held for Departmental operations	97 310	57 989	39 321	98 671	55 043	43 628
Held for road purposes	14 367	11 707	2 660	16 654	11 360	5 294
Held for marine purposes	181 346	51 509	129 837	88 355	10 481	77 874
Held for rail purposes	1 365	101	1 264	1 355	56	1 299
Total	311 498	127 900	183 598	222 418	83 328	139 090

Residential property assets (Held for Departmental operations asset category) have been valued according to the Valuer-General's latest available valuations. Commercial properties were valued in 2000 by Adderley & Partners Pty Ltd, and Elders Real Estate.

Marine facilities (Held for marine purposes asset category) were valued in 2001 by Maloney Field Services Property Consultants and Valuers.

Other Agency properties (Held for Departmental operations asset category) were valued in 2001 by Maloney Field Services Property Consultants and Valuers.

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.

Buildings and facilities:	Cultural Purposes \$'000	Departmental Operations \$'000	Road Purposes \$'000	Marine Purposes \$'000	Rail Purposes \$'000	Total \$'000
Gross Carrying Amount:						
Balance as at 1 July	17 383	98 671	16 654	88 355	1 355	222 418
Additions	-	-	-	6 502	10	6 512
Disposals	-	(2 624)	(2 287)	(25)	-	(4 936)
Net revaluation increments (decrements)	-	1 263	-	86 514	-	87 777
Other	(273)	-	-	-	-	(273)
Balance as at 30 June	17 110	97 310	14 367	181 346	1 365	311 498
Accumulated Depreciation:						
Balance as at 1 July	6 388	55 043	11 360	10 481	56	83 328
Additions	-	-	-	1 470	5	1 475
Disposals	-	(2 510)	-	(25)	-	(2 535)
Net adjustments from revaluation increments (decrements)	-	3 901	-	36 853	-	40 754
Depreciation expense	206	1 555	347	2 730	40	4 878
Balance as at 30 June	6 594	57 989	11 707	51 509	101	127 900
Net Book Value:						
Balance as at 30 June 2001	10 516	39 321	2 660	129 837	1 264	183 598
Balance as at 30 June 2000	10 995	43 628	5 294	77 874	1 299	139 090

18. Land, Buildings and Facilities (continued)	2001			2000		
	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
Land, buildings and facilities as at 30 June:						
At cost	560	216	344	3 085	522	2 563
At valuation	446 085	127 684	318 401	359 500	82 806	276 694
Total	446 645	127 900	318 745	362 585	83 328	279 257

19. Plant and Equipment	2001			2000		
	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
Plant and equipment as at 30 June:						
Buses	297 154	224 620	72 534	268 138	199 158	68 980
Information technology equipment	9 043	7 273	1 770	9 817	8 040	1 777
Other plant and equipment	41 117	17 826	23 291	45 450	18 737	26 713
Total	347 314	249 719	97 595	323 405	225 935	97 470

Buses were valued in 2001 by the Australian Valuation Office. Ferries (Other plant and equipment asset category) were valued in 2001 by Departmental engineer J. Rositano B.Eng. Mech Eng, MIE Aust.

Plant and equipment:	Buses	Information Technology Equipment	Other Plant and Equipment	Total
	\$'000	\$'000	\$'000	\$'000
Gross Carrying Amount:				
Balance as at 1 July	268 138	9 817	45 450	323 405
Additions	11 855	719	7 249	19 823
Disposals	(2 366)	(1 452)	(2 396)	(6 214)
Net revaluation increments (decrements)	19 527	-	(9 459)	10 068
Other	-	(41)	273	232
Balance as at 30 June	297 154	9 043	41 117	347 314
Accumulated Depreciation:				
Balance as at 1 July	199 158	8 040	18 737	225 935
Disposals	(2 308)	(1 223)	(1 139)	(4 670)
Net adjustments from revaluation increments (decrements)	16 166	-	(933)	15 233
Depreciation expense	11 604	456	1 161	13 221
Balance as at 30 June	224 620	7 273	17 826	249 719
Net Book Value:				
Balance as at 30 June 2001	72 534	1 770	23 291	97 595
Balance as at 30 June 2000	68 980	1 777	26 713	97 470

Plant and equipment as at 30 June:	2001			2000		
	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
At cost	7 408	2 381	5 027	11 574	2 500	9 074
At valuation	339 906	247 338	92 568	311 831	223 435	88 396
Total	347 314	249 719	97 595	323 405	225 935	97 470

20. Network Assets	2001			2000		
	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:						
Roads and signs	4 302 091	2 365 635	1 936 456	3 687 851	2 051 434	1 636 417
Earthworks	1 641 438	-	1 641 438	1 034 650	-	1 034 650
Bridges and culverts	962 095	418 826	543 269	775 080	335 282	439 798
Traffic signals and road lighting	181 476	111 671	69 805	173 135	99 137	73 998
Busway	62 399	15 676	46 723	50 573	9 945	40 628
Other	11 189	5 583	5 606	8 930	4 048	4 882
Work in progress	369 591	-	369 591	264 176	-	264 176
Total	7 530 279	2 917 391	4 612 888	5 994 395	2 499 846	3 494 549

Valuations of the Network Assets have been determined by suitably qualified Departmental officers and external valuers. The following network assets were revalued in 2001: Roads and earthworks by S Dimas, BE(Hons) MIE (Aust) CP Eng (Civil), bridges and culverts by R Preece (Civil Tech Cert), weighstations (other network assets) by S Dimas, BE(Hons) MIE (Aust) CP Eng (Civil), R Burt (Cert in Electrical Eng) and Modern Weighbridge & Scale Service. Busway interchanges assets were valued by Currie & Brown Quantity Surveyors and Cost Engineers.

20. Network Assets (continued)

	Roads and Signs	Earthworks	Bridges/ Culverts	Traffic Signals and Road Lighting	Busway	Other	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying Amount:								
Balance as at 1 July	3 687 851	1 034 650	775 080	173 135	50 573	8 930	264 176	5 994 395
Additions	13 438	3 925	18 332	951	-	-	105 415	142 061
Disposals	-	-	(342)	(346)	-	-	-	(688)
Net revaluation increments (decrements)	600 802	602 863	169 025	7 736	11 826	2 259	-	1 394 511
Balance as at 30 June	4 302 091	1 641 438	962 095	181 476	62 399	11 189	369 591	7 530 279
Accumulated Depreciation:								
Balance as at 1 July	2 051 434	-	335 282	99 137	9 945	4 048	-	2 499 846
Additions	-	-	2 204	-	-	-	-	2 204
Disposals	-	-	(323)	(345)	-	-	-	(668)
Net adjustments from revaluation increments (decrements)	241 072	-	70 364	5 686	5 035	1 340	-	323 497
Depreciation	73 129	-	11 299	7 193	696	195	-	92 512
Balance as at 30 June	2 365 635	-	418 826	111 671	15 676	5 583	-	2 917 391
Net Book Value:								
Balance as at 30 June 2001	1 936 456	1 641 438	543 269	69 805	46 723	5 606	369 591	4 612 888
Balance as at 30 June 2000	1 636 417	1 034 650	439 798	73 998	40 628	4 882	264 176	3 494 549
				2001			2000	
			Gross Value	Accumulated Depreciation	Written Down Value	Gross Value	Accumulated Depreciation	Written Down Value
Network assets as at 30 June:			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At cost			31 146	280	30 866	441 160	1 529	439 631
At valuation			7 499 133	2 917 111	4 582 022	5 553 235	2 498 317	3 054 918
Total			7 530 279	2 917 391	4 612 888	5 994 395	2 499 846	3 494 549

21. Payables

Creditors as at 30 June comprised:	2001	2000
Supplies and services	\$'000	\$'000
Employee entitlements	53 239	44 270
Other	5 136	5 340
	3 344	3 369
	61 719	52 979
Current liabilities	58 566	50 707
Non-Current liabilities	3 153	2 272
	61 719	52 979
22. Provision for Employee Entitlements		
(a) Current Liabilities		
Annual leave	5 673	5 229
Long service leave	4 714	4 387
Workers compensation	1 862	1 878
	12 249	11 494
(b) Non-Current Liabilities		
Long service leave	22 072	19 968
Workers compensation	6 002	5 114
	28 074	25 082

Annual leave is classified as a current liability as employees are required to take all annual leave within the year of entitlement. Long Service Leave liability has been allocated between current and non-current liabilities using the leave pattern history for the previous year.

23. Borrowings

Balance as at 1 July	2001	2000
Less: Repayments:	\$'000	\$'000
General road and bridge loan	65 683	77 776
Public transport assets	-	8 100
Balance as at 30 June	7 000	3 993
	58 683	65 683
Current liabilities	-	-
Non-Current liabilities	58 683	65 683
	58 683	65 683
24. Accumulated Surplus		
Balance as at 1 July	3 637 748	3 600 427
Surplus from ordinary activities	141 943	40 687
Dividends paid	(4 150)	(3 532)
Pre-existing assets brought to account	541	166
Balance as at 30 June	3 776 082	3 637 748

25. Reserves	Land, Buildings & Facilities \$'000	Plant & Equipment \$'000	Network Assets \$'000	Total \$'000
Asset revaluation reserve				
Balance as at 1 July	11 569	9 078	169 823	190 470
Increment (decrement) on revaluation	46 831	(5 165)	921 756	963 422
Balance as at 30 June	58 400	3 913	1 091 579	1 153 892

26. Commitments	2001 \$'000	2000 \$'000
(a) Lease Commitments - Operating		
Operating Lease Commitments:		
Payable no later than one year	12 899	15 567
Payable later than one year but not later than five years	9 479	21 483
Payable later than five years	3 710	6 029
	26 088	43 079

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 1 to 10 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	2001 \$'000	2000 \$'000
Finance Lease Commitments:		
Payable no later than one year	-	46
Minimum lease payments	-	46
Less: Future finance lease charges	-	-
Lease Liability	-	46
Classified as:		
Current	-	46
	-	46
(c) Capital Commitments		
Aggregate capital expenditure commitment for construction projects relating to road networks as at 30 June 2001 were:		
Payable no later than one year	37 375	54 755
Payable later than one but not later than five years	1 650	6 764
	39 025	61 519
(d) Other Commitments		
Aggregate expenditure commitments for the maintenance of roads as at 30 June 2001 were:		
Payable no later than one year	37 018	50 200
	37 018	50 200

27. 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.

28. Reconciliation of Net Cash provided by Operating Activities to Net Surplus from Services	2001	2000
	\$'000	\$'000
Net surplus from (cost of) services	26 070	(125 007)
Adjustments:		
Depreciation	110 611	105 007
Inventories	126	(121)
Prepayments	1 321	(1 696)
Receivables	(5 705)	(3 238)
Creditors	3 377	1 399
Employee entitlements	3 112	2 123
Unearned revenues	115	622
Fair value of assets received	(4 927)	(2 293)
Appropriations from Government	120 594	161 742
Revaluation adjustments	(149 450)	-
Other	(66)	3 691
Net Cash provided by Operating Activities	105 178	142 229

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 the 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 2000-01 was \$3.9 million (\$3.5 million).

30. Remuneration of Employees

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

	2001	2000
	Number of	Number of
	Employees	Employees
\$100 000 - \$109 999	10	9
\$110 000 - \$119 999	9	8
\$120 000 - \$129 999	2	2
\$130 000 - \$139 999	-	1
\$160 000 - \$169 999	-	1
\$170 000 - \$179 999	-	1
\$190 000 - \$199 999	1	-
\$200 000 - \$209 999	-	1
\$220 000 - \$229 999	1	#1
	23	24

The total remuneration received by the 23 employees (24 employees) was \$2.8 million (\$3.1 million) which included salary and related payments, superannuation benefits and motor vehicle benefits. Approximately 15 percent of this amount related to superannuation and motor vehicle benefits.

Includes a lump sum payment of \$125 000 for one employee on termination of service.

31. Consultants

The Department paid fees to consultants as follows:

	2001	2000
	Number of	Number of
	Consultants	Consultants
\$1 - \$10 000	32	39
\$10 001 - \$50 000	12	26
\$50 001 and above	8	31
	52	76

The total value of consultancies for the reporting period was \$1.1 million (\$1.5 million).

32. Targeted Voluntary Separation Packages (TVSPs)

In accordance with Government policy to reduce the public sector workforce, 24 (23) 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 \$1.2 million (\$1.1 million) for the year. An amount of \$0.2 million (\$0.5 million) is owed to the Department as at 30 June 2001, 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 (\$0.4 million) were paid to those employees who received a TVSP.

33. Road Safety

In accordance with the *Highways Act 1926*, \$4 million (\$4 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.

34. 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
- 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.

35. 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	Depots	Total
	\$'000	\$'000	\$'000
Gross value	297 154	27 392	324 546
Accumulated depreciation	224 620	959	225 579
Net Value	72 534	26 433	98 967
Depreciation for the year ended 30 June	11 604	977	12 581

During the year ended 30 June 2001 the buses were revalued generating a revaluation increment of \$3.4 million. Depot plant and equipment were also revalued as at 30 June 2001 resulting in a revaluation increment of \$2.2 million.

The Department expects to receive the following income from Buses and Bus Depots under the lease arrangements	Less than 1 year	1 - 5 Years	More than Five years
	\$'000	\$'000	\$'000
	30 067	101 370	-

36. Financial Instruments

(a) **Terms and Conditions**

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets:			
Cash assets	14	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 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 5.06 percent (as at 30 June 2001).
Receivables	15	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	17	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 2001 is 5.7 percent.
Administered Items:			
Cash assets		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.

(a) Terms and Conditions (continued)

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Liabilities:			
Payables	21	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	23	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 7.65 percent (as at 30 June 2001). Borrowings swapped for equity are non-interest bearing. Repayments are determined in negotiation with the South Australian Government Financing Authority (SAFA).
Administered Items:			
Payables		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	2001			Floating Interest Rate	2000		
		Interest Bearing	Non-Interest Bearing	Total		Interest Bearing	Non-Interest Bearing	Total
Controlled Items:	Percent	\$'000	\$'000	\$'000	Percent	\$'000	\$'000	\$'000
Financial Assets:								
Cash assets	5.01	52 266	17 658	69 924	5.58	63 571	29 791	93 362
Receivables		-	23 686	23 686		-	10 428	10 428
Investments	5.7	75	1 508	1 583	5.7	200	1 806	2 006
		<u>52 341</u>	<u>42 852</u>	<u>95 193</u>		<u>63 771</u>	<u>42 025</u>	<u>105 796</u>
Financial Liabilities:								
Payables		-	61 719	61 719		-	52 979	52 979
Borrowings	7.65	58 660	23	58 683	8.5	65 660	23	65 683
		<u>58 660</u>	<u>61 742</u>	<u>120 402</u>		<u>65 660</u>	<u>53 002</u>	<u>118 662</u>
Administered Items:								
Financial Assets:								
Cash assets	5.01	142	239	381	-	-	4 855	4 855
Receivables		-	3 441	3 441		-	3 852	3 852
		<u>142</u>	<u>3 680</u>	<u>3 822</u>		<u>-</u>	<u>8 707</u>	<u>8 707</u>
Financial Liabilities:								
Payables		-	391	391		-	8 707	8 707
Borrowings	-	-	3 431	3 431	-	-	-	-
		<u>-</u>	<u>3 822</u>	<u>3 822</u>		<u>-</u>	<u>8 707</u>	<u>8 707</u>

(c) Net Fair Values of Financial Assets and Liabilities

	Note	2001		2000	
		Total Carrying Amount	Net Fair Value	Total Carrying Amount	Net Fair Value
Controlled Items:		\$'000	\$'000	\$'000	\$'000
Cash assets	14	69 924	69 924	93 362	93 362
Receivables	15	23 686	23 686	10 428	10 428
Investments	17	1 583	1 583	2 006	2 006
		<u>95 193</u>	<u>95 193</u>	<u>105 796</u>	<u>105 796</u>
Payables	21	61 719	61 719	52 979	52 979
Borrowings	23	58 683	58 683	65 683	65 683
		<u>120 402</u>	<u>120 402</u>	<u>118 662</u>	<u>118 662</u>
Administered Items:					
Cash assets		381	381	4 855	4 855
Receivables		3 441	3 441	3 852	3 852
		<u>3 822</u>	<u>3 822</u>	<u>8 707</u>	<u>8 707</u>
Creditors		391	391	8 707	8 707
Borrowings		3 431	3 431	-	-
		<u>3 822</u>	<u>3 822</u>	<u>8 707</u>	<u>8 707</u>

(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.

37. Auditors' Remuneration

The amount payable to the Auditor-General's Department for audit services during the reporting period was \$263 000 (\$260 000). The auditors received no other benefits.

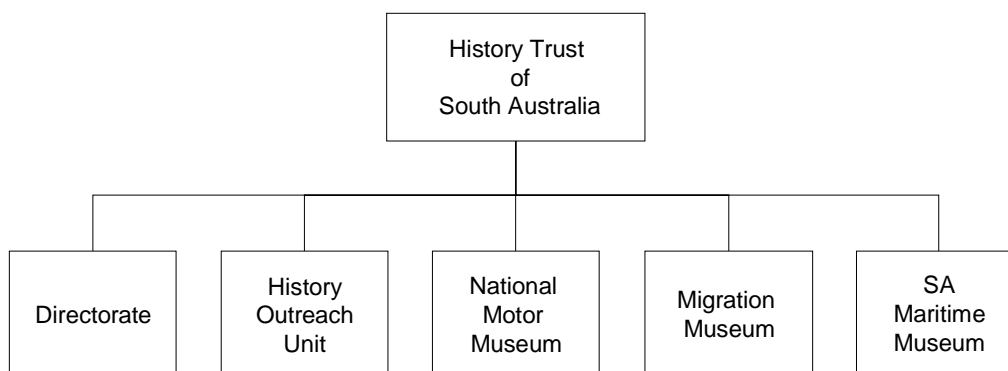
38. Related Party Disclosure

During the year, Mr TW O'Loughlin, Chief Executive Officer of the Department, 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 grant recipient.

HISTORY TRUST OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

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

Net assets decreased by \$3 million principally due to the transfer of assets relating to Old Parliament House.

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 satisfactory. Notwithstanding, certain matters were referred to the Director of the Trust including:

- The requirement to document financial management policies and procedures and to communicate these effectively to the individual Museums.
- An opportunity to review the methodologies underpinning the revaluation of collection items with a view to ensuring that revaluations were being performed in the most cost effective manner and at appropriate intervals so as to address the minimum requirements of the Treasurer's Accounting Policy Statements. Audit suggested that the Trust enter into dialogue with the Department of Treasury and Finance to clarify the minimum requirements in this regard.

The responses received from the Trust satisfactorily addressed the matters raised in the management letter.

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

Change in Net Assets Resulting from Operations

Net assets decreased by \$3 million due principally to the transfer of Old Parliament House to the Legislature following amendments to the Trust's governing legislation. There were no other major movements during the year.

Admissions Receipts and Attendances

Results for the individual museums are shown hereunder:

	Admission Receipts			Attendances		
	2001 \$'000	2000 \$'000	1999 \$'000	2001 '000	2000 '000	1999 '000
History Outreach Unit	-	-	-	25	12	9
National Motor Museum	343	319	292	65	70	67
South Australian Maritime Museum	242	244	210	70	73	64
Migration Museum	20	17	16	142	145	144

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	3	2 285	2 335
Operating and administration expenses	4	2 215	2 565
Accommodation and service costs		396	375
Depreciation and amortisation	5	526	860
Grant payments	7	174	120
Total Expenses		5 596	6 255
REVENUES FROM ORDINARY ACTIVITIES:			
User charges and fees	8	995	1 017
Interest		29	16
Other revenues		921	1 056
Total Revenues		1 945	2 089
NET COST OF SERVICES		(3 651)	(4 166)
REVENUES FROM GOVERNMENT:			
Grants from State Government:			
Purchase of outputs		3 356	3 307
Capital		100	100
Total Revenues from Government		3 456	3 407
CHANGE IN NET ASSETS		(195)	(759)
Net increase in asset revaluation reserve		388	276
Transfer of non-current assets		(2 436)	-
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		(2 048)	(276)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(2 243)	(483)

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets		275	322
Receivables	9	153	171
Inventory		93	97
Total Current Assets		521	590
NON-CURRENT ASSETS:			
Property, plant and equipment	10(a)	14 704	17 633
Collections	10(b)	8 278	7 736
Total Non-Current Assets		22 982	25 369
Total Assets		23 503	25 959
CURRENT LIABILITIES:			
Payables	12	52	191
Provision for workers compensation		4	7
Provision for employee entitlements	13	158	167
Total Current Liabilities		214	365
NON-CURRENT LIABILITIES:			
Provision for workers compensation		16	18
Provision for employee entitlements	13	405	465
Total Non-Current Liabilities		421	483
Total Liabilities		635	848
NET ASSETS		22 868	25 111
EQUITY:			
Equity	14	22 868	25 111
TOTAL EQUITY		22 868	25 111
Commitments	15		
Contingent Liabilities	21		

Statement of Cash Flows for the year ended 30 June 2001

		2001	2000
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees	Note	(5 070)	(5 350)
Grant payments		(174)	(120)
Receipts from customers		1 760	1 944
Interest received		29	16
Grants from State Government:			
Purchase of outputs		3 356	3 307
Capital		100	100
Net Cash used in Operating Activities	16	1	(103)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		(33)	(5)
Payments for collections		(15)	(50)
Net Cash used in Investing Activities		(48)	(55)
NET DECREASE IN CASH HELD		(48)	(158)
CASH AT 1 JULY		322	480
CASH AT 30 JUNE	2(j)	275	322

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 Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards and applicable Urgent Issues Group Consensus Views. The report has been prepared on an accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) The Reporting Entity

The financial report encompasses an interest bearing Deposit Account at the Department of Treasury and Finance titled '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.

(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 Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments', relevant Treasurer's Accounting Policy Statements and 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.

The detailed valuation of these assets was to be completed by 30 June 2001, however, during the financial year, the Treasurer approved a variation in the application of Treasurer's Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' in regard to works of art and cultural collections held by the Trust. The effect of the variation was to extend the timeframe within which the revaluation of these assets was to be completed to 30 June 2003.

(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:

	Years
Building and improvements	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 Department of Treasury and Finance has advised that a benchmark of eight years can be used for a shorthand estimation of the long service 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 using 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 Statement of Financial Performance 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

The Trust has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised standards, comparative amounts have been reclassified in order to comply with the new presentation format.

(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.

History Trust

3. Employee Costs		2001	2000
		\$'000	\$'000
Wages and salaries		2 032	1 923
Superannuation and payroll tax expenses		325	309
Annual and long service leave expenses		(72)	103
		2 285	2 335
4. Operating and Administration Expenses			
Maintenance expenditure		316	304
Exhibitions		466	249
Sponsorships and conservation		269	114
Purchase of goods		100	114
Other sundry payments		391	1 096
Travel expenses		82	115
Professional fees		36	44
Communication and stationery		177	182
Marketing and publicity		287	276
Consultants		5	14
Staff training and other staff costs		86	57
		2 215	2 565
5. Depreciation Expense			
Depreciation was charged in respect of:			
Buildings and improvements		496	821
Plant and equipment		22	28
Information technology equipment		8	11
		526	860
6. Payments to Consultants		2001	2000
Payments to consultants fell within the following band:		Number of	Number of
		Consultants	Consultants
\$0 - \$10 000		1	4
Total payments to the consultants engaged amounted to \$5 000 (\$14 000).			
7. Grants and Other Payments		2001	2000
Principal grants and assistance were:		\$'000	\$'000
Community History		22	17
Museum Accreditation and Grants Program		150	101
Historical Society of South Australia grant		2	2
		174	120
8. Revenue from Operations			
User charges and fees comprised:			
Admissions and tours		605	582
Facilities and rent		37	207
Sales of goods		155	157
Fair value of assets received free of charge		140	28
Publications		12	1
Other		46	42
		995	1 017
9. Receivables			
Interest		-	2
Prepayments		103	138
Other sundry receipts		50	31
		153	171
10. Non-Current Assets			
(a) Property, Plant and Equipment		2001	2000
		\$'000	\$'000
Plant and equipment at cost		258	225
Less: Accumulated depreciation		171	149
		87	76
Information technology equipment at cost		105	105
Less: Accumulated depreciation		100	92
		5	13
Buildings and improvements at independent valuation as at 30 June 2000		26 769	31 125
Less: Accumulated depreciation		13 892	16 044
		12 877	15 081
Land at valuation as at 30 June 2000		1 735	2 463
Total Property, Plant and Equipment		14 704	17 633

10. Non-Current Assets (continued)		2001	2001
		\$'000	\$'000
(b) Collections*		8 278	7 736

* 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

Antony Davies
Rob Saward
Michael Treloar
Leonard Woodley
Kevin Field

South Australian Maritime Museum

Sea Witch Antiques
Graeme K Andrews Productions
Quin's Yacht Brokerage Pty Ltd

Christine Courtney
Graeme K Andrews
Jim Runnegar

Migration Museum

Port Noarlunga Country Collectables
Regimentals Antiques

Jean Morris
Lee Blair-Jenke

	2001					Total \$'000
	Collections \$'000	Plant and Equipment \$'000	Information Technology \$'000	Buildings \$'000	Land \$'000	
Gross Carrying Amount:						
Balance at 1 July	7 736	225	105	31 125	2 463	41 654
Additions	15	33	-	-	-	48
Disposal	-	-	-	**(4 356)	**(728)	(5 084)
Net revaluation increments	388	-	-	-	-	388
Donations	139	-	-	-	-	139
Balance at 30 June	8 278	258	105	26 769	1 735	37 145
Accumulated Depreciation:						
Balance at 1 July	-	(149)	(92)	(16 044)	-	(16 285)
Disposal	-	-	-	**2 648	-	**2 648
Depreciation expense	-	(22)	(8)	(496)	-	(526)
Balance at 30 June	-	(171)	(100)	(13 892)	-	(14 163)
Net Book Value:						
As at 30 June 2001	8 278	87	5	12 877	1 735	22 982
As at 30 June 2000	7 736	76	13	15 081	2 463	25 369

** Old Parliament House Asset transferred to the Legislature as at 1/7/2000

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 5.06 percent (as at 30 June 2001).
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:			
Payables	12	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk	2001				2000			
	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	5.06	275	-	275	5.58	322	-	322
Receivables		-	153	153		-	171	171
		<u>275</u>	<u>153</u>	<u>428</u>		<u>322</u>	<u>171</u>	<u>493</u>
Financial Liabilities:								
Payables		-	27	27		-	191	191
		<u>-</u>	<u>27</u>	<u>27</u>		<u>-</u>	<u>191</u>	<u>191</u>

(c) Net Fair Values of Financial Assets and Liabilities	Note	2001		2000	
		Total Carrying amount \$'000	Net Fair Value* \$'000	Total Carrying Amount \$'000	Net Fair Value* \$'000
Financial Instrument					
Financial Assets:					
Cash on hand and deposits	2(j)	275	275	322	322
Receivables	9	153	153	171	171
		<u>428</u>	<u>428</u>	<u>493</u>	<u>493</u>
Financial Liabilities:					
Payables	12	27	27	191	191
		<u>27</u>	<u>27</u>	<u>191</u>	<u>191</u>

* 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.	Payables		2001	2000
			\$'000	\$'000
	Administration and other costs		<u>52</u>	191
			<u>52</u>	<u>191</u>
13.	Employee Provisions			
	Annual leave		123	127
	Long service leave		440	505
			<u>563</u>	<u>632</u>
	Classified as:			
	Current liabilities		158	167
	Non-current liabilities		405	465
			<u>563</u>	<u>632</u>
14.	Equity			
	Opening balance		25 111	25 594
	Net increase in asset revaluation reserve		388	276
	Change in net assets		(195)	(759)
	Transfer of non-current assets		(2 436)	-
	Balance at 30 June		<u>22 868</u>	<u>25 111</u>
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		217	214
	Later than one year and not later than five years		922	911
	Later than five years		1 019	1 061
			<u>2 158</u>	<u>2 186</u>

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		2001	2000
Capital expenditure contracted for at the reporting date is payable as follows:		\$'000	\$'000
This expenditure is payable:			
Not later than one year		100	200
		<u>100</u>	<u>200</u>

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

16. Reconciliation of Change in Net Assets to Net Cash used in Operating Activities	2001	2000
	\$'000	\$'000
Change in net assets	(195)	(759)
Non-cash items:		
Depreciation expense	526	860
Donation of collections	(139)	-
Change in operating assets and liabilities:		
(Increase) Decrease in receivables	18	(129)
Increase(Decrease) in tradestock	4	(21)
(Decrease) Increase in payables	(139)	(109)
Increase (Decrease) in provision for workers compensation	(5)	4
Increase (Decrease) in provision for employee entitlements	(69)	51
Net Cash (used in) provided by Operating Activities	1	(103)
17. Remuneration of Board Members	2001	2000
The number of Board Members who received annual income fell within the following band:	Number of	Number of
	Members	Members
\$0 - \$9 999	9	8
The total income received by these Board Members for the year was \$9 600 (\$11 000).		
18. Remuneration of Auditors		
Fees accrued for the year for the provision of auditing services are \$25 000 (\$25 000). The auditors provided no other services.		
19. Related Parties Disclosures		
During the financial year the following persons held positions on the Trust Board:		
Dr M Allen (Member from February 2001)		
Ms M Danvers	Mr J A Fotheringham	
Professor I E Davey	Ms B K Halliday (Chair until February 2001)	
Ms A Dopson	Mr A Khoo (Chair from February 2001)	
Dr J Ellis	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)	2001	2000
	Number of	Number of
	Employees	Employees
Number of employees paid TVSPs	1	2
Amount paid to these employees:	2001	2000
TVSP	\$'000	\$'000
Accrued annual and long service leave	35	69
	20	27
Amount recovered from the Department of the Premier and Cabinet	55	96
	35	69
21. Contingent Liabilities		
There are no contingent liabilities as at 30 June 2001.		

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.

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 2000-01 specific areas of Audit coverage included:

- expenditure, including accounts payable, and salaries and wages
- property, plant and equipment registers
- revenue including cash receipting and banking
- investments
- subsidy payments to public libraries
- research and heritage collections management.

Audit Communications to Management

During the year letters communicating issues arising from the audit were forwarded to the Director, State Library, and the Director, PLAIN Central Services. Satisfactory responses were received to the matters raised in those letters.

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. Audit has commented on this issue since 1998-99.

The Board responded that an approach has been developed to confirm the existence of all high value collection items on an annual basis with the remainder of the items in the collections being confirmed on a cyclical basis over a five year period.

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 items in the Video and Audio Book Collection and the Language Other than English Collection which are held by PLAIN Central Services. Audit commented on this issue last year.

In response the Board indicated that it plans to implement enhancements to its cataloguing software which will facilitate annual stocktakes of both the collection held by PLAIN Central Services and those collections located at various libraries throughout the public library network.

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

Statement of Financial Performance

Operating Result

The operating result for the year was a Deficit from Ordinary Activities of \$251 000 as compared with a Surplus from Ordinary Activities of \$119 000 the previous year. Total Revenues decreased by \$2.6 million due mainly to a decrease in grants from the State Government of \$2.7 million. Total Expenses also decreased by \$2.2 million due mainly to decreased employee costs of \$566 000 and a decrease in other expenses of \$1.9 million offset by an increase in subsidies to public libraries of \$381 000. Reduced information technology expenses at PLAIN Central Services was the main factor in the decrease in other expenses.

State Government Grants

Grants from the State Government for operating and capital purposes totalled \$23.5 million (\$26.1 million in 1999-2000 which included receipts from the State-Local Government Reform Fund) and account for 90 percent (91 percent) of Total Revenues. As expressed in Note 2(n) to the Financial Statements the Libraries Board is dependent on the ongoing financial support of the State Government.

Statement of Financial Position

Cash Assets

Cash assets held as at 30 June 2001 totalled \$2.3 million, a decrease of \$2 million from the previous year. This decrease was due mainly to payments for the acquisition of heritage collections and property, plant and equipment as detailed in the Statement of Cash Flows.

Research and Heritage Collections

The Board was granted an exemption by the Treasurer from compliance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' which requires non-current assets to be revalued every three years. This exemption is also applicable to the Public Library Research Collections. The Research and Heritage Collections and the Public Library Research Collections, which were due to be revalued as at 30 June 2001, will now be revalued as at 30 June 2003 (refer Note 2(g)).

The written down value of Research and Heritage Collections as at 30 June 2001 was \$65.1 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 and without the need to borrow to fund the acquisition of these assets.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Fees for service activities		353	384
Sale of goods		87	60
Interest and investment income	4	802	1 130
Other revenues	4	1 503	1 079
State-Local Government Reform Fund		-	13 018
Grants from State Government:			
Operations		23 059	12 975
Capital		402	128
Total Revenues		26 206	28 774
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	5	8 736	9 302
Accommodation and service costs		1 234	1 175
Depreciation	5	1 198	1 346
Subsidies to public libraries		10 062	9 681
Other expenses	5	5 227	7 151
Total Expenses		26 457	28 655
(DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES	6	(251)	119
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(251)	119

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets		2 281	4 316
Receivables		18	113
Investments	7	7 957	7 761
Inventories		28	16
Other	8	693	186
Total Current Assets		10 977	12 392
NON-CURRENT ASSETS:			
Property, plant, equipment and public library research collections	9	20 537	20 510
Research and heritage collections	10	65 078	64 184
Total Non-Current Assets		85 615	84 694
Total Assets		96 592	97 086
CURRENT LIABILITIES:			
Payables	11	1 009	856
Provision for employee entitlements	12	519	654
Total Current Liabilities		1 528	1 510
NON-CURRENT LIABILITIES:			
Payables	11	155	174
Provision for employee entitlements	12	1 613	1 855
Total Non-Current Liabilities		1 768	2 029
Total Liabilities		3 296	3 539
NET ASSETS		93 296	93 547
EQUITY:			
Accumulated surplus	13	86 868	87 119
Reserves	14	6 428	6 428
TOTAL EQUITY		93 296	93 547
Commitments	15		
Contingent Liabilities	16		

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001		2000	
		Inflows (Outflows) \$'000	Inflows (Outflows) \$'000	Inflows (Outflows) \$'000	Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
RECEIPTS:					
Fees for service activities		353		384	
Sale of goods		81		60	
Interest and investment income		729		1 196	
Other revenues		1 139		1 039	
CASH FLOWS FROM GOVERNMENT:					
State-Local Government Reform Fund		-		13 018	
Grant from State Government: - Operations		23 059		12 975	
- Capital		402		128	
PAYMENTS:					
Employee costs		(9 140)		(9 250)	
Accommodation and service costs		(1 187)		(1 261)	
Subsidies to public libraries		(9 986)		(9 497)	
Other expenses		(5 496)		(7 220)	
Net Cash (used in) provided by Operating Activities	17		(46)		1 572
CASH FLOWS FROM INVESTING ACTIVITIES:					
PAYMENTS:					
Heritage collections		(894)		(890)	
Property, plant and equipment		(982)		(581)	
Investments		(489)		(630)	
PROCEEDS FROM:					
Sales/maturities of investments		376		2 111	
Net Cash (used in) provided by Investing Activities			(1 989)		10
NET (DECREASE) INCREASE IN CASH HELD			(2 035)		1 582
CASH AT 1 JULY			4 316		2 734
CASH AT 30 JUNE	2(m)		2 281		4 316

Activities Schedule of Revenues and Expenses for the year ended 30 June 2001

Activities (Note 3)	Provision	Support	2001	Provision	Support	2000
	of State	of Public		of State	of Public	
	Library	Library	Total	Library	Library	Total
	Services	Services	\$'000	Services	Services	\$'000
Libraries Board Revenues and Expenses:						
Revenues from ordinary activities:						
Fees for service activities	347	6	353	384	-	384
Sale of goods	87	-	87	60	-	60
Interest and investment income	616	186	802	700	430	1 130
Other revenues	1 305	198	1 503	619	460	1 079
Grant from State Government - Operations	10 812	12 247	23 059	11 513	1 462	12 975
- Capital	402	-	402	128	-	128
State-Local Government Reform Fund	-	-	-	-	13 018	13 018
Total	13 569	12 637	26 206	13 404	15 370	28 774
Expenses from ordinary activities:						
Employee costs	7 170	1 566	8 736	7 643	1 659	9 302
Accommodation and service costs	1 113	121	1 234	1 096	79	1 175
Depreciation	936	262	1 198	932	414	1 346
Subsidies to public libraries:						
Books and associated materials	-	4 496	4 496	-	4 262	4 262
Operating expenses	-	4 299	4 299	-	4 133	4 133
Local purchases	-	761	761	-	779	779
Community information services	-	506	506	-	507	507
Other expenses	2 742	2 485	5 227	3 336	3 815	7 151
Total	11 961	14 496	26 457	13 007	15 648	28 655
(Deficit) Surplus from Ordinary Activities	1 608	(1 859)	(251)	397	(278)	119

Activities Schedule of Assets and Liabilities as at 30 June 2001

Activities (Note 3)	Provision	Support	2001	Provision	Support	2000
	of State	of Public		of State	of Public	
	Library	Library	Total	Library	Library	Total
	Services	Services	\$'000	Services	Services	\$'000
Libraries Board Assets and Liabilities:						
Assets:						
Current	9 572	1 405	10 977	9 178	3 214	12 392
Non-Current	83 092	2 523	85 615	82 260	2 434	84 694
Total	92 664	3 928	96 592	91 438	5 648	97 086
Liabilities:						
Current	837	691	1 528	929	581	1 510
Non-Current	1 413	355	1 768	1 703	326	2 029
Total	2 250	1 046	3 296	2 632	907	3 539
NET ASSETS	90 414	2 882	93 296	88 806	4 741	93 547

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Libraries Board of South Australia (the Libraries Board) Objectives**

The principal objectives of the Libraries Board are to:

- formulate policies and guidelines for the provision of public library services;
- establish, maintain and expand collections of library materials;
- administer the State Library;
- promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

2. **Summary of Significant Accounting Policies**

(a) **Basis of Accounting**

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards, applicable Urgent Issues Group Consensus Views and other mandatory reporting requirements. The report is prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) **Change in Accounting Policies**

There have been no changes in accounting policies this financial year.

(c) **The Reporting Entity**

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

The financial report encompasses transactions through an interest bearing Special Deposit Account 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.

In accordance with the transitional provisions of Australian Accounting Standard AAS 38 'Revaluation of Non-Current Assets' the Board has continued to apply the deprival value methodology as the basis of valuing 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, 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 2001 have been brought to account at cost.

The Board was granted an exemption by the Treasurer from compliance with Accounting Policy Statement 3 'Revaluation of Non-Current Assets' which requires non-current assets to be revalued every three years. Research and heritage collections and the Public Library research collections will now be revalued as at 30 June 2003.

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.

Research and Heritage Collections (continued)

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 collection 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 Statement of Accounting Concepts SAC 4 'Definition and Recognition of the Elements of Financial Statements' 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:

Buildings and improvements	Useful life depends on individual asset items	Years
Plant and equipment		5-15
Computer equipment		3-5
Video and audio book collections		7
Languages other than English collections		8

The research and heritage collections are kept under special conditions to minimise deterioration and they are anticipated to have very long and indeterminate useful lives. 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) Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability according to the Libraries Board's experience of claim numbers and payments over the period 1 July 1987 to 30 June 2001. A separate valuation of the liabilities of the Libraries Board has not been undertaken and if such a valuation was performed it may result in a different assessed liability.

(k) Investments

Investments are brought to account at cost.

(l) Leases

The Libraries Board has entered into a number of operating lease agreements for accommodation, vehicles and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the period in which they are incurred.

(m) Cash Assets

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

(n) 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.

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

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

The amount of GST incurred by the Libraries Board as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

The net GST receivable/payable to the Australian Taxation Office is not recognised as a receivable/payable in the Statement of Financial Position as the Libraries Board is a member of an approved GST group of which Arts SA (Department for Transport, Urban Planning and the Arts) is responsible for the remittance and collection of GST. There are no cash flows relating to GST transactions with the Australian Taxation Office in the Statement of Cash Flows.

(p) Comparative Information

The Libraries Board has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

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 2001 is summarised below (refer to the Activities Schedule - Revenues and Expenses and Assets and Liabilities):

Activity 1 Provision of State Library Services

To provide, through the State Library of South Australia, a comprehensive library and information service for the economic, educational, cultural and social benefit of South Australia and its citizens.

Activity 2 Support of Public Library Services

To provide through PLAIN (Public Library Automated Information Network) Central Services and the distribution of State subsidies an equitable and responsible provision of resources, support and services to public libraries and community information agencies.

4. Revenues from Ordinary Activities

Interest and investment income comprised:

	2001	2000
	\$'000	\$'000
Investment income	576	625
Treasury interest	226	505
	802	1 130

Other revenues comprised the following categories of operating income:

Bequests and donations	288	20
Admissions	38	57
Sponsorship	5	11
Rent and hire income	201	180
Council contributions	72	39
External grants	66	110
Funding for payment of employee entitlements upon termination	361	-
Other	472	662
	1 503	1 079

5. Expenses from Ordinary Activities

Employee costs were incurred in relation to the following:

Wages and salaries	7 198	7 306
Superannuation and payroll tax expenses	1 280	1 282
Annual and long service leave expenses	231	527
Other employee related expenses	27	187
	8 736	9 302

Depreciation was charged in respect of:

Buildings and improvements	824	826
Plant and equipment	103	94
Computer equipment	52	68
Public Library research collections	219	358
	1 198	1 346

Other expenses comprised the following categories of expenditure:

Assistance to Friends of the State Library and the State Library Foundation	-	123
Cost of sales	35	34
Operating lease expenditure	38	37
Administration expenditure	5 154	6 957
	5 227	7 151

6. (Deficit) Surplus from Ordinary Activities

(Deficit) Surplus from ordinary activities includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:

Written down value of non-current assets	12	18
Loss from Sale of Non-Current Assets	(12)	(18)

11.	Payables		2001	2000
	Current:		\$'000	\$'000
	Creditors and accruals		943	777
	Employee costs		66	79
			1 009	856
	Non-Current:			
	Employee costs		155	174
12.	Provision for Employee Entitlements			
	Current:			
	Provision for annual leave		321	397
	Provision for long service leave		114	131
	Provision for workers compensation		84	126
			519	654
	Non-Current:			
	Provision for long service leave		1 307	1 510
	Provision for workers compensation		306	345
			1 613	1 855
13.	Accumulated Surplus			
	Balance at 1 July		87 119	87 000
	(Deficit) Surplus from ordinary activities		(251)	119
	Balance at 30 June		86 868	87 119

14.	Reserves		2001		2000		
	Asset Revaluation Reserve	Land, Building and Improvements	Public Library Research Collections	Total	Land, Building and Improvements	Public Library Research Collections	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Balance at 1 July	6 138	290	6 428	6 138	290	6 428
	Balance at 30 June	6 138	290	6 428	6 138	290	6 428

15.	Commitments for Expenditure		2001	2000
	(a) Operating Leases		\$'000	\$'000
	Commitments under non-cancellable operating leases at the reporting date are payable as follows:			
	Not later than one year		277	79
	Later than one year and not later than five years		355	202
	Later than five years		38	-
			670	281

These operating lease commitments, which are not recognised in the financial report as liabilities, comprise:

- non-cancellable property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased by 5.5 percent per annum or by the Consumer Price Index. Options exist to renew the leases at the end of their terms for a further five years.
- non-cancellable motor vehicle and photocopier leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.

(b) Agreements Equally and Proportionately Unperformed

Agreements equally and proportionately unperformed include contracts for the redevelopment of the State Library. The estimated value of these agreements is \$37 758 000. These commitments are not recognised as liabilities in the financial report. There were no commitments for the 1999-2000 financial year.

Agreements equally and proportionately unperformed at the reporting date are estimated as follows:		2001		2000
Not later than one year		\$'000		\$'000
Later than one year and not later than five years		18 409		-
		19 349		-
		37 758		-

16. Contingent Liabilities
There are no known contingent liabilities as at 30 June 2001.

17. Reconciliation of Net Cash (used in) provided by Operating Activities to (Deficit) Surplus from Ordinary Activities	2001	2000
	\$'000	\$'000
(Deficit) Surplus from ordinary activities	(251)	119
Non-cash items:		
Depreciation expense	1 198	1 346
Loss on disposal of assets	-	18
Profit on sale of investments	(83)	(60)
Change in operating assets and liabilities:		
(Increase) Decrease in assets	(411)	40
(Decrease) Increase in liabilities	(499)	109
Net Cash (used in) provided by Operating Activities	(46)	1 572
<hr/>		
18. Payments to Consultants	2001	2000
Payments to consultants fell within the following bands:	Number of	Number of
	Consultants	Consultants
\$0 - \$10 000	8	11
\$10 001 - \$50 000	-	1
The total payments to the consultants engaged were \$20 000 (\$66 000).		
19. Remuneration of Employees	2001	2000
The number of employees whose annual remuneration was over \$100 000 fell within the followings bands:	Number of	Number of
	Employees	Employees
\$100 000 - \$109 999	-	1
\$120 000 - \$129 999	1	1
\$140 000- \$149 999	1	-
The total remuneration received by these employees for the year was \$266 000 (\$223 000).		
20. Remuneration of Board Members	2001	2000
The number of Board Members who received annual income from the Libraries Board fell within the following bands:	Number of	Number of
	Board	Board
	Members	Members
\$0 - \$9 999	2	9
\$10 000 - \$19 999	8	2
Total income received by these Board Members for the year was \$110 000 (\$82 000).		
21. Remuneration of Auditors	2001	2000
Audit fees in relation to the year ended 30 June 2001 are:	\$'000	\$'000
State Library of South Australia	18	17
Support of Public Library Services	8	8
	26	25
The auditors provided no other services to the Board.		
22. Related Parties Disclosures		
During the financial year the following persons held positions on the Libraries Board of South Australia:		
Mr PF Wylie, Chair; Mr P Myhill, Deputy Chair; Mr GE Coles; Mrs RH Craddock; Mrs FJ Gunner; Mrs JK Nitschke; Ms J Connolly; Ms B Davidson-Park (from 1 February 2001); and Mr A Scott.		
Mrs E Bok retired as of 31 January 2001.		
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 2000-01, 36 (1) TVSPs totalling \$2 081 000 (\$25 000) were paid. An additional \$370 000 (\$1 000) was paid on account of accrued annual leave and long service leave. The TVSP amount was paid for by the Department for Transport, Urban Planning and the Arts which subsequently received reimbursement of this amount from the Department of the Premier and Cabinet.		

24. Financial Instruments

(a) Terms and Conditions

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash assets	2(m)	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis although some funds held within the total cash balance are non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the 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 5.06 percent (as at 30 June 2001).
Receivables		Receivables are recorded at amounts due to the Libraries Board. They are recorded when services have been completed.	Receivables are due within 30 days.
Investments	7,2(k)	Investments are brought to account at cost. Interest and investment income is credited to revenue as it accrues.	Portfolio of unit trusts, term deposits and deposits at call. Interest and investment income is received quarterly.
Financial Liabilities			
Payables	11	Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the relevant invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

Financial Instrument	2001				2000			
	Interest Rate Percent	Interest Bearing Floating Interest \$'000	Non-Bearing Interest \$'000	Total \$'000	Interest Rate Percent	Interest Bearing Floating Interest \$'000	Non-Bearing Interest \$'000	Total \$'000
Financial Assets:								
Cash assets	5.06	2 273	8	2 281	5.58	4 308	8	4 316
Receivables		-	18	18		-	113	113
Investments:								
Unit trusts	7.66	7 957	-	7 957	13.69	7 761	-	7 761
		<u>10 230</u>	<u>26</u>	<u>10 256</u>		<u>12 069</u>	<u>121</u>	<u>12 190</u>
Financial Liabilities:								
Payables		-	943	943		-	777	777
		<u>-</u>	<u>943</u>	<u>943</u>		<u>-</u>	<u>777</u>	<u>777</u>

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument	Note	2001		2000	
		Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Cash assets	2(m)	2 281	2 281	4 316	4 316
Receivables		18	18	113	113
Investments	7,2(k)	7 957	8 558	7 761	8 164
		<u>10 256</u>	<u>10 857</u>	<u>12 190</u>	<u>12 593</u>
Payables	11	943	943	777	777

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.

Net Profit

The net 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

- Activities for the year resulted in a profit from ordinary activities before income tax expense of \$4 million (\$3.6 million).
- Reserves increased by \$1.5 million to \$45 million.
- Total assets decreased by \$37.6 million and total liabilities decreased by \$39.1 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 2000-01 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
- computer access and system information security.

Audit Communications to Management

During the year a letter communicating issues arising from the audit was forwarded to the Chairman 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.

Commentary on Computer Information Systems (CIS) Environment

The Authority implemented a new Quantum Treasury Management System in the previous financial year. A review of Quantum was undertaken as part of the audit coverage in 2000-01. The review covered controls over system recording and reporting, computer access and system information security.

Controls were assessed and tested and it was concluded that they were adequate, in place and operating effectively.

LGCS Pty Ltd — E-Commerce Venture

In addition to the scope of audit previously mentioned, a review was conducted of the investment and loan provided by the Authority to the Ecouncils e-commerce venture, which commenced operations during 2000-01. It was noted that Board approval was given for the Authority to participate in this venture. Approval was also obtained from the Minister for Local Government and the Treasurer, as involvement in the e-commerce proposal constituted an investment of a nature which required approval under the *Local Government Finance Authority Act 1983*.

In monetary terms, the Authority has \$50 000 invested in the unit trust which owns LGCS Pty Ltd (LGCS), the company trading as Ecouncils, and a convertible cash advance debenture facility for \$700 000 has been approved for LGCS of which \$660 000 has been drawn. This results in a total exposure to the LGFA of \$710 000. As LGCS has no assets as such, this cash advance debenture is effectively unsecured (unlike council loans which are secured over general revenue of the council). As there is no effective security for the loan, this would indicate a risk as to the recovery of the loan which is dependent upon the success of the venture.

Given the degree of risk inherent in this venture, it was recommended that the Board of the Authority closely monitors the financial position of LGCS Pty Ltd in order to assess its ability to make interest payments and to repay its debt when it becomes due. It was further recommended that should recovery be doubtful, then consideration be given to either writing down the loan, or establishing a provision for doubtful debts.

In response to the matter raised, the Chairman advised that the Board of the Authority was well aware of the risks involved when the decision was made to participate in the venture. Participation was supported on the basis that Ecouncils is effectively providing procurement services to councils and that direct support for the venture was warranted. In addition, on the basis that the Tax Equivalent Payment made each year eventually assists Local Government, direct financial support for assistance to councils by providing a procurement service was justified.

Audit will continue to monitor developments as to the security of the investment and recovery of the loan made.

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

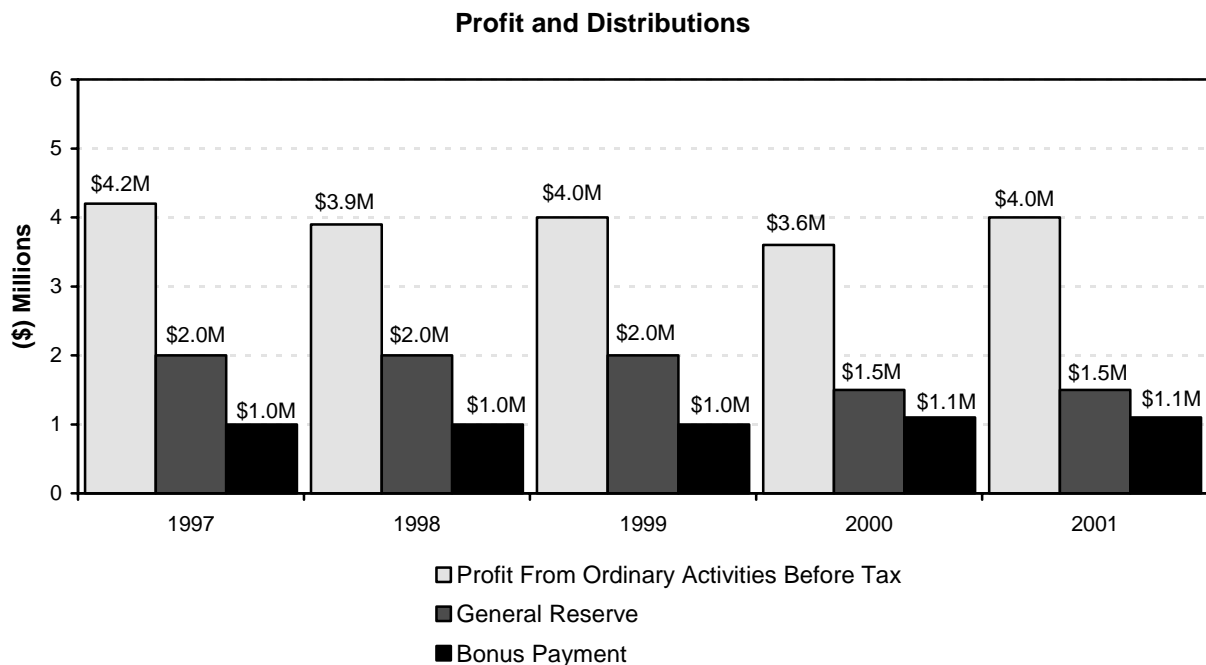
Statement of Financial Performance

Results of Ordinary Activities

Profit from Ordinary Activities

The Authority achieved a profit from ordinary activities before tax of \$4 million (\$3.6 million) and made appropriations of \$2.6 million (\$2.6 million) from profit available for appropriation.

The profit and principal distributions from the total profit available for appropriation for the past five years are presented in the following table:



The profit from ordinary activities before tax result was achieved within the context of similar increases experienced in revenues from ordinary activities (increased by \$3.5 million from the previous year) and in expenses from ordinary activities (increased by \$3.1 million). The increases in revenues and expenses were mainly attributed to general increases in interest rates (refer Note 22) and revenue generated from a final 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. 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 \$1.4 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 2000-01, a provision for a bonus payment of \$1.1 million was made which was slightly higher than amounts provided in previous years.

Statement of Financial Position

Assets and Liabilities

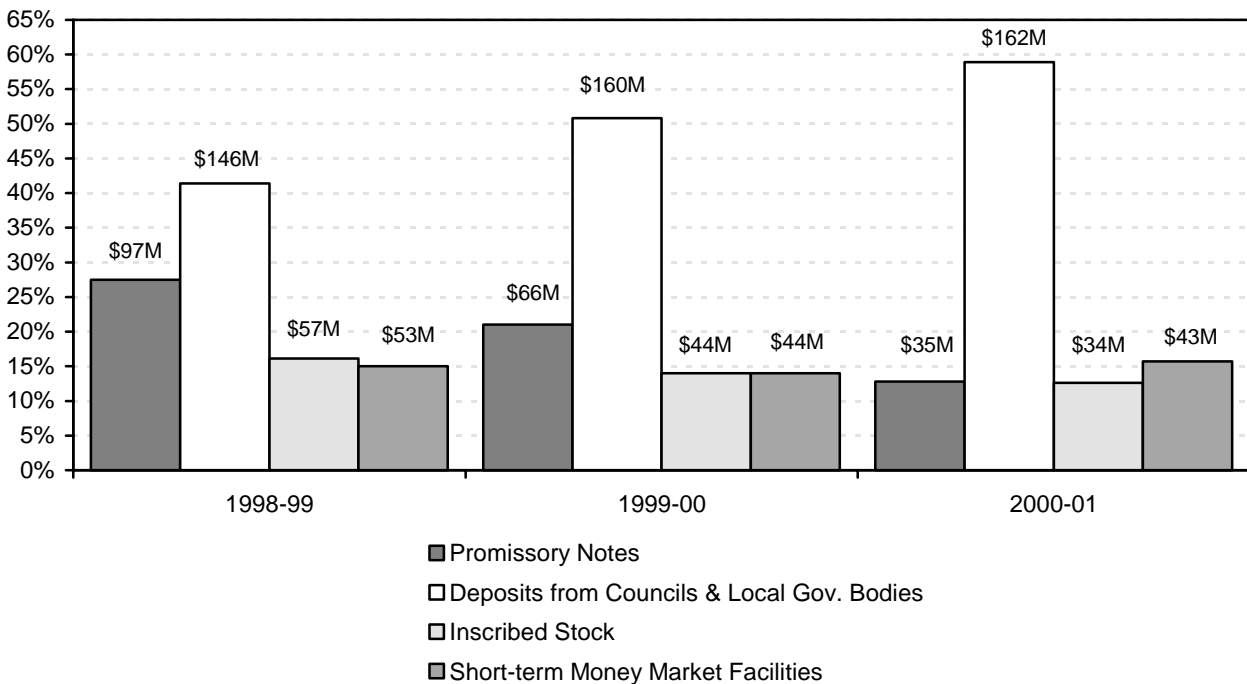
The Statement of Financial Position shows assets of \$329.4 million and liabilities of \$283.9 million at 30 June 2001 compared with corresponding amounts of \$366.9 million and \$323 million at 30 June 2000.

The reduction in assets and liabilities was due mainly to the final part maturity of a structured finance deal between the Authority, the South Australian Government 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 Government Financing Authority. (Refer Notes 9 and 15 to the Financial Statements).

Liabilities of the Authority

The following table displays the variations in the composition of major liabilities over the period 1998-99 to 2000-01. 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 short term money market borrowings and deposits from Councils to fund the Authority's lending activities.

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. Put simply, the Authority borrows short term to take advantage of low interest rates and lends long term. 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 2001 of \$45 million.

Total equity of the Authority amounted to \$45.5 million as compared to total assets of \$329.4 million. The equity comprises a General Reserve of \$45 million, and Retained Profit of \$0.5 million. In relation to the General Reserve, the foregoing table entitled Profit and Distributions demonstrates the policy of regularly appropriating a significant portion of the profit to that reserve (\$9 million over the five years to 30 June 2001).

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 \$35.9 million. The main contributing source for this inflow was from funds received from the South Australian Government Financing Authority following final 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 \$39.6 million. The main cash outflows in financing activities were the repayment of promissory notes \$31 million and repayment of inscribed stock of \$9.6 million.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Interest on investments	22	4 085	4 434
Interest on loans and advances	22	35 542	32 566
Other income	2	1 849	940
Total Revenues		41 476	37 940
EXPENSES FROM ORDINARY ACTIVITIES:			
Interest on deposits from councils and local government bodies	22	12 640	10 734
Interest on borrowings	22	22 870	21 847
Fees for the guarantee of the Treasurer of SA on liabilities		640	617
Administration expenses	3	1 307	1 122
Total Expenses		37 457	34 320
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		4 019	3 620
Income tax expense relating to ordinary activities	1(e)	1 367	1 303
NET PROFIT	16	2 652	2 317

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
ASSETS:			
Cash and liquid assets	4	123	389
Accrued interest receivable	5	6 144	7 022
Other assets	6	5 739	5 893
Investment securities	7	5 100	11 100
Loans and advances	8	311 892	313 342
Payments due from South Australian Government Financing Authority	9	-	28 862
Property, plant and equipment	10	363	310
Total Assets		329 361	366 918
LIABILITIES:			
Deposits from councils and local government bodies	11	161 640	159 621
Accrued interest payable	12	6 439	6 973
Provisions	13	2 013	1 772
Other liabilities	14	977	131
Borrowings	15	112 786	154 467
Total Liabilities		283 855	322 964
NET ASSETS		45 506	43 954
EQUITY:			
Reserves	16	45 000	43 500
Retained profits	16	506	454
TOTAL EQUITY		45 506	43 954
Contingent Liabilities	21		

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM ORDINARY ACTIVITIES:			
Interest and bill discounts received		40 619	36 651
Interest paid		(37 649)	(35 658)
Fees paid re guarantee provided by the Treasurer of SA		(640)	(617)
Cash payments to suppliers and employees		(1 140)	(989)
Fees received		31	32
Income tax paid		(1 205)	(1 433)
Payments received under Swap Agreement		3 363	4 727
Net Cash provided by Ordinary Activities	18	3 379	2 713
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loans to councils and local government bodies		1 368	(12 716)
Proceeds from investment securities		6 000	21 167
Payments for property, plant and equipment		(205)	(242)
Proceeds from sale of property, plant and equipment		64	109
South Australian Government Financing Authority		28 693	29 711
Net Cash provided by Investing Activities		35 920	38 029
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of inscribed stock		(9 577)	(12 560)
Repayment of promissory notes		(30 962)	(30 571)
Deposits from councils and local government bodies		2 019	14 023
Short-term money market facilities		(860)	(9 390)
Bonus payment to councils and local government bodies		(1 050)	(1 000)
Other payments		865	(895)
Net Cash used in Financing Activities		(39 565)	(40 393)
NET (DECREASE) INCREASE IN CASH HELD		(266)	349
CASH AT 1 JULY		389	40
CASH AT 30 JUNE	18	123	389

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 Statement of Financial Performance.

(e) **Income Tax**

The LGFA is required to make payments equivalent to Company Income Tax under the Taxation Equivalent Payment System. The equivalent Company Income Tax liability is calculated/applied on an accounting profits basis.

(f) **Investment Securities**

The Authority 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.

(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. **Other Income**

	2001 \$'000	2000 \$'000
Structured finance transaction	1 822	897
Fee income	27	43
	1 849	940

3. **Administration Expenses Comprises**

Salaries and on-costs	596	538
Depreciation	132	115
Financial institution duty	98	97
Auditor's fees	44	35
Consultancy fees	26	26
Other expenses	411	311
	1 307	1 122

The amounts received, or due and receivable, in respect of this financial year by the auditors in connection with auditing the accounts

44	35
-----------	-----------

Local Government Finance Authority

4.	Cash and Liquid Assets	2001	2000
		\$'000	\$'000
	Cash at Bank	123	389
<hr/>			
5.	Accrued Interest Receivable		
	Interest receivable - Loans to councils and local government bodies	6 099	6 931
	Interest receivable - Investments	45	91
		6 144	7 022
<hr/>			
6.	Other Assets		
	Swap principal receivable	5 556	5 762
	Sundry debtors and prepayments	183	131
		5 739	5 893
<hr/>			
7.	Investment Securities		
	Deposits and securities issued by banks	5 100	9 600
	Debentures issued by bank-owned finance companies	-	1 500
		5 100	11 100
<hr/>			
	Maturity analysis - Investment securities:		
	At call	-	-
	Not longer than three months	-	1 500
	Longer than three months and not longer than 12 months	-	4 500
	Longer than one year and not longer than five years	-	-
	Longer than five years	5 100	5 100
		5 100	11 100
<hr/>			

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	2001	2000
		\$'000	\$'000
	Advances	27 782	40 615
	Term loans	284 110	272 727
		311 892	313 342
<hr/>			
	Maturity analysis - Loans and advances:		
	At call	27 782	40 615
	Not longer than three months	24 672	18 049
	Longer than three months and not longer than 12 months	35 733	34 099
	Longer than one year and not longer than five years	125 335	127 050
	Longer than five years	98 370	93 529
		311 892	313 342
<hr/>			

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.

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.

	Commitments not later than one year - Loans and advances:	2001	2000
		\$'000	\$'000
	Unused cash advance facilities	106 178	99 237
	Cash advance facilities approved not executed	2 790	-
	Term loans approved not advanced	6 280	318
		115 248	99 555
<hr/>			

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. This transaction reached its final maturity on 7 December 2000.

		2001	2000
		\$'000	\$'000
	Payments due from South Australian Government Financing Authority	-	28 862
<hr/>			
	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
	Longer than one year and not longer than five years	-	-
	Longer than five years	-	-
		-	28 862
<hr/>			

10. Property, Plant and Equipment	2001	2000
Plant, equipment and motor vehicles:	\$'000	\$'000
At cost	648	527
Less: Accumulated depreciation	285	217
Total Property, Plant and Equipment	363	310
Commitments not later than one year - Property, plant and equipment Office refurbishment in progress	74	-
11. Deposits from Councils and Local Government Bodies	161 640	159 621
Deposits from councils and local government bodies	161 640	159 621
Maturity analysis - Deposits from councils and local government bodies:		
At call	108 551	94 104
Not longer than three months	49 810	62 096
Longer than three months and not longer than 12 months	985	2 719
Longer than one year and not longer than five years	2 294	702
Longer than five years	-	-
	161 640	159 621
12. Accrued Interest Payable		
Interest payable on:		
Deposits from councils and local government bodies	2 301	2 660
Borrowings	4 138	4 313
	6 439	6 973
13. Provisions		
Employee entitlements	153	126
Fringe benefits tax	9	7
Bonus payment to councils and local government bodies	1 100	1 050
Provision for income tax	751	589
	2 013	1 772
14. Other Liabilities		
Sundry Creditors	184	131
Payments due to South Australian Government Financing Authority	793	-
	977	131
15. Borrowings		
Short-term money market facilities	43 020	43 880
Promissory notes*	35 300	66 544
Inscribed stock	34 466	44 043
	112 786	154 467

* Of note during the 2000-01 financial year was the reduction in promissory notes due to the maturity of the remainder 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).

Maturity analysis - Borrowings:	2001	2000
At call	\$'000	\$'000
Not longer than three months	43 020	43 880
Longer than three months and not longer than 12 months	37 402	32 048
Longer than one year and not longer than five years	6 784	44 769
Longer than five years	21 481	26 498
	4 099	7 272
	112 786	154 467

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. Retained Profits and Reserves	2001	2000
(a) Retained Profits	\$'000	\$'000
Net profit	2 652	2 317
Retained profits at 1 July	454	687
Total Available for Appropriation	3 106	3 004
Transfer to general reserve	1 500	1 500
Transfer to bonus payment provision	1 100	1 050
Retained Profits at 30 June	506	454

	2001 \$'000	2000 \$'000
(b) Reserves		
(i) Composition		
General reserve	45 000	43 500
(ii) Movements during the year		
General reserve:		
Opening balance	43 500	42 000
Transfer from retained profits	1 500	1 500
Closing Balance	45 000	43 500

17. Superannuation Commitments

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

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:

	Note	2001 \$'000	2000 \$'000
Cash at Bank	4	123	389

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 Ordinary Activities to Net Profit

	2001 \$'000	2000 \$'000
Net Profit	2 652	2 317
Decrease in interest payable	(815)	630
Decrease in interest receivable	881	(508)
Increase in sundry creditors	3	11
Increase in provisions	191	(115)
Decrease in payments receivable from SAFA	255	86
Decrease in sundry debtors	2	(7)
Decrease in other receivables	-	176
Depreciation	132	115
Amortisation	73	21
Loss on disposal of fixed assets	5	(13)
Net Cash provided by Ordinary Activities	3 379	2 713

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	Mr Peter Fairlie-Jones

During the year the term of Councillor Peter Harris as an LGA representative expired and he was subsequently replaced by Mr Peter Fairlie-Jones.

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 2001 was \$25 550.

Remuneration, Retirement Benefits and Loans (continued)

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 LGCS Pty Ltd
Councillor Peter Harris	City of Burnside Burnside Retirement Services Inc. Eastern Metropolitan Regional Health Authority
Mr Peter Fairlie-Jones	City of Salisbury Smithfield Memorial Park Cemetery LGCS Pty Ltd
Councillor Anthony Pederick	Corporation of the Town of Walkerville Council Purchasing Co-operative Limited LGCS Pty Ltd
Ms Vivienne Pring	Department of Treasury and Finance
Councillor John Sanderson	City of Mitcham Council Purchasing Co-operative Limited

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.

2001	2000
Number of Executives	Number of Executives

The number of executive officers whose remuneration was within the following bands:

\$220 000 - \$230 000	1	-
\$180 000 - \$190 000	-	1
\$100 000 - \$110 000	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.

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.

(i) *Notional Amounts and Credit Exposures of Derivatives (continued)*

The Authority has entered into derivatives in managing its interest rate risk profile as indicated in the following table:

	2001		2000	
	Notional Amount (Face Value) \$'000	Credit Exposure \$'000	Notional Amount (Face Value) \$'000	Credit Exposure \$'000
Interest Rate Swaps	219 764	23 862	206 204	24 627
Interest Rate Futures Contracts	115 000	116	5 000	107

(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, 3 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 2001 the amount guaranteed was \$9.563 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.

	2001				2000			
	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	-	62 076	3 849	6.20	-	74 625	4 231	5.67
Loans and advances	-	288 488	23 112	8.01	-	276 431	22 382	8.10
Hedge receipts	209 787	-	12 666	6.04	186 722	-	10 387	5.56
Total Interest Income	209 787	350 564	39 627	7.07	186 722	351 056	37 000	6.88
Interest Expense:								
Borrowings	-	86 129	7 493	8.70	-	99 528	8 225	8.26
Deposits	-	222 169	12 640	5.69	-	210 963	10 734	5.09
Hedge payments	206 551	-	15 377	7.44	183 715	-	13 622	7.41
Total Interest Expense	206 551	308 298	35 510	6.90	183 715	310 491	32 581	6.59

23. **Net Fair Value of Financial Instruments**

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.

23. Net Fair Value of Financial Instruments (continued)

	2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial Assets:				
Cash and liquid assets	123	123	389	389
Other assets	5 739	5 739	5 893	5 893
Investment securities	5 100	4 308	11 100	10 670
Loans and advances	311 892	326 766	313 342	328 117
Payments due from South Australian Government Financing Authority	-	-	28 862	27 861
Financial Liabilities:				
Deposits from councils and prescribed bodies	161 640	163 885	159 621	161 487
Provisions	2 013	2 013	1 722	1 722
Other liabilities	977	1 033	131	131
Borrowings	112 786	116 053	154 467	157 770
Derivative Instruments:				
Assets:				
Interest rate swaps	-	221 212	-	208 123
Futures contracts	-	-	-	6
Liabilities:				
Interest rate swaps	-	226 797	-	212 219
Future contracts	-	67	-	-

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 2001.

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 decreased by \$12.7 million to \$6.7 million primarily as a result of a decrease in capital funding. Funds were provided in 1999-2000 for the redevelopment of the South Australian Museum buildings.
- The operating result for the year was a Deficit from Ordinary Activities of \$2 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 2000-01 specific areas of Audit attention included:

- revenue, including receipting and banking
- expenditure, including accounts payable, and salaries and wages
- property, plant and equipment, including the adequacy of asset register maintenance
- collection management, including confirmation of the existence of collections.

Audit Communications to Management

An audit management letter conveying the scope of the audit and related findings was forwarded to the Director, South Australian Museum. A satisfactory response was received to the matters raised in that letter.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control environment was assessed as satisfactory. There remain, however, opportunities for improvement with respect to the management of Heritage Collections.

Management of Heritage Collections

The audit of the management of heritage collections identified opportunities for improvement with respect to the regular confirmation of the existence of collection items. Audit has commented on this issue since 1998-99.

In response the Board indicated that action is being taken to appoint a Head of Collections as a essential element in implementing an appropriate policy and procedural framework to apply to collection management. This framework will require stocktakes of major items on a regular basis.

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 the 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

Statement of Financial Performance

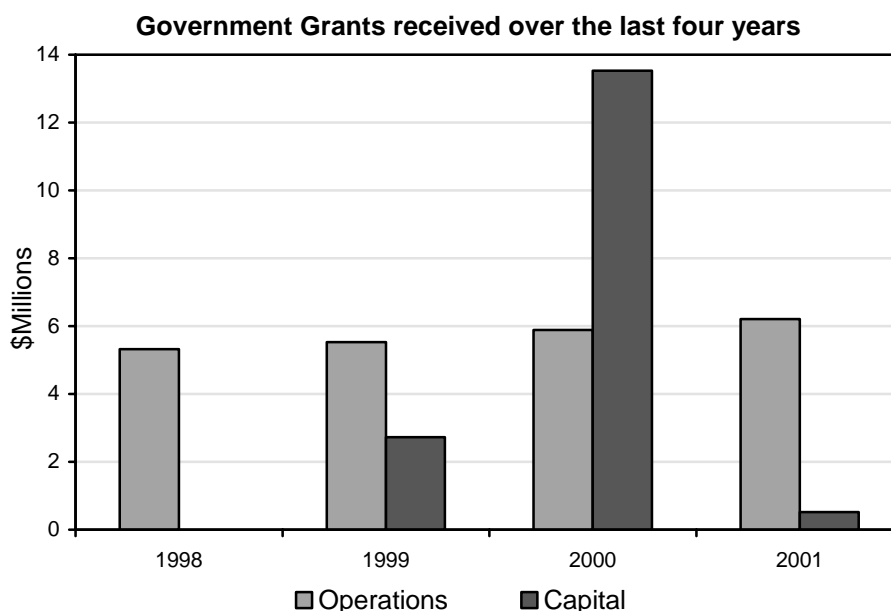
Operating Result

The operating result for the year was a Deficit from Ordinary Activities of \$2 million, compared with a Surplus from Ordinary Activities of \$10.8 million in 1999-2000. Grants for capital purposes of \$13.5 million on account of the redevelopment of the South Australian Museum buildings impacted on the operating result for 1999-2000.

State Government Grants

Grants from the State Government for operating and capital purposes totalled \$6.7 million (\$19.4 million in 1999-2000) and represented 75 percent (91 percent) of the Total Revenues from Ordinary Activities. As expressed in Note 2(n) to the Financial Statements the Board is dependent on the ongoing financial support of the State Government.

The government grants for operating and capital purposes over the last four years are reflected in the following chart.



The chart shows the significant capital grants received in 1998-99 and 1999-2000 in relation to the redevelopment of the South Australian Museum buildings. As this redevelopment has been substantially completed a minor amount of capital grants was received in 2000-01.

Statement of Financial Position

Cash Assets

Cash assets held as at balance date were \$1.2 million, a decrease of \$1.8 million from the previous year. The decrease was due mainly to a contribution by the Board of \$1.4 million to the Department for Transport, Urban Planning and the Arts towards development costs of the Australian Aboriginal Cultures Gallery (refer Note 4).

Heritage Collections

The Board was granted an exemption by the Treasurer from compliance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets', which requires non-current assets to be revalued every three years. The Heritage Collections, which were due to be revalued as at 30 June 2001, will now be revalued as at 30 June 2003 (refer to Note 2(g)).

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Grants from State Government - Operations		6 209	5 885
- Capital		520	13 527
Grants from Commonwealth Government		382	400
Sale of goods		405	177
Fees for services		239	82
Interest		97	135
Other revenues	3	1 156	1 100
Total Revenues		9 008	21 306
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	4	3 700	3 637
Cost of goods sold		246	123
Administration	4	4 663	4 751
Accommodation and service costs		1 377	1 167
Depreciation	4	1 054	795
Total Expenses		11 040	10 473
(DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES	5	(2 032)	10 833
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		(2 032)	10 833

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets		1 241	3 017
Receivables		334	62
Prepayments		64	-
Inventories		200	208
Total Current Assets		1 839	3 287
NON-CURRENT ASSETS:			
Property, plant and equipment	6	38 199	38 747
Heritage collections	7	27 542	27 542
Total Non-Current Assets		65 741	66 289
Total Assets		67 580	69 576
CURRENT LIABILITIES:			
Payables	8	613	367
Provision for employee entitlements	9	190	222
Total Current Liabilities		803	589
NON-CURRENT LIABILITIES:			
Payables	8	56	72
Provision for employee entitlements	9	487	649
Total Non-Current Liabilities		543	721
Total Liabilities		1 346	1 310
NET ASSETS		66 234	68 266
EQUITY:			
Accumulated surplus	10	61 942	63 974
Reserves	11	4 292	4 292
TOTAL EQUITY		66 234	68 266
Commitments	12		
Contingent Liabilities	13		

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001		2000	
		Inflows (Outflows) \$'000	Inflows (Outflows) \$'000	Inflows (Outflows) \$'000	Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
RECEIPTS:					
Sale of goods		392		147	
Fees for services and admissions		239		82	
Interest		104		132	
Other revenues		891		999	
PAYMENTS:					
Employee costs		(3 918)		(3 787)	
Administration		(4 462)		(4 461)	
Accommodation and service costs		(1 302)		(1 236)	
Other expenses		(321)		(221)	
CASH FLOWS FROM GOVERNMENT:					
Recurrent grants from State Government		6 209		5 885	
Capital grants from State Government		520		13 527	
Recurrent grants from Commonwealth Government		382		400	
Net Cash (used in) provided by Operating Activities	14		(1 266)		11 467
CASH FLOWS FROM INVESTING ACTIVITIES:					
PAYMENTS FOR:					
Property, plant and equipment		(510)		(11 352)	
Net Cash used in Investing Activities			(510)		(11 352)
NET (DECREASE) INCREASE IN CASH HELD			(1 776)		115
CASH AT 1 JULY			3 017		2 902
CASH AT 30 JUNE	2(m)		1 241		3 017

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, applicable Urgent Issues Group Consensus Views and other mandatory reporting requirements. The report is prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) Change in Accounting Policies

There have been no changes in accounting policies during 2000-01.

(c) The Reporting Entity

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

The financial report encompasses transactions through an interest bearing Special Deposit Account 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.

(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.

In accordance with the transitional provisions of Australian Accounting Standard AAS 38 'Revaluation of Non-Current Assets' the Board has continued to apply the deprival value methodology as the basis of valuing 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 historical 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 2001 have been brought to account at cost. The Board was granted an exemption by the Treasurer from compliance with Accounting Policy Statement APS 3 'Revaluation of Non-current Assets' which requires non-current assets to be revalued every three years. The collections will now be revalued as at 30 June 2003.

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 Statement of Accounting Concepts SAC 4 'Definition and Recognition of the Elements of Financial Statements', 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:

	Years
Buildings and improvements	Useful life depends on individual asset items
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) Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability according to the Board's experience of claim numbers and payments over the period 1 July 1987 to 30 June 2001. A separate valuation of the liabilities of the Board has not been undertaken and if such a valuation was performed it may result in a different assessed liability.

(l) 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 Statement of Financial Performance in the periods in which they are incurred.

(m) Cash Assets

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

(n) 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.

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

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

The amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or part of an item of expense.

The net GST receivable/payable to the Australian Taxation Office is not recognised as a receivable/payable in the Statement of Financial Position as the Board is a member of an approved GST group of which Arts SA (Department for Transport, Urban Planning and the Arts) is responsible for the remittance and collection of GST. There are no cash flows relating to GST transactions with the Australian Taxation Office in the Statement of Cash Flows.

(p) Comparative Figures

The Museum Board has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

3. Revenues from Ordinary Activities	2001	2000
Other revenues comprise the following categories of operating income:	\$'000	\$'000
Other grants and donations	633	661
Funding of payments for employee entitlements upon termination	265	-
Donations of heritage assets	-	98
Other	258	341
	1 156	1 100
4. Expenses from Ordinary Activities		
Employee costs were incurred in relation to the following:		
Wages and salaries	3 022	3 091
Superannuation and payroll tax expenses	507	525
Annual and long service leave expenses	121	(5)
Other employee related expenses	50	26
	3 700	3 637
Depreciation was charged in respect of:		
Buildings and improvements	969	691
Plant and equipment	65	87
Computer equipment	20	17
	1 054	795
Administration expenses comprise the following categories of expenditure:		
Research, collections and exhibitions operational expenses	713	767
Insurance and risk management	333	323
Maintenance	492	426
Communications and stationery	325	278
Marketing	198	123
Operating lease expenditure	85	76
Australian Aboriginal Cultures Gallery expenditure	1 392	1 701
Other	1 125	1 057
	4 663	4 751

Australian Aboriginal Cultures Gallery expenditure for the 2000-01 financial year represents payments to the Department for Transport, Urban Planning and the Arts, as a contribution towards development costs of the Australian Aboriginal Cultures Gallery.

5.	(Deficit) Surplus from Ordinary Activities						2001	2000
	(Deficit) Surplus from Ordinary Activities includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:						\$'000	\$'000
	Proceeds from sale of plant and equipment						-	5
							-	5
6.	(a) Property, Plant and Equipment		2001				2000	
			Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000		Gross Value \$'000	Accumulated Depreciation \$'000
								Written Down Value \$'000
	Land, buildings and improvements:							
	- At valuation		48 389	24 095	24 294		48 389	23 407
	- At cost		13 987	281	13 706		-	-
	Work in progress - At cost		-	-	-		13 482	-
	Plant and equipment - At cost		1 049	896	153		1 082	859
	Computer equipment - At cost		121	75	46		114	54
	Total		63 546	25 347	38 199		63 067	24 320
								38 747
	(b) Reconciliation of Carrying Amounts of Property, Plant and Equipment							
				Land, Buildings & Improvements \$'000	Work in Progress \$'000	Plant & Equipment \$'000	Computer Equipment \$'000	Total \$'000
	Carrying amount at start of year			24 982	13 482	223	60	38 747
	Additions			-	505	-	6	511
	Disposals			-	-	(5)	-	(5)
	Transfers from work in progress			13 987	-	-	-	13 987
	Depreciation expense			(969)	-	(65)	(20)	(1 054)
	Transfers to completed works			-	(13 987)	-	-	(13 987)
	Carrying Amount at End of Year			38 000	-	153	46	38 199
7.	(a) Heritage Collections		2001				2000	
			At Cost \$'000	At Valuation \$'000	Total \$'000		At Cost \$'000	At Valuation \$'000
								Total \$'000
	Australian Aboriginal Ethnographic		51	6 978	7 029		51	6 978
	Foreign Ethnographic		6	5 980	5 986		6	5 980
	Library		31	4 306	4 337		31	4 306
	Minerals		115	9 854	9 969		115	9 854
	Social/Industrial history		-	221	221		-	221
	Total		203	27 339	27 542		203	27 339
								27 542
	(b) Reconciliation of Carrying Amounts of Heritage Collections							
			Balance 1 July \$'000	Additions \$'000	Balance 30 June \$'000		Balance 1 July \$'000	Additions \$'000
								Balance 30 June \$'000
	Australian Aboriginal Ethnographic		7 029	-	7 029		7 016	13
	Foreign Ethnographic		5 986	-	5 986		5 985	1
	Library		4 337	-	4 337		4 337	-
	Minerals		9 969	-	9 969		9 884	85
	Social/Industrial history		221	-	221		221	-
	Total		27 542	-	27 542		27 443	99
								27 542
8.	Payables						2001	2000
	Current Liabilities:						\$'000	\$'000
	Creditors and accruals						584	335
	Employee costs						29	32
							613	367
	Non-Current Liabilities:							
	Employee costs						56	72
9.	Provision for Employee Entitlements							
	Current Liabilities:							
	Provision for annual leave						144	160
	Provision for long service leave						41	55
	Provision for workers compensation						5	7
							190	222
	Non-Current Liabilities:							
	Provision for long service leave						469	629
	Provision for workers compensation						18	20
							487	649

10. Accumulated Surplus	2001	2000
	\$'000	\$'000
Balance brought forward	63 974	53 141
(Deficit) Surplus from ordinary activities	(2 032)	10 833
Balance at 30 June	61 942	63 974
<hr/>		
11. Reserves		
Asset Revaluation Reserve - Land, buildings and improvements		
Balance at 1 July	4 292	4 292
Balance at 30 June	4 292	4 292
<hr/>		
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	369	399
Later than one year and not later than five years	1 052	1 208
Later than five years	241	463
	1 662	2 070
<hr/>		
These operating lease commitments, which are not recognised in the financial report as liabilities, comprise:		
• non-cancellable property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased by 5.5 percent per annum. Options exist to renew the leases at the end of their terms for a further five years.		
• non-cancellable motor vehicle leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.		
(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 \$2 000 000 (\$365 000). These commitments are not recognised as liabilities in the financial report.		
Agreements equally and proportionately unperformed at the reporting date are estimated as follows:		
Not later than one year	2 000	365
	\$'000	\$'000
	2 000	365
<hr/>		
13. Contingent Liabilities		
There are no known contingent liabilities as at 30 June 2001.		
14. Reconciliation of Net Cash (used in) provided by Operating Activities to (Deficit) Surplus from Ordinary Activities		
(Deficit) Surplus from ordinary activities	(2 032)	10 833
Non-Cash Items:		
Depreciation expense	1 054	795
Heritage collection donations	-	(98)
Change in Operating Assets and Liabilities:		
(Increase) Decrease in assets	(324)	6
Increase (Decrease) in liabilities	36	(69)
Net Cash (used in) provided by Operating Activities	(1 266)	11 467
<hr/>		
15. Payments to Consultants	2001	2000
Payments to consultants during 2000-01 fell into the following ranges:	Number of	Number of
	Consultants	Consultants
\$0 - \$10 000	6	34
\$10 001 - \$50 000	2	10
Above \$50 000	1	-
The total amount paid to consultants in 2000-01 was \$139 000 (\$277 000).		
16. Remuneration of Employees	2001	2000
The number of employees whose annual remuneration was over \$100 000 fell within the following bands:	Number of	Number of
\$130 000 - \$139 999	Employees	Employees
	1	-
The total remuneration received by the employee for the year was \$138 000. No employees received remuneration over \$100 000 during the 1999-2000 financial year.		
17. Remuneration of Board Members	2001	2000
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	7	3
\$10 000 - \$19 999	1	5
The total income received by these Board Members for the year was \$47 000 (\$64 000).		

18. Remuneration of Auditors

The audit fee in relation to the year to 30 June 2001 is \$17 000 (\$16 000). The auditors provided no other services to the Board.

19. Related Party Disclosures

During the financial year the following persons held positions on the Museum Board:

Mr RJ Champion de Crespigny, Chair; Dr A Lloyd, Mr R Smith, Mr DW Stott, Mr A Simpson, Assoc Prof M Sedgley, Mr P Ah Chee (from 26 October 2000) 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 transactions were undertaken with any other entity at arm's length in similar circumstances.

20. Targeted Voluntary Separation Package Scheme (TVSPs)

In 2000-01 13 TVSPs totalling \$905 000 were paid and an additional \$265 000 was paid on account of accrued annual leave and long service leave. The TVSP amount of \$905 000 was paid by the Department for Transport, Urban Planning and the Arts, which subsequently received reimbursement of this amount from the Department of the Premier and Cabinet. In 1999-2000 no TVSPs were paid.

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

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
----------------------	------	---------------------------------	---------------------------------

Financial Assets

Cash assets		Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis although some funds held within the total cash balance are non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Museum Board are the Special Deposit Account 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 5.06 percent (as at 30 June 2001).
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

Payables	8	Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
----------	---	---	---

(b) Interest Rate Risk

Financial Instrument	Note	2001			2000				
		Interest Rate Percent	Interest Bearing Floating Interest Rate \$'000	Non-Interest Bearing \$'000	Total \$'000	Interest Rate Percent	Interest Bearing Floating Interest Rate \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets:									
Cash assets		5.06	1 239	2	1 241	5.58	3 014	3	3 017
Receivables			-	334	334		-	62	62
			<u>1 239</u>	<u>336</u>	<u>1 575</u>		<u>3 014</u>	<u>65</u>	<u>3 079</u>
Financial Liabilities:									
Payables	8		-	584	584		-	335	335
			<u>-</u>	<u>584</u>	<u>584</u>		<u>-</u>	<u>335</u>	<u>335</u>

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument	Note	2001		2000	
		Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Cash assets		1 241	1 241	3 017	3 017
Receivables		334	334	62	62
		<u>1 575</u>	<u>1 575</u>	<u>3 079</u>	<u>3 079</u>
Payables	8	584	584	335	335

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 AND STRUCTURE

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.

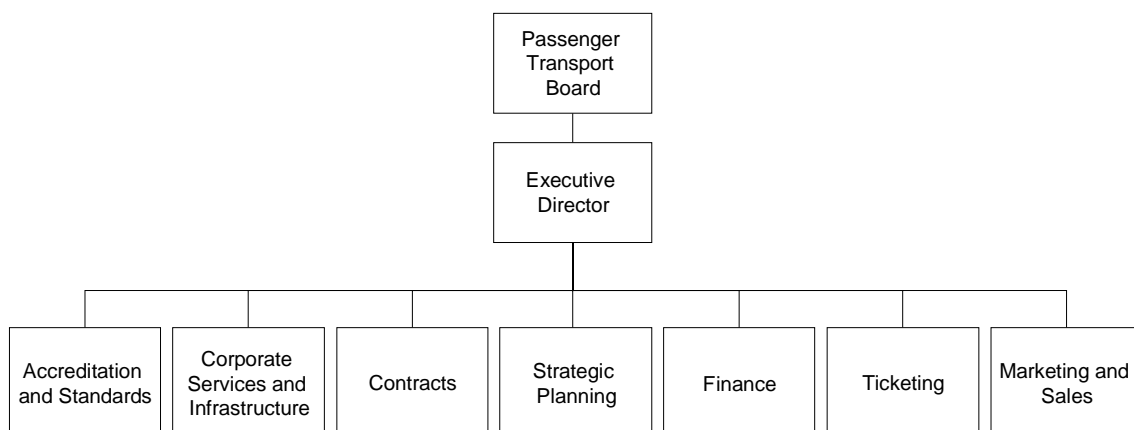
Subsection 20(2) of the Act specifies that the Board itself must not operate a passenger transport service.

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 \$197 million (\$212.9 million last year) to metropolitan service contractors in relation to the operation of metropolitan bus, train and tram services.
- Metropolitan public transport ticket sales revenue amounted to \$45 million (\$47.6 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 2000-01 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.

Audit Communications to Management

During the year several letters communicating issues arising from the audit were forwarded to the Executive Director of the Board. Satisfactory responses have been received in relation to the matters raised.

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 certain areas of operation, in particular the documentation of policies and procedures for all financially related activities. Other areas for improvement are outlined below.

Risk Management

The audit identified that a risk management plan had not been developed and implemented across the organisation.

In response the Board indicated that a risk management framework would be developed by January 2002.

Revenue, Receipting and Banking

The audit identified opportunities for improvement in relation the timely performance of bank reconciliations and reconciliations between the general ledger and cash collected by contractors for on-board ticket sales. In addition, Audit considered that banking should occur more regularly where large amounts are involved.

In response the Board indicated that revised procedures will be implemented to ensure the timely performance of all reconciliations and bankings.

Contract Management

With respect to the management of its contracts for metropolitan passenger services, Audit considered improvements could be achieved in regard to the identification and management of the risks associated with the contracts, the use of checklists as a management tool in administering the contracts, the reporting on the performance of contract operators and the timely provision by contract operators of certain information required by the contracts.

In response the Board indicated that a comprehensive risk analysis would be undertaken, contract checklists would be developed, and expanded and improved reporting on contract performance would be implemented. In addition action has been taken to ensure that the provision of information from contract operators is received in a timely manner.

Other Financial Systems

With respect to the operation of other financial systems Audit commented that there was room for improvement in the maintenance of contractual documentation between the Board and its ticket distribution contractor, and the certification of bona fide employment listings within the payroll system.

The Board advised that the contractual documentation will be completed and that bona fide employment listings will be certified on a timely basis.

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 in operation 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

Statement of Financial Performance

Expenses from Ordinary Activities

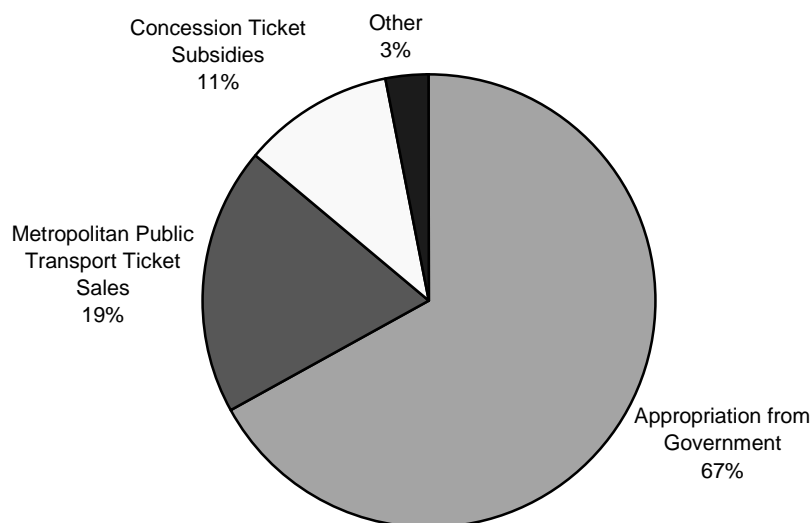
Payments to metropolitan service contractors decreased by \$15.9 million to \$197 million. These payments represent 82 percent (87 percent) of total expenses incurred by the Board in 2000-01. The decrease was due mainly to additional payments of \$4.8 million made to TransAdelaide in 1999-2000 in relation to the depreciation of the Adelaide Railway Station which were not made in 2000-01 and savings achieved with the implementation of new service contract arrangements which commenced in April 2000.

Revenues from Ordinary Activities 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 revenue 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.

	2001	2000
	\$'000	\$'000
Metroticket sales	44 968	47 636
Payments to Metropolitan Service Contractors	197 042	212 903
	2001	2000
	Percent	Percent
Metroticket sales as a percentage of payments to Metropolitan Service Contractors	22.8	22.4

Statement of Financial Position

Equity Contribution

The Board received for the first time in 2000-01 an appropriation for Equity Contribution. The amount received, \$4 million, has been shown as equity in the Statement of Financial Position in accordance with the requirements of Treasurer's Instruction 3 'Appropriation'.

OTHER FUNDS

Deposit Account - Passenger Transport Research and Development Fund

Note 26(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 \$1 982 000 (\$2 075 000).

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Payments to metropolitan service contractors	4	197 042	212 903
Grants and subsidies	5	14 958	11 113
Infrastructure, administration and service costs	6	17 296	11 767
Employee costs	7(a)	6 484	5 016
Depreciation	8	2 293	1 407
Accommodation and service costs		1 591	1 470
Borrowing costs		469	558
Other expenses		241	250
Total Expenses		240 374	244 484
REVENUES FROM ORDINARY ACTIVITIES:			
User charges, fees and fines	9	46 630	54 944
Contributions from other agencies	10	27 750	29 059
Investment income		1 145	781
Other revenues		3 858	765
Total Revenues		79 383	85 549
NET COST OF SERVICES		160 991	158 935
REVENUES FROM GOVERNMENT:			
Appropriation - Purchase of outputs		161 452	169 495
Total Revenues from Government		161 452	169 495
SURPLUS FROM ORDINARY ACTIVITIES		461	10 560
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net credit to an asset revaluation reserve on revaluation of non-current assets		26	213
Total Revenues, Expenses and Valuation Adjustments recognised directly in Equity		26	213
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		487	10 773

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash		23 593	21 761
Receivables	11	3 455	6 420
Inventories		237	247
Total Current Assets		27 285	28 428
NON-CURRENT ASSETS:			
Property, plant and equipment	12	8 440	8 676
Loan receivable		40	40
Total Non-Current Assets		8 480	8 716
Total Assets		35 765	37 144
CURRENT LIABILITIES:			
Payables	13	6 936	12 103
Borrowings	14	1 100	1 000
Provision for employee entitlements	7(b)	356	315
Total Current Liabilities		8 392	13 418
NON-CURRENT LIABILITIES:			
Payables	13	104	65
Borrowings	14	2 749	3 949
Provision for employee entitlements	7(b)	868	547
Total Non-Current Liabilities		3 721	4 561
Total Liabilities		12 113	17 979
NET ASSETS		23 652	19 165
EQUITY:			
Accumulated surplus	15(a)	18 999	18 538
Equity contribution	15(b)	4 000	-
Asset revaluation reserve	15(c)	653	627
TOTAL EQUITY		23 652	19 165
Commitments	24(a), 25		

Statement of Cash Flows for the year ended 30 June 2001

		2001	2000
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:	Note	\$'000	\$'000
Metropolitan service contractors		(202 475)	(209 617)
Supplies and services		(19 328)	(12 663)
Grants and subsidies		(13 527)	(11 313)
Employee costs		(6 030)	(5 059)
Interest and other finance charges		(484)	(560)
GST payments on purchases		(19 195)	-
RECEIPTS:			
User charges, fees and fines		46 752	55 583
Contributions from other agencies		27 707	28 985
Interest		1 119	772
Other		2 782	1 438
GST collected		4 890	-
GST refunds from the Australian Taxation Office		12 970	-
CASH FLOWS FROM GOVERNMENT:			
Appropriation - Purchase of outputs		166 495	164 692
Net Cash provided by Operating Activities	16	1 676	12 258
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from sale of assets		-	1
Payments for property, plant and equipment		(1 744)	(1 283)
Net Cash used in Investing Activities		(1 744)	(1 282)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH FLOWS FROM GOVERNMENT:			
Equity contribution		4 000	-
Repayment of debt		(2 100)	-
Net Cash provided by Financing Activities		1 900	-
NET INCREASE IN CASH HELD		1 832	10 976
CASH AT 1 JULY		21 761	10 785
CASH AT 30 JUNE	2(k)	23 593	21 761

Output Class Schedule - Expenses and Revenues for the year ended 30 June 2001

Outputs (Refer Note 3)	1	2	3	4	5	6	7	2001	2000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	Total \$'000	Total \$'000
EXPENSES FROM ORDINARY ACTIVITIES:									
Payments to metropolitan service contractors	-	-	195 674	1 368	-	-	-	197 042	212 903
Grants and subsidies	-	-	4 547	3 501	6 910	-	-	14 958	11 113
Administration and service costs	1 370	1 439	9 443	285	270	199	4 290	17 296	11 767
Employee costs	1 383	642	3 200	399	271	112	477	6 484	5 016
Depreciation	146	1 807	238	24	35	10	33	2 293	1 407
Accommodation and service costs	477	48	780	79	64	32	111	1 591	1 470
Interest and other finance charges	5	6	455	1	1	-	1	469	558
Other expenses	50	6	128	15	9	3	30	241	250
Total Expenses	3 431	3 948	214 465	5 672	7 560	356	4 942	240 374	244 484
REVENUES FROM ORDINARY ACTIVITIES:									
User charges, fees and fines	1 142	-	45 266	-	222	-	-	46 630	54 944
Contributions from other agencies	-	-	24 277	-	3 473	-	-	27 750	29 059
Interest	-	-	1 145	-	-	-	-	1 145	781
Other revenues	19	-	2 983	40	816	-	-	3 858	765
Receipts from government	2 270	3 948	141 255	5 632	3 049	356	4 942	161 452	169 495
Total Revenues	3 431	3 948	214 926	5 672	7 560	356	4 942	240 835	255 044
SURPLUS FROM ORDINARY ACTIVITIES	-	-	461	-	-	-	-	461	10 560
ADMINISTERED REVENUES AND EXPENSES									
Administered expenses	52	-	-	137	-	-	33	222	927
Administered revenues	34	-	-	77	-	-	19	130	137
ADMINISTERED REVENUES LESS ADMINISTERED EXPENSES	(18)	-	-	(60)	-	-	(14)	(92)	(790)
ADMINISTERED ASSETS - CASH	393	-	-	1 286	-	-	303	1 982	2 075

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Objectives and Funding**

The Passenger Transport Board (the Board) 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, Urgent Issues Group Consensus Views and other mandatory reporting requirements.

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 and Fees*

User charges and fees are recognised when the 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 Board has passed control of the goods or services to the buyer.

(iii) *Interest*

Interest revenue earned is recognised when the Board controls a right relating to the income from its investments.

(iv) *Other Revenues*

Other revenues are recognised when the 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.

Appropriations to the Board designated as 'equity contribution' are recognised directly in equity in accordance with Treasurer's Instruction 3 'Appropriation'.

(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.

(f) **Revaluation of Non-Current Assets**

In accordance with the transitional provisions of Australian Accounting Standard AAS 38 'Revaluation of Non-Current Assets' the deprival value methodology has continued to be applied as the basis of valuing 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'.

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

Land owned by the Board was revalued at 30 June 2001 by the Valuer-General of South Australia. Land with a book value of \$2.103 million was revalued to \$2.129 million. This resulted in an increase to the Asset Revaluation Reserve of \$0.026 million.

Ticketing equipment was last revalued as at 30 June 2000.

(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	Useful Lives Years
Public Transport Infrastructure	15
Ticketing and radio equipment ⁽¹⁾	7
Bus stop information panels	7
Modbury Interchange	7
Other Interchanges	15
Plant and equipment:	
Computer equipment	3
Other plant and equipment	5
Furniture and fittings	7
Accessible taxi vehicles	8 - 12

(1) Ticketing equipment will be fully depreciated 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 Statement of Financial Performance 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 Statement of Financial Performance 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 leave 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.

(m) Comparative Figures

The Board has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

(n) **Accounting for Good and Services Tax (GST)**

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST. Receivables and payables are stated with the amount of GST included.

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

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST components of the cash flows arising from investing activities which are recoverable or payable to the ATO have been classified as operating cash flows.

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: 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 2: Public Transport Asset Maintenance**
The provision of services to efficiently and effectively manage public transport infrastructure including ticketing infrastructure.
- Output 3: 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 4: Regional Public Passenger Services**
Regulation and partially funding passenger transport services within the country and regional areas, and fostering rural transport initiatives.
- Output 5: 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 6: Strategic Plans**
The development of strategic plans for the provision of passenger transport.
- Output 7: 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 financial year, these payments were made to TransAdelaide, Serco, Torrens Transit, Australian Transit Enterprises, Transit Plus and Transit Regency. Payments to the Department for Transport, Urban Planning and the Arts for the provision of buses and depots to Contractors are included in this item.

5. **Grants and Subsidies**

Grants and subsidies comprise:	2001	2000
	\$'000	\$'000
Concessions for people with mobility difficulties (Transport Subsidy Scheme)	6 878	6 706
Subsidies provided for concessional travel in country route services and regional cities	3 447	3 111
Regional cities bus operating subsidies	894	981
Disabilities Discrimination Act 1992 initiatives	31	2
Community passenger networks	407	313
Rail safety grant ⁽¹⁾	3 301	-
	14 958	11 113

(1) During the year the Board made a payment to TransAdelaide for safety and security initiatives on the metropolitan rail system.

6. **Infrastructure, Administration and Service Costs**

Infrastructure, administration and service costs include amounts provided to various parties for the evaluation and provision of public transport infrastructure. These projects include a feasibility study into a Southern O-Bahn, Football Park Interchange, Park and Ride facilities, car parks, pedestrian access crossing, various bus shelters, marketing initiatives and general administration and service costs.

7.	Employee Entitlements				2001	2000	
	(a) Employee Costs				\$'000	\$'000	
	Salaries				4 550	3 853	
	Superannuation and payroll tax expense				878	644	
	Annual leave expense				446	399	
	Long service leave expense				447	59	
	TVSP				107	-	
	Other employee related expenses				56	61	
					6 484	5 016	
	(b) Provision for Employee Entitlements						
	Current Liabilities:						
	Annual leave				313	295	
	Long service leave				43	20	
					356	315	
	Non-Current Liabilities:						
	Long service leave				868	547	
8.	Depreciation						
	Depreciation was charged in respect of:						
	Public transport infrastructure				1 793	1 103	
	Plant and equipment				485	285	
	Accessible taxi vehicles				15	19	
					2 293	1 407	
9.	User Charges, Fees and Fines						
	User charges, fees and fines comprise:						
	Metroticket sales				44 968	47 636	
	Ticket equipment lease				-	5 545	
	Accreditations of drivers and operators of passenger transport services				884	964	
	Taxi licence revenue				-	172	
	Country bus route licences				219	260	
	Sale of blank tickets to operators				301	184	
	Expiation notices				258	183	
					46 630	54 944	
10.	Contributions from Other Agencies						
	Contributions from other agencies comprise:						
	State Government reimbursements ⁽¹⁾				27 463	27 879	
	State-Local Government Reform Fund - Regional cities bus service ⁽²⁾				-	971	
	Home and Community Care				287	209	
					27 750	29 059	
	(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 regional areas.						
	(2) As from 1 July 2000 regional cities bus services have been funded via appropriation from the Consolidated Account.						
11.	Receivables				2001	2000	
	Receivables consists of:				\$'000	\$'000	
	Debtors				3 411	6 401	
	Less: Provision for doubtful debts				38	38	
					3 373	6 363	
	Accrued interest				82	57	
					3 455	6 420	
12.	(a) Property, Plant and Equipment				2001	2000	
		Cost/	Accumulated	Written	Cost/	Accumulated	Written
		Valuation	Depreciation	Down	Valuation	Depreciation	Down
		\$'000	\$'000	Value	\$'000	\$'000	Value
	Asset Class:						
	Public Transport Infrastructure:						
	At valuation	13 143	11 546	1 597	13 118	10 426	2 692
	At cost	3 529	836	2 693	2 544	163	2 381
	Plant and equipment at cost	2 835	1 401	1 434	2 307	916	1 391
	Accessible taxi vehicles:						
	At valuation	242	242	-	387	387	-
	At cost	145	106	39	145	91	54
	Land at valuation	2 129	-	2 129	2 103	-	2 103
	Work in progress at cost ⁽¹⁾	548	-	548	55	-	55
	Totals	22 571	14 131	8 440	20 659	11 983	8 676

(1) Work in progress comprises costs in respect of public transport infrastructure assets.

12. (b) Property, Plant and Equipment Movement Schedule	2001					
	Land \$'000	Public Transport Infrastructure Assets \$'000	Plant and Equipment \$'000	Accessible Vehicles \$'000	Work in Progress \$'000	Total \$'000
Gross Carrying amount 1 July	2 103	15 662	2 307	532	55	20 659
Additions	-	1 473	528	-	548	2 549
Disposals	-	-	-	(145)	-	(145)
Write offs	-	(463)	-	-	(55)	(518)
Revaluation increments	26	-	-	-	-	26
Balance as at 30 June	2 129	16 672	2 835	387	548	22 571
Accumulated depreciation 1 July	-	10 589	916	478	-	11 983
Accumulated depreciation of assets disposed	-	-	-	(145)	-	(145)
Depreciation expense	-	1 793	485	15	-	2 293
Balance as at 30 June	-	12 382	1 401	348	-	14 131
Carrying Amount of Assets	2 129	4 290	1 434	39	548	8 440

13. Payables	2001 \$'000	2000 \$'000
Payables comprise creditors and accruals:		
Metropolitan service contractors	1 323	6 756
Grants and subsidies	1 924	493
Administration and service costs	2 151	1 889
Asset purchase	1 642	2 030
Loan repayment	-	1 000
	7 040	12 168
Current liabilities	6 936	12 103
Non-Current liabilities	104	65
	7 040	12 168

14. **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 upon the establishment of the Board.

15. Changes in Equity	2001 \$'000	2000 \$'000
(a) Accumulated Surplus		
The movement in accumulated surplus is:		
Balance 1 July	18 538	7 978
Surplus from ordinary activities	461	10 560
Balance 30 June	18 999	18 538
(b) Equity Contribution		
The movement in equity contribution is:		
Balance 1 July	-	-
Appropriation	4 000	-
Balance 30 June	4 000	-

15. (c) Asset Revaluation Reserve	Public Transport Infrastructure					
	Land		Infrastructure		Total	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Balance 1 July	414	414	213	-	627	414
Movement in reserve	26	-	-	213	26	213
Balance 30 June	440	414	213	213	653	627

16. Reconciliation of Net Cost of Services to Net Cash provided by Operating Activities	2001 \$'000	2000 \$'000
Net cost of services	(160 991)	(158 935)
Cash flows from government	161 452	169 495
Items not involving cash:		
Depreciation	2 293	1 407
Assets written off	115	(4)
Loss on sale of assets	-	1
Asset acquired at no cost	(792)	-
Changes in operating assets and liabilities:		
Receivables	2 966	(3 573)
Inventories	10	54
Prepayments	-	131
Creditors and accruals	(3 778)	3 534
Provision for employee entitlements	401	148
Net Cash provided by Operating Activities	1 676	12 258

17. Disposal of Non-Current Assets		2001	2000
		\$'000	\$'000
Proceeds from the disposal of non-current assets		7	1
Less: Written down value of non-current assets		-	2
Net Profit (Loss)		7	(1)
<hr/>			
18. Operating Leases			
Operating lease expenses comprise:			
Bus and depots		31 330	7 414
Property		1 466	1 314
Motor vehicles		237	151
		33 033	8 879
<hr/>			
19. Remuneration Benefits		2001	2000
(a) Board Members' Remuneration		Number of	Number of
The number of Members of the Board whose remuneration received or receivable falls within the following bands were:		Members	Members
\$10 000 - \$19 999		5	4
\$20 000 - \$29 999		1	1
The aggregate remuneration received by Members was \$92 000 (\$100 000).			
(b) Employee Remuneration		2001	2000
The number of employees whose remuneration received or receivable falls within the following bands were:		Number of	Number of
\$100 000 - \$109 999		2	1
\$110 000 - \$119 999		1	1
\$120 000 - \$129 999		-	1
\$130 000 - \$139 999		1	-
\$150 000 - \$159 999		1	1
The aggregate remuneration received by these employees was \$608 000 (\$494 000).			
<hr/>			
20. Targeted Voluntary Separation Package (TVSP) Scheme		2001	2000
		Number	Number
Number of employees paid TVSPs		1	-
Amounts paid to these employees:		\$'000	\$'000
TVSP		107	-
Accrued annual leave and long service leave		43	-
		150	-
Amount recovered from the Department of the Premier and Cabinet		107	-
<hr/>			
21. Remuneration of Auditors			
The amount due to and receivable by the Auditor-General's Department for auditing the accounts for the year was \$51 000 (\$57 000). The auditors received no other benefits.			
22. Related Party Transactions			
The names of the persons who were Board Members of the Passenger Transport Board during the financial year are as follows:			
D Egen	R J Payze		
N J Buddle	G J Crafter		
H M l'Anson	J Bell		
No Member or employee has declared any interests in contracts involving the Board during the 2000-01 financial year.			
The Members of the 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.			
23. Consultancies			
During the year the Board engaged 20 consultants to assist in its operations. The cost of these consultancies was \$213 000 (\$349 000).			
The number of consultancies whose payments fell within the following bands were:		2001	2000
		Number of	Number of
		Consultancies	Consultancies
\$0 - \$10 000		16	6
\$10 001 - \$50 000		4	5
\$50 001 and above		-	3

24.	Leases	2001	2000
	(a) Operating Leases Payable	\$'000	\$'000
	Not later than one year	36 186	34 878
	Later than one year and not later than five years	106 979	141 980
	Later than five years	197	1 002
		143 362	177 860

The Board leases depots and buses, property for office accommodation and motor vehicles.

Since the commencement of the seven new metropolitan bus contracts, the Board has had the responsibility for payment to the Department for Transport, Urban Planning and the Arts 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	2001	2000
Receivable:	\$'000	\$'000
Not later than one year	15	15
Later than one year but not later than five years	-	-
	15	15

The 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 2001, the gross value of these assets is \$145 000, accumulated depreciation is \$106 000 and written down value is \$39 000. Depreciation expense for 2000-01 was \$15 000.

25. 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	Australian Transit Enterprises (ATE)	23 April 2005
Outer South	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
Adelaide Hills	Transit Plus	23 April 2005
Mt Barker Region	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:

	2001	2000
	\$'000	\$'000
Not later than one year	165 641	155 313
Later than one year but not later than five years	480 679	604 986
	646 320	760 299

The AEPUs have been calculated by extrapolating contract payments for each contract area during 2000-01 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.

These AEPUs are not recognised in the financial report.

26. 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.

(a)	Passenger Transport Research and Development Fund (continued)	2001	2000
		\$'000	\$'000
	Balance at 1 July	2 075	2 865
	Add: Receipts during the year	119	129
	Less: Payments during the year	212	919
	Balance at 30 June	1 982	2 075

(b)	Criminal Injuries Compensation Levy
	In accordance with the <i>Expiation of Offences Act 1996</i> , and on behalf of the Attorney-General's Department, the Board collects criminal injuries compensation levies. For 2000-01, the amount collected and paid to the Attorney-General's Criminal Injuries Compensation Fund was \$10 000 (\$8 000).

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		Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	The Board 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 2001 the interest rate earned was 7.7 percent (the Common Public Sector Interest Rate) and the 90 day bank bill rate was 5.01 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			
Payables	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 2001 the interest rate was 7.7 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	2001			Weighted Average Effective Interest Rate Percent	2000			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		23 576	17	23 593	6.4	21 744	17	21 761	8.5
Receivables	11	-	3 455	3 455		-	6 420	6 420	
Loan receivable		-	40	40		-	40	40	
Total Financial Assets		23 576	3 512	27 088		21 744	6 477	28 221	
Total Assets				35 765				37 144	
Financial Assets (Administered):									
Cash	26	1 982	-	1 982	5.7	2 075	-	2 865	5.6
Financial Liabilities (Controlled):									
Payables	13	-	7 040	7 040		-	12 168	12 168	
Borrowings	14	3 849	-	3 849	8.9	4 949	-	4 949	8.5
Total Financial Liabilities		3 849	7 040	10 889		4 949	12 168	17 117	
Total Liabilities				12 113				17 979	

(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 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

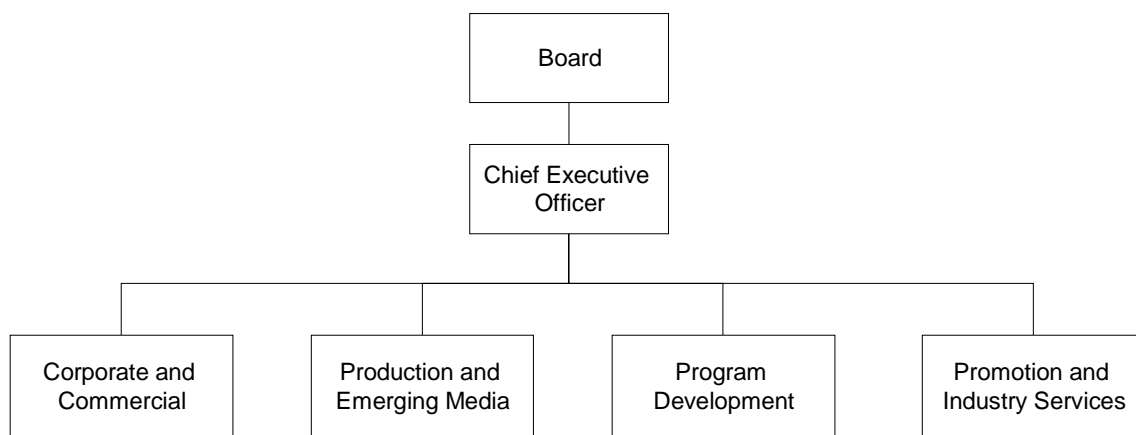
FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The South Australian Film Corporation (the Corporation) was established pursuant to the *South Australian Film Corporation Act 1972*.

The main roles the Corporation performed during 2000-01 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

- Film development grants provided by the Department for Transport, Urban Planning and the Arts increased by \$1.2 million to \$2.7 million.
- Administered film disbursements to investors increased by \$3.6 million to \$3.9 million.
- Cash assets increased by \$1.1 million to \$4 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 report and adequacy of internal controls.

The specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including studio hire, cash receipting and banking
- provision of grants and loans
- film disbursements.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the Chief Executive Officer. The main issues related to opportunities to improve the control environment through the establishment of a formal process for identifying, assessing and managing risk, and the implementation of a process to monitor controls. 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 Corporation's control structure was that it was satisfactory, although there was room for improving compliance with the prescribed elements of the Financial Management Framework relating to risk management and monitoring of controls.

Risk Management

The audit revealed that the Corporation has not established a formal process for identifying, assessing and managing risk as required by the Financial Management Framework, but does identify and manage risks through the implementation of internal controls.

The Corporation responded that it would establish a risk management policy.

Monitoring of Controls

Audit noted that there was room for improvement in respect of the provision to the Chief Executive Officer of regular assurance that controls over management reporting and financial reporting have been operating effectively.

Audit also noted that, as a result of staff turnover, reconciliations between the general ledger and subsidiary systems had not been performed in a timely manner.

The Corporation responded that each month an internal controls checklist certified by the Manager Corporate and Commercial would be provided to the Chief Executive Officer, and that the checklist would include an indication whether key reconciliations between the general ledger and subsidiary systems had been completed.

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, 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

Expenses and Revenues

Film development grants provided by the Department for Transport, Urban Planning and the Arts increased by \$1.2 million to \$2.7 million. This increase was offset by no further funding provided by the State Government for the Revolving Film Fund which is used to provide secured loans to film production companies. Funding for the Revolving Film Fund was last received in 1999-2000.

Studio revenue decreased by \$209 000 to \$421 000 due to a reduction in the hire of the sound mixing studios and other facilities.

Film Production Investments and Unsecured Development Loans

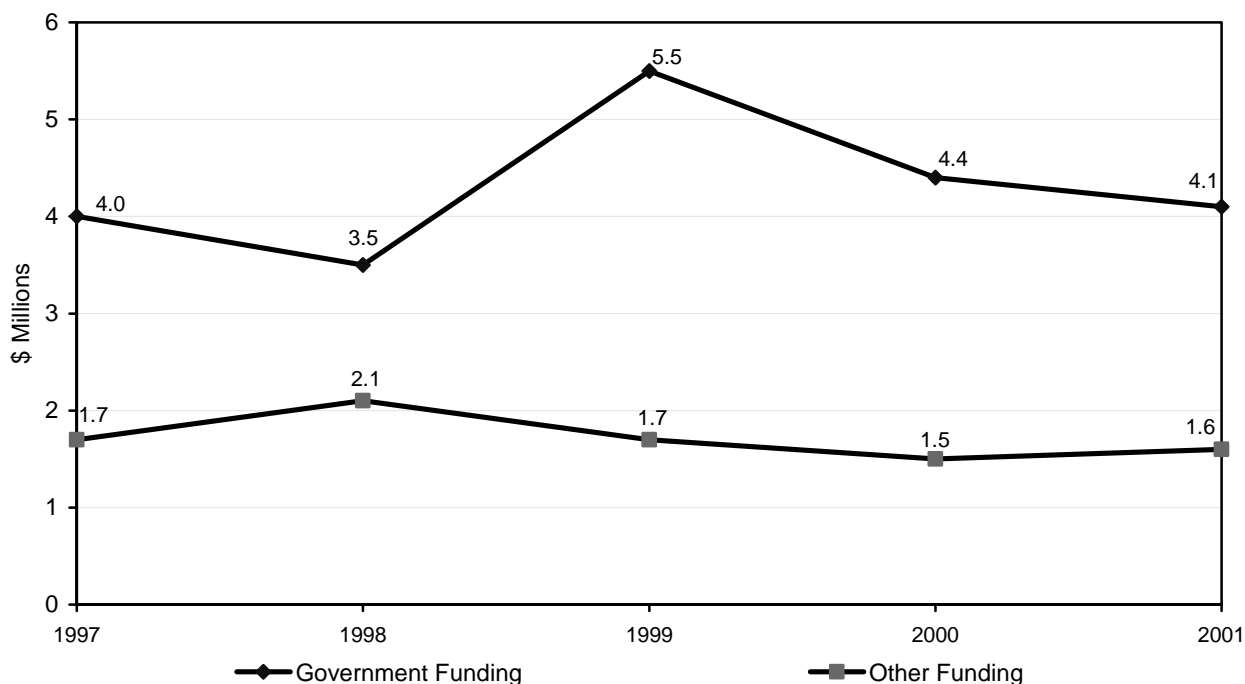
The Corporation invests in film and television productions in return for a share of the sales proceeds after their release to the market. The Corporation also provides unsecured film development loans in return for interest and principal repayments upon the film going into production. In recognition of the prospect that productions may not go into production or succeed in the market and that proceeds may not eventuate, the Corporation amortises its production investments and unsecured loans, and reflects the amortisation as an expense within the Statement of Financial Performance. Amortisation expense in 2000-01 decreased by \$466 000 to \$990 000.

The table below reflects the return over the last four years on production investments and unsecured loans before deduction of accumulated amortisation, and supports the Corporation's amortisation policy.

	2001	2000	1999	1998
Unamortised investments and unsecured loans at 30 June (\$'millions)	10.5	9.3	8.0	5.7
Return (\$'000)	190	212	276	479
Percentage return on unamortised investments and unsecured loans	1.8	2.3	3.5	8.4

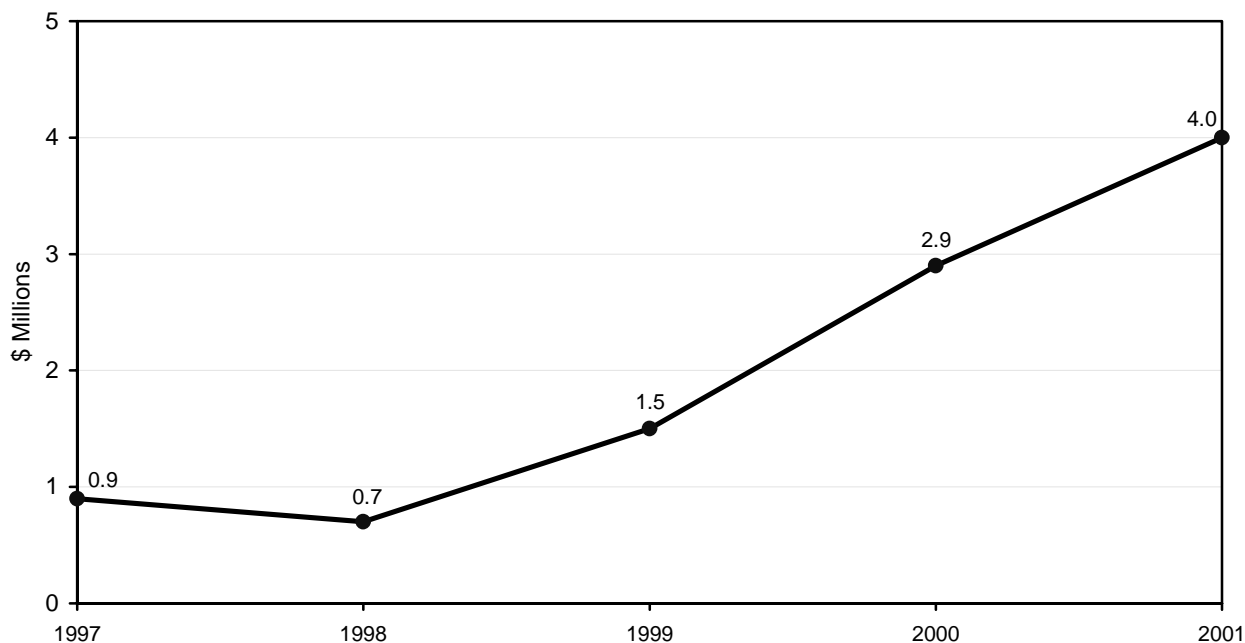
Statement of Cash Flows

The State Government provided 72 percent (75 percent) of the Corporation's cash funding in 2000-01. This serves to highlight the economic dependency of the Corporation on Government funding. The following graph depicts the movement in the sources of cash funding of the Corporation over the last five years.



Cash Assets

The following graph reflects the movement in cash assets over the last five years.



The increase in cash assets is mainly the result of State Government funding, particularly with respect to funding for the Revolving Film Fund of \$3 million during 1998-99 and 1999-2000, being greater than investments, grants and loans provided to film producers. At 30 June 2001 investments, grants and loans committed and unpaid were \$1.3 million.

Administered Items

The Corporation provides a disbursement service to film producers and receives an administration fee for distributing film returns to investors. Disbursements increased by \$3.6 million to \$3.9 million. (Refer to Note 19 to the Financial Statements). Administration fees for the service decreased by \$3 000 to \$15 000 reflecting the structure of the fee charging arrangements.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES			
Programs:			
Film development grants	2	2 654	1 716
Government Film Fund	2	455	438
Operating grants		966	994
Revolving fund appropriation	30	-	1 500
Studio revenue		421	630
Film development and production income	3	215	254
Film investments		56	96
Other income	4	93	95
Interest	5	257	229
Total Revenues		5 117	5 952
EXPENSES FROM ORDINARY ACTIVITIES			
Programs:			
Film development grants	6	316	299
Government Film Fund	7	346	492
Salaries and related expenses	1.4, 8, 31	920	894
Board fees and related expenses	27	72	90
Operating overheads	9	920	861
Borrowing costs	21	7	11
Building rent		146	145
Amortisation of film investments and loans	1.5	990	1 456
Depreciation and amortisation	1.5	152	182
Total Expenses		3 869	4 430
OPERATING SURPLUS	1.2	1 248	1 522
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		1 248	1 522

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	10	3 951	2 867
Inventories	1.6	9	12
Receivables	1.4, 11	330	264
Production loans	12, 30	1 154	690
Total Current Assets		5 444	3 833
NON-CURRENT ASSETS:			
Plant, equipment and leasehold improvements	13	813	933
Back catalogue marketing expenditure recoverable	14	15	16
Productions and projects in progress	15	128	128
Investments and loans:			
Film production investments and unsecured loans	1.5, 16, 17	949	710
SAFC Productions Ltd	18	10	10
Production loans	12, 30	135	706
Total Non-Current Assets		2 050	2 503
Total Assets		7 494	6 336
LIABILITIES:			
CURRENT LIABILITIES:			
Payables		277	292
Provision for employee entitlements	1.4, 20	40	39
Borrowings	21	75	111
Total Current Liabilities		392	442
NON-CURRENT LIABILITIES:			
Investments in productions and projects in progress	22	103	103
Provision for employee entitlements	1.4, 20	6	6
Borrowings	21	-	40
Other provisions	23	250	250
Total Non-Current Liabilities		359	399
Total Liabilities		751	841
NET ASSETS		6 743	5 495
EQUITY:			
Capital contribution from State Government		8 460	8 460
Accumulated deficit	25	1 717	2 965
TOTAL EQUITY		6 743	5 495
Commitments	1.2, 29		
Contingent Liabilities	33		

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Income from State Government		4 085	4 401
Studio, film development, film investment and documentary sales income		600	1 015
Interest		231	218
Other		663	305
GST refunded		120	-
PAYMENTS:			
Salaries and wages		(920)	(923)
Programs and suppliers		(3 587)	(3 417)
Net Cash provided by Operating Activities	24.2	1 192	1 599
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS:			
Payments for purchases of plant, equipment and leasehold improvements		(32)	(48)
Net Cash used in Investing Activities		(32)	(48)
CASH FLOWS FROM FINANCING ACTIVITIES:			
PAYMENTS:			
Repayment of borrowings		(76)	(152)
Net Cash used in Financing Activities		(76)	(152)
NET INCREASE IN CASH HELD		1 084	1 399
CASH AT 1 JULY		2 867	1 468
CASH AT 30 JUNE	24.1	3 951	2 867

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

1.1 General

The general purpose financial report has been prepared on the basis of historical cost and is in accordance with the Treasurer's Instructions issued pursuant to the Public Finance and Audit Act 1987, appropriate Australian Accounting Standards, Treasurer's Accounting Policy Statements and Statements of Accounting Concepts, and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views). The accrual method of accounting has been used. The financial statements do not take into account changing money values or, except where stated, the current valuations of non-current assets.

1.2 Commitments

The year end result identifying a surplus of \$1 248 000 (\$1 522 000) does not account for financial commitments totalling \$1 321 000 (\$572 000) (refer Note 2), which the Board has made prior to 30 June 2001 through contracts and/or deal letters with producers involving scheduled payments after 30 June 2001. 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 2001 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 payables.

- Annual Leave*

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

- Long Service Leave*

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 eight 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.

1.5 Depreciation and Amortisation

Depreciation/Amortisation of plant, equipment and leasehold improvements depreciation and amortisation policies and expenses are as follows:	Method	Rates Percent	Depreciation/ Amortisation Expense	
			2001 \$'000	2000 \$'000
Class of Assets:				
Leasehold Improvements	Straight Line	10, 20	15	15
Production, projection editing and sound equipment	Straight Line	10, 20	103	124
Office furniture and equipment	Straight Line	10, 20, 33	34	43
			152	182

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 Inventories

The Corporation performs a physical stocktake annually to determine obsolete stock. Inventories are valued at their average cost.

1.7 Revenue Recognition

Government grants and investment returns are recognised on receipt. Interest revenues are recognised as they accrue. Other revenue is recognised after the service has been provided.

1.8 Accounting for the Goods and Services Tax (GST)

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

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

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

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

1.9 Reclassification of Financial Information

The Corporation has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

1.10 Rounding

All amounts are rounded to the nearest thousand dollars.

2. Program Funds

The Corporation administers specific programs which are funded by grants from Arts SA.

Applications by film producers and script writers 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 2001 the Corporation approved commitments or signed contracts totalling \$3 444 000 (\$2 010 000).

At 30 June 2001 the Corporation held undisbursed funds totalling \$1 486 000 (\$767 000), of which \$1 321 000 (\$572 000) was committed to be disbursed in subsequent financial years.

	2001		2001 \$'000	2000 \$'000
	Film Development \$'000	Government Films \$'000		
Income from State Government Program grants:				
Arts SA	2 654	200	2 854	1 679
Contributions from other State Government agencies	-	255	255	238
Income from State Government	2 654	455	3 109	1 917
Other Income	-	-	-	237
Total Income	2 654	455	3 109	2 154

3. Film Development and Production Income

Film development and production income comprises:

Investment returns	190	212
Interest from film projects	10	24
Administration fees charged	15	18
	215	254

4. Other Income				2001	2000
Other income comprises:				\$'000	\$'000
Executive producer fees				55	48
Fees for services to productions				-	11
Training subsidy - National Training Wage				8	30
Overhead recoveries				25	-
Sundry income				5	-
Documentary sales				-	6
				93	95
5. Interest					
SAFA Interest				109	85
Interest on Revolving Fund transactions:					
SAFA interest				111	86
Interest on loans				37	58
				257	229
6. Film Development Program					
Grant expenditure, new unsecured loans and new investments under the Film Development Program for the year were:	Unsecured			2001	2000
	Loans	Investments	Grants	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Project development and production investment	277	769	-	1 046	846
Professional development	-	-	80	80	70
Creative development scheme	-	183	-	183	483
Cultural organisations	-	-	236	236	229
Total for Year	277	952	316	1 545	1 628
7. Government Film Fund				2001	2000
Government Film Fund expenditure comprise:				\$'000	\$'000
Production costs				346	492
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.					
These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.					
Payments made were:					
				2001	2000
Commonwealth Government Superannuation Guarantee Legislation:				\$'000	\$'000
State Superannuation Benefits Scheme				-	2
Private superannuation schemes				98	81
Corporation Sponsored Fund				-	4
				98	87
9. Operating Overheads					
Operating overheads comprise:					
Industry promotion				119	81
Industry participation				27	39
Utility expenses				107	91
Consultants				41	89
Temporary staff and contractors				105	79
Motor vehicle and travelling				64	115
Repairs and maintenance				40	17
Stationery and photocopier expenses				35	39
Telephones and communication				32	31
Audit fees for the audit of the financial report*				30	34
Freight and courier				20	30
Contract cleaning and associated expenses				44	47
Committee fees				10	8
Staff expenses				45	54
Computer supplies and related expenses				42	45
Annual report				17	18
Publicity in trade magazines				9	7
Other				43	37
Provision for doubtful debts				90	-
				920	861

* The auditor provided no other services to the Corporation.

10. Cash Assets		2001	2000
Cash assets comprises:		\$'000	\$'000
Cash at bank and on hand		2	2
Short term deposits		3 949	2 865
		3 951	2 867
11. Receivables			
Receivables comprises:			
Trade debtors		372	195
Less: Provision for doubtful debts		91	2
		281	193
Add: Accrued revenue		17	26
Sundry debtors and prepayments		32	45
		330	264
12. Production Loans			
The amounts due for Production Loans comprises:			
Revolving Fund loans (refer Note 30):			
Due in 12 months		1 154	690
Due in more than 12 months		135	706
		1 289	1 396
These loans have been made to the following productions:			
Sample People		-	346
Innocence		35	147
Nijinsky		113	113
Serenades		691	790
Rabbit proof fence		450	-
		1 289	1 396

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						
Plant, equipment and leasehold improvements comprises:						
			Production Projection Editing and Sound	Office Furniture & Equipment	2001	2000
Historic Cost:	Leasehold Improvements	\$'000	Equipment \$'000	\$'000	Total	Total
Opening balance	1 659		1 653	620	3 932	3 885
Additions	-		-	32	32	47
Closing Balance	1 659		1 653	652	3 964	3 932
Accumulated Depreciation/Amortisation:						
Opening balance	1 564		929	506	2 999	2 817
Depreciation	15		103	34	152	182
Closing Balance	1 579		1 032	540	3 151	2 999
Written Down Value	80		621	112	813	933

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 Statement of Financial Position and amortises those considered uncollectable. Production marketing expenses that have been fully amortised are written off.			
		2001	2000
		\$'000	\$'000
Back catalogue marketing expenses recoverable		68	106
Less: Accumulated amortisation		53	90
Unamortised Balance at 30 June		15	16

15. Productions and Projects in Progress			
Productions and projects in progress comprises one project entitled <i>Two Weeks with the Queen</i> 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		2001	2000
		\$'000	\$'000
Balance at 1 July		7 105	6 086
Add: Investments during the year (refer Note 6)		952	1 019
Balance 30 June		8 057	7 105
Less: Accumulated amortisation		7 108	6 395
Unamortised Balance at 30 June		949	710

17. Film Development Unsecured Loans	2001	2000
	\$'000	\$'000
Balance 1 July	2 183	1 873
<i>Add:</i> Loans during the year (refer Note 6)	277	310
	2 460	2 183
<i>Less:</i> Accumulated amortisation	2 460	2 183
Unamortised Balance at 30 June	-	-
<hr/>		
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 2001 the net assets of the company were \$11 000.		
19. Administered Distribution Returns Accounts		
The SAFC acts as the disbursement agent on behalf of producers for the administration and disbursement of investment returns to investors for which it receives a fee (Refer Note 3).		
The undisbursed balances are not included in the financial statements but the movements are detailed below:		
	2001	2000
	\$'000	\$'000
Operations for the year were:		
Balance at 1 July	120	164
<i>Add:</i> Receipts:		
Royalties, distribution advances, etc	4 319	455
<i>Less:</i> Expenditure:		
Disbursements to investors	3 921	293
Marketing expenditure	14	54
Other	329	152
	4 264	499
Balance at 30 June	175	120
<hr/>		
20. Provision for Employee Entitlements		
Provision for employee entitlements comprise:		
Current Liabilities:		
Provision for annual leave	40	39
Non-Current Liability:		
Provision for long service leave	6	6
<hr/>		
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. Loan repayments are due as follows:		
	2001	2000
	\$'000	\$'000
Due in 12 months	-	31
	-	31
<hr/>		
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:		
Due in 12 months	75	80
Due in more than 12 months	-	40
	75	120
<hr/>		
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 the Department of Treasury and Finance.		
The Corporation has a corporate guarantee from the series producer, Barron Entertainment Ltd, which has 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 item in the Statement of Financial Positions as follows:	2001	2000
	\$'000	\$'000
Cash assets	3 951	2 867

24.2 Reconciliation of Net Cash used in Operating Activities to Operating Surplus

Operating surplus	1 248	1 522
Non-cash flows in operating surplus:		
Amortisation of film investments and loans	991	1 456
Depreciation and amortisation	152	182
Provision for doubtful debts	89	-
Changes in assets and liabilities:		
Decrease in inventories	3	2
(Increase) in receivables	(155)	(26)
Decrease (Increase) in back catalogue marketing expenditure recoverable	1	(8)
(Increase) in film production investments and loans	(1 230)	(1 329)
Increase (Decrease) in production loans	107	(216)
(Decrease) Increase in payables	(15)	89
Increase (Decrease) in provision for employee entitlements	1	(29)
(Decrease) in other provisions	-	(44)
Net Cash provided by Operating Activities	1 192	1 599

24.3 Tax Status

The activities of the Corporation are exempt from Commonwealth income tax but subject to other Commonwealth taxes such as fringe benefits tax, goods and services tax and other State taxes (including payroll tax).

25. Accumulated Deficit

	2001	2000
	\$'000	\$'000
Accumulated deficit at 1 July	2 965	4 487
Less: Operating surplus	1 248	1 522
Accumulated Deficit at 30 June	1 717	2 965

26. 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 provision of grants from government. Any significant reduction in grant amounts 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.

27. Remuneration of Board Members and Employees**Board Members**

Remuneration paid to Board members or their related parties was in the following bands:	2001	2000
	Number of	Number of
	Members	Members
\$0 - \$10 000	13	11
\$10 001 - \$20 000	-	1

The aggregate remuneration referred to in the table above for all members was \$61 000 (\$73 000).

The following people held office as Board members for the full year ended 30 June 2001:

W Marshall	P Martin
J Ballantyne	K McLean

The following people held office as Board members during the year ended 30 June 2001:

T Whiting	(1 July 2000 to 2 February 2001)
H Thorne	(1 July 2000 to 2 February 2001)
M Andreacchio	(1 July 2000 to 31 December 2000)
M Mason	(1 July 2000 to 31 March 2001)
B Loane	(1 July 2000 to 2 February 2001)
A Edwards	(1 July 2000 to 2 February 2001)
D Minear	(3 February 2001 to 30 June 2001)
B Morris	(3 February 2001 to 30 June 2001)
H Leake	(3 February 2001 to 30 June 2001)

Employees

The Corporation had one employee whose remuneration was in the range \$110 001 - \$120 000.

28. 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, J Ballantyne, W Marshall, M Andreacchio 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 had the following transactions during the year with Arts SA, the major source of the Corporation's grant funding:	2001
	Repayment of principal on Harrison loan	\$'000
	Interest paid on loan	45
		7

29. Operating Lease Commitments	2001	2000
At the reporting date, the Corporation had the following commitments under operating lease:	\$'000	\$'000
Not later than one year	168	164
Later than one year but not later than five years	332	487
Total Operating Lease Commitments (including GST)	500	651
GST included in the Operating Lease Commitments	2	-

Operating lease commitments are not recorded as a liability in the financial statements. The operating leases are in respect of premises at Hendon and motor vehicles which have a right to renewal for a further term.

30. Revolving Fund

The \$3 million Revolving Fund was established in 1998-99 with an initial allocation from the Government of \$1.5 million and a second tranche \$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 charge over the:

- (a) producer's assets from the film, including the right to receive income;
- (b) 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 balance available for loans is increased by the interest earned by the Revolving Fund. At 30 June 2001, the Revolving Fund consisted of:

	2001
	\$'000
Original allocation	3 000
Interest on loans and SAFA deposit to date	331
	3 331
Less: Loan administration fee	76
	3 255
This was represented by:	
Loans (refer Note 12)	1 289
SAFA deposit	1 966
	3 255

31. Targeted Voluntary Separation Packages (TVSPs)

No TVSP payments were made during 2000-01 (nil in 1999-2000).

32. 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 assets 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, being 4 percent to 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

- Payables are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.
- Productions and projects in progress (refer Note 22) represent 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.

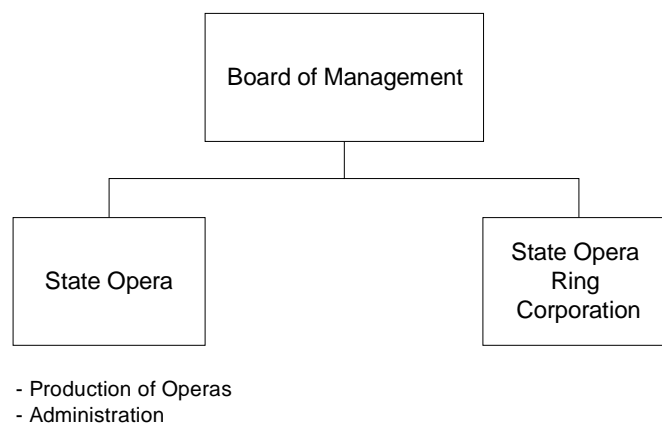
THE STATE OPERA OF SOUTH AUSTRALIA

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 2001-02.

SIGNIFICANT FEATURES

- The operating result was a surplus of \$143 000 (deficit of \$263 000).
- Box office and production revenue decreased by \$623 000 to \$1 million, while production costs decreased by \$800 000 to \$2.2 million reflecting the reduction in the number of performances staged.
- Cash assets increased by \$854 000 to \$1.1 million, mainly as a result of advance box office revenue increasing by \$832 000.

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 report and the adequacy of internal controls.

The specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll, including employment contracts
- revenue, including cash receipting and banking.

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 opportunities to improve the control environment through the establishment of a formal process for identifying, assessing and managing risk, and the implementation of a process for monitoring controls. 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, although there was room for improving compliance with the prescribed elements of the Financial Management Framework relating to risk management and monitoring of controls.

Risk Management

The audit revealed that the State Opera has not established a formal process for identifying, assessing and managing risk as required by the Financial Management Framework, but does identify and manage risks through the implementation of internal controls.

Management responded that a risk management plan would be established.

Monitoring of Controls

Audit noted that there was room for improvement in respect of the provision to the General Director of regular assurance that controls over management and financial reporting have been operating effectively.

Management responded that each month an internal controls checklist certified by the Finance Director would be provided to the General Director.

Documentation of Policies and Procedures

In last year's Report, Audit commented on the need for the State Opera to document the policies and procedures for all major activities as required by the prescribed elements of the Financial Management Framework.

Audit noted that the State Opera has addressed this matter.

CONTROLS OPINION

As required by subsection 36(1)(a)(ii) 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

Expenses and Revenues

Box office and production revenue decreased by \$623 000 to \$1 million reflecting the reduction in the number of performances staged and a consequently the number of seats sold from 33 300 to 21 300.

Revenues from State and Commonwealth grants (net of payments to the Adelaide Symphony Orchestra) increased by \$219 000 to \$1.7 million, while revenues from other sources decreased by \$598 000 to \$1.3 million. State and Commonwealth grants, therefore, represent 57 percent (44 percent) of total revenues. This serves to highlight the extent of the economic dependency of the State Opera on Government grants. The Australia Council and the Department for Transport, Urban Planning and the Arts have, through a funding agreement with the State Opera, agreed to maintain grants at current levels or better for the period 1 January 2001 to 31 December 2003.

Production costs have decreased by \$800 000 to \$2.2 million reflecting the reduction in the number of major productions.

Statement of Financial Position

Cash assets increased by \$854 000 due mainly to an increase in advance box office revenue of \$832 000 reflecting advance ticket sales for operas to be staged in 2001-02.

Prepayments increased by \$533 000 to \$681 000 reflecting prepayments to performers, set builders and costume makers for operas to be staged in 2001-02.

FURTHER COMMENTARY ON OPERATIONS

Production Statistics

Unaudited statistical details on major productions for the last four years, as provided by the State Opera, are presented in the following table:

	2000-01	1999-2000	1998-99	1997-98
Number of major productions	3	5	1	2
Number of performances	16	23	5	11
Total seat capacity	28 700	42 000	9 100	20 100
Number of seats sold*	21 300	33 300	5 100	14 900
Average number of seats sold per performance	1 330	1 450	1 020	1 350
	\$	\$	\$	\$
Direct production costs per seat sold	80	105	142	106
Box office revenue per seat sold	40	57	55	49
State Government grants and other revenue per seat sold	40	58	87	57

* Seats sold exclude complimentary tickets.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
State Government grants		1 058	1 750
Less: Payment to Adelaide Symphony Orchestra	3	(230)	(230)
		<u>828</u>	<u>1 520</u>
Commonwealth Government grants	3	911	-
Box office and production revenue	4	1 024	1 647
Private sector support	5	262	252
Interest and sundry revenue		52	37
Net Revenues from Ordinary Activities		<u>3 077</u>	<u>3 456</u>
EXPENSES FROM ORDINARY ACTIVITIES:			
PRODUCTION COSTS:			
Performers and employee entitlements	6	1 010	1 357
Theatre hire and related expenses		445	684
Travel and accommodation		158	149
Opera conference support	3	157	-
Advertising		130	213
Costumes and sets		94	370
Shipping and freight		82	43
Other expenses		106	166
		<u>2 182</u>	<u>2 982</u>
ADMINISTRATION, MARKETING AND FINANCIAL:			
Employee entitlements		347	339
Rental accommodation and service expenses		145	142
Subscription and marketing costs		65	71
Other expenses		195	185
		<u>752</u>	<u>737</u>
Total Expenses from Ordinary Activities		<u>2 934</u>	<u>3 719</u>
OPERATING SURPLUS (DEFICIT)		<u>143</u>	<u>(263)</u>
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER			
		<u>143</u>	<u>(263)</u>

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	8,15	1 144	290
Prepayments		681	148
Receivables		84	104
Stock on hand		18	-
Total Current Assets		<u>1 927</u>	<u>542</u>
NON-CURRENT ASSETS:			
Plant and equipment	9	91	107
Total Non-Current Assets		<u>91</u>	<u>107</u>
Total Assets		<u>2 018</u>	<u>649</u>
LIABILITIES:			
CURRENT LIABILITIES:			
Advance box office revenue etc		1 196	364
Creditors		388	87
Accruals		68	19
Employee entitlements	10	31	29
Total Current Liabilities		<u>1 683</u>	<u>499</u>
NON-CURRENT LIABILITIES:			
Employee entitlements	10	94	85
Trust Fund	2	84	51
Total Non-Current Liabilities		<u>178</u>	<u>136</u>
Total Liabilities		<u>1 861</u>	<u>635</u>
NET ASSETS		<u>157</u>	<u>14</u>
EQUITY:			
Reserves	7	155	95
Accumulated surplus (deficit)	7	2	(81)
TOTAL EQUITY		<u>157</u>	<u>14</u>
Commitments and Contingent Liabilities	11		

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Grants - State and Commonwealth Government		2 049	1 750
Box office and production		1 869	1 302
Private sector support		247	217
Goods and services tax refund		90	-
Interest and sundries		52	37
PAYMENTS:			
Performers and employee entitlements		(1 346)	(1 684)
Production, administration, marketing and other payments		(2 133)	(1800)
Net Cash provided by (used in) Operating Activities	16	828	(178)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for plant and equipment		(7)	(15)
Net Cash used in Investing Activities		(7)	(15)
NET INCREASE (DECREASE) IN CASH HELD		821	(193)
CASH AT 1 JULY		239	432
CASH AT 30 JUNE	15	1 060	239

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. State Opera of South Australia Objectives and Funding

The State Opera of South Australia objectives are to:

- promote and develop The State Opera of South Australia as one of Australia's most exciting and innovative performing arts companies.
- reinforce, through the Company's activities, South Australia's reputation both nationally and internationally as a State recognised for its rich cultural life and artistic excellence.
- be recognised nationally and internationally as a forward-thinking performing arts company that 'does it differently'.
- be renowned nationally and internationally as the performing arts company that makes Adelaide a 'Wagner City'.

The State Opera of South Australia's principal source of funds are State Government appropriations, Commonwealth Government grants and box office and production revenues.

Group Financial Statements

Consolidated financial statements have not been prepared for the State Opera of South Australia 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 2001, the wholly owned controlled entity State Opera Ring Corporation had ceased trading and distributed a small surplus (\$22 000) in the previous financial year.

The winding up of the State Opera Ring Corporation which was established under the *Public Corporations Act 1993* is expected to be completed in 2001-02.

2. Statement of Significant Accounting Policies

The significant accounting policies adopted by the Company are stated in order to assist in a general understanding of the financial report. These policies have been consistently applied except as otherwise indicated.

Basis of Accounting

The general purpose financial report has been prepared on the basis of historical cost and in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Department of Treasury and Finance Accounting Policy Statements and the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*. The accrual method of accounting has been used. The financial statements do not take into account changing money values or, except where stated, the current valuations of non-current assets.

Employee Entitlements

Employee entitlements include entitlements to salaries, wages, long service leave, annual leave and superannuation benefits.

Long service leave and annual leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. Liabilities in respect of these entitlements have been calculated at nominal amounts based on current salaries and wages rates and include related on-costs. The Department of Treasury and Finance has advised that a benchmark of 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.

Employee Entitlements (continued)

Sick leave is not provided for as it is non-vesting, however, entitlements are accumulated.

The State Opera of South Australia pay workers compensation insurance premiums to the WorkCover Corporation, and as such no liability for workers compensation has been reflected in the financial report.

Depreciation of Non-Current Assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives, ranging from three to ten years, in a manner, which reflects the consumption of their service potential. Useful lives are reviewed annually. 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 revenues and expenses for the year.

Rounding

All amounts are rounded to the nearest thousand dollars.

Operating Grants

The State Government and Australia Council grants are based on the Company's cash flows and as such do not take into account accrued expenses and amounts set aside for depreciation and future employee entitlements.

Economic Dependency

The normal business activities of the State Opera of South Australia are dependent on the continuation of grants from the State Government and the Australia Council at an appropriate level. The State Opera of SA, Arts South Australia and the Australia Council have entered into a formal agreement which maintains funding at current levels or better until 31 December 2003.

Financial Instruments

The Company's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2001, are as follows:

Financial Assets

Cash at bank (Note 8) 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 4.9 percent and 6.15 percent for the year ended 30 June 2001 (between 4 percent and 5.9 percent in 1999-2000).

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.

Revenue Recognition

Government grants and other revenue are recognised on receipt. Interest revenues are recognised as they accrue. Box office and production revenue is recognised after the service has been provided.

Trust Funds

The Company administers the Thora and Frank Pearce Opera Foundation established in August 1999 and financed by public donations. All funds are to be used exclusively for cultural purposes associated with opera.

Thora and Frank Pearce Opera Foundation:

	2001	2000
	\$'000	\$'000
Balance at 1 July	51	-
Donations	20	50
Interest	3	1
Balance at 30 June	74	51

State Opera of South Australia also received funds of \$10 000 in 2000-01 from the Commonwealth Government for a Holdfast Bay Community project associated with the 2002 Adelaide Festival.

Reclassification of Financial Information

The State Opera of South Australia has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

Tax Status

The activities of the State Opera of South Australia are exempt from Commonwealth income tax but subject to other Commonwealth taxes such as fringe benefits tax, goods and services tax and other State taxes (including payroll tax).

3. Revenues Comprise Grants from the:	2001	2000
State Government:	\$'000	\$'000
From Arts SA for:		
General	828	1 520
Orchestral services	230	230
	1 058	1 750
Less: Payment to Adelaide Symphony Orchestra	230	230
	828	1 520
Commonwealth Government:		
From Australia Council for:		
General	704	-
Opera conference	157	-
Special purpose relating to future period	50	-
	911	-
4. Box Office and Production Revenue		2001
Comprises revenue for operas and other events staged during the year:		\$'000
Opera:		
<i>Tosca</i>		468
<i>Romeo et Juliette</i>		369
<i>Sacred and Profane</i>		112
<i>Magnifico Concert</i>		75
		1 024
In 1999-2000 there were five operas staged which generated revenue of \$1 647 000.		
5. Private Sector Support	2001	2000
This comprises money received from:	\$'000	\$'000
Production sponsors	130	172
Patrons	132	80
	262	252
6. Production Costs		2001
Production costs which can be directly attributed to operas, staged during the year, other events and other production costs, are as follows:		\$'000
Opera:		
<i>Tosca</i>		706
<i>Romeo et Juliette</i>		701
<i>Sacred and Profane</i>		294
<i>Magnifico Concert</i>		83
<i>Opera Studio</i>		39
Opera conference support		157
Other production costs		202
		2 182
In 1999-2000 there were six operas staged at a production cost of \$2 982 000. For one of these operas State Opera made a financial contribution towards an opera staged at the Adelaide Festival for which it did not receive any box office income.		
7. Reserves	2001	2000
Movements during the year were:	\$'000	\$'000
Reserves:		
Balance at 1 July	95	95
Net transfer from accumulated surplus	60	-
Balance at 30 June	155	95
Reserves were for Touring operas, Outreach and Audience Development.		
Accumulated Surplus (Deficit):		
Accumulated (Deficit) Surplus at 1 July	(81)	182
Operating surplus (deficit)	143	(263)
Net transfers to reserves	(60)	-
Accumulated Surplus (Deficit) at 30 June	2	(81)
8. Cash Assets		
Cash assets comprises:		
Short term deposits	1 134	244
Cash at bank	9	44
Cash on hand	1	2
	1 144	290

9. Plant and Equipment	2001	2000
	\$'000	\$'000
Production equipment - At cost	115	111
Less: Accumulated depreciation	49	41
	<u>66</u>	<u>70</u>
Office furniture and equipment - At cost	55	54
Less: Accumulated depreciation	47	43
	<u>8</u>	<u>11</u>
Computers - At cost	42	44
Less: Accumulated depreciation	25	18
	<u>17</u>	<u>26</u>
	<u>91</u>	<u>107</u>

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year	Production Equipment	Office Equipment	Computers	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	70	11	26	107
Additions	4	1	2	7
Disposals	-	-	-	-
Depreciation expense	(8)	(4)	(11)	(23)
Carrying Amount at 30 June	<u>66</u>	<u>8</u>	<u>17</u>	<u>91</u>

10. Employee Entitlements	2001	2000
Current Liabilities:	\$'000	\$'000
Annual leave	31	29
	<u>31</u>	<u>29</u>
Non-Current Liabilities:		
Long service leave	94	85
	<u>94</u>	<u>85</u>

11. Commitments and Contingent Liabilities

The Company, by the nature of its operations, has entered into contracts with artists and theatre proprietors for performances scheduled to take place subsequent to 30 June 2001. The terms and conditions of the contracts may also place a liability on the Company to pay some or all of these amounts should the artist not be engaged or the theatre, hired scenery, or costumes not be used.

These commitments have been made on the basis that ongoing funding will continue from the State and Federal Governments at an appropriate level.

	Due within 1 year	Due within 2-3 years	Due within 3-4 years	2001	2000
	\$'000	\$'000	\$'000	Total	Total
				\$'000	\$'000
Performers' salaries, etc	935	132	471	1 538	901
Hire agreements	478	-	-	478	-
	<u>1 413</u>	<u>132</u>	<u>471</u>	<u>2 016</u>	<u>901</u>

12. Related Party Information

The Board members who have held office during the financial year are :

Mr Colin Dunsford (Chair)	Ms Deborah Morgan
Mr Peter Bassett (to 30.10.00)	Mr Robert Pontifex
Mr Maurice Crotti (to 25.3.01)	Mrs Jeanette Sandford-Morgan OAM
Mr Ian Kowalick (from 26.3.01)	Mr Christopher Stone (from 23.10.00)
Ms Patricia Lange	Mr Greg Story (from 8.3.01)

No Board member received any remuneration from the Company during the twelve months to 30 June 2001 (remuneration nil in 1999-2000). All Board members have waived the basic sitting fees as a contribution to the Company. Members of the Board of Management use the services of the Company no more favourably than members of the public, except for the provision of tickets to each staged production.

13. Remuneration of Employees

Remuneration includes salary and other employee entitlements and benefits that form the total remuneration package for an employee. The Company has one employee whose remuneration fell within the band \$110 000-\$120 000. Total remuneration paid to that employee was \$114 000 (\$111 000 in 1999-2000).

14. Auditors' Remuneration

The amount received or due and receivable by the Auditor-General for auditing the accounts was:	2001	2000
	\$'000	\$'000
	17	19

The auditor provided no other services

15. Reconciliation of Cash

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

Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:	2001	2000
	\$'000	\$'000
Cash assets	1 144	290
Less: Cash held in trust	84	51
	1 060	239

16. Reconciliation of Operating Surplus (Deficit) to Net Cash provided by (used in)**Operating Activities**

Operating surplus (deficit)	143	(263)
Depreciation of plant and equipment	23	21
(Increase) Decrease in receivables and prepayments	(513)	430
Decrease (Increase) in stock on hand	(18)	6
Increase (Decrease) in advance box office sales	832	(349)
Increase (Decrease) in creditors and accruals	350	(35)
Increase in provisions	11	12
Net Cash provided by (used in) Operating Activities	828	(178)

STATE THEATRE COMPANY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

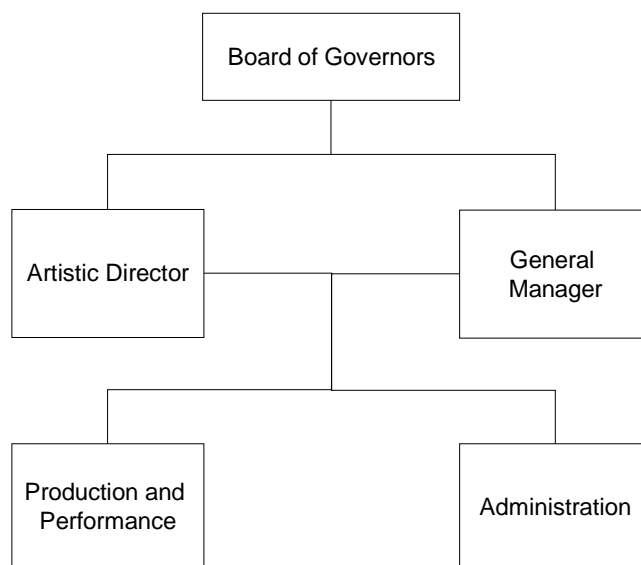
The State Theatre Company (the Company), a body corporate, established pursuant to subsection 5(1) of the *State Theatre Company of South Australia Act 1972* (the Act), is administered by a Board of Governors.

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 the Company for the use of those premises.

The structure of the Company is:



SIGNIFICANT FEATURES

- Operating surplus was \$127 000 (\$3 000).
- Total equity was \$8 000 (deficiency of \$119 000).

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 report and the adequacy of internal control.

The specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including box office sales and grants received

Audit Communications to Management

During the year, a management letter communicating issues arising from the audit was forwarded to the General Manager. The main issues related to opportunities to improve the control environment through the documentation of policies and procedures, and the implementation of processes for monitoring controls. 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 company's control structure was that it was satisfactory, although there was room for improving compliance with the prescribed elements of the Financial Management Framework relating to the documentation of policies and procedures, and monitoring of controls.

Documentation of Policies and Procedures

In last year's Report, Audit commented on the need for the Company to document its policies and procedures for all major activities as required by the prescribed elements of the Financial Management Framework.

Audit noted that this matter remained to be finalised in 2000-01.

The Company advised that a policies and procedures manual will be developed in 2001-02.

Monitoring of Controls

Audit noted that there was room for improvement in respect of the provision to the General Manager of regular assurance that controls over management reporting and financial reporting have been operating effectively.

The Company responded that the General Manager is provided with regular finance reports to enable aspects of the control environment to be monitored and that, in future, an internal controls checklist certified by the Finance Manager would be provided to the General Manager to improve the monitoring of the entire control environment.

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

Expenses and Revenues

Box office and related revenues decreased by \$425 000 to \$1 million reflecting a reduction in the number of performances staged and consequently the number of seats sold.

Revenues from State and Commonwealth grants represent 55 percent (50 percent) of total revenues. The extent of the economic dependency of the Company on Government grants is stated in Note 2 to the Financial Statements.

Production and performance expenses decreased by \$410 000 to \$3.1 million reflecting the reduction in the number of productions and performances staged.

Statement of Financial Position

Cash assets increased by \$244 000 to \$496 000 due mainly to an increase in sponsorship revenue and decreases in production and performance expenses.

Total equity moved from a deficiency of \$119 000 to a positive \$8000 due to an increase in operating surplus mainly as a result of lower expenditure on productions and performances.

FURTHER COMMENTARY ON OPERATIONS

Production Statistics

Unaudited statistical details on productions for the last four years, as provided by the Company, are presented in the following table:

	2000-01	1999-2000	1998-99	1997-98
Number of productions	7	8	7	6
Number of performances	161	198	144	162
Number of seats sold	42 000	51 000	38 000	36 000
	\$	\$	\$	\$
Total production expenses per seat sold	82	68	77	78
Box office revenue per seat sold	39	28	22	26
Subsidy per seat sold	43	40	55	52

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Grants	3	1 956	1 913
Box office and related revenue	3	1 014	1 439
Other revenue	3	616	493
Total Revenues		3 586	3 845
EXPENSES FROM ORDINARY ACTIVITIES:			
PRODUCTION AND PERFORMANCE:			
Employee entitlements		1 620	1 868
Production and play expenses		1 070	1 248
Sales and sponsorship expenses		401	385
		3 091	3 501
ADMINISTRATION:			
Employee entitlements		186	176
Other expenses		182	165
		368	341
Total Expenses		3 459	3 842
OPERATING SURPLUS	4	127	3
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		127	3

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	5	496	252
Stock on hand		3	5
Receivables and prepayments	6	159	201
Total Current Assets		658	458
NON-CURRENT ASSETS:			
Plant and equipment	8	66	86
Total Non-Current Assets		66	86
Total Assets		724	544
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	7	557	497
Employee entitlements	9	36	29
Special funds		4	4
Total Current Liabilities		597	530
NON-CURRENT LIABILITIES:			
Payables	7	24	39
Employee entitlements	9	64	62
Special funds		31	32
Total Non-Current Liabilities		119	133
Total Liabilities		716	663
NET ASSETS (DEFICIENCY)		8	(119)
TOTAL EQUITY:			
Accumulated surplus (deficit)	10	8	(119)
TOTAL EQUITY		8	(119)
Commitments and Contingent Liabilities	11		

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee entitlements		(1 796)	(2 067)
Supplies		(1 587)	(1 857)
GST paid to suppliers		(172)	-
RECEIPTS:			
Grants from funding bodies		1 956	1 913
Box office and other receipts		1 664	1 918
Interest received		27	21
GST received		92	-
GST refunded		80	-
Net Cash provided by (used in) Operating Activities	14.2	264	(72)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for plant and equipment		(3)	(31)
Proceeds from sale of plant and equipment		-	16
Net Cash used in Investing Activities		(3)	(15)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of finance leases		(16)	(5)
Net Cash used in Financing Activities		(16)	(5)
NET INCREASE (DECREASE) IN CASH HELD		245	(92)
CASH AT 1 JULY		216	308
CASH AT 30 JUNE	14.1	461	216

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The State Theatre Company of South Australia aims to establish itself as a parent body to innovation that is also successful in producing populist and commercial work that appeals to a broad audience. Our vision is to present, produce, manage and conduct theatrical performances, and be a Company that is driven by artists and ideas.

The State Theatre Company of South Australia's principal source of funds are State Government appropriations, Commonwealth Government grants and box office and related revenues.

2. Statement of Significant Accounting Policies

These policies are consistent with those adopted in the previous year.

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 2003. 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 flow and do not take into account accrued expenses and amounts set aside for depreciation, amortisation and future employee entitlements.

In accordance with Department of Treasury and Finance Accounting Policy Statement APS 11, 'Contributions', grants received to fund expenses in the following financial year are recognised as revenues when received.

Result of Operations

Ticket sales for, and production costs of, future productions are carried forward as accruals and prepayments and are not included in revenues and expenses from ordinary activities for the year.

Stock on Hand

In addition to the assets reported, the Company also holds stocks of costumes and theatre props. However, given the special purpose nature of these items, the Board of Governors does not believe it appropriate to bring the value of costumes and theatre props to account.

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 three to ten years in a manner which reflects the consumption of their service potential. Useful lives are reviewed annually. 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 a 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.

The superannuation expense comprises contributions to accumulation style superannuation schemes for employees. In addition, in accordance with employment agreements for employees and artists, amounts are payable to externally managed funds. The schemes have the responsibility for meeting benefit payments, in accordance with the rules.

The State Theatre Company of South Australia pays workers compensation insurance premiums to the WorkCover Corporation and as such no liability for workers compensation has been reflected in the financial report.

Sick leave is not provided for as it is non-vesting, however, entitlements are accumulated.

Special Funds

The Company administers two special funds, the Adele Koh Scholarship Acting Fund and the Jill Blewett Playwright's Award, both of which are financed by public donations.

	2001 \$'000	2000 \$'000
Adele Koh Scholarship Acting Fund:		
Balance at 1 July	19	20
Interest	1	1
Less: Payments	2	2
Balance at 30 June	18	19
Jill Blewett Playwright's Award Fund		
Balance at 1 July	17	19
Interest	-	-
Less: Payments	-	2
Balance at 30 June	17	17

Reclassification of Financial Information

The State Theatre Company of South Australia has adopted the presentation and disclosure requirements of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures' for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

Tax Status

The activities of the State Theatre Company of South Australia are exempt from Commonwealth income tax but subject to other Commonwealth taxes such as fringe benefits tax, goods and services tax and other State taxes (including payroll tax).

Financial Instruments

The Company's accounting policies, including the terms and conditions of each class of financial asset and financial liability, are as follows:

Financial Assets

Cash at bank comprises deposits at call with Bank SA and are recorded at cost.

Interest revenues are recognised as they accrue. The interest rate for 2000-01 was 1 percent (1 percent in 1999-2000).

Short term deposits (Note 5) includes deposits at call with the South Australian Government Financing Authority and are recorded at cost. Interest revenues are recognised as they accrue. Interest rates are at market rates and have fluctuated between 4.9 percent and 6.15 percent for the year ended 30 June 2001 (4.6 percent and 5.9 percent in 1999-2000).

Trade Receivables (Note 6) are reported at amounts due.

Financial Liabilities

Bank Overdraft as at 30 June 2001 the account with Bank SA had a credit balance of \$12 397, excluding unrepresented cheques and outstanding balances.

Trade Creditors (Note 7) are raised for amounts billed but unpaid and are normally settled within 30 days.

Finance leases (Notes 7 and 11) 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 three finance leases with terms of 1 year (2 years), 2 years (3 years) and 4 years (5 years) and interest rates of 13 percent, 14 percent and 9 percent respectively. Lease liabilities are reduced by the principal component of lease payments and are secured by the leased 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.

Revenue Recognition

Government grants and other revenue are recognised on receipt. Interest revenues are recognised as they accrue. Box office and related revenue is recognised after the performance has been provided.

Accounting for the Goods and Services Tax (GST)

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

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

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

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

Rounding

All amounts are rounded to the nearest thousand dollars.

3. Operating Revenues Comprise	2001	2000
Grants from the:	\$'000	\$'000
State Government:		
Operating	1 513	1 485
Special purpose	13	-
Australia Council:		
General	385	413
Special purpose:		
Relating to current period	45	15
Total Grants	1 956	1 913
Box Office and Related Revenue:		
Total box office and related revenue was \$1 014 000 (\$1 439 000). There were seven (eight) productions staged during the year.		
Other Revenue:		
Commercial sponsorship	310	224
Interest	27	21
Theatre prop hire fees	91	92
Miscellaneous revenue	188	156
Total Other Revenue	616	493
4. 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	314	293
Fees paid and payable to the Auditor-General for auditing the accounts*	18	16
Depreciation of plant and equipment	18	19
Amortisation of leased assets	5	5
* The auditor provided no other services.		
5. Cash Assets		
Cash assets comprise:		
Cash on hand	2	1
Short-term deposits	573	316
Cash at bank (Overdraft)	(79)	(65)
	496	252
6. Receivables and Prepayments		
Prepayments for future productions		
	148	179
Trade receivables		
	11	22
	159	201
7. Creditors and Accruals		
Current Liabilities:		
Trade creditors	162	151
Advance box office revenue	341	291
Accruals	39	39
Finance leases	15	16
	557	497
Non-Current Liability:		
Finance leases	24	39

8. Plant and Equipment		2001	2000
		\$'000	\$'000
Production equipment - At cost		5	5
Less: Accumulated depreciation		5	5
		-	-
Motor vehicle - At cost		20	20
Less: Accumulated depreciation		8	4
		12	16
Office equipment - At cost		147	147
Less: Accumulated depreciation		131	125
		16	22
Computer equipment - At cost		188	185
Less: Accumulated depreciation		150	137
		38	48
Total		66	86

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year are as follows:

	Production Equipment	Motor Vehicles	Office Equipment	Computer Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July	-	16	22	48	86
Additions	-	-	-	3	3
Disposals	-	-	-	-	-
Depreciation expense	-	4	6	13	23
Carrying Amount at 30 June	-	12	16	38	66

9. Employee Entitlements		2001	2000
Current Liability:		\$'000	\$'000
Annual leave		36	29
Non-Current Liability:			
Long service leave		64	62
10. Accumulated Surplus			
Accumulated (Deficit) at 1 July		(119)	(122)
Operating surplus		127	3
Accumulated Surplus (Deficit) at 30 June		8	(119)
11. Commitments and Contingent Liabilities			
Finance leases expenditure contracted for is payable as follows:			
Not later than one year		18	20
Later than one year but not later than five years		28	46
		46	66
Less: Future finance charges		7	11
Net Finance Lease Liability		39	55
Current liability*		15	16
Non-current liability*		24	39
		39	55

The non-cancellable property leases are with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require minimum lease payments to be made per annum. Options exist to purchase the items at the end of the term of the leases.

* Refer Note 7.

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 2001. 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 \$270 000 were entered into as at 30 June 2001 (\$307 000 as at 30 June 2000) and are all due for payment as follows:

	2001	2000
	Due within	\$'000
	1 Year	
	\$'000	
Performers' salaries	195	277
Hire agreement	75	30
	270	307

12. Related Party Information

Members of the Board of Governors who have held office during the year are:

Ms Elizabeth Raupach (Chair)
 Ms Catherine Fitzgerald
 Mr Rob Richards (Resigned 30.6.01)
 Ms Julie Brennan
 Mr John Meyer
 Mr Peter Vaughan
 Ms Barbara Messenger
 Ms Liz Wilson

No member of the Board of Governors received remuneration from the Company, during the reporting period ended 30 June 2001 (One member received remuneration of \$1 000 in 1999-2000). Members of the Board of Governors use the services of the Company no more favourably than members of the public, except for members receiving complimentary tickets to each production.

13. Remuneration of Employees

The Company has no employees whose remuneration exceeded \$100 000 in 2000-01 (\$nil in 1999-2000).

14. Statement of Cash Flows

14.1 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits, net of bank overdraft and cash held in trust. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2001	2000
	\$'000	\$'000
Cash assets	496	252
Less: Cash held in trust	35	36
	461	216

14.2 Reconciliation of Operating Surplus to Net Cash provided by (used in)

Operating Activities		
Operating surplus	127	3
Adjustments for non-cash revenue and expense items:		
Depreciation and amortisation	23	24
Profit (Loss) from sale of plant and equipment	-	(5)
Changes in assets and liabilities:		
Decrease in debtors	11	26
Decrease in prepayments	31	15
Decrease in stock on hand	2	3
Increase (Decrease) in creditors and accruals	61	(119)
Increase (Decrease) in employee entitlements	9	(19)
Net Cash provided by (used in) Operating Activities	264	(72)

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.

TransAdelaide is the ultimate controlling parent entity of AUSTRICS established pursuant to Regulations under the *Public Corporations Act 1993*. Commentary on AUSTRICS' principal business activities and financial results is provided below under the heading 'Controlled Entity Operations'.

On 28 May 2000 a Joint Venture Agreement was established between TransAdelaide and Australian Transit Enterprises Pty Ltd (ATE) to manage a bus contract entered into with the Passenger Transport Board. The joint venture is known as the 'Adelaide Hills' joint venture. Further commentary on the joint venture relationship is included below under the heading 'Joint Venture Relationship'.

Objectives and Functions

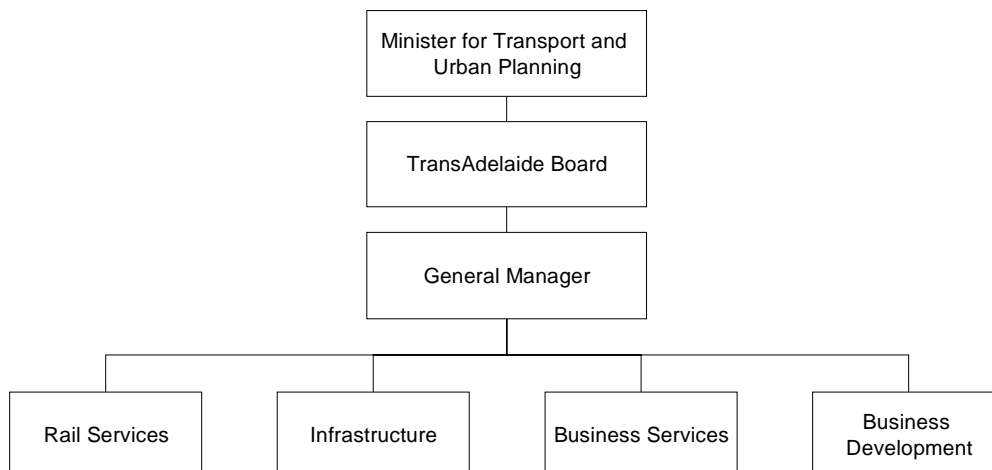
TransAdelaide's primary functions are to provide rail passenger transport services under a rail contract; and to act as the custodian of the State's rail infrastructure.

In carrying out these functions, TransAdelaide's key objectives are to:

- ensure efficient, relevant and reliable rail passenger transport services are provided to its customers;
- undertake activities which build customer support and use of the rail passenger transport system;
- maintain infrastructure to a standard that ensures the efficient, safe and reliable delivery of rail passenger transport services.

Organisational Structure

The organisational structure of TransAdelaide is illustrated in the following diagram.



Contract to provide Passenger Transport Services

In December 2000 TransAdelaide re-negotiated an agreement with the Passenger Transport Board for the provision of rail (ie train and tram) passenger transport services. The term of the agreement is five years with a right of renewal for a further five years.

On 23 April 2000 TransAdelaide ceased providing bus transport services in its own right. Notwithstanding this, TransAdelaide retains an interest in one contract with the Passenger Transport Board for the provision of bus passenger transport services through its involvement with the Adelaide Hills joint venture.

Further commentary relating to passenger transport contracts is detailed below under the heading 'Interpretation and Analysis of Financial Statements'.

SIGNIFICANT FEATURES

TransAdelaide

TransAdelaide made a loss from ordinary activities before income tax expense of \$3.1 million (profit \$1.1 million).

Non-current assets increased by \$82.8 million from \$576.5 million to \$659.3 million due primarily to the revaluation of rollingstock and property, plant and equipment.

Net cash provided by operating activities, \$29 million (\$18.5 million) was applied primarily towards the:

- purchase of non-current assets \$12.3 million (\$8.5 million)
- repayment of borrowings \$16.5 million (\$4 million).

Receivables decreased by \$8.6 million to \$4.9 million.

Provisions increased by \$5.3 million from \$21.6 million to \$26.9 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 subsidiary 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.

The scope of the audit for 2000-01 included:

- payroll
- accounts payable
- Passenger Transport Board revenue
- other revenue
- receipting and banking
- accounts receivable
- non-current assets.

Audit Communications to Management

During the year Audit forwarded to the Acting General Manager a management letter conveying the scope of the audit and the findings arising from the audit. The findings of Audit were also provided to the Finance and Audit Committee and are further commented on under 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The audit of TransAdelaide's general control environment revealed that internal controls were operating satisfactorily. Notwithstanding this observation, Audit identified opportunities to enhance existing controls. In particular, Audit noted that TransAdelaide has undergone a significant level of change resulting from the government policy of competitive tendering for public transport services. This change has resulted in:

- a shift in principal business activity;
- a significant reduction in staff numbers;
- changes to key personnel resulting in the loss of experience and knowledge.

Audit observed that the significant reduction in staff numbers and the resultant loss of experience and knowledge impacted on the control environment to the extent that there was scope to enhance independent checking procedures and reconciliation processes relating to some of its financial operations.

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.

TransAdelaide has contracted out its internal audit function.

During 2000-01 internal audit performed a review of the Corporation's risk mitigation strategies. The outcome of this risk review formed the basis of the internal audit plan.

Internal audit reports are provided to the General Manager and the Finance and Audit Committee.

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. There are also penalties for late running. 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 74 percent, (72 percent), of TransAdelaide's revenue from ordinary activities. 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 Result from Ordinary Activities

The Economic Entity made a consolidated loss from ordinary activities before income tax of \$3 million (profit of \$1.2 million). Revenues from ordinary activities decreased by \$119.2 million due primarily to the disengagement of bus operations while total expenses decreased by \$114.3 million.

Consolidated Statement of Financial Position

Non-Current Assets

Accounting Policy Statement 3 'Revaluation of Non-Current Assets' requires physical non-current assets greater than \$1 million to be revalued at intervals not exceeding three years. In accordance with this requirement TransAdelaide has revalued its rollingstock and property, plant and equipment using the deprival value methodology. Rollingstock (ie rail cars and tram cars), land and some buildings were independently valued as at 30 June 2001. Rail infrastructure and some buildings were revalued at Directors valuation using indices provided by an independent valuer.

The revaluation of TransAdelaide's physical non-current assets resulted in an increase in the Asset Revaluation Reserve of \$89.4 million represented by:

Asset Category	\$'million
Land	33.0
Buildings	3.4
Rail infrastructure	10.1
Rollingstock	42.9
	<hr style="border-top: 1px solid black;"/>
	89.4
	<hr style="border-top: 3px double black;"/>

Provisions

Provisions for the Economic Entity increased by \$5.2 million from \$21.8 million to \$27 million. The increase is due primarily to an increase of \$5.6 million in the workers compensation provision. This increase in the workers compensation provision is primarily attributable to liabilities relating to asbestos/mesothelioma claims of \$4.7 million (incurred but not yet reported).

Receivables

Receivables decreased by \$8.2 million from \$13.9 million to \$5.7 million due mainly to amounts outstanding as at 30 June 2000 of \$4.8 million from the Passenger Transport Board and \$2.3 million from the Department of the Premier and Cabinet being received during the year.

Controlled Entity Operations

AUSTRICS

AUSTRICS is a wholly-owned subsidiary of TransAdelaide established by regulations under the *Public Corporations Act 1993*.

Principal Business Activities

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 domestically and internationally, 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 2000-01 financial year AUSTRICS achieved a profit from ordinary activities before income tax of \$38 000 (profit \$259 000).

A summary of AUSTRICS financial performance and financial position is detailed below:

Financial Performance:	2001	2000
	\$'000	\$'000
Revenues from ordinary activities	2 307	2 273
Expenses from ordinary activities	2 269	2 014
Profit from ordinary activities before income tax	38	259
Income tax expense relating to ordinary activities	(30)	(100)
NET PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX	8	159
Financial Position:		
Total Assets	1 381	1 333
Total Liabilities*	1 033	992
NET ASSETS	348	341
TOTAL EQUITY	348	341

* Includes borrowings of \$384 000 and net payables of \$5 000 owed to TransAdelaide.

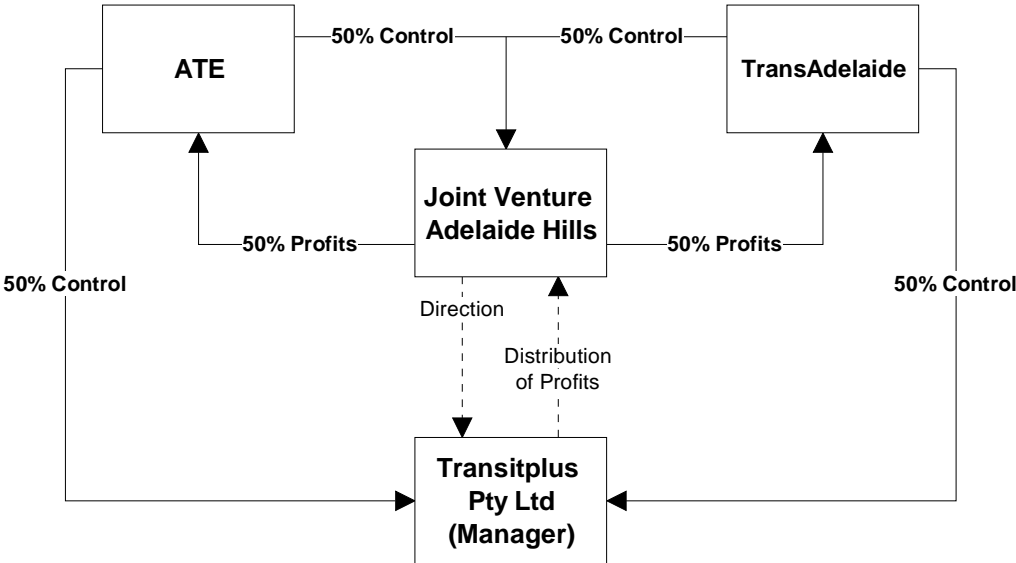
Joint Venture Relationship

ADELAIDE HILLS

In 1999-2000 TransAdelaide and Australian Transit Enterprises Pty Ltd (ATE) equally invested capital to form a company called Transitplus Pty Ltd to bid for passenger service contracts in the Adelaide Hills. Transitplus Pty Ltd was awarded a contract for the provision of bus passenger transport services in the Hills metroticket area and the Mount Barker country area.

Transitplus Pty Ltd's operations are governed by the *Corporations Act 2001* and a Board comprising two representatives each from TransAdelaide and ATE. The nature and scope of its activities are defined within the Transitplus Pty Ltd constitution.

The following diagram illustrates the joint venture relationship:



Statement of Financial Performance for the year ended 30 June 2001

	Note	Economic Entity		Parent Entity	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
REVENUE FROM ORDINARY ACTIVITIES	4	106 547	225 785	104 638	219 501
EXPENSES FROM ORDINARY ACTIVITIES:					
Employee benefits expense		43 869	74 977	42 696	72 365
Other supplies and services expense	9	24 485	45 133	24 006	42 840
Separation package and incentive payment		1 772	37 840	1 772	37 840
Bad and doubtful debts		171	218	126	129
Depreciation and amortisation expense	5	17 558	18 323	17 514	18 219
Loss on sale/disposal of assets	6	1 775	7 842	1 775	7 931
Movement in employee entitlements provisions	7	3 663	7 575	3 567	7 469
Other expenses from ordinary activities		5 470	20 279	5 457	19 201
Movement in stock obsolescence provision	22	450	-	450	-
Borrowing costs expense	8	11 009	12 372	10 988	12 361
Total Expenses from Ordinary Activities		110 222	224 559	108 351	218 355
Share of net profits from associates and joint ventures accounted for using the equity method		687	-	641	-
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(2 988)	1 226	(3 072)	1 146
INCOME TAX EXPENSE (BENEFIT) RELATING TO ORDINARY ACTIVITIES	11	(1 110)	(3 145)	(1 140)	(3 359)
PROFIT (LOSS) FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE		(1 878)	4 371	(1 932)	4 505
PROFIT (LOSS) FROM EXTRAORDINARY ITEMS AFTER RELATED INCOME TAX EXPENSE	10	-	(6 152)	-	(5 915)
NET PROFIT (LOSS)		(1 878)	(1 781)	(1 932)	(1 410)
Increase (Decrease) in the asset revaluation reserve	13	2 339	3 148	2 339	3 148
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		461	1 367	407	1 738

Statement of Financial Position as at 30 June 2001

	Note	Economic Entity		Parent Entity	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
ASSETS:					
CURRENT ASSETS:					
Cash assets	17	21 825	19 743	21 516	19 012
Receivables	15	5 714	13 934	4 911	13 529
Stores inventories	22	2 460	3 544	2 460	3 544
Work in progress		59	1 334	59	1 334
Dividend receivable		174	-	174	-
Total Current Assets		30 232	38 555	29 120	37 419
NON-CURRENT ASSETS:					
Rollingstock	16	219 060	181 070	219 060	181 070
Property, plant and equipment	16	406 176	368 630	406 000	368 552
Work in progress	16	15 377	9 898	15 377	9 898
Investment in related entities	3	246	1 225	3 663	4 786
Future income tax benefit		15 300	12 322	15 216	12 208
Total Non-Current Assets		656 159	573 145	659 316	576 514
Total Assets		686 391	611 700	688 436	613 933
LIABILITIES:					
CURRENT LIABILITIES:					
Interest bearing liabilities	18	5 381	-	5 381	-
Payables		18 823	21 466	18 340	21 105
Provisions	21	9 560	8 749	9 488	8 687
Total Current Liabilities		33 764	30 215	33 209	29 792
NON-CURRENT LIABILITIES:					
Interest bearing liabilities	18	108 322	130 036	108 322	130 036
Provisions	21	17 483	13 031	17 398	12 948
Provision for deferred income tax		10 528	8 660	10 528	8 660
Total Non-Current Liabilities		136 333	151 727	136 248	151 644
Total Liabilities		170 097	181 942	169 457	181 436
NET ASSETS		516 294	429 758	518 979	432 497
EQUITY:					
Reserves	13	402 158	316 083	402 158	316 083
Retained profits	14	114 136	113 675	116 821	116 414
TOTAL EQUITY		516 294	429 758	518 979	432 497
Commitments	19,20,23				
Contingent Liabilities	31				

Statement of Cash Flows for the year ended 30 June 2001

		Economic Entity		Parent Entity	
		2001	2000	2001	2000
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:					
RECEIPTS:	Note	\$'000	\$'000	\$'000	\$'000
Sales of goods and services		99 593	169 160	98 096	162 180
Government funding		11 338	22 845	11 338	22 845
Separation packages and incentive payment recoveries		3 903	37 840	3 903	37 840
Investment revenues		1 724	1 354	1 724	1 319
Other receipts		73	648	-	591
Total Receipts		116 631	231 847	115 061	224 775
PAYMENTS:					
Wages and salaries		(45 906)	(97 040)	(44 561)	(94 466)
Separation packages and incentive payments		(1 772)	(37 840)	(1 772)	(37 840)
Goods and services		(28 975)	(66 015)	(28 496)	(61 601)
Interest on borrowings		(11 038)	(12 217)	(11 017)	(12 206)
Interest on leases		(175)	(155)	(175)	(155)
Income tax		-	(226)	-	-
Total Payments		(87 866)	(213 493)	(86 021)	(206 268)
Net Cash provided by Operating Activities	17(a)	28 765	18 354	29 040	18 507
CASH FLOWS FROM INVESTING ACTIVITIES:					
RECEIPTS:					
Dividend receipts		467	-	467	644
Increase in lease liability		170	151	170	151
Proceeds from asset sales		1 575	2 413	1 575	2 279
Investment in related entities		50	-	148	-
Total Receipts		2 262	2 564	2 360	3 074
PAYMENTS:					
Purchase of non-current assets		(12 308)	(8 510)	(12 259)	(8 549)
Investment in related entities		-	(250)	-	(731)
Costs associated with property sales		(134)	-	(134)	-
Total Payments		(12 442)	(8 760)	(12 393)	(9 280)
Net Cash used in Investing Activities		(10 180)	(6 196)	(10 033)	(6 206)
CASH FLOWS FROM FINANCING ACTIVITIES:					
PAYMENTS:					
Repayment of borrowings		(16 503)	(4 039)	(16 503)	(4 000)
Total Payments		(16 503)	(4 039)	(16 503)	(4 000)
Net Cash used in Financing Activities		(16 503)	(4 039)	(16 503)	(4 000)
NET INCREASE IN CASH		2 082	8 119	2 504	8 301
CASH AT 1 JULY		19 743	11 624	19 012	10 711
CASH AT 30 JUNE	17	21 825	19 743	21 516	19 012

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 2001. TransAdelaide has one wholly owned subsidiary that was established under the *Public Corporations Act 1993*, being AUSTRICS. TransAdelaide also has a 50 percent interest in Transitplus Pty Ltd, a joint venture entity established for the provision of bus services through the Adelaide Hills.

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.

2. Statement of Significant 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.

2.2 Principles of Consolidation

The consolidated financial statements of the Economic Entity include the financial statements of the Parent Entity, being TransAdelaide and its controlled entity, AUSTRICS (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'.

Joint Ventures

In TransAdelaide's financial statements the investment in the joint venture entity is recorded at cost. The consolidated entity's share of the joint venture entity's net profit or loss is recognised in the consolidated Statement of Financial Performance from the date joint control commenced.

2.3 Recognition of Revenue

Sales of 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 is 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 net profit/(loss) from operating activities adjusted for any permanent differences. Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of 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 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 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

2.6 Financial Instruments Included in Liabilities

All financial instruments included within the liabilities category are recognised when they are incurred.

2.7 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 the subsidiary and the joint venture is included at cost.

2.8 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 Directors' 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 revalued every three years on an existing use basis and are included in the financial statements at the revalued amounts. Railway infrastructure and some buildings were revalued at a Directors' valuation as at 30 June 2001 by the use of an indexation method using indices provided by the Australian Valuation Office. Land, railcars, tramcars and some buildings were subject to an independent valuation as at 30 June 2001.

(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 Profit (Loss) from Ordinary Activities 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 13).

(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 using the straight-line method.

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:	
Railcars	30 - 42
Tramcars	20 -80
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 entity 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 Statement of Financial Performance. (Refer Note 19).

(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 20).

2.9 *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.

2.10 *Work in Progress*

Work in progress is valued at cost plus on-charges.

2.11 *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 amounts.

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 2001 has been made. On-costs associated with this provision are included as a payable in the Statement of Financial Position as per 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 2000-01 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.

2.13 Insurance

TransAdelaide 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 million for the total of each incident. Insurance cover for amounts above \$1 million is arranged through the South Australian Government Captive Insurance Corporation (SAICORP).

AUSTRICS is externally insured for risks associated with workers compensation.

2.14 Research and Development Costs

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred.

2.15 Comparative Figures

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application in 1 July 2000 of the revised Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation and Disclosures'.

Revenue and expense items previously disclosed as abnormal have been reclassified and are now no longer identified separately on the face of the Statement of Financial Performance.

2.16 Rounding Off

Amounts included in the financial report have been rounded off to the nearest thousand dollars unless otherwise stated.

3. Investment in Related Entities

	Ownership Interest		Investment at Cost	
	2001 Percent	2000 Percent	2001 \$'000	2000 \$'000
Controlled Entities:				
AUSTRICS	100	100	3 079	3 080
Joint Venture:				
Transitplus Pty Ltd	50	50	200	250
Loans to Related Entities:				
AUSTRICS			384	481
Revaluation Increments:				
Transitplus Pty Ltd			-	975
Investment in Related Entities			3 663	4 786

Principal Activities

AUSTRICS - Software marketing and development.
Transitplus Pty Ltd - Provision of bus services.

Investment in Transitplus Pty Ltd

	Economic Entity		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Carrying amount at 1 July 2000	1 225	-	1 225	-
Valuation increment (decrement)	(975)	975	(975)	975
Share of net profit less dividends received	46	-	-	-
Capital contributions	(50)	250	(50)	250
Carrying Amount at 30 June 2001	246	1 225	200	1 225

4. Revenue from Ordinary Activities

From Operating Activities:				
Sale of services	82 623	167 657	80 757	161 984
Government funding	12 404	11 502	12 404	11 502
Dividend revenue	-	-	-	498
Investment revenue	1 766	1 354	1 766	1 319
Other revenue	43	-	-	-
From outside Operating Activities:				
Sale of services	3 490	4 701	3 490	3 627
Property rental	4 449	2 497	4 449	2 497
Fair value of assets received free of charge or for nominal value	-	234	-	234
Recoveries for separation packages and incentive payments	1 772	37 840	1 772	37 840
Total Revenue	106 547	225 785	104 638	219 501

5.	Depreciation and Amortisation	Economic Entity		Parent Entity	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
	Rolling Stock:				
	Buses	-	5	-	5
	Railcars	4 718	4 550	4 718	4 550
	Tramcars	120	155	120	155
	Permanent Way	7 752	7 722	7 752	7 722
	Buildings	2 566	2 740	2 566	2 740
	Machinery, plant and equipment	1 277	2 068	1 233	1 964
	Amortisation of railcars	1 125	1 083	1 125	1 083
		17 558	18 323	17 514	18 219
6.	Loss on Sale/Disposal of Assets				
	Gross proceeds from asset sales	1 441	2 413	1 441	2 279
	Less: Written down value	3 216	10 255	3 216	10 210
	Net Loss on Sale/Disposal	1 775	7 842	1 775	7 931
7.	Movements in Employee Entitlements Provisions				
	Annual leave	2 748	6 234	2 663	6 085
	Long service leave	908	1 453	897	1 496
	Retiring and death gratuity	7	(112)	7	(112)
		3 663	7 575	3 567	7 469
8.	Borrowing Costs Expense				
	Ordinary borrowings interest	9 939	11 231	9 918	11 220
	Treasury guarantee fee	895	986	895	986
	Interest on borrowings	10 834	12 217	10 813	12 206
	Interest on leases	175	155	175	155
		11 009	12 372	10 988	12 361
9.	Other Supplies and Services Expense				
	Other Supplies and Services Expense includes the following errors that were identified during the 2000-01 financial year.				
	A liability accrual account relating to stock with a balance of \$1.093 million was written back. This account had no activity for the past 18 months and should have been brought to account in 1999-2000 following the closure of the bus business and the reduction of the Materials Management function.				
	A work in progress account in relation to the Regency Park workshops was written back during the financial year. This account had an asset balance of \$1.183 million and related to the bus business.				
	The net effect of the errors is a \$90 000 increase to the expense item Other Supplies and Services Expense.				
10.	Extraordinary Items				
		Economic Entity		Parent Entity	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
	Disengagement funding	-	11 343	-	11 343
	Related income tax effect	-	(4 083)	-	(4 083)
	Disengagement expenses	-	(3 073)	-	(3 056)
	Related income tax effect	-	1 106	-	1 100
	Fleet and depot restoration costs at disengagement	-	(5 899)	-	(5 700)
	Related income tax effect	-	2 124	-	2 052
	Employee termination payments	-	(64)	-	-
	Related income tax effect	-	23	-	-
	Write-off of tax losses associated with bus business	-	(7 629)	-	(7 571)
	Extraordinary Items	-	2 307	-	2 587
	Tax Relating to Extraordinary Items	-	8 459	-	8 502
	Profit (Loss) from Extraordinary Items after Related Income Tax Expense	-	(6 152)	-	(5 915)
11.	Income Tax Expense (Benefit)				
	Profit (Loss) for Ordinary Activities before Income Tax Expense	(2 988)	1 226	(3 072)	1 146
	Prima facie tax thereon at 34 percent (2000: 36 percent)	(1 016)	441	(1 044)	413
	Prior year adjustments	53	(4 977)	53	(4 977)
	Tax effect of permanent differences:				
	Non-deductible expenses	77	(180)	75	(180)
	Fair value of assets received free of charge	-	(84)	-	(84)
	Grant funding	(826)	(93)	(826)	(93)
	Dividend	-	-	-	(179)
	Restating opening balances due to change in taxation rates	391	1 539	391	1 535
	Reduction in current year balances due to change in taxation rates	211	209	211	206
	Income Tax Expense (Benefit) Relating to Ordinary Activities	(1 110)	(3 145)	(1 140)	(3 359)
	Total Income Tax Expense (Benefit) comprises movements in:				
	Provision for deferred income tax	1 868	418	1 868	454
	Future income tax benefit	(2 978)	(3 563)	(3 008)	(3 813)
		(1 110)	(3 145)	(1 140)	(3 359)

12.	Income Tax Expense (Benefit) Relating to Extraordinary Items	Economic Entity		Parent Entity				
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000			
	Profit (loss) from extraordinary items before income tax expense	-	2 307	-	2 587			
	Prima facie tax thereon at 34 percent (2000: 36 percent)	-	830	-	931			
	Tax effect of permanent differences:							
	Write off of tax losses due to loss of bus business	-	7 629	-	7 571			
	Income Tax Expense (Benefit) relating to Extraordinary Items	-	8 459	-	8 502			
	Total Income Tax Expense comprises movements in:							
	Future income tax benefit	-	8 459	-	8 502			
		-	8 459	-	8 502			
		-	8 459	-	8 502			
13.	Reserves	2001						
	Asset Revaluation Reserve	Joint Venture \$'000	Land and Buildings \$'000	Infra-structure \$'000	Rolling Stock \$'000	Plant and Equipment \$'000	Total 2001 \$'000	2000 \$'000
	Balance at 1 July	975	88 584	166 136	59 999	389	316 083	311 536
	Add: Net increments for the year	(975)	36 386	10 111	42 892	-	88 414	7 695
	Less: Amounts transferred to current year profits	-	1 907	43	-	389	2 339	3 148
	Balance at 30 June	-	123 063	176 204	102 891	-	402 158	316 083
	The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets in accordance with Australian Accounting Standard 38 'Revaluation of Non-Current Assets'.							
14.	Retained Profits	Economic Entity		Parent Entity				
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000			
	Balance at 1 July	113 675	112 308	116 414	114 676			
	Add: Transfer from reserves	2 339	3 148	2 339	3 148			
	Current year profits	(1 878)	(1 781)	(1 932)	(1 410)			
	Balance at 30 June	114 136	113 675	116 821	116 414			
15.	Receivables	6 008	14 190	5 205	13 697			
	Receivables	296	271	296	183			
	Less: Provision for doubtful debts	5 712	13 919	4 909	13 514			
	Add: Prepayments	2	15	2	15			
		5 714	13 934	4 911	13 529			
16.	Non-Current Assets	ROLLINGSTOCK:						
	Railcars:							
	Spare Parts - At cost	6 602	6 475	6 602	6 475			
	Less: Accumulated depreciation	1 446	1 217	1 446	1 217			
	Railcars at Cost	5 156	5 258	5 156	5 258			
	At independent valuation 30 June 2001	236 400	-	236 400	-			
	Less: Accumulated depreciation	66 342	-	66 342	-			
	At Directors valuation 30 June 2000	-	190 623	-	190 623			
	Less: Accumulated depreciation	-	49 313	-	49 313			
	Railcars at Valuation	170 058	141 310	170 058	141 310			
	Leased Railcars:							
	At independent valuation 30 June 2001	59 600	-	59 600	-			
	Less: Accumulated amortisation	18 395	-	18 395	-			
	At Directors valuation 30 June 2000	-	47 760	-	47 760			
	Less: Accumulated amortisation	-	13 608	-	13 608			
	Leased Railcars at Valuation	41 205	34 152	41 205	34 152			
	Total Railcars	216 419	180 720	216 419	180 720			
	Tramcars:							
	Spare Parts - At cost	55	162	55	162			
	Less: Accumulated depreciation	12	15	12	15			
	Tramcars at Cost	43	147	43	147			
	At independent valuation 30 June 2001	57 960	-	57 960	-			
	Less: Accumulated depreciation	55 362	-	55 362	-			
	At independent valuation 30 June 2000	-	48 300	-	48 300			
	Less: Accumulated depreciation	-	48 097	-	48 097			
	Tramcars at Valuation	2 598	203	2 598	203			
	Total Tramcars	2 641	350	2 641	350			
	TOTAL ROLLINGSTOCK	219 060	181 070	219 060	181 070			

16. Non-Current Assets (continued)	Economic Entity		Parent Entity	
	2001	2000	2001	2000
PROPERTY, PLANT AND EQUIPMENT	\$'000	\$'000	\$'000	\$'000
Land and Buildings:				
Freehold Land:				
At cost	-	243	-	243
At fair value	-	2 123	-	2 123
At independent valuation 30 June 2001	95 467	-	95 467	-
At independent valuation 30 June 1998	-	61 666	-	61 666
Total Land	95 467	64 032	95 467	64 032
Buildings:				
At cost	1 427	4 237	1 427	4 237
Less: Accumulated depreciation	263	570	263	570
Buildings at Cost	1 164	3 667	1 164	3 667
At independent valuation 30 June 2001	73 143	-	73 143	-
At Directors valuation 30 June 2001	94 958	-	94 958	-
At independent valuation 30 June 1998	-	146 076	-	146 076
At independent valuation 1 July 1998	-	8 985	-	8 985
Less: Accumulated depreciation	94 370	86 625	94 370	86 625
Buildings at Valuation	73 731	68 436	73 731	68 436
Total Buildings	74 895	72 103	74 895	72 103
Total Land and Buildings	170 362	136 135	170 362	136 135
Permanent Way:				
At cost	367	12 203	367	12 203
Less: Accumulated depreciation	4	302	4	302
Permanent Way at Cost	363	11 901	363	11 901
At Directors valuation 30 June 2001	353 735	-	353 735	-
At independent valuation 30 June 1998	-	325 142	-	325 142
Less: Accumulated depreciation	124 742	110 979	124 742	110 979
Permanent Way at Valuation	228 993	214 163	228 993	214 163
Total Permanent Way	229 356	226 064	229 356	226 064
Plant and Equipment:				
At cost	18 375	13 543	18 110	13 420
Less: Accumulated depreciation	11 917	9 350	11 828	9 305
Plant and Equipment at Cost	6 458	4 193	6 282	4 115
At independent valuation 30 June 1998	-	2 709	-	2 709
At independent valuation 1 July 1998	-	1 731	-	1 731
Less: Accumulated depreciation	-	2 202	-	2 202
Plant and Equipment at Valuation	-	2 238	-	2 238
Total Plant and Equipment	6 458	6 431	6 282	6 353
TOTAL PROPERTY, PLANT AND EQUIPMENT	406 176	368 630	406 000	368 552
TOTAL ROLLINGSTOCK, PROPERTY, PLANT AND EQUIPMENT	625 236	549 700	625 060	549 622
Capital Work in Progress:				
Rollingstock:				
Railcars	800	335	800	335
Tramcars	1 174	486	1 174	486
Corridor infrastructure, machinery and plant	12 441	7 398	12 441	7 398
Buildings	962	1 679	962	1 679
Total Capital Work in Progress	15 377	9 898	15 377	9 898
NET ASSETS	640 613	559 598	640 437	559 520

All non-current assets are required to be revalued every three years on an existing use basis and are included in the financial statements at the revalued amounts. Railway infrastructure and some buildings were revalued at a Directors valuation as at 30 June 2001 by the use of an indexation method using indices provided by the Australian Valuation Office. Land, railcars, tramcars and some buildings were subject to an independent valuation as at 30 June 2001.

(a) Non-Current Assets	Economic Entity		Parent Entity	
	2001	2000	2001	2000
Reconciliation of Carrying Amounts	\$'000	\$'000	\$'000	\$'000
Railcars:				
Carrying amount at beginning of year	146 568	145 934	146 568	145 934
Additions	127	11	127	11
Revaluation increment/decrement	33 237	5 173	33 237	5 173
Depreciation	(4 718)	(4 550)	(4 718)	(4 550)
Carrying Amount at End of Year	175 214	146 568	175 214	146 568
Leased Railcars:				
Carrying amount at beginning of year	34 152	33 985	34 152	33 985
Revaluation increment/decrement	8 178	1 250	8 178	1 250
Amortisation	(1 125)	(1 083)	(1 125)	(1 083)
Carrying Amount at End of Year	41 205	34 152	41 205	34 152

(a) Non-Current Assets (continued)	Economic Entity		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Tramcars:				
Carrying amount at beginning of year	350	398	350	398
Additions	940	121	940	121
Disposals	(6)	(14)	(6)	(14)
Revaluation increment/decrement	1 477	-	1 477	-
Depreciation	(120)	(155)	(120)	(155)
Carrying Amount at End of Year	2 641	350	2 641	350
Freehold Land:				
Carrying amount at beginning of year	64 032	64 903	64 032	64 903
Additions	-	234	-	234
Disposals	(1 512)	(1 105)	(1 512)	(1 105)
Revaluation increment/decrement	32 947	-	32 947	-
Carrying Amount at End of Year	95 467	64 032	95 467	64 032
Buildings:				
Carrying amount at beginning of year	72 103	72 748	72 103	72 748
Additions	2 368	1 810	2 368	1 810
Disposals	(449)	(102)	(449)	(102)
Revaluation increment/decrement	3 439	387	3 439	387
Depreciation	(2 566)	(2 740)	(2 566)	(2 740)
Carrying Amount at End of Year	74 895	72 103	74 895	72 103
Permanent Way:				
Carrying amount at beginning of year	226 064	229 353	226 064	229 353
Additions	1 007	9 313	1 007	9 313
Disposals	(110)	(4 880)	(110)	(4 880)
Revaluation increment/decrement	10 147	-	10 147	-
Depreciation	(7 752)	(7 722)	(7 752)	(7 722)
Carrying Amount at End of Year	229 356	226 064	229 356	226 064
Plant and Equipment:				
Carrying amount at beginning of year	6 431	10 845	6 353	10 580
Additions	1 408	1 566	1 266	1 516
Disposals	(104)	(3 907)	(104)	(3 774)
Depreciation	(1 277)	(2 073)	(1 233)	(1 969)
Carrying Amount at End of Year	6 458	6 431	6 282	6 353
Total Carrying Amounts	625 236	549 700	625 060	549 622
17. Reconciliation of Cash				
Cash as at 30 June	21 825	19 743	21 516	19 012
(a) Reconciliation of Net Cash provided by Operating Activities to Net Profit (Loss)				
Net Profit (Loss)	(1 878)	(1 781)	(1 932)	(1 410)
Depreciation	16 433	17 240	16 389	17 136
Amortisation	1 125	1 083	1 125	1 083
Loss on sale of retired assets	1 775	7 842	1 775	7 931
Fair value of assets received free of charge	-	(234)	-	(234)
Dividend receipts	(467)	-	(467)	(644)
Movements in:				
Receivables	8 220	(5 190)	8 618	(5 337)
Dividend receivable	(174)	-	(174)	146
Payables	(2 643)	6 737	(2 764)	6 913
Provisions	5 263	(13 841)	5 251	(13 599)
Stores inventory	1 084	1 044	1 084	1 015
Work in progress	1 275	364	1 275	364
Future income tax benefit	(2 978)	4 898	(3 008)	4 689
Provision for income tax	-	(226)	-	-
Provision for deferred income tax	1 868	418	1 868	454
Asset recognition	(138)	-	-	-
Net Cash provided by Operating Activities	28 765	18 354	29 040	18 507
18. Interest Bearing Liabilities				
Current Liability:				
Borrowings	5 381	-	5 381	-
Non-Current Liability:				
Borrowings	106 852	128 736	106 852	128 736
Lease liability	1 470	1 300	1 470	1 300
Total Interest Bearing Liabilities	113 703	130 036	113 703	130 036

19. Finance Lease Commitments

The economic entity's finance lease commitments at 30 June are due as follows:

Later than one year but not later than five years

Minimum lease payments

Less: Future financing charges

Lease Liability

Classified as:

Non-Current liability

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.

Economic Entity		Parent Entity	
2001	2000	2001	2000
\$'000	\$'000	\$'000	\$'000
1 960	1 960	1 960	1 960
1 960	1 960	1 960	1 960
490	660	490	660
1 470	1 300	1 470	1 300
1 470	1 300	1 470	1 300

20. Operating Lease Commitments

The economic entity's operating lease commitments at 30 June are due as follows:

Not later than one year

Later than one year but not later than five years

Later than five years

Minimum lease payments

Operating lease expenses paid

1 946	1 814	1 838	1 742
3 340	2 479	3 218	2 341
250	981	250	981
5 536	5 274	5 306	5 064
2 477	19 029	2 385	18 040

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.

21. Provisions

Provisions at 30 June 2001 were:

Long service leave

Annual leave

Workers compensation claims

Third party accident damage

Retiring and death gratuities

Current Liability

Non-Current Liability

Total Liability

Economic Entity		Parent Entity	
2001	2000	2001	2000
\$'000	\$'000	\$'000	\$'000
8 713	8 686	8 628	8 603
4 576	4 843	4 504	4 781
10 582	4 977	10 582	4 977
2 962	3 018	2 962	3 018
210	256	210	256
27 043	21 780	26 886	21 635
9 560	8 749	9 488	8 687
17 483	13 031	17 398	12 948
27 043	21 780	26 886	21 635

Long service leave

Annual leave

Workers compensation claims

Third party accident damage

Retiring and death gratuity

Economic Entity		Parent Entity	
Estimated to fall due within one year	Estimated to fall due after one year	Estimated to fall due within one year	Estimated to fall due after one year
\$'000	\$'000	\$'000	\$'000
1 920	6 793	1 920	6 708
4 172	404	4 100	404
1 905	8 677	1 905	8 677
1 513	1 449	1 513	1 449
50	160	50	160
9 560	17 483	9 488	17 398

Due largely to the recognition of liabilities arising from claims in relation to the repealed *Workers Compensation Act 1971*, the workers compensation provision has been increased by \$5.6 million. The value of incurred but not yet reported claims in relation to mesothelioma is \$4.7 million. These claims relate to injuries incurred by government employees prior to the formation of TransAdelaide.

22. Inventories

Stores inventories

Less: Provision for obsolescence

Net Stores Inventories

Economic Entity		Parent Entity	
2001	2000	2001	2000
\$'000	\$'000	\$'000	\$'000
2 910	3 544	2 910	3 544
(450)	-	(450)	-
2 460	3 544	2 460	3 544

23. Capital Commitments

Aggregate capital expenditure commitments contracted for:

Not later than one year

Later than one year but not later than two years

Net capital expenditure incurred

2 903	400	2 903	400
164	-	164	-
3 067	400	3 067	400
11 718	7 200	11 718	7 200

24. Remuneration of Employees

The number of employees whose remuneration falls within the following remuneration bands were:

\$100 000 - \$109 999
 \$110 000 - \$119 999
 \$160 000 - \$169 999
 \$190 000 - \$199 999⁽¹⁾
 \$220 000 - \$229 999

	Economic Entity		Parent Entity	
	2001	2000	2001	2000
Number of Employees	Number of Employees	Number of Employees	Number of Employees	
	1	3	1	2
	2	1	1	1
	-	1	-	1
	1	-	1	-
	1	-	1	-
	5	5	4	4

Executive remuneration

	Economic Entity		Parent Entity	
	2001	2000	2001	2000
\$'000	\$'000	\$'000	\$'000	
	742	609	629	496

(1) Includes termination payments.

25. Remuneration of Auditors

Amounts due and receivable by the Auditors for auditing the accounts of the Economic Entity for the year were \$124 000 (\$175 000). The Auditors received no other benefits.

26. Separation Packages

Separation payments totalling \$1.772 million (\$37.84 million) related to the redeployment of 34 (935) employees during 2000-01. These payments were met by the Parent Entity and recovered from the Department of the Premier and Cabinet. Leave entitlements totalling \$0.685 million (\$11.382 million) were paid to those employees who received a separation payment.

27. Consultants

During the financial year, the Economic Entity engaged consultants for a total cost of \$197 000 (\$257 000).

28. Directors' Remuneration

Income paid or payable to all directors of each entity in the Economic Entity by the entities of which they are directors and any related parties.

	Economic Entity		Parent Entity	
	2001	2000	2001	2000
\$'000	\$'000	\$'000	\$'000	
Income paid or payable to all directors of each entity in the Economic Entity by the entities of which they are directors and any related parties	159	163	-	-
Income paid or payable to all directors of the Parent Entity by the Parent Entity and any related parties	-	-	64	131

Number of Parent Entity directors whose income from the Parent Entity and any related entities was within the following bands:

\$0 - \$9 999
 \$10 000 - \$19 999
 \$20 000 - \$29 999
 \$30 000 - \$39 999
 \$40 000 - \$49 999

	2001	2000
	Number of Directors	Number of Directors
	1	-
	1	2
	1	3
	2	1
	1	-
	6	6

The names of the parent entity directors who have held office during the financial year are:

Kevin Benger
 Elizabeth Kosmala
 Ron Griffiths (resigned 31 August 2000)

Susan Law
 Rex Phillips

29. Related Party Disclosures**(a) Director Transactions**

Details of Directors' remuneration payments are set out in Note 28. 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.

(b) Transactions with Related Parties in the Economic Entity

The Parent Entity entered into the following transactions during the year with related parties in the Economic Entity:

	2001	2000
	\$'000	\$'000
Payable to Related Entities:		
AUSTRICS	7	-
Total Payable	7	-
Receivable from Related Entities:		
AUSTRICS	2	3
Total Receivable	2	3
Sales of Goods and Services:		
Hills Transit	-	17
AUSTRICS	173	1 472
Total Sales of Goods and Services	173	1 489
Purchases of Goods and Services:		
AUSTRICS	225	84
Total Purchases of Goods and Services	225	84
Loans to Related Entities:		
AUSTRICS	384	481
Loans to Related Entities	384	481

30. 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 rate as at balance date.

	Cash		Receivables		Payables		Borrowings		Lease Liability ⁽²⁾	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Floating interest rate ⁽¹⁾	21 825	19 743	-	-	-	-	112 233	128 736	-	-
One year or less	-	-	-	-	-	-	-	-	-	-
One to five years	-	-	-	-	-	-	-	-	1 470	1 300
Over five years	-	-	-	-	-	-	-	-	-	-
Non-interest bearing	-	-	5 714	13 934	18 823	21 466	-	-	-	-
Total	21 825	19 743	5 714	13 934	18 823	21 466	112 233	128 736	1 470	1 300
Weighted average interest rate (percent)	7.65	8.45	-	-	-	-	8.45	9.25	13.43	12.70

(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.

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	2001 Percent	2000 Percent
Transport Industry	13	35
Federal, State Government and Councils	83	62
Private Businesses and Individuals	4	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 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 changes 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.

31. Contingent Liabilities

TransAdelaide has entered into a financial 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 to the arrangement. No amount has been recognised because it is considered unlikely that any liability will arise.

Glase and Others are currently undertaking a class action against TransAdelaide for compensation arising from their employment as part time bus operators. TransAdelaide is responsible for any costs or compensation which may arise from this action.

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.

32. Events Subsequent to Balance Date

There have been no events subsequent to balance date.

General Index to Part B

of the

Report

of the

Auditor-General

for the

Year ended 30 June 2001

2002 World Congress on Information Technology
Department for Administrative and Information Services, 22

A

Abridged Financial Statements
RESI FP Pty Ltd, 946
RESI GAS Pty Ltd, 949
RESI OE Pty Ltd, 951
RESI SYN Pty Ltd, 953
Accounting for Crown Land
Department for Environment and Heritage, 299
Adelaide Convention Centre Corporation, 627
Extension Project, 629
Internal Audit Activity, 628
Interpretation and Analysis of Financial Statements, 629
Policy and Procedural Documentation, 628
Risk Management Policy and Practice, 628
Adelaide Entertainments Corporation, 638
Audit Findings and Comments, 639
Interpretation and Analysis of Financial Statements, 640
Adelaide Festival Centre Trust, 739
Event Management, 741
Operating Result, 742
Revenue, 741
Adelaide Festival Corporation, 731
Government Grants, 733
Operating Result, 733
Programmed Events, 733
Adelaide Hills
TransAdelaide, 877
Additional Distribution
South Australian Totalizator Agency Board, 120
Administered Items
Courts Administration Authority, 533
Admissions Receipts and Attendances
History Trust of South Australia, 786
Administration of Concession Payments
Department of Human Services, 346
Administrative and Information Services *see* Department for
Administrative and Information Services
Advance Payments-Capital Program
Department of Human Services, 344
Adverse Events
Department of Primary Industries and Resources, 705
Ambulance Cover Scheme
SA St John Ambulance Service Inc, 592
Ambulance Service, Review of
SA St John Ambulance Service Inc, 594
Amendments to the South Australian Health Commission
Act 1976
South Australian Health Commission, 409
Art Gallery Board, 751
Asset Quality
HomeStart Finance
Non-Accrual Loans, 327
Provision for Doubtful Debts, 326
Assets and Liabilities
South Australian Government Financing Authority, 1042
Assets and Liabilities, Transfer of
RESI Corporation, 933
South Australian Health Commission, 410
Assistance to Primary Producers
Department of Primary Industries and Resources, 707
Attorney-General's Department, 439
Commentary on General Financial Controls, 442
Community Emergency Services Fund, 444
Criminal Injuries Compensation (CIC) Fund, 445
Financial Management Framework (FMF), 441
Gaming Revenue, 447
Residential Tenancies Fund, 468

Audit Findings and Comments
Adelaide Entertainments Corporation, 639
Courts Administration Authority, 532
Department for Administrative and Information Services, 9
Department for Correctional Services, 504
Department of Education, Training and Employment, 189
Department of Human Services, 342
Public Trustee Services, 476
South Australian Forestry Corporation, 89
South Australian Housing Trust, 412
South Australian Tourism Commission, 689
State Supply Board, 172
Auditor-General's Department, 648
AUSTRICS
TransAdelaide, 877
Automated Torrens Land Administration System (ATLAS)
Department for Administrative and Information Services, 20

B

Borrowings
South Australian Ports Corporation, 106
Budgetary Control
University of South Australia, 271, 72
Business Risk Management
South Australian Government Financing Authority, 1044

C

Capital Contributions
South Australian Community Housing Authority, 396
Capital Developments
Department of Human Services, 348
Capital Projects, Monitoring of
Police Department, 577
Capital Works - Adelaide Convention Centre Extension
Department for Administrative and Information Services, 22
Cash
Department of Treasury and Finance, 1115
Cash Assets
Libraries Board of South Australia, 795
Museum Board, 820
Northern Adelaide and Barossa Catchment Water
Management Board, 1133
Patawalonga Catchment Water Management Board, 1151
Police Department, 578
South Australian Film Corporation, 845
Torrens Catchment Water Management Board, 1175
Catastrophe Reinsurance
South Australian Government Captive Insurance
Corporation (SAICORP), 1018
Catchment Water Management Boards, 1129
Arid Areas, 1130
Establishment of Boards, 1130
Eyre Peninsula, 1130
Northern Adelaide and Barossa, 1130
Onkaparinga, 1130
Patawalonga, 1130
River Murray, 1130
South East, 1130
Torrens, 1130
Changes in Financial Position
SA St John Ambulance Service Inc, 593
Changes to Agency Organisational Structure
Department for Administrative and Information Services, 8
Changes to Corporate Structure
South Australian Water Corporation, 143
Changes to Organisational Structure and Functions in 2000-01
Electricity Supply Industry Overview, 910
Changes to the South Australian Health Commission
Act 1976
Department of Human Services, 341

- Claims Incurred Ratios
 - Motor Accident Commission, 975
- Commentary 'Legislative Changes'
 - Construction Industry Training Board, 180
- Commentary on Health Services Activities
 - Department of Human Services, 367
- Common Funds
 - Public Trustee Services, 478
- Common Public Sector Interest Rate
 - South Australian Government Financing Authority, 1043
- Community Emergency Services Fund
 - Attorney-General's Department, 444
- Community Housing Organisations
 - South Australian Community Housing Authority, 397
- Community Owned Housing
 - South Australian Aboriginal Housing Authority, 380
- Community Service Obligations
 - South Australian Water Corporation, 152
- Construction Industry Training Board, 179
 - Commentary 'Legislative Changes', 180
- Contributions Paid to Government
 - South Australian Ports Corporation, 106
- Controlled Entity Operations
 - TransAdelaide, 877
- Corporate Computer Processing Environment
 - Department of Treasury and Finance, 1114
- Correctional Services *see* Department of Correctional Services
- Cost Recovery from Passengers
 - Passenger Transport Board, 831
- Country Fire Service Board, 517
 - Extract from Independent Audit Report, 520
 - Qualified Audit Opinion, 520
 - Results of Operations, 521
 - Valuation of Assets, 520
- Courts Administration Authority, 531
 - Administered Items, 533
 - Audit Findings and Comments, 532
 - Statement of Financial Performance, 533
- Criminal Injuries Compensation (CIC) Fund
 - Attorney-General's Department, 445
- CTP Operations
 - Motor Accident Commission, 974
- Customer Service Information System
 - South Australian Water Corporation, 146

D

- Debt Redemption Assistance Payments
 - South Australian Government Financing Authority, 1043
- Department for Administrative and Information Services, 7
 - 2002 World Congress on Information Technology, 22
 - Audit Findings and Comments, 9
 - Automated Torrens Land Administration System (ATLAS), 20
 - Capital Works - Adelaide Convention Centre Extension, 22
 - Changes to Agency Organisational Structure, 8
 - EDS Mainframe Billing System Review, 17
 - Extract from Independent Audit Report, 16
 - Financial Management Framework, 9
 - Further Commentary on Operations, 17
 - Government HRMS Payroll Systems, 21
 - Government Radio Network Contract, 19
 - IT Infrastructure Contract Management, 17
 - Land Ownership and Tenure System - Management Arrangements, 13
 - Market Price Review, 18
 - Outsourcing of Warehouse Operations, 11
 - Qualified Audit Opinion, 17
 - Real Estate Management, 14
 - Significant Features, 8
 - South Australian Government Light Vehicle Fleet - Sale and Leaseback Arrangement, 21
 - Whole-of-Government Mobile Phone Contract, 13

- Department for Correctional Services, 503
 - Audit Findings and Comments, 504
 - Extract from Independent Audit Report, 506
 - Qualified Audit Opinion, 506
 - Statement of Financial Performance, 507
- Department for Environment and Heritage, 295
 - Accounting for Crown Land, 299
 - Extract from the Independent Audit Report, 303
 - Financial Management Framework, 296
 - Land Services Group, 300
 - Office for Recreation and Sport, 301
 - Procurement Practices, 298
 - Property Plant and Equipment, 299
 - Qualified Audit Opinion, 303
 - Stadium Arrangements, 302
 - Waste Depot Levies, 300
- Department for Transport, Urban Planning and the Arts, 762
 - Administered Items, 766
 - Cash Assets, 765
 - Non-Cash Assets, 766
 - Operating Expenses by Category, 764
 - Operating Revenues by Component, 765
 - Public Transport Assets, 763
- Department for Water Resources, 1183
 - Extract from Independent Audit Report, 1186
 - Fixed Assets, 1185
 - Qualified Audit Opinion, 1186
 - Water Licensing, 1185
- Department of Education, Training and Employment, 188
 - Audit Findings and Comments, 189
 - Extract from Independent Audit Report, 192
 - Financial Management Framework, 195
 - Human Resource Management System (HRMS), 191
 - Partnerships 21, 195
 - Qualified Audit Opinion, 192
 - Risk Management Fund, 194
 - Separation Packages, 197
- Department of Human Services, 341
 - Administration of Concession Payments, 346
 - Advance Payments-Capital Program, 344
 - Audit Findings and Comments, 342
 - Capital Developments, 348
 - Changes to the *South Australian Health Commission Act 1976*, 341
 - Commentary on Health Services Activities, 367
 - Hospital Activity Statistics, 367
 - Internal Audit, 343
 - Interpretation and Analysis of Financial Statements, 346
 - Review of Funding to Health Services and Non-Government Organisations, 344
 - Risk Management, 343
 - Unaudited Health Service Financial Activity, 369
- Department of Industry and Trade, 433
 - Status of Financial Statements, 433
- Department of Justice, 437
- Department of Primary Industries and Resources, 703
 - Adverse Events, 705
 - Assistance to Primary Producers, 707
 - Financial Management Framework, 704
 - Locust Control Program, 705
- Department of the Premier and Cabinet, 656
 - Interpretation and Analysis of Financial Statements, 670
 - Interpreting and Translating Centre, 658
 - Olympic Football Tournament, 659
- Department of Treasury and Finance, 1111
 - Cash, 1115
 - Corporate Computer Processing Environment, 1114
 - RevenueSA, 1114
- Disposal of Assets and Liabilities of the Business
 - RESI GAS Pty Ltd, 947
- Disposal of Non-Prescribed Assets and Liabilities
 - RESI FP Pty Ltd, 945
 - RESI GAS Pty Ltd, 948
 - Transmission Lessor Corporation, 955

Distributions to Government
HomeStart Finance, 327
Distribution Lessor Corporation, 914
Divestment Process
South Australian Ports Corporation, 103
Doubtful Debts
South Australian Government Captive Insurance Corporation (SAICORP), 1018

E

East End Redevelopment - Unrecoverable Loan Balance
Land Management Corporation, 54
Economic Development Obligations
South Australian Water Corporation, 150
EDS Mainframe Billing System Review
Department for Administrative and Information Services, 17
Education, Training and Employment see Department of Education, Training and Employment
Electricity Asset Disposal - Total Consultancy Expenditure
Electricity Reform and Sales Unit, 895
Electricity Generation Assets, Lease of
Generation Lessor Corporation, 923
Electricity Generation Assets, Transfer of Generation Lessor Corporation, 923
Electricity Reform and Sales Unit, 893
Electricity Asset Disposal - Total Consultancy Expenditure, 895
Statement of Financial Position:, 896
Electricity Supply Industry Overview, 909
Changes to Organisational Structure and Functions in 2000-01, 910
Proceeds to the Treasurer from the Disposal of Electricity Businesses, 912
Rationalisation of Non-Trading Electricity Entities, 912
Significant Events Prior to 1 July 2000, 909
Electricity Transmission Assets, Lease of
Transmission Lessor Corporation, 955
Emergency Services Administrative Unit, 552
Service Level Agreements (SLAs), 555
Environment and Heritage see Department of Environment and Heritage
Equity Contribution
Passenger Transport Board, 831
Establishment and Functions
South Australian Forestry Corporation, 88
Establishment of Boards
Catchment Water Management Boards, 1130
Event Management
Adelaide Festival Centre Trust, 741
Expenses and Revenues
Northern Adelaide and Barossa Catchment Water Management Board, 1132
Patawalonga Catchment Water Management Board, 1150
South Australian Aboriginal Housing Authority, 378
South Australian Film Corporation, 844
State Opera of South Australia, The, 857
State Theatre Company of South Australia, 866
Torrens Catchment Water Management Board, 1174
Expenses from Ordinary Activities
Passenger Transport Board, 830
Expiation Fees
Police Department, 578
Expiation Notices
Police Department, 576
Extract from Independent Audit Report
Country Fire Service Board, 520
Department for Administrative and Information Services, 16
Department for Correctional Services, 506
Department for Environment and Heritage, 303
Department for Water Resources, 1186
Department of Education, Training and Employment, 192
SA TAB Pty Ltd, 119
South Australian Forestry Corporation, 92
South Australian Metropolitan Fire Service, 607
South Australian Motor Sport Board, 681

F

Film Production Investments
South Australian Film Corporation, 844
Financial Management Framework (FMF)
Attorney-General's Department, 441
Department for Administrative and Information Services, 9
Department for Environment and Heritage, 296
Department of Education, Training and Employment, 195
Department of Primary Industries and Resources, 704
Financial Performance
South Australian Water Corporation, 153
Financial Statements and Audit
South Australian Health Commission, 409
Five Year Analysis of Turnover
South Australian Totalizator Agency Board, 120
Fixed Assets
Department for Water Resources, 1185
Flinders University of South Australia, 218
Revenue, 219
Forest Assets
South Australian Forestry Corporation, 90
Functional Responsibility and Structure
State Supply Board, 171
Funds Under Management
Superannuation Funds Management Corporation of South Australia, 1089

G

Gaming Revenue
Attorney-General's Department, 447
General Financial Controls, Commentary on
Attorney-General's Department, 442
Generation Lessor Corporation, 922
Lease of Electricity Generation Assets, 923
Transfer of Assets from RESI FP Pty Ltd, 945
Transfer of Assets from RESI OE Pty Ltd, 951
Transfer of Electricity Generation Assets, 923
Government Grants
Adelaide Festival Corporation, 733
Government HRMS Payroll Systems
Department for Administrative and Information Services, 21
Government Radio Network Contract
Department for Administrative and Information Services, 19
Grants provided by the State Government and Commonwealth Government
Legal Services Commission, 567

H

Heritage and Research Collections
Libraries Board of South Australia, 795
Heritage Collections
Museum Board, 820
History Trust of South Australia, 785
Admissions Receipts and Attendances, 786
HomeStart Finance, 323
Asset Quality
Non-Accrual Loans, 327
Provision for Doubtful Debts, 326
Distributions to Government, 327
HomeStart Profitability, 325
Net Interest Income, 325
HomeStart Profitability
HomeStart Finance, 325
Hospital Activity Statistics
Department of Human Services, 367
Housing Reforms
South Australian Community Housing Authority
Housing Reforms, 394
Human Resource Management System (HRMS)
Department of Education, Training and Employment, 191
Human Services see Department of Human Services

I

Income from Investments
 Superannuation Funds Management Corporation of South Australia, 1088

Indebtedness
 South Australian Housing Trust, 415

Independent Audit Report, Extract from
 Country Fire Service Board, 520
 Department for Administrative and Information Services, 16
 Department for Correctional Services, 506
 Department for Environment and Heritage, 303
 Department for Water Resources, 1186
 Department of Education, Training and Employment, 192
 SA TAB Pty Ltd, 119
 South Australian Forestry Corporation, 92
 South Australian Metropolitan Fire Service, 607
 South Australian Motor Sport Board, 681

Industrial and Commercial Premises Corporation, 42

Industry and Trade, Department of see Department of Industry and Trade

Institute of Medical and Veterinary Science, 374
 Status of Financial Statements, 374

Internal Audit
 Department of Human Services, 343
 South Australian Water Corporation, 145
 TransAdelaide, 875

Internal Audit Activity
 Adelaide Convention Centre Corporation, 628

Interpretation and Analysis of Financial Statements
 Adelaide Convention Centre Corporation, 629
 Department of Human Services, 346
 Department of the Premier and Cabinet, 670
 South Australian Government Captive Insurance Corporation (SAICORP), Section 1, 1017
 Catastrophe Reinsurance, 1018
 Doubtful Debts, 1018
 Investment Revenue, 1019
 Outstanding Claims, 1019

South Australian Government Captive Insurance Corporation (SAICORP), Section 2, 1021
 Outstanding Claims, 1021

South Australian Asset Management Corporation, 994
 South Australian Forestry Corporation, 91
 South Australian Tourism Commission, 690

Interpreting and Translating Centre
 Department of the Premier and Cabinet, 658

Investment Result
 Motor Accident Commission, 975

Investment Returns
 Superannuation Funds Management Corporation of South Australia, 1090

Investment Revenue
 South Australian Government Captive Insurance Corporation (SAICORP), 1019

IT Infrastructure Contract Management
 Department for Administrative and Information Services, 17

J

Joint Venture Relationship
 TransAdelaide, 877

Judges' Pensions Scheme, 971
 Status of Financial Statements, 971

Justice, Department of see Department of Justice

L

Land Management Corporation, 51
 East End Redevelopment - Unrecoverable Loan Balance, 54
 Land Sales, 53
 Mawson Lakes Government Infrastructure Project, 55
 Port Waterfront Redevelopment, 56

Land Ownership and Tenure System - Management Arrangements
 Department for Administrative and Information Services, 13

Land Sales
 Land Management Corporation, 53

Land Services Group
 Department for Environment and Heritage, 300

Lease of Electricity Generation Assets
 Generation Lessor Corporation, 923

Lease of Electricity Transmission Assets
 Transmission Lessor Corporation, 955

Legal Services Commission, 564
 Grants provided by the State Government and Commonwealth Government, 567

LGCS Pty Ltd — E-Commerce Venture
 Local Government Finance Authority of South Australia, 806

Liability for Accrued Benefits
 South Australian Superannuation Scheme, 1065

Libraries Board of South Australia, 794
 Cash Assets, 795
 Operating Result, 795
 Research and Heritage Collections, 795

Loan to the Emergency Services Administrative Unit
 South Australian Metropolitan Fire Service, 606

Local Government Finance Authority of South Australia, 805
 LGCS Pty Ltd — E-Commerce Venture, 806

Locust Control Program
 Department of Primary Industries and Resources, 705

Lotteries Commission of South Australia, 70
 Sales and Distribution to Government, 74
 Sales Revenue, 75

M

Management Information Systems
 University of Adelaide, 243

Management of Major Contracts
 South Australian Water Corporation, 146

Market Price Review
 Department for Administrative and Information Services, 18

Mawson Lakes Government Infrastructure Project
 Land Management Corporation, 55

Member Investment Choice
 Superannuation Funds Management Corporation of South Australia, 1090

Ministerial Directions
 South Australian Ports Corporation, 104

Motor Accident Commission, 972
 Claims Incurred Ratios, 975
 CTP Operations, 974
 Investment Result, 975
 Public Governance, 974
 Reserving Levels, 976
 Underwriting Result, 974

Museum Board, 818
 Cash Assets, 820
 Heritage Collections, 820
 State Government Grants, 819

N

Net Interest Income
 HomeStart Finance, 325

Non-Accrual Loans
 HomeStart Finance, 327

Non-Current Assets
 TransAdelaide, 876

Non-Current Assets, Revaluation of
 South Australian Ports Corporation, 105

Northern Adelaide and Barossa Catchment Water Management Board, 1132
 Cash Assets, 1133
 Revenues and Expenses, 1132

O

- Office for Recreation and Sport
 - Department for Environment and Heritage, 301
- Olympic Football Tournament
 - Department of the Premier and Cabinet, 659
- Onkaparinga Catchment Water Management Board, 1141
 - Revenues and Expenses, 1142
- Operating Expenses
 - University of South Australia, 274
- Operating Result
 - Adelaide Festival Centre Trust, 742
 - Adelaide Festival Corporation, 733
 - Libraries Board of South Australia, 795
 - University of Adelaide, 242
- Operating Revenue
 - University of South Australia, 273
- Organisational Structure
 - TransAdelaide, 873
- Outsourcing of Warehouse Operations
 - Department for Administrative and Information Services, 11
- Outstanding claims
 - South Australian Government Captive Insurance Corporation (SAICORP) , 1019, 1021
- Overseas Business Investment
 - South Australian Water Corporation, 154

P

- Partnerships 21
 - Department of Education, Training and Employment, 195
- Parliamentary Superannuation Scheme, 991
 - Status of Financial Statements, 991
- Passenger Transport Board, 828
 - Cost Recovery from Passengers, 831
 - Equity Contribution, 831
 - Expenses from Ordinary Activities, 830
 - Passenger Transport Research and Development Fund, 831
 - Revenues, 831
- Passenger Transport Contracts
 - TransAdelaide, 876
- Passenger Transport Research and Development Fund
 - Passenger Transport Board, 831
- Patawalonga Catchment Water Management Board, 1150
 - Cash Assets, 1151
 - Revenues and Expenses, 1150
- Payroll
 - University of South Australia, 272
- Performance Based Remuneration
 - University of South Australia, 272
- Planning and Analysis
 - South Australian Community Housing Authority, 393
- Police Department, 575
 - Cash Assets, 578
 - Expiation Fees, 578
 - Expiation Notices, 576
 - Monitoring of Capital Projects, 577
- Police Superannuation Scheme, 992
 - Status of Financial Statements, 992
- Policy and Procedural Documentation
 - Adelaide Convention Centre Corporation, 628
- Port Waterfront Redevelopment
 - Land Management Corporation, 56
- Premier and Cabinet see Department of the Premier and Cabinet
- Primary Industries and Resources, Department of see Department of Primary Industries and Resources
- Primary Producers, Assistance to
 - Department of Primary Industries and Resources, 707
- Private Tenant Support Programs
 - South Australian Housing Trust, 415
- Proceeds to the Treasurer from the Disposal of Electricity Businesses
 - Electricity Supply Industry Overview, 912

- Procurement Practices
 - Department for Environment and Heritage, 298
- Production Statistics
 - State Opera of South Australia, The, 857
 - State Theatre Company of South Australia, 866
- Programmed Events
 - Adelaide Festival Corporation, 733
- Property, Plant and Equipment
 - Department for Environment and Heritage, 299
- Public Governance
 - Motor Accident Commission, 974
- Public Housing-Rent Rebates
 - South Australian Housing Trust, 413
- Public Transport Assets
 - Department for Transport, Urban Planning and The Arts, 763
- Public Trustee Services, 474
 - Audit Findings and Comments, 476
 - Common Funds, 478
 - Statement of Trusts being Administered, 477

Q

- Qualified Audit Opinion
 - Country Fire Service Board, 520
 - Department for Correctional Services, 506
 - Department for Administrative and Information Services, 17
 - Department for Environment and Heritage, 303
 - Department for Water Resources, 1186
 - Department of Education, Training and Employment, 192
 - SA TAB Pty Ltd, 120
 - South Australian Forestry Corporation, 92
 - South Australian Metropolitan Fire Service, 607
 - South Australian Motor Sport Board, 681

R

- Rationalisation of Non-Trading Electricity Entities
 - Electricity Supply Industry Overview, 912
- Real Estate Management
 - Department for Administrative and Information Services, 14
- Rent Revenue
 - South Australian Aboriginal Housing Authority, 379
- Rental Operations
 - South Australian Housing Trust, 414
- Research and Heritage Collections
 - Libraries Board of South Australia, 795
- Reserving Levels
 - Motor Accident Commission, 976
- RESI Corporation, 932
 - Transfers of Assets and Liabilities, 933
- RESI FP Pty Ltd, 944
 - Abridged Financial Statements, 946
 - Disposal of Non-Prescribed Assets and Liabilities, 945
 - Transfer of Assets to Generation Lessor Corporation, 945
- RESI GAS Pty Ltd, 947
 - Abridged Financial Statements, 949
 - Disposal of Assets and Liabilities of the Business, 947
 - Disposal of Non-Prescribed Assets and Liabilities, 948
- RESI OE Pty Ltd, 950
 - Abridged Financial Statements, 951
 - Transfer of Assets to the Generation Lessor Corporation, 951
- RESI SYN Pty Ltd, 952
 - Abridged Financial Statements, 953
- Residential Tenancies Fund
 - Attorney-General's Department, 468
- Results of Operations
 - Country Fire Service Board, 521
- Retained Profits
 - South Australian Asset Management Corporation, 995
- Revaluation of Non-Current Assets
 - South Australian Ports Corporation, 105

Revenue
 Adelaide Festival Centre Trust, 741
 Flinders University of South Australia, 219
 Passenger Transport Board, 831
 RevenueSA
 Department of Treasury and Finance, 1114
 Revenues and Expenses
 Northern Adelaide and Barossa Catchment Water Management Board, 1132
 Onkaparinga Catchment Water Management Board, 1142
 Patawalonga Catchment Water Management Board, 1150
 South Australian Aboriginal Housing Authority, 378
 South Australian Film Corporation, 844
 State Opera of South Australia, The, 857
 State Theatre Company of South Australia, 866
 Torrens Catchment Water Management Board, 1174
 Review of the Ambulance Service
 SA St John Ambulance Service Inc, 594
 Review of Capital Projects
 South Australian Housing Trust, 413
 Review of Funding to Health Services and Non-Government Organisations
 Department of Human Services, 344
 Risk Management
 Department of Human Services, 343
 Risk Management Fund
 Department of Education, Training and Employment, 194
 Risk Management Policy and Practice
 Adelaide Convention Centre Corporation, 628
 River Murray Catchment Water Management Board, 1159
 Water-Based Levies, 1159

S

SAFA's Capital
 South Australian Government Financing Authority, 1041
 SA St John Ambulance Service Inc, 589
 Ambulance Cover Scheme, 592
 Changes in Financial Position, 593
 Review of the Ambulance Service, 594
 SA TAB Pty Ltd, 134
 Extract from Independent Audit Report, 119
 Qualified Audit Opinion, 120
 Sale of the TAB
 South Australian Totalizator Agency Board, 118
 Sales and Distribution to Government
 Lotteries Commission of South Australia, 74
 Sales Revenue
 Lotteries Commission of South Australia, 75
 Santos Sponsorship
 University of Adelaide, 244
 Schlumberger Agreement
 South Australian Water Corporation, 147
 Service Level Agreements (SLAs)
 Emergency Services Administrative Unit, 555
 Separation Packages
 Department of Education, Training and Employment, 197
 Significant Events Prior to 1 July 2000
 Electricity Supply Industry Overview, 909
 Significant Features
 Department for Administrative and Information Services, 8
 South Australian Forestry Corporation, 89
 South Australian Housing Trust, 411
 South Australian Motor Sport Board, 679
 South Australian Superannuation Scheme, 1063
 South Australian Aboriginal Housing Authority, 375
 Community Owned Housing, 380
 Expenses and Revenues, 378
 Rent Revenue, 379
 Tenant Debtors, 379
 South Australian Asset Management Corporation, 993
 Interpretation and Analysis of Financial Statements, 994
 Retained Profits, 995

South Australian Community Housing Authority, 392, 394
 Capital Contributions, 396
 Funding to Community Housing Organisations, 397
 Planning and Analysis, 393
 South Australian Film Corporation, 842, 844
 Cash Assets, 845
 Expenses and Revenue, 844
 Film Production Investments and Unsecured Development Loans, 844
 South Australian Finance Trust Limited, 1008
 South Australian Forestry Corporation, 88, 92
 Audit Findings and Comments, 89
 Establishment and Functions, 88
 Extract from Independent Audit Report, 92
 Interpretation and Analysis of Financial Statements, 91
 Qualified Audit Opinion, 92
 Significant Features, 89
 Valuation of Forest Assets, 90
 South Australian Government Captive Insurance Corporation (SAICORP), 1015
 Interpretation and Analysis of Financial Statements - Section 1, 1017
 Catastrophe Reinsurance, 1018
 Investment Revenue, 1019
 Doubtful Debts, 1018
 Outstanding Claims, 1019
 Interpretation and Analysis of Financial Statements -Section 2, 1021
 Outstanding Claims, 1021
 Investment Revenue
 South Australian Government Financing Authority, 1037
 Assets and Liabilities, 1042
 Business Risk Management, 1044
 Common Public Sector Interest Rate, 1043
 Debt Redemption Assistance Payments, 1043
 SAFA's Capital, 1041
 South Australian Government Light Vehicle Fleet - Sale and Leaseback Arrangement
 Department for Administrative and Information Services, 21
 South Australian Health Commission, 409
 Amendments to the South Australian Health Commission Act 1976, 409
 Financial Statements and Audit, 409
 Transfer of Commission Assets and Liabilities, 410
 Unaudited Health Service Activity and Financial Transaction Data, 410
 South Australian Health Commission Act 1976, Amendments
 South Australian Health Commission, 409
 South Australian Housing Trust, 411
 Audit Findings and Comments, 412
 Indebtedness, 415
 Private Tenant Support Programs, 415
 Public Housing-Rent Rebates, 413
 Rental Operations, 414
 Review of Capital Projects, 413
 Significant Features, 411
 South Australian Metropolitan Fire Service, 604
 Extract from Independent Audit Report, 607
 Loan to the Emergency Services Administrative Unit, 606
 Qualified Audit Opinion, 607
 South Australian Motor Sport Board, 679
 Extract from Independent Audit Report, 681
 Qualified Audit Opinion, 681
 Significant Features, 679
 South Australian Ports Corporation, 103
 Borrowings, 106
 Contributions Paid to Government, 106
 Divestment Process, 103
 Ministerial Directions, 104
 Revaluation of Non-Current Assets, 105
 South Australian Superannuation Board, 1061
 South Australian Superannuation Scheme, 1063
 Liability for Accrued Benefits, 1065
 Significant Features, 1063

South Australian Totalizator Agency Board, 117
 Additional Distribution, 120
 Five Year Analysis of Turnover, 120
 SA TAB Pty Ltd
 Extract from Independent Audit Report, 119
 Qualified Audit Opinion, 119
 Sale of the TAB, 118
 Sportsbet, 123
 TAB Staff Superannuation Fund, 123
 South Australian Tourism Commission, 688
 Audit Findings and Comments, 689
 Interpretation and Analysis of Financial Statements, 690
 South Australian Water Corporation, 143
 Changes to Corporate Structure, 143
 Community Service Obligations, 152
 Customer Service Information System, 146
 Economic Development Obligations, 150
 Financial Performance, 153
 Internal Audit, 145
 Management of Major Contracts, 146
 Overseas Business Investment, 154
 Schlumberger Agreement, 147
 Subsidiary Corporate Governance Frameworks, 153
 South East Catchment Water Management Board, 1167
 Water-Based Levies, 1167
 Southern State Superannuation Scheme, 1076
 Sportsbet
 South Australian Totalizator Agency Board, 123
 Stadium Arrangements
 Department for Environment and Heritage, 302
 State Electoral Office, 617
 Operations, 618
 State Government Grants
 Museum Board, 819
 State Opera of South Australia, The, 855
 Expenses and Revenues, 857
 Production Statistics, 857
 State Supply Board, 171
 Audit Findings and Comments, 172
 Functional Responsibility and Structure, 171
 State Theatre Company of South Australia, 864
 Expenses and Revenues, 866
 Production Statistics, 866
 Statement of Financial Performance
 Courts Administration Authority, 533
 Department for Correctional Services, 507
 Statement of Financial Position
 Electricity Reform and Sales Unit, 896
 Status of Financial Statements
 Department of Industry and Trade, 433
 Institute of Medical and Veterinary Science, 374
 Judges' Pensions Scheme, 971
 Parliamentary Superannuation Scheme, 991
 Police Superannuation Scheme, 992
 Strategic Planning
 University of South Australia, 271
 Subsidiary Corporate Governance Frameworks
 South Australian Water Corporation, 153
 Superannuation Funds Management Corporation of South
 Australia, 1086
 Funds Under Management, 1089
 Income from Investments, 1088
 Investment Returns, 1090
 Member Investment Choice, 1090

T

TAB Sale
 South Australian Totalizator Agency Board, 118
 TAB Staff Superannuation Fund
 South Australian Totalizator Agency Board, 123
 Tenant Debtors
 South Australian Aboriginal Housing Authority, 379
 Torrens Catchment Water Management Board, 1174
 Cash Assets, 1175
 Revenues and Expenses, 1174

TransAdelaide, 873
 Adelaide Hills, 877
 AUSTRICS, 877
 Controlled Entity Operations, 877
 Internal Audit, 875
 Joint Venture Relationship, 877
 Non-Current Assets, 876
 Organisational Structure, 873
 Passenger Transport Contracts, 876
 Transfer of Assets to Generation Lessor Corporation
 RESI FP Pty Ltd, 945
 Transfer of Assets to the Generation Lessor Corporation
 RESI OE Pty Ltd, 951
 Transfer of Commission Assets and Liabilities
 South Australian Health Commission, 410
 Transfer of Electricity Generation Assets
 Generation Lessor Corporation, 923
 Transfers of Assets and Liabilities
 RESI Corporation, 933
 Transmission Lessor Corporation, 954
 Disposal of Non-Prescribed Assets and Liabilities, 955
 Lease of Electricity Transmission Assets, 955
 Transport, Urban Planning and The Arts, Department for see
 Department for Transport, Urban Planning and The Arts
 Treasury and Finance see Department of Treasury and
 Finance
 Trusts Being Administered, Statement of
 Public Trustee Services, 477
 Turnover, Five Year Analysis
 South Australian Totalizator Agency Board, 120

U

Unaudited Health Service Activity and Financial Transaction
 Data
 South Australian Health Commission, 410
 Unaudited Health Service Financial Activity
 Department of Human Services, 369
 Underwriting Result
 Motor Accident Commission, 974
 University of Adelaide, 241
 Management Information Systems, 243
 Operating Result, 242
 Santos Sponsorship, 244
 University of South Australia, 270
 Budgetary Control, 271
 Budgetary Control Practices, 272
 Operating Expenses, 274
 Operating Revenue, 273
 Payroll, 272
 Performance Based Remuneration, 272
 Strategic Planning, 271
 Unsecured Development Loans
 South Australian Film Corporation, 844

V

Valuation of Assets
 Country Fire Service Board, 520
 Valuation of Forest Assets
 South Australian Forestry Corporation, 90

W

Waste Depot Levies
 Department for Administrative and Information Services, 13
 Department for Environment and Heritage, 300
 Water-Based Levies
 River Murray Catchment Water Management Board, 1159
 South East Catchment Water Management Board, 1167
 Water Licensing
 Department for Water Resources, 1185
 Water Resources, Department of see Department of Water
 Resources
 Whole-of-Government Mobile Phone Contract
 Department for Administrative and Information Services, 13

