

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

Report
of the
Auditor-General

Annual Report
for the
year ended 30 June 2008

Tabled in the House of Assembly and ordered to be published, 14 October 2008

Third Session, Fifty-First Parliament

Part B: Agency Audit Reports

Volume II

By Authority: T. Goodes, Government Printer, South Australia

2008

**Report of the Auditor-General
Annual Report for the year ended 30 June 2008**

TABLE OF CONTENTS TO VOLUMES I, II, III, IV AND V

	Page
VOLUME I	
Accounts of Public Authorities	1
Adelaide Convention Centre Corporation	3
Adelaide Entertainments Corporation	19
Adelaide Festival Centre Trust	38
Adelaide Festival Corporation	58
Art Gallery Board	69
Attorney-General's Department	89
Residential Tenancies Fund	131
Public Trustee	141
Auditor-General's Department	193
Correctional Services — Department for	208
Courts Administration Authority	233
Defence SA	266
VOLUME II	
Education and Children's Services — Department of	287
Environment and Heritage — Department for	337
Environment Protection Authority	384
Families and Communities — Department for	409
Flinders University of South Australia	453
Further Education, Employment, Science and Technology — Department of	502
Health — Department of	534
HomeStart Finance	578
VOLUME III	
Judges' Pensions Scheme	615
Land Management Corporation	625
Legal Services Commission	657
Libraries Board of South Australia	674
Local Government Finance Authority of South Australia	695
Lotteries Commission of South Australia	714
Motor Accident Commission	741
Museum Board	766
Parliamentary Superannuation Scheme	784
Police Superannuation Scheme	797

**Report of the Auditor-General
Annual Report for the year ended 30 June 2008**

TABLE OF CONTENTS TO VOLUMES I, II, III, IV AND V

	Page
VOLUME III	
Premier and Cabinet — Department of the	810
Primary Industries and Resources — Department of	844
SA Ambulance Service Inc	845
South Australia Police	869
South Australian Asset Management Corporation	905
VOLUME IV	
South Australian Country Fire Service	919
South Australian Fire and Emergency Services Commission	941
South Australian Forestry Corporation	974
South Australian Government Financing Authority	1001
South Australian Housing Trust	1033
South Australian Metropolitan Fire Service	1070
South Australian Motor Sport Board	1092
South Australian State Emergency Service	1110
South Australian Superannuation Board	1130
South Australian Ambulance Service Superannuation Scheme	1138
South Australian Superannuation Scheme	1150
Southern State Superannuation Scheme	1169
South Australian Tourism Commission	1187
South Australian Water Corporation	1207
State Electoral Office	1246
VOLUME V	
Superannuation Funds Management Corporation of South Australia	1259
Trade and Economic Development — Department of	1291
TransAdelaide	1319
Transport, Energy and Infrastructure — Department for	1349
Treasury and Finance — Department of	1350
University of Adelaide	1398
University of South Australia	1449
Water, Land and Biodiversity Conservation — Department of	1489

Appendix

Treasurer's Financial Statements (Statements A-L)

GLOSSARY OF TERMS

AUSTRALIAN ACCOUNTING STANDARDS - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Equivalents to International Financial Reporting Standards
AASB 2	Share-based Payment
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Cash Flow Statements
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Balance Sheet Date
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 114	Segment Reporting
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 130	Disclosures in the Financial Statements of Banks and Similar Financial Institutions
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 133	Earnings per Share
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1045	Land Under Roads: Amendments to AAS 27A, AAS 29A and AAS 31A
AASB 1048	Interpretation and Application of Standards
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures

AASB INTERPRETATIONS

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1055	Accounting for Road Earthworks

AUSTRALIAN ACCOUNTING STANDARDS - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans
AAS 29	Financial Reporting by Government Departments
AAS 29A	Amendments to the Transitional Provisions in AAS 29
AAS 31	Financial Reporting by Governments
AAS 31A	Amendments to the Transitional Provisions in AAS 31

TREASURER'S INSTRUCTIONS - TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management Policies
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditor's Accounts
TI 12	Government Purchase Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff
TI 14	Ex Gratia Payments
TI 15	Grant Funding
TI 17	Evaluation of and Approvals to Proceed with Public Sector Initiatives
TI 18	Unclaimed Moneys
TI 19	Financial Reporting
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Taxation Policies

ACCOUNTING POLICY FRAMEWORK - APF

Reference	Title
APF I	Purpose and Scope
APF II	General Purpose Financial Reporting Framework
APF III	Asset Accounting Framework
APF IV	Financial Asset and Liability Framework
APF V	Income Framework
APF VI	Definitions

LEGISLATION

Reference	Title
ITAA	<i>Income Tax Assessment Act 1997</i>
NRMA	<i>Natural Resources Management Act 2004</i>
PCA	<i>Public Corporations Act 1993</i>
PFAA	<i>Public Finance and Audit Act 1987</i>
PSM Act	<i>Public Sector Management Act 1995</i>
WRCA	<i>Workers Rehabilitation and Compensation Act 1986</i>

ACRONYMS

Reference	Title
AASs	Australian Accounting Standards ¹
AGAAP	Australian Generally Accepted Accounting Principles
AIFRS	Australian equivalents to International Financial Reporting Standards
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer Processing Environment
FBT	Fringe Benefits Tax
FMF	Financial Management Framework
GST	Goods and Services Tax
ICT	Information and Communications Technology
TI	Treasurer's Instruction
TVSP	Targeted Voluntary Separation Package

¹ 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board and any of the following standards: AAS 25, AAS 29 and AAS 31 and associated amendments to transitional provisions (AAS 29A, AAS 31A) which are in force in relation to the reporting period to which the financial report relates.

VOLUMES I, II, III, IV AND V

REFERENCES TO MATTERS OF SIGNIFICANCE

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

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

Reference should also be made to Part A — Audit Overview and Part C — State Finances and Related Matters which also contain comments on specific matters of importance and interest.

Agency	Matter	Page
Adelaide Entertainments Corporation	Funding grant of \$50 million paid to the Corporation by the State Government in June 2008 for the redevelopment of the entertainment facility	20
Adelaide Festival Centre Trust	Administrative Restructure - Trust assets with a written down value of \$77.7 million were transferred to the Minister for the Arts	41
	Charter and Performance Statement	39
	ICT Management and Control	39
Attorney-General's Department	Office of Consumer and Business Affairs	90
	Residential Tenancies Fund	90
Correctional Services, Department for	Control weaknesses with regard to the completeness of recording of PRIME (prison industries) revenue raised	209
	Public Private Partnership - New Prisons and Secure Facilities Project.....	212
Courts Administration Authority	Cash at Bank	234
	Delegations of Authority	234
	Fines, Fees and Levies	238
	Fines Policy	235
	Public Private Partnership.....	238
	Risk Management	234
Defence SA	Life to Date Project Reporting	268
	Payment and Disbursement Authority.....	267
	Techport Australia - Navy's Air Warfare Destroyers Project.....	270
Education and Children's Services, Department of	Controls over Processing Expenditure	291
	Fee-Paying Overseas Students - Financial Performance.....	290
	Maintenance.....	292
	Monitoring of School Finances.....	291
	Payroll	288
	Procurement	292
Environment and Heritage, Department for	Adelaide's Living Beaches Project	343
	Budgetary Control.....	339
	Crown Land Perpetual Leases	343
	Fixed Assets - Accounting for Crown Land	338
	Qualified Auditor's Opinion	338
Families and Communities, Department for	Expenditure.....	411
	Funding to Non-Government Organisations	410
	Home for Incurables Trust.....	412
	Payroll	411

Agency	Matter	Page
Flinders University of South Australia	Expenditure	454
Further Education, Employment, Science and Technology, Department of	Contract Management Framework.....	505
	Expenditure	503
	Financial Management Reporting	503
	Payroll and Human Resources.....	504
	Risk Management	503
	Student Revenue	505
Health, Department of	Accounts Payable.....	539
	Equity Contribution by the State Government of \$67.6 million	544
	Funding to Non-Government Organisations	538
	<i>Health Care Act 2008</i>	542
	Health Unit Special Purpose Funds	542
	Legal Compliance Framework	536
	Modbury Hospital.....	541
	Payroll.....	539
	Public Private Partnership - Marjorie Jackson-Nelson Hospital Project	543
	Risk Management	535
	Shared Services Arrangements.....	541
HomeStart Finance	Bad and Impaired Loans Expense	581
	Breakthrough Loans	582
	Distributions to Government.....	584
	Financial Risks.....	582
	General Reserve for Credit Losses	583
	Loan Quality.....	583
	Net Interest Income.....	580
	Provisions for Impairment.....	582
Judges' Pensions Scheme	Transfer of \$12 million from the Consolidated Account.....	616
	Excess of Liabilities over Assets	616
Land Management Corporation	Asset Valuations	629
	Mawson Lakes Government Infrastructure Project.....	630
	Playford North	631
	Port Adelaide Waterfront Redevelopment	630
Local Government Finance Authority of South Australia	Guarantee by the Treasurer	695
	Qualified Auditor's Opinion	696
Lotteries Commission of South Australia	Distributions to Government.....	717
Motor Accident Commission	Changes to Investment Management.....	741
	Investment Result.....	744
	Investments.....	745
	Operating Result.....	745
	Provision for Outstanding Claims.....	746
	Solvency Level	747
	Underwriting Result.....	743
Parliamentary Superannuation Scheme	Transfer of \$18 million from the Consolidated Account.....	785
	Excess of Liabilities over Assets	786
Police Superannuation Scheme	Transfer of the lump sum scheme to the Southern State Superannuation Scheme from 1 July 2008	797
	Estimated liability for accrued benefits increased by \$86 million to \$1574 million	800
Premier and Cabinet, Department of the	Expense of \$35 million relating to a provision in respect of a guarantee provided by the Premier associated with the Alice Springs to Darwin Railway Project.	812

Agency	Matter	Page
Public Trustee	Information and Communications Technology (ICT) Management and Control 142 Trust Operations 142	
SA Ambulance Service Inc	Ambulance Cover Scheme 850 Ambulance Service Computer Processing Environment 847 Payment Delegations 847 Payroll Related Matters 846 Revised Governance Arrangements Effective 1 July 2008 851	
South Australia Police	Expiation Fees 873 Management of Workers Compensation Claims 870	
South Australian Fire and Emergency Services Commission	Administered Items and Expenses 947 Expenditure 944 Governance and Risk Management 942 Payroll 944	
South Australian Forestry Corporation	Growing Timber Valuation 976 Qualified Auditor's Opinion 975 Removal of Audit Qualification 976	
South Australian Government Financing Authority	Adelaide to Darwin Railway Project \$35 million impairment expense for SAFA's holding of corporate securities issued for the Adelaide to Darwin Railway Project 1004 Common Public Sector Interest Rate 1006 Insurance activities have had a significant influence on SAFA's operating results over the past two years 1005 SAFA's operating loss before income tax equivalent was \$57 million 1004	
South Australian Housing Trust	Accounts Payable 1035 Inventory and Fixed Asset Work in Progress 1034 Maintenance Expenditure 1036 Maintenance Works System Project 1037 Payroll 1036 Rent 1035 Water and Council Rates 1036	
South Australian Motor Sport Board	Cancelled Victoria Park (Bakkabakkandi) Redevelopment 1097 Qualified Auditor's Opinion 1093 Temporary Pit Building and Infrastructure 1097 Victoria Park Assets 1093	
South Australian Superannuation Scheme	Estimated Liability for Accrued Benefits 1152 Past service Liability Funding 1151 Benefits Paid 1153	
South Australian Water Corporation	Capital Planning and Project Management 1209 Contributions to the State Government 1214 Human Resource Management System (HRMS) 1209 Procurement 1209 Rebate Schemes 1208 Water Security - Adelaide Desalination Project 1215	
Southern State Superannuation Scheme	Contribution Revenue 1171 Benefits Paid 1172	
Superannuation Funds Management Corporation of South Australia	Asset Allocation 1262 Funds Under Management 1261 Income from Investments 1262 Net Income Earned from Investment Activities 1263	
TransAdelaide	Contract Income - Financial Dependence 1322 Finance Restructure 1319 Joint Venture Relationship 1324 Net Cost - Restructure/Asset Transfer and Write-off 1323	

Agency	Matter	Page
Treasury and Finance, Department of	Shared Services SA.....	1353, 1354
	State Procurement and Support Operations.....	1354
University of Adelaide	Corporate Governance.....	1399
	Documenting Policies and Procedures.....	1399
	Procurement and Accounts Payable	1399
University of South Australia	Government Grant Funding.....	1450
	Qualified Auditor's Opinion	1450
Water, Land and Biodiversity Conservation, Department of	Control Environment	1490
	Corporate Governance.....	1490
	Fixed Assets – Control and Recognition.....	1498
	Living Murray Initiative.....	1498
	Murray-Darling Basin Commission.....	1496
	Save the River Murray Fund	1497
	Water Information Licensing Management Application	1492

DEPARTMENT OF EDUCATION AND CHILDREN'S SERVICES

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of Education and Children's Services (the Department) is an administrative unit established pursuant to the PSM Act, and is responsible to the Minister for Education and Children's Services.

Functions

The main function of the Department is to establish and operate Government schools that provide preschool, primary and secondary education.

The Department also administers certain activities on behalf of the Minister for Education and Children's Services. The principal administered activity is the payment of the State and Commonwealth Government contributions to non-Government schools. For more information about the Department's functions refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the Department for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2007-08, specific areas of audit attention included:

- expenditure and accounts payable
- maintenance of school buildings
- payroll
- grants to non-Government organisations.

An understanding of internal audit activities has been obtained in order to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures. Use has been made of the work performed by internal audit in the following areas:

- Audit of school enrolment data used to determine the amount of funding provided to each Government school.
- Audit of Government schools performed by contractors appointed, managed and monitored by the Department's internal auditor.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Department of Education and Children's Services as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

Audit formed the opinion that the controls exercised by the Department of Education and Children's 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 raised in relation to Payroll, as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Department have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Department of Education and Children's Services. The major matters raised with the Department and the related responses are outlined below.

Payroll

The Department's payroll was approximately \$1.5 billion in 2007-08 and is processed through the Valeo Human Resource Management System (Valeo). The Department employs approximately 20 200 full time equivalents.

Monitoring of Controls

Audit noted that monthly reports provided to the Department's senior management or executive on the performance of key payroll controls was limited to the provision of information on overpayments and manual payments. There was insufficient reporting on other key payroll controls such as the receipt and follow-up of certified bona fide reports, monthly leave returns and flexi-sheets, nor reporting on the level of compliance with the Valeo Risk Management Strategy for sample checking of the accuracy and validity of transactions entered into Valeo.

The audit identified that breakdowns in these key payroll controls were not being identified and dealt with promptly increasing the risk of invalid or inaccurate payments.

The Department advised that:

- progress reports on receiving certified bona fide reports and monthly leave returns will be provided to the Department's Human Resources Board
- reporting on compliance with the Valeo Risk Management Strategy will be considered as part of a quality assurance project. This project is investigating a range of approaches for ensuring and monitoring data quality.

Authentication of Input Forms

Pay clerks make changes to employee's pay and leave files in Valeo by entering data from input forms that must be signed by officers with delegated authority.

The audit again identified that pay clerks do not have copies of specimen signatures to enable the authentication of the authorising signatures on the forms. Last year the Department advised that maintaining copies of specimen signatures is impractical and that use of electronic forms and approvals would be considered. Follow-up by Audit identified the Department has not implemented electronic forms and approvals.

The Department advised that:

- current strategic priorities have prevented progress on developing electronic forms and approvals which require the development of an Identity and Access Management system and additional interfaces

- the bona fide report highlights to site managers any irregularities in authorisations. The bona fide reporting will continue to be maintained and improved to optimise its effectiveness
- alternative strategies will be examined as part of a review of controls being undertaken in preparation for the transition to Shared Services SA.

Input Validation Checks

Pay clerks update employee's pay and leave files in Valeo by entering data from input forms. The pay clerks give the input forms to checking pay clerks who compare the forms visually to the various Valeo data screens to verify the complete and accurate entry of data.

Audit has advised the Department every year since the inception of Valeo in 2004-05 that the design of this check does not provide assurance that all input forms are given to the checking officers for verification. This view is consistent with the results of a review performed in June 2005 by a contractor appointed by the Department to assess the design of controls within Valeo.

In recent years the Department has implemented a number of strategies to increase the chances of detecting invalid or inaccurate entries into Valeo. These strategies include the:

- introduction of a draft Valeo Risk Management Strategy that focuses on less independent checking of transactions entered by experienced pay clerks and more independent checking of high risk transactions that would cause under or overpayments when invalid or inaccurate
- appointment of Data Integrity Officers to monitor the pays of officers with update access to Valeo.

The audit identified insufficient evidence of compliance with the draft Valeo Risk Management Strategy. Some input forms that should have been checked under the strategy had not been signed by the checkers.

Audit also noted that the prevention or detection of invalid or inaccurate entries into Valeo could be reduced further by implementing Audit's past recommendation that either:

- an output report be produced of changes processed by each pay clerk for verification by another pay clerk against source documents selected using an approved Valeo Risk Management Strategy, or
- a computer system control be established that requires the pay clerk to enter data and another pay clerk to verify and authorise that data on-line before acceptance by the system. Valeo could have password authentication controls that prevent the same pay clerk from entering, verifying and authorising the same data.

In response the Department advised that:

- a project proposal for the output report has been developed and is being costed
- its own error checking audits have identified a low error rate and variable risk level by transaction type. Alternative strategies are being investigated to focus on highest risk transactions
- the Valeo Risk Management Strategy will be approved by the end of September 2008 after being considered as part of a quality assurance project.

In past year's the Department has advised that the computer system control recommended by Audit is not possible given that:

- significant system changes to Valeo would be required with extensive associated costs
- additional resources would be required to ensure all transactions are authorised within already tight timelines
- transactions are unlikely to be processed in time for the pay run.

Notification of Changes to Employee Pays

Valeo will continue to pay each employee their standard fortnightly pay until pay clerks receive and process notifications to stop or change the employee's pay.

The Department has established the following controls to ensure pay clerks receive notifications to change employee pays:

- Worksite managers must review their fortnightly Valeo bona fide report and notify the Payroll Services Unit of any errors. The reports show the name of each employee and the key information used to calculate their pay.
- Schools must provide the Payroll Services Unit with a monthly listing of leave taken by employees for comparison to leave recorded in Valeo.

The audit identified that the Payroll Services Unit only requires worksites to return certified bona fide reports for 6 of the 26 fortnightly pay periods. In the intervening pay periods the Payroll Services Unit has no assurance that bona fide reports are reviewed diligently by all worksite managers.

The audit also identified that, consistent with past years, some pay clerks and their supervisors were not promptly following-up outstanding bona fide reports for the six pay periods and monthly leave returns increasing the risk of invalid or inaccurate payments.

In prior years, Audit has recommended the Department consider replacing hardcopy bona fide reports and monthly leave returns with an electronic version that worksite managers can return by email fortnightly. The Department advised that it would consider the feasibility of the recommendation when assessing other initiatives relating to electronic work flows. Follow-up by Audit identified the Department has not implemented electronic reports, leave returns and approvals.

The Department advised that:

- the Payroll Services Unit only requires worksites to return certified bona fide reports for 6 of the 26 fortnightly pay periods because it considers these particular pay periods to pose the highest risk. The pay periods are at the beginning of the year and each term when many changes to employee's work arrangements occur. Worksites are also required to return bona fide reports for any pay period when an error is identified
- a number of barriers affected the implementation of electronic bona fide reports and leave returns including uncertainty around the future of Valeo in the post Shared Services SA environment. It is now clear that Valeo will be used for at least three more years. Another barrier is current strategic priorities prevent progress on developing electronic approvals which require the development of an Identity and Access Management system and additional interfaces.

Fee-Paying Overseas Students

Financial Performance

There has been a significant growth in the number of full fee-paying overseas students enrolled in Government schools. The number has grown from around 700 full time equivalent students in February 2005 to around 1100 in February 2008.

Audit has previously reported that the Department has not regularly measured and monitored the financial performance of its fee paying overseas students program. This has increased the risk of tuition fees being set at levels that do not cover teaching and other program costs.

Last year the Department advised that a process would be implemented to regularly measure and monitor the financial performance of its fee-paying overseas students program.

Follow-up by Audit indicated the Department is developing a comprehensive costing model to measure the costs of the fee-paying overseas students program. The Department expects to complete the costing model by December 2008.

Grants to Non-Government Organisations

Outstanding Acquittals and Expired Grant Agreements

The Department and various Boards established under the *Education Act 1972* provide State funded grants to non-Government organisations such as private schools, preschools, ethnic schools and many other bodies.

State grants paid by the Boards are recorded in the grants system. Audit noted that the Department plans to modify the grants system by February 2009 to also record State grants paid by the Department and extra information to enable the ready identification and follow-up of outstanding acquittals and expired grant agreements requiring renewal.

Audit's review of a sample of grant payments identified the need for the planned modifications to the grants system to reduce instances of acquittals not being followed-up and received promptly.

Grants to Non-Government Preschools

The Department controls the provision of State grants to non-Government preschools. In 2004-05 the Department started drafting new funding agreements for non-Government preschools that will have new accountability and acquittal requirements. Audit noted that the draft agreements have not yet been finalised.

The Department advised that a final version of the agreement will be available by the end of October 2008.

Monitoring of School Finances

The Department identifies schools in financial difficulty by monitoring each school's balance of investments held in the SA School Investment Fund (SASIF). However, monitoring of these balances will not always identify schools with insufficient funds to cover their debts. To solve this problem, the Department also analyses each school's financial statements. Audit noted that the financial statements are only available annually. This can cause delays in the identification of schools in financial difficulty.

Last year, the Department advised the development and implementation of the School Performance Information Management System (SPIMS) had re-commenced after being temporarily postponed. The Department anticipated the system would provide immediate access to the financial results of schools recorded in each school's general ledger. This would enable more timely identification and investigation of schools that have insufficient funds to cover their debts.

Follow-up by Audit indicated the Department has not yet implemented SPIMS. The Department advised that SPIMS has not been implemented because it is considering alternative financial systems for schools which may affect the final design of SPIMS. In the meantime, the Department advised that it is identifying schools in financial difficulty by analysing a broader range of data than was originally envisaged with SPIMS. The analysis also includes a risk assessment with graduated action depending on levels of risk and the development and implementation of remedial action plans with involvement and sign off from both the school's principal and the District Director.

Completeness of School Financial Information

Many schools operate multiple bank accounts and hold multiple investments.

The Department requires schools to submit annually a schedule of investments and bank accounts. The Department uses the schedule to identify any bank accounts or investments not accounted for in the Education Department School Administration System (EDSAS) and consequently not incorporated into the Department's consolidated financial report. EDSAS is the accounting software used by schools.

Audit noted the potential for schools to omit some bank accounts and investments from their schedule. This increases the risk of misstatements in the Department's consolidated financial report.

In 2006-07 the Department advised that it would reduce this risk by obtaining details from major banks of all accounts held in the name of every Government school. Comparison of bank records to Departmental records should identify bank accounts and investments that schools have omitted from their schedule of school accounts.

Audit noted that the Department has requested but not yet received from some major banks the details of accounts held in the name of every Government school.

Controls over Processing Expenditure

Audit identified that the scope of the checks performed by accounts payable supervisors on the work performed by accounts payable officers should be increased. This would reduce the risk of officers paying invoices or vouchers that have insufficient evidence of:

- approval by staff with appropriate authority to incur the expenditure
- certification that the goods or services have been received.

The Department advised that accounts payable supervisors and officers would be reminded in writing of their responsibility for checking invoices and vouchers.

Last year, Audit identified that controls relating to the processing of expenditure could be improved by documenting the policies and procedures for the management, control and payment of bus contractors and disabled student taxi transport.

Follow-up by Audit indicated the documentation of policies and procedures had not been completed. The Department advised that the documentation will be completed by December 2008 for bus contractors and by 30 September 2008 for disabled student taxi transport.

Procurement

Procurement of Transport Services under the New Arrivals Program

Last year, Audit noted that some schools did not comply with the Department's procurement policies when procuring bus firms to transport students under the New Arrivals Program. Schools pay the bus firms and obtain re-imbursement from the Department.

Last year, the Department advised that:

- the policies and procedures for procuring, managing and paying bus firms to transport students under the New Arrivals Program would be reviewed
- following this review and recommendations being made the policies and procedures would be documented, approved and implemented.

The Department expects the review to be completed by December 2008.

Maintenance

Backlog of Maintenance

Audit considers an effective performance indicator for measuring whether school buildings are adequately maintained is the backlog of maintenance.

Last year, Audit noted there was no frequent reporting to the Chief Executive on the estimated backlog, risks associated with the backlog and results of strategies to mitigate these risks.

The Department considered its current reporting processes to be sufficient and there was no need for improved reporting to the Chief Executive on the estimated backlog.

Audit's review of the 2007-08 report to the Chief Executive on the backlog indicated the reports did not provide an insight into:

- how the backlog was calculated
- the nature or types of maintenance included in the backlog
- the significance of any risks associated with the backlog
- the results of any risk mitigation strategies
- whether the backlog of higher risk maintenance is increasing or decreasing.

Audit again recommended the Chief Executive be provided with more informative and frequent reports on the estimated backlog.

The Department advised that:

- it regards the information on the backlog reported annually as part of budget negotiations to be appropriate
- the backlog is a financial indicator rather than a mechanism to record risk and mitigating action. The Department has established other processes to manage risks.

Audit of Maintenance Charges

The Department for Transport, Energy and Infrastructure (DTEI) provide maintenance services to schools. DTEI audit maintenance charges to ensure contractors do not overcharge schools for maintenance.

Last year, Audit noted the Department was not advised of the scope and outcomes of these audits to provide reasonable assurance that schools were not overcharged.

Follow-up by Audit identified that the Department is still not advised by DTEI of the scope and outcomes of the audits of maintenance charges.

The Department advised that DTEI were to provide the reports on the audits half yearly but the reports have not been provided. The Department is seeking to incorporate this requirement into a new service level agreement with DTEI.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

The following commentary relates to the Department only, and not schools.

Highlights of the Financial Report (DECS)

	2008 \$'million	2007 \$'million	Percentage Change
INCOME			
Commonwealth revenue	249	225	11
Other	59	66	(11)
Total Income	308	291	6
EXPENSES			
Employee benefit expense	1 530	1 472	4
Supplies and services	294	266	11
Other expenses	196	173	13
Total Expenses	2 020	1 911	6
Net Cost of Providing Services	1 712	1 620	6
Revenues from (payments to) State Government	1 724	1 608	7
Net Result	12	(12)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	111	62	79
ASSETS			
Current assets	243	200	22
Non-current assets	2 684	2 275	18
Total Assets	2 927	2 475	18
LIABILITIES			
Current liabilities	253	218	16
Non-current liabilities	425	422	1
Total Liabilities	678	640	6
EQUITY	2 249	1 835	23

Income Statement (DECS)

Income

Revenues from the State Government rose by \$116 million to \$1.7 billion principally to fund increases in salary and wages, funding to Government schools and acquisitions of property, plant and equipment.

Expenses

Employee benefit expense rose by \$58 million to \$1.5 billion due mainly to enterprise bargaining pay increases during 2007-08.

Supplies and services and other expenses rose by \$51 million to \$490 million due mainly to increased funding to Government schools.

Net Result

The Department's income exceeded expenses resulting in a surplus of \$12 million. In 2006-07 the Department incurred a deficit of \$12 million.

Balance Sheet (DECS)

Non-current assets increased by \$409 million due mainly to the revaluation of land and buildings. The revaluation resulted in an increment of \$401 million which is also recognised in the asset revaluation reserve under equity.

The total liabilities increased by \$38 million to \$678 million due mainly to an increase in the provision for long service leave caused by pay increases and reduction in the benchmark number of years for calculating the provision.

At 30 June 2008 the employee benefit and related on-cost liability of \$492 million (\$463 million) comprised 73 percent (72 percent) of total liabilities and was for the following full time equivalent employees (FTEs) by category:

	2008	2007	
	FTE	FTE	Change
Department			
<i>Education Act 1972</i>	13 731	13 918	(187)
Schools Services Officers Award	3 757	3 764	(7)
<i>Children's Services Act 1985</i>	941	918	23
<i>Public Sector Management Act 1995</i>	1 244	1 242	2
Weekly paid	325	327	(2)
Other	236	234	2
Total	20 234	20 403	(169)
Administered Activities			
<i>Public Sector Management Act 1995</i>	9	12	(3)
<i>Education Act</i>	7	5	2
Other	-	1	(1)
Total	16	18	(2)

Cash Flow Statement (DECS)

The following table summarises the net cash flows for the two years to 2008.

	2008	2007
	\$'million	\$'million
Net Cash Flows		
Operations	111	62
Investing	(78)	(52)
Financing	(1)	(5)
Change in Cash	32	5
Cash at 30 June	201	169

As disclosed in Note 17, cash of \$201 million includes \$166 million held with the Department of Treasury and Finance in the Accrual Appropriation Excess Funds account.

In 2007-08 the Department transferred \$16 million of its cash balance to the Consolidated Account in accordance with the Government's policy of aligning agency cash balances with appropriation and expenditure authority. Refer Note 2(i).

Note 17 also shows the funds held in the SASIF on behalf of Government primary and secondary schools as at 31 December 2007. The amount held in SASIF accounts at 31 December 2007 was \$169 million (\$157 million).

Administered Items

The Department administers certain funds on behalf of the Minister for Education and Children's Services. The funds are received from the Commonwealth and State Governments and used mainly to pay:

- grants to non-Government schools of \$626 million (\$583 million)
- subsidies of \$11 million (\$11 million) to the Public Transport Division of DTEI for student travel concessions on metropolitan and country transport services, eg bus, train
- an operating grant to Senior Secondary Assessment Board of South Australia of \$12 million (\$11 million).

Administered Grants to Non-Government Schools

The Department administered the provision of Commonwealth grants to non-Government schools including \$480 million (\$439 million) for operating and capital purposes.

The Department also administered the payment of \$129 million (\$122 million) in State grants to non-Government schools. The grants were based principally on the average annual enrolment of the schools and the 'needs' of the schools and their students.

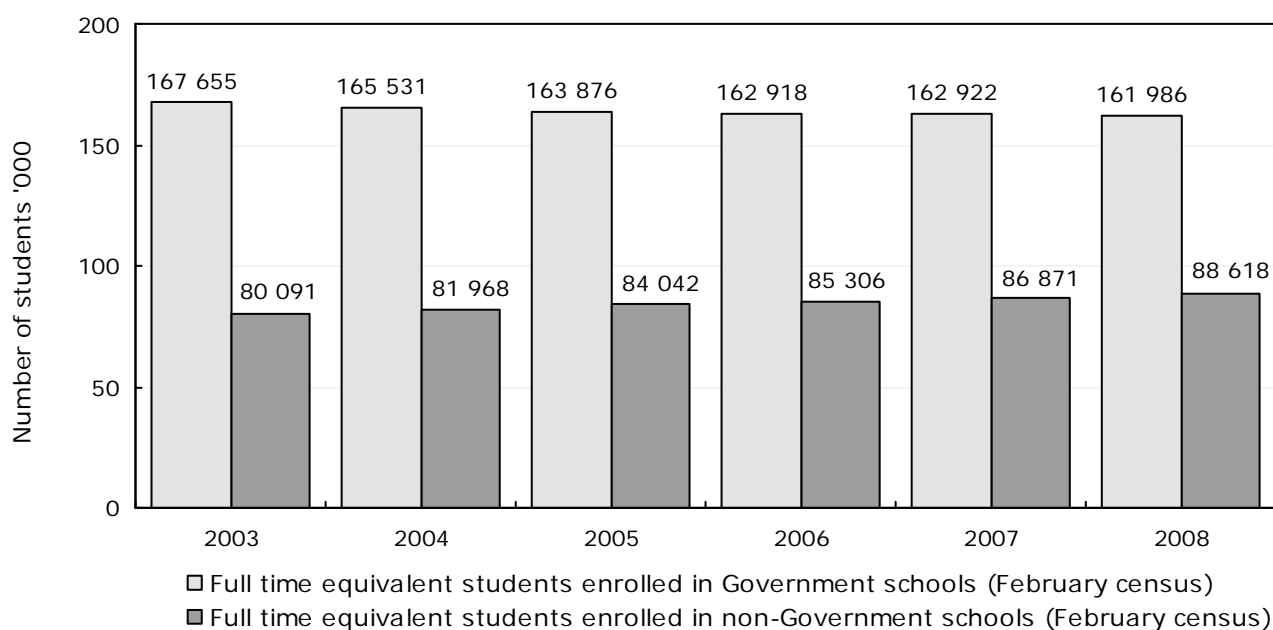
The 'needs' of the schools and their students took into account the following elements:

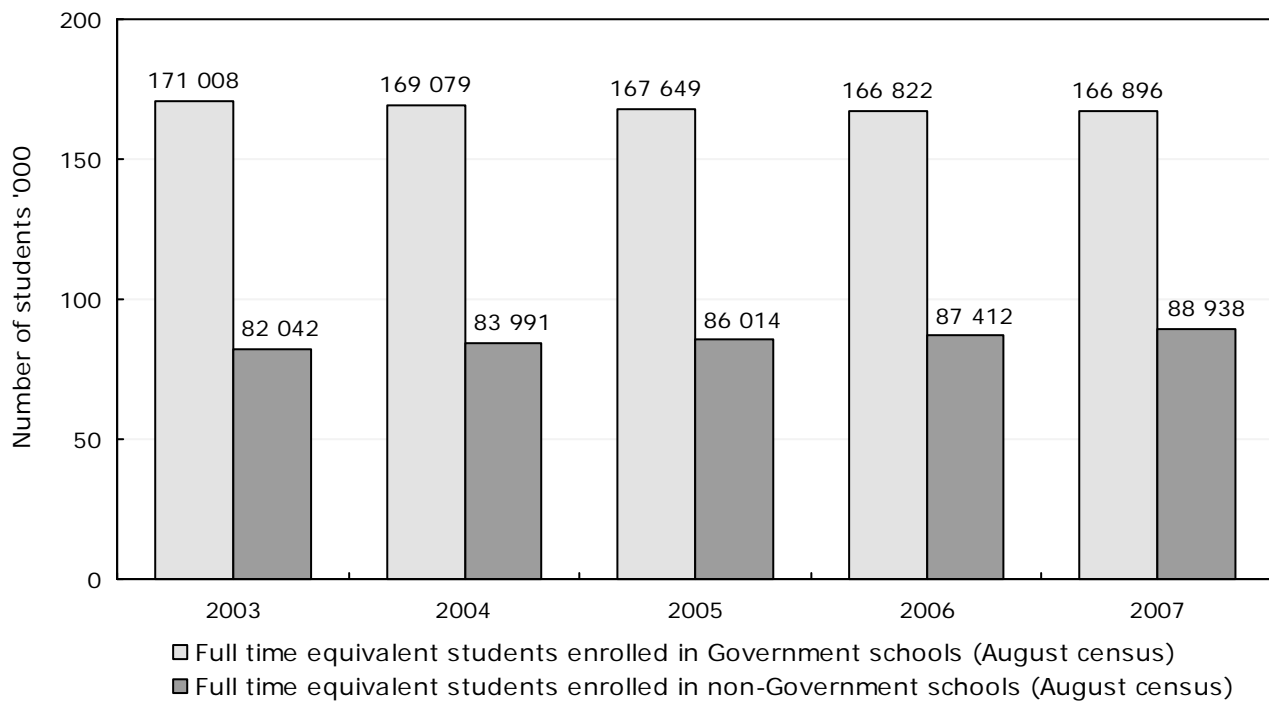
- special needs students
- social equity
- non-English speaking background/Aboriginality
- fee remission
- boarding
- index of rurality
- interest subsidy
- index of disadvantage.

FURTHER COMMENTARY ON OPERATIONS

Student Enrolments

The following chart shows the gradual shift of enrolled full time equivalent students from Government schools to non-Government schools. The chart includes fee paying overseas students.





Public Private Partnership - New Schools

In November 2007, Cabinet approved the calling for Expressions of Interest from the private sector for the procurement of new school infrastructure under a Public Private Partnership (PPP) procurement arrangement.

This project titled 'Education Works - New Schools Project' involves the development of six new schools on separate campuses, providing education from birth through to Year 12. The schools will be located across the northern and western suburbs of Adelaide.

The Request for Proposal documentation was issued to proponents in May 2008. Detailed proposals are to be presented back to Government towards the end of 2008 for evaluation and subsequent selection of a preferred bidder in early 2009. Contractual close is also expected to occur in early 2009. It is anticipated that two schools will open in 2010 and the remaining four in 2011.

Expenditure for the year on the Education Works Program which includes the costs of the PPP New Schools Project totalled \$4.1 million for 2007-08. This comprised \$1.9 million for consultants and other government agency assistance, and \$2.2 million relating to Departmental project management and administration.

Further commentary on PPP developments is contained in Part A 'Audit Overview' of this Report.

Income Statement for the year ended 30 June 2008

		Consolidated		DECS	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
EXPENSES:	Note				
Employee benefit expense	5	1 552 771	1 491 530	1 530 326	1 472 373
Supplies and services	6	536 175	500 710	294 153	266 111
Grants and subsidies	7	16 320	12 520	123 390	102 291
Depreciation and amortisation expense	8	62 439	58 548	59 423	55 686
Borrowing costs		187	214	183	170
Net loss from disposal of non-current assets	9	954	5 350	1 007	5 431
Other expenses	10	14 356	11 165	11 728	8 818
Total Expenses		2 183 202	2 080 037	2 020 210	1 910 880
INCOME:					
Commonwealth revenues	12a	248 544	225 118	248 544	225 118
Student and other fees and charges	13	110 933	113 384	19 326	17 735
Other grants and contributions		62 148	59 957	18 213	13 085
Interest revenues	14	11 968	10 280	432	337
Other revenue	15	50 026	60 408	22 181	34 497
Total Income		483 619	469 147	308 696	290 772
NET COST OF PROVIDING SERVICES		1 699 583	1 610 890	1 711 514	1 620 108
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:					
Revenues from SA Government	16	1 740 400	1 619 274	1 740 400	1 619 274
Payments to SA Government	16	(16 498)	(11 437)	(16 498)	(11 437)
NET RESULT		24 319	(3 053)	12 388	(12 271)

Net result is attributable to the SA Government as owner

Balance Sheet as at 30 June 2008

		Consolidated		DECS	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS:	Note				
Cash	17	385 877	338 702	200 876	169 270
Receivables	18	31 033	18 370	30 767	24 731
Inventories	19	3 807	2 895	118	142
Financial assets	20	6 178	8 359	-	-
Other current assets	24	1 365	1 169	125	356
		428 260	369 495	231 886	194 499
Non-current assets held-for-sale	21	11 529	5 595	11 529	5 595
Total Current Assets		439 789	375 090	243 415	200 094
NON-CURRENT ASSETS:					
Receivables	18	269	477	6 872	4 517
Financial assets	20	658	545	-	-
Property, plant and equipment	22	2 686 840	2 279 342	2 675 039	2 268 162
Intangible assets	23	1 742	2 612	1 742	2 612
Total Non-Current Assets		2 689 509	2 282 976	2 683 653	2 275 291
Total Assets		3 129 298	2 658 066	2 927 068	2 475 385
CURRENT LIABILITIES:					
Payables	25	80 266	63 557	76 071	65 975
Short-term borrowings	26	926	2 208	926	2 126
Short-term employee benefits	27	134 049	115 464	133 347	114 666
Short-term provisions	28	21 199	20 438	21 873	21 096
Other current liabilities	29	29 173	20 557	20 971	14 094
Total Current Liabilities		265 613	222 224	253 188	217 957
NON-CURRENT LIABILITIES:					
Payables	25	25 216	24 787	25 125	24 662
Long-term borrowings	26	121	295	121	121
Long-term employee benefits	27	316 859	308 786	315 407	307 652
Long-term provisions	28	84 053	89 494	84 053	89 494
Other non-current liabilities	29	1 560	2 248	-	-
Total Non-Current Liabilities		427 809	425 610	424 706	421 929
Total Liabilities		693 422	647 834	677 894	639 886
NET ASSETS		2 435 876	2 010 232	2 249 174	1 835 499
EQUITY:					
Retained earnings	30	1 174 494	1 138 256	987 830	963 523
Asset revaluation reserve	30	1 261 382	871 976	1 261 344	871 976
TOTAL EQUITY		2 435 876	2 010 232	2 249 174	1 835 499
Total equity is attributable to the SA Government as owner					
Unrecognised contractual commitments	31				
Contingent assets and liabilities	32				

Statement of Changes in Equity for the year ended 30 June 2008

	Note	Consolidated			
		Asset			Total
		Contributed Capital \$'000	Revaluation Reserve \$'000	Retained Earnings \$'000	
Balance at 30 June 2006		4 463	701 854	1 137 122	1 843 439
Gain on revaluation of property during 2006-07		-	174 309	-	174 309
Transfer asset revaluation reserve on disposal of property, plant and equipment		-	(4 187)	4 187	-
Net result for 2006-07		-	-	(3 053)	(3 053)
Total recognised income and expense for 2006-07		-	170 122	1 134	171 256
Repayment of equity contributed to SA Government		(4 463)	-	-	(4 463)
Balance at 30 June 2007	30	-	871 976	1 138 256	2 010 232
Gain on revaluation of property during 2007-08		-	401 325	-	401 325
Transfer asset revaluation reserve on disposal of property, plant and equipment		-	(11 919)	11 919	-
Net result for 2007-08		-	-	24 319	24 319
Total recognised income and expense for 2007-08		-	389 406	36 238	425 644
Balance at 30 June 2008	30	-	1 261 382	1 174 494	2 435 876

	Note	DECS			
		Asset			Total
		Contributed Capital \$'000	Revaluation Reserve \$'000	Retained Earnings \$'000	
Balance at 30 June 2006		4 463	701 854	971 607	1 677 924
Gain on revaluation of property during 2006-07		-	174 309	-	174 309
Transfer asset revaluation reserve on disposal of property, plant and equipment		-	(4 187)	4 187	-
Net result for 2006-07		-	-	(12 271)	(12 271)
Total recognised income and expense for 2006-07		-	170 122	(8 084)	162 038
Repayment of equity contributed to SA Government		(4 463)	-	-	(4 463)
Balance at 30 June 2007	30	-	871 976	963 523	1 835 499
Gain on revaluation of property during 2007-08		-	401 287	-	401 287
Transfer asset revaluation reserve on disposal of property, plant and equipment		-	(11 919)	11 919	-
Net result for 2007-08		-	-	12 388	12 388
Total recognised income and expense for 2007-08		-	389 368	24 307	413 675
Balance at 30 June 2008	30	-	1 261 344	987 830	2 249 174

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

Cash Flow Statement for the year ended 30 June 2008

		Consolidated		DECS	
		2008	2007	2008	2007
		Inflows	Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH OUTFLOWS:	Note	\$'000	\$'000	\$'000	\$'000
Employee benefit payments		(1 528 920)	(1 475 138)	(1 506 717)	(1 456 247)
Payments for supplies and services		(521 106)	(495 820)	(280 683)	(260 914)
Payments of grants and subsidies		(18 673)	(11 916)	(128 923)	(100 466)
Interest paid		(4)	(26)	-	-
GST payments on purchases		(55 428)	(53 361)	(30 390)	(30 439)
Other payments		(1 383)	(1 215)	(1 372)	(1 208)
Cash used in Operations		(2 125 514)	(2 037 476)	(1 948 085)	(1 849 274)
CASH INFLOWS:					
Receipts from Commonwealth		251 520	225 265	251 520	225 265
Student and other fees and charges		104 249	101 252	20 686	18 498
Other grants and contributions received		62 199	59 957	18 265	13 085
Interest received		11 967	10 474	426	531
GST recovered from the ATO		47 613	46 455	26 000	26 975
GST receipts on receivables		6 738	6 410	3 324	3 130
Other receipts		43 179	49 708	15 190	15 684
Cash generated from Operations		527 465	499 521	335 411	303 168
CASH FLOWS FROM SA GOVERNMENT:					
Receipts from State Government		1 740 400	1 619 274	1 740 400	1 619 274
Payments to SA Government		(16 498)	(11 437)	(16 498)	(11 437)
Cash generated from SA Government		1 723 902	1 607 837	1 723 902	1 607 837
Net Cash provided by Operating Activities	34	125 853	69 882	111 228	61 731
CASH FLOWS FROM INVESTING ACTIVITIES:					
CASH OUTFLOWS:					
Purchase of property, plant and equipment		(81 074)	(53 818)	(77 225)	(52 458)
Purchase of investments		(114)	(1 428)	-	-
Loans advanced		-	-	(3 083)	(1 406)
Cash used in Investing Activities		(81 188)	(55 246)	(80 308)	(53 864)
CASH INFLOWS:					
Proceeds from sale of property, plant and equipment		1 784	2 180	1 478	1 764
Maturing term deposits		2 181	99	-	-
Receipt of loan repayments		-	122	408	253
Cash generated from Investing Activities		3 965	2 401	1 886	2 017
Net Cash used in Investing Activities		(77 223)	(52 845)	(78 422)	(51 847)
CASH FLOWS FROM FINANCING ACTIVITIES:					
CASH OUTFLOWS:					
Repayment of capital contribution from SA Government		-	(4 463)	-	(4 463)
Repayments of borrowings		(1 455)	(79)	(1 200)	-
Cash used in Financing Activities		(1 455)	(4 542)	(1 200)	(4 463)
Net Cash used in Financing Activities		(1 455)	(4 542)	(1 200)	(4 463)
NET INCREASE IN CASH HELD		47 175	12 495	31 606	5 421
CASH AT 1 JULY		338 702	326 207	169 270	163 849
CASH AT 30 JUNE	17	385 877	338 702	200 876	169 270

Program Schedule of Expenses and Income for the year ended 30 June 2008

	Consolidated					
	Early Years Education and Care (Birth to Preschool)				Education: Early Years Education	
	Early Childhood					
	Education and Care (Birth - Preschool)		Pre-School Services		Reception to Year 2 Education	
	2008	2007	2008	2007	2008	2007
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses	10 600	10 802	80 490	76 098	343 850	330 822
Supplies and services	27 439	24 341	8 147	7 418	116 845	109 926
Grants and subsidies	1 031	1 095	8 518	9 362	(1 070)	(928)
Depreciation and amortisation	10	14	87	88	14 749	13 828
Borrowing costs	-	-	-	-	44	51
Net (loss) gain from disposal of assets	-	-	1 041	-	48	94
Other expenses	233	205	233	205	3 287	2 228
Total Expenses	39 313	36 457	98 516	93 171	477 753	456 021
INCOME:						
Commonwealth revenues	29 244	29 088	1 164	116	51 611	46 353
Student and other fees and charges	925	1 003	197	140	25 981	26 557
Other grants and contributions	1 323	66	(9)	35	13 835	13 451
Interest revenues	-	-	-	-	2 831	2 433
Other revenues	106	2 858	324	531	11 466	13 709
Total Income	31 598	33 015	1 676	822	105 724	102 503
NET COST OF PROVIDING SERVICES	7 715	3 442	96 840	92 349	372 029	353 518
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:						
Revenues from SA Government	7 860	5 582	98 657	92 149	381 055	356 094
Payments to SA Government	(75)	(39)	(935)	(651)	(3 612)	(2 515)
NET RESULT	70	2 101	882	(851)	5 414	61

Program Schedule of Expenses and Income for the year ended 30 June 2008 (continued)

	Consolidated							
	Education: Primary and Secondary Education							
	Year 3 to Year 7		Year 8 to Year 10		Year 11 to Year 12+		Total	
	Education		Education		Education		Education	
	2008	2007	2008	2007	2008	2007	2008	2007
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses	502 067	483 082	369 579	355 540	246 185	235 186	1 552 771	1 491 530
Supplies and services	172 633	162 246	125 489	118 060	85 622	78 719	536 175	500 710
Grants and subsidies	1 279	(409)	(1 031)	(867)	7 593	4 267	16 320	12 520
Depreciation and amortisation	21 515	20 170	15 840	14 851	10 238	9 597	62 439	58 548
Borrowing costs	64	74	48	54	31	35	187	214
Net (loss) gain from disposal of assets	69	139	(124)	3 108	(80)	2 009	954	5 350
Other expenses	4 793	3 250	3 529	3 205	2 281	2 072	14 356	11 165
Total Expenses	702 420	668 552	513 330	493 951	351 870	331 885	2 183 202	2 080 037
INCOME:								
Commonwealth revenues	75 279	67 610	55 428	49 782	35 818	32 169	248 544	225 118
Student and other fees and charges	37 894	38 734	27 904	28 520	18 032	18 430	110 933	113 384
Other grants and contributions	20 179	19 619	14 858	14 446	11 962	12 340	62 148	59 957
Interest revenues	4 131	3 547	3 041	2 612	1 965	1 688	11 968	10 280
Other revenues	16 964	20 334	12 317	13 238	8 849	9 738	50 026	60 408
Total Income	154 447	149 844	113 548	108 598	76 626	74 365	483 619	469 147
NET COST OF PROVIDING SERVICES	547 973	518 708	399 782	385 353	275 244	257 520	1 699 583	1 610 890
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Revenues from SA Government	561 240	522 445	409 650	385 466	281 938	257 538	1 740 400	1 619 274
Payments to SA Government	(5 320)	(3 690)	(3 883)	(2 723)	(2 673)	(1 819)	(16 498)	(11 437)
NET RESULT	7 947	47	5 985	(2 610)	4 021	(1 801)	24 319	(3 053)

Program Schedule of Expenses and Income for the year ended 30 June 2008

	DECS					
	Early Years Education and Care (Birth to Preschool)				Education: Early Years Education	
	Early Childhood Education and Care (Birth - Preschool)		Pre-School Services		Reception to Year 2 Education	
	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:						
Employee benefit expenses	10 600	10 802	80 490	76 099	338 540	326 288
Supplies and services	27 439	24 341	8 147	7 418	59 583	54 419
Grants and subsidies	1 031	1 095	8 518	9 361	24 263	20 312
Depreciation and amortisation	10	14	87	87	14 036	13 151
Borrowing costs	-	-	-	-	43	40
Net (loss) gain from disposal of assets	-	-	1 042	-	60	113
Other expenses	233	205	233	206	2 665	1 674
Total Expenses	39 313	36 457	98 517	93 171	439 190	415 997
INCOME:						
Commonwealth revenues	29 244	29 088	1 164	116	51 611	46 353
Student and other fees and charges	925	1 003	197	140	4 307	3 926
Other grants and contributions	1 323	698	(9)	35	3 440	2 211
Interest revenues	-	-	-	-	102	80
Other revenues	106	2 226	324	531	4 878	7 729
Total Income	31 598	33 015	1 676	822	64 338	60 299
NET COST OF PROVIDING SERVICES	7 715	3 442	96 841	92 349	374 852	355 698
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:						
Revenues from SA Government	7 860	5 582	98 657	92 149	381 055	356 094
Payments to SA Government	(75)	(39)	(935)	(651)	(3 612)	(2 515)
NET RESULT	70	2 101	881	(851)	2 591	(2 119)

Program Schedule of Expenses and Income for the year ended 30 June 2008 (continued)

DECS								
Education: Primary and Secondary Education								
	Year 3 to Year 7		Year 8 to Year 10		Year 11 to Year 12+		Total	
	Education		Education		Education		Education	
	2008	2007	2008	2007	2008	2007	2008	2007
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses	494 319	476 471	363 876	350 672	242 501	232 041	1 530 326	1 472 373
Supplies and services	89 112	81 286	63 991	58 449	45 881	40 198	294 153	266 111
Grants and subsidies	38 229	30 571	26 175	21 944	25 174	19 008	123 390	102 291
Depreciation and amortisation	20 473	19 183	15 074	14 124	9 743	9 127	59 423	55 686
Borrowing costs	63	58	47	44	30	28	183	170
Net (loss) gain from disposal of assets	86	167	(110)	3 129	(71)	2 022	1 007	5 431
Other expenses	3 887	2 440	2 861	2 608	1 849	1 685	11 728	8 818
Total Expenses	646 169	610 176	471 914	450 970	325 107	304 109	2 020 210	1 910 880
INCOME:								
Commonwealth revenues	75 279	67 610	55 428	49 782	35 818	32 169	248 544	225 118
Student and other fees and charges	6 281	5 726	4 626	4 216	2 990	2 724	19 326	17 735
Other grants and contributions	5 016	3 225	3 694	2 375	4 749	4 541	18 213	13 085
Interest revenues	149	116	110	86	71	55	432	337
Other revenues	7 355	11 609	5 241	6 815	4 277	5 587	22 181	34 497
Total Income	94 080	88 286	69 099	63 274	47 905	45 076	308 696	290 772
NET COST OF PROVIDING								
SERVICES	552 089	521 890	402 815	387 696	277 202	259 033	1 711 514	1 620 108
REVENUES FROM (PAYMENTS TO)								
SA GOVERNMENT:								
Revenues from SA Government	561 240	522 445	409 650	385 466	281 938	257 538	1 740 400	1 619 274
Payments to SA Government	(5 320)	(3 690)	(3 883)	(2 723)	(2 673)	(1 819)	(16 498)	(11 437)
NET RESULT	3 831	(3 135)	2 952	(4 953)	2 063	(3 314)	12 388	(12 271)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department

The Department of Education and Children's Services (DECS) operates within the:

- *Education Act 1972* and the Education Regulations 1997
- *Children's Services Act 1985* and the Regulations under the *Children's Services Act 1985*
- PSM Act.

The Department's purpose is to engage every child and student so that they achieve at the highest possible level of their learning and wellbeing through quality care and teaching. Its key functions are to:

Set the Directions for Education and Care in South Australia

The Department ensures the State's education system is well positioned to deliver high quality education and care through strategic and coordinated leadership in implementing South Australia's Strategic Plan, integrated policy development in collaboration with key stakeholders and planning for an effective workforce to meet current and future requirements.

Provide and Regulate Children's Services

The role of the Department in relation to children's services involves the provision of preschool services, administration of Family Day Care, sponsorship of Outside School Hours Care programs and the establishment and enforcement of minimum standards for all types of child care, including child care centres.

Manage the State's Education System

The Department delivers high quality primary and secondary education to more than 160 000 school students in 596 schools across the State. DECS is responsible for the education of children and students across all areas of the curriculum and preparing young people to be active and productive members of a democratic society. DECS involves parents and communities in the education of children and students.

The Department's eight goals and key objectives are summarised below:

Strong Beginnings for All Children

- Strengthen and integrate Early Childhood Services to improve their capacity and quality
- Increase the number of young children experiencing successful learning and development

Excellence in Learning: Provision, Achievement and Pathways

- Improve overall student achievement
- Strengthen literacy and numeracy
- Provide engaging, stimulating and flexible learning programs
- Support students to be equipped to respond to a changing world
- Increase the number of international students

Engagement and Wellbeing

- Increase levels of child and student attendance, retention and engagement in learning programs
- Enhance child and student wellbeing

Build Workforce Capability, Flexibility and Resilience

- Enhance the capabilities and performance of our workforce
- Develop a culture that values staff morale and wellbeing
- Improve systems and processes to be more responsive

Quality Teaching

- Expect all teachers to achieve recognised professional standards
- Develop the skills and knowledge of our teaching workforce

Access to Integrated Services

- Increase the responsiveness and integration of support services to children, students and their families

An Interdependent DECS

- Improve service delivery through local decision making
- Foster the interdependence between local sites, district offices and state office

A Sustainable System

- Promote a culture of sustainability
- Reduce energy and water consumption
- Provide more efficient and effective ICT and management systems

2007-08 Key Focus Areas

DECS introduced Key Focus Areas in the 2007 calendar year to highlight areas of priority for schools, preschools, districts and central office groups. These priority areas are:

Early Years

- Developing more flexible, high quality programs and services to meet the needs of families and enhance children's learning and development, through children's centres, preschools, child care, family day care, out of school hours care, occasional care, and the early years of school.

Senior Secondary

- Improving pathways for all young South Australians to engage in further education, training and/or employment.
- Implementation of the Government's 'School to Work' strategy including the future SA Certificate of Education and 'Trade Schools for the Future'.

Aboriginal Young People and Employees

- Significantly improved participation, wellbeing and achievement for Aboriginal children and students.
- Improved employment opportunities for Aboriginal people.

Achievement in Literacy, Numeracy and Science

- Improved engagement and achievement in literacy, numeracy and science, from the early years to Year 12.
- Introduction of national literacy and numeracy testing for Year 3, 5, 7 and 9 students.

2007-08 Key Focus Areas (continued)

The four Key Focus Areas are supported through:

- Quality teaching with a focus on achievement, engagement and wellbeing.
- High performing and accountable leadership.
- Effective community engagement and governance.
- Develop infrastructure and organisational practices that connect and support learning and wellbeing Birth to Year 12.

2. Summary of Significant Accounting Policies

Statement of Compliance

The financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant AASs, TIs and APSs promulgated under the provisions of the PFAA.

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2008.

(a) Basis of Preparation

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable Notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported;
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following Note disclosures, which have been included in this financial report:
 - (a) Revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature
 - (b) Expenses incurred as a result of engaging consultants
 - (c) Employee TVSP information
 - (d) Employee whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
 - (e) Board/committee members and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

The Cash Flow Statement has been prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

(b) Reporting Entity

The Department is a government department of the State of South Australia, established pursuant to the PSM Act. The Department is an administrative unit acting on behalf of the Crown.

The financial report includes all the controlled activities of the Department of Education and Children's Services. Transactions and balances relating to administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements at the back of the controlled General Purpose Financial Report. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

(b) Reporting Entity (continued)

The Department of Education and Children's Services economic entity comprises:

- the corporate department including its operational units;
- government schools (including school councils, canteens, out of school hours care and vacation care programs);
- other non-corporate operational units viz:
 - preschools
 - long day care centres (those referred to as 'Bowen Funded Centres' only)
 - neighbourhood houses
 - toy libraries
 - child parent centres.

The values in the Consolidated columns in the financial statements incorporate the activities of the corporate department and government schools but exclude funds separately generated by the other non-corporate operational units. As a consequence, the financial statements treat any transactions with these units as transactions with third parties. All material transactions between the corporate department and schools have been eliminated, as required by AASs.

The values in the DECS columns in the financial statements incorporate the activities of the corporate department but exclude funds separately generated by government schools and other non-corporate operational units. As a consequence, the DECS columns in the financial statements treat any transactions with these sites as transactions with third parties. The amounts reported in the DECS columns in the financial statements do include material expenses paid on behalf of schools and preschools (ie salaries and wages, salary related on-costs and utilities expenses), and major assets and liabilities (ie land and buildings, employee benefits).

Financial data was collected from government schools for the school year ended 31 December 2007 for the purpose of consolidating it with data from State Office. Where material, adjustments have been made to the consolidated figures to take into account the effect of schools having a different reporting period to State Office. It is not intended that data for other non-corporate operational units be included in the financial statements, as it is not considered material.

The Department is responsible for the administration of specific funds on behalf of the Minister for Education and Children's Services. The Department does not have control over how these funds are to be spent and operates in the capacity as an agent responsible for the administration of the transfer process to third parties. The Administered financial statements include the income, expenses, assets and liabilities of these funds.

The main administered funds are:

Minister for Education and Children's Services - Payments

Funds are appropriated to the Minister for Education and Children's Services and are disbursed at the discretion of the Minister. The principal payments are:

- the State Government contribution to the operation of the Senior Secondary Assessment Board of South Australia (SSABSA);
- payments to the Department for Transport, Energy and Infrastructure, Public Transport Division for the purposes of student travel;
- the State Government contribution to the operation of non-government schools, organisations and services to students with disabilities.

In addition, the Commonwealth Government contribution to the operation of non-government schools, organisations, services to students with disabilities and Investing in Our School Program is reflected in these funds.

Minister's Salary and Allowances

The Minister's salary and allowances are funded by Special Acts Appropriation, therefore the Department has no control over this part of the annual appropriation.

Minister's Borrowings

The Minister for Education and Children's Services is liable for funds borrowed from the Department of Treasury and Finance. The funds were loaned to the Department and various schools by the Minister to undertake capital works projects.

(c) Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS has required a change.

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

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

(d) Rounding

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

(e) Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, and emergency services levies.

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

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

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

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

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

(f) Events after Balance Date

Where an event occurs after 30 June but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

(g) Income and Expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Department will occur and can be reliably measured.

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

The Notes accompanying the financial statements disclose income, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Income

The following are specific recognition criteria:

Fees and Charges

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Contributions Received

Contributions are recognised as an asset and income when the Department obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

Generally, the Department has obtained control or the right to receive for:

- Contributions with unconditional stipulations - this will be when the agreement becomes enforceable ie the earlier of when the receiving entity has formally been advised that the contribution (eg grant application) has been approved; agreement/contract is executed; and/or the contribution is received.
- Contributions with conditional stipulations - this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

Resources Received Free of Charge

Resources received free of charge are recorded as revenue in the Income Statement at their fair value.

Disposal of Non-Current Assets

Gains (losses) from the disposal of non-current assets is recognised when the control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings.

Revenues from SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Where money has been appropriated in the form of a loan, the Department has recorded a loan receivable.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department and the appropriation is recorded as contributed equity.

Expenses*Employee Benefits*

Employee benefit expense includes all cost related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Income Statement represents the contributions made by the Department to the superannuation plan in respect of current services of current departmental staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government general purpose financial report.

Contributions Paid

For contributions payable, the contribution will be recognised as a liability and expense when the entity has a present obligation to pay the contribution and the expense recognition criteria are met.

All contributions paid by the Department have been contributions with unconditional stipulations attached.

Resources provided Free of Charge

Resources provided free of charge are recorded as expenditure in the Income Statement at their fair value; and in the expense line items to which they relate.

Borrowing Costs

All borrowing costs are recognised as expenses.

Payments to SA Government

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy paid directly to the Consolidated Account.

(h) Current and Non-Current Classification

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

(i) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet and Cash Flow Statement includes cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

Cash is measured at nominal value.

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with appropriation and expenditure authority. During this financial year the Department was required to transfer \$16.5 million of its cash balance to the Consolidated Account as a Payment to SA Government.

(j) Receivables

Receivables include amounts receivable from goods and services, GST input tax credits recoverable and other accruals.

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

Collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Department will not be able to collect the debt. Bad debts are written off when identified.

(k) Inventories

Inventories include goods and other property either held for sale or distribution at no or nominal cost in the course of business. It includes land held for sale and excludes depreciating assets.

Inventories held for distribution, for no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential. Inventories (other than those held for distribution at no or nominal consideration) are measured at the lower of cost or their net realisable value.

Bases used in assessing loss of service potential for inventory held for distribution at no or minimal cost include current replacement cost and technological or functional obsolescence.

Cost is assigned to land held for sale (undeveloped, underdeveloped and developed) and to other high value, low volume inventory items on a specific identification of cost basis.

Cost for all other inventory is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

The amount of any inventory write-down to net realisable value or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

Inventories include canteen stock, uniforms and stationery at school sites, and reference material and resources at corporate office.

(l) Other Financial Assets

The Department measures financial assets and debt at historical cost.

(m) Non-Current Asset Acquisition and Recognition

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

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

Where the payment for an asset is deferred, the Department measures the obligation at the present value of the future outflow, discounted using the interest rate of a similar length borrowing.

All non-current tangible assets with a value of \$5000 or greater are capitalised.

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

Land

Land valuations reflect the Valuer-General's values (for rating purposes) as at 30 June 2008. The Valuer-General's values are deemed to be fair value for financial reporting purposes.

Buildings and Improvements

Information was obtained from the Strategic Asset Management Information System (SAMIS), maintained by the Department for Transport, Energy and Infrastructure. Buildings and improvements are valued at current replacement cost less accumulated depreciation. Replacement costs have been established by reference to Quantity Surveyors estimates and updated through the application of a relevant building index. The valuations for buildings are current as at 30 June 2008, asphalt paved areas are current as at 30 June 2007 and swimming pools are current as at 30 June 2006. The building data provided in the statements relates specifically to buildings, paved areas and swimming pools. The building data excludes landscaping, infrastructure, pergolas, playground equipment, sheds and some paving, fencing and leasehold improvements because they either cannot be reliably measured or no information is centrally recorded.

Buildings under construction are reported as work in progress and are valued at cost.

Where buildings and improvements are destroyed by fire during the year, the written down value of the buildings and improvements is treated as an expense in the Income Statement.

Buses

Buses are recorded at current replacement cost as at 30 June 2006 less accumulated depreciation. Buses purchased after this date are recorded at cost.

Plant and Equipment

Items within administrative sites of the Department acquired prior to 1 July 1997 are recorded at current replacement cost as at 1 July 1997 less accumulated depreciation. Items acquired after 1 July 1997 are recorded at historical cost less accumulated depreciation.

(n) Revaluation of Non-Current Assets

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

Every three years, the Department revalues its land, buildings, bus fleet and leasehold improvements. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

Any revaluation decrease is recognised in the Income Statement, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in revaluations reserve for that asset class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any revaluation reserve relating to that asset is transferred to retained earnings.

(o) Impairment

All non-current tangible and intangible assets are tested for indication of impairment (eg: fire damaged buildings) at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets, an impairment loss is offset against the asset revaluation reserve.

(p) Non-Current Assets (or Disposal Groups) Held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the Balance Sheet. The liabilities of a disposal group classified as held for sale are presented separately from the other liabilities in the Balance Sheet.

(q) Depreciation and Amortisation of Non-Current Assets

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

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

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

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

Land and assets held-for-sale are not depreciated.

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

<i>Class of Asset</i>	<i>Useful Life (Years)</i>
Buildings and improvements	25 to 106
Leasehold improvements	life of lease
Buses/motor vehicles	12 to 20
Computing, communication equipment, furniture and equipment	3 to 15
Intangible assets	5
Other assets	7 to 10

(r) Intangible Assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. The Department only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed.

Subsequent expenditure on intangible assets has not been capitalised. This is because the Department has been unable to attribute this expenditure to the intangible asset rather than to the Department as a whole.

(s) Payables

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

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

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

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

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

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

(t) Employee Benefits

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

Wages, Salaries, Annual Leave and Sick Leave

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

Long Service Leave

The liability for long service leave is recognised after an employee has completed 7.5 years of service (previously 8.5). An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

Employee Benefit On-Costs

Employee benefit on-costs (payroll tax, WorkCover and superannuation) are recognised separately under payables.

(u) Provisions

Provisions are recognised when the Department has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(u) Provisions (continued)

When the Department expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

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

A provision is also raised to reflect the liability for outstanding (unsettled) vicarious liability claims. Provisions for outstanding fire claims yet to be settled as at balance date are also reported, as required by AASB 137. This provision is between the Corporate Department and schools, therefore is eliminated on consolidation.

(v) Borrowings/Financial Liabilities

The Department measures financial liabilities including borrowings/debt at historical cost, except for interest free loans (measured at the present value of expected repayments).

(w) Financial Guarantees

At the time a financial guarantee contract is issued, it is recognised as a liability initially measured at fair value. If there is a material increase in the likelihood that the guarantee may have to be exercised, the financial guarantee is measured at the higher of the amount determined in accordance with AASB 137 and the amount initially recognised less cumulative amortisation, where appropriate.

In the determination of fair value, consideration is given to the following factors:

- the overall capital management/prudential supervision framework in operation
- the protection provided by the State Government by way of funding should the probability of default increase
- the probability of default by the guaranteed party
- the likely loss to the Department in the event of default.

The Department has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2008 (there was no material liability recognised for financial guarantee contracts in 2007).

Whilst no liability has been recognised for financial guarantee contracts, further Note disclosures relating to financial guarantees are contained at Note 26 and Note 32.

(x) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Department has entered into operating leases, but no finance leases.

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

Lease Incentives

All incentives for the agreement of a new or renewed operating leases are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability.

The aggregate benefits of lease incentives received by the Department in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement whichever is shorter.

(y) Insurance

The Department has insured for risks through the South Australian Government Financing Authority, SAICORP Division. Under these insurance arrangements the Department will meet the first \$200 000 (except for fire claims \$1 000 000) deductible of a loss or claim arising from property damage or civil liability (including public liability, products liability, professional indemnity and Directors' and Officers' liability).

(z) Unrecognised Contractual Commitments and Contingent Assets and Liabilities

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

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a Note and, if quantifiable, are measured at nominal value.

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

3. Changes in Accounting Policies

The AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the reporting period ending 30 June 2008. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial report of the Department.

4. Programs of the Department

In achieving its objective the Department provides a range of services classified into the following programs and sub-programs:

Program 1: Early Years Education and Care (Birth to Preschool)

Provision of a flexible range of high quality programs and services which meet the changing needs of families and enhance children's development in the critical early years, including the provision of child care centres, preschools, family day care, out of school-hours care and occasional care.

Sub-program 1.1 Early Childhood Education and Care (Birth – Preschool)

Provision of a flexible range of high quality programs and services which meet the changing needs of families and enhance children's development, including child care centres, family day care, out of school hours care and occasional care.

Sub-program 1.2 Preschool Services

Provision of early childhood education through preschools, child-parent centres and the purchase (coordination, policy, planning, curriculum, quality regulation and funding) of preschool positions through independent community organisations.

Program 2: Education: Early Years Education (R-2)

Provision of early years education.

Program 3: Education: Primary and Secondary Education (3-12)

Provision of Primary and Secondary Education.

Sub-program 3.1 Year 3 to Year 7 Education Provision

Delivery of Year 3 to Year 7 educational programs at the local level.

Sub-program 3.2 Year 8 to Year 10 Education Provision

Delivery of Year 8 to Year 10 educational programs at the local level.

Sub-program 3.3 Year 11 to Year 12 Education Provision

Delivery of Year 11 to Year 12+ educational programs at the local level.

5. Employee Benefit Expenses

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Salaries and wages (including annual leave)	1 251 767	1 192 879	1 231 783	1 176 086
Employment on-costs - Superannuation	143 559	139 508	141 626	137 722
Employment on-costs - Payroll tax	75 702	74 583	75 702	74 583
Long service leave	63 205	56 167	62 794	55 762
Workers compensation	12 714	23 871	12 714	23 871
Other employee related costs	5 816	4 514	5 699	4 341
Board fees	8	8	8	8
Total Employee Benefit Expenses	1 552 771	1 491 530	1 530 326	1 472 373

Targeted Voluntary Separation Packages (TVSP)

No employees were paid TVSPs during the reporting period.

Remuneration of Employees

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

	Consolidated		DECS	
	2008	2008	2007	2007
	Number of Executives*	Number of Employees	Number of Executives*	Number of Employees
\$100 000 - \$109 999	-	480	-	297
\$110 000 - \$119 999	2	203	1	158
\$120 000 - \$129 999	4	91	5	59
\$130 000 - \$139 999	3	37	4	39
\$140 000 - \$149 999	3	31	3	18
\$150 000 - \$159 999	3	18	3	12
\$160 000 - \$169 999	4	8	4	7
\$170 000 - \$179 999	2	4	2	3
\$180 000 - \$189 999	3	5	2	2
\$190 000 - \$199 999	3	4	2	3
\$200 000 - \$209 999	1	2	2	2
\$210 000 - \$219 999	-	1	1	1
\$220 000 - \$229 999	-	-	1	1
\$230 000 - \$239 999	-	1	-	1
\$240 000 - \$249 999	-	-	2	2
\$260 000 - \$269 999	2	2	-	-
\$310 000 - \$319 999	1	1	-	-
Total Number of Executives/Employees	31	888	32	605

* Based on the Department's Executive Organisation Structure.

The table includes all employees who received remuneration of \$100 000 or more during the year. The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated FBT.

This number of employees includes 79 (56) who received country incentive payments and 63 (25) persons that retired at the over \$100 000 remuneration level.

Remuneration received or due and receivable by the above employees was \$102.3 million (\$70.4 million), which is included in employee expenses. Salary rates during 2007-08 have increased by 4 percent for Education Act employees, with the exception of Step 8 teachers whose salary has increased by 4 percent plus \$380 per annum, 3.5 percent for PSM Act employees, and 3.5 percent for Executives due to enterprise agreements.

Number of Employees as at the Reporting Date

As at 30 June, the Department employed 20 234 (20 403) full time equivalents.

6. Supplies and Services

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Supplies and Services provided by Entities within the SA Government:				
Minor works, maintenance and equipment	66 767	62 251	70 194	63 794
Rentals and leases	15 594	14 267	15 617	14 315
Management fees, fees and charges	10 260	10 999	10 307	11 018
Computer communications	755	2 719	765	2 727
Utilities	6 237	7 223	6 242	7 240
Vehicle and travelling expenses	5 221	4 871	7 891	6 264
Insurance (including self insurance)	3 215	3 491	3 637	3 897
Telecommunications	2 119	2 385	2 125	2 402
Security	3 879	3 655	3 881	3 657
Legal	1 450	847	1 450	868
Contractors and other outsourced services	840	1 211	4 079	4 805
School card and other allowances*	-	-	10 295	172
Other	754	806	1 659	1 999
Total Supplies and Services - SA Government Entities	117 091	114 725	138 142	123 158

* In 2006-07 school card payments to DECS operated schools were included in schools' resource entitlements calculations. The expenditure for the 2006-07 period is included in Note 7 within the recurrent grants paid to schools and units amount.

Supplies and Services provided by Entities external to the SA Government:

Printing, postage and consumables	67 871	64 429	5 965	6 477
Minor works, maintenance and equipment	57 401	44 481	6 387	7 003
Child care assistance, school card and other allowances	29 384	26 128	29 384	26 128
Cleaning	27 872	27 696	2 954	2 900
Student learning materials	24 663	22 939	-	-
Utilities	18 207	17 935	17 049	16 793

6. Supplies and Services (continued)	Consolidated		DECS	
	2008	2007	2008	2007
Supplies and Services provided by Entities	\$'000	\$'000	\$'000	\$'000
external to the SA Government (continued):				
Cost of goods sold	16 916	16 766	-	-
Vehicle and travelling expenses	20 956	19 553	17 422	16 885
Bus contractors	17 596	17 012	17 596	17 012
Telecommunications	10 966	12 425	9 488	11 014
Consultants, contractors and other outsourced services	17 911	15 560	16 872	14 566
Excursions and camps	16 172	15 513	-	-
Security	2 129	2 366	1 918	2 057
Computer communications	13 514	8 653	11 937	7 197
Training and development	5 147	4 444	2 260	1 838
Rentals and leases	3 722	4 314	1 769	2 183
Other	68 657	65 771	15 010	10 900
Total Supplies and Services - Non-SA Government Entities	419 084	385 985	156 011	142 953
Total Supplies and Services	536 175	500 710	294 153	266 111

The total supplies and services amount disclosed includes GST amounts not-recoverable from the ATO due to the Department not holding a valid tax invoice or payments relating to third party arrangements.

	Consolidated		DECS	
	2008	2007	2008	2007
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	Number	\$'000	Number	\$'000
Between \$10 000 and \$50 000	3	69	1	13
Above \$50 000	2	1 320	1	244
Total paid/payable to the Consultants Engaged	5	1 389	2	257

7. Grants and Subsidies	Consolidated		DECS	
	2008	2007	2008	2007
Grants and Subsidies paid/payable to Entities within the SA Government:	\$'000	\$'000	\$'000	\$'000
Recurrent grants paid to schools and units	-	-	107 070	89 771
Recurrent grants paid to preschools	4 922	3 468	4 922	3 468
Recurrent grants paid to other organisations	1 933	560	1 933	560
Total Grants and Subsidies - SA Government Entities	6 855	4 028	113 925	93 799

Grants and Subsidies paid/payable to Entities external to the SA Government:

Grants paid to other organisations	9 465	8 492	9 465	8 492
Total Grants and Subsidies - Non-SA Government Entities	9 465	8 492	9 465	8 492
Total Grants and Subsidies	16 320	12 520	123 390	102 291

8. Depreciation and Amortisation	Consolidated		DECS	
	2008	2007	2008	2007
Depreciation:				
Buildings and improvements	52 763	48 385	52 597	48 360
Computing, communication equipment, furniture and equipment	4 665	4 712	2 577	2 636
Buses/motor vehicles	2 250	2 657	1 783	2 226
Other	577	610	282	280
Total Depreciation	60 255	56 364	57 239	53 502
Amortisation:				
Leasehold improvements	1 313	1 313	1 313	1 313
Intangible assets	871	871	871	871
Total Amortisation	2 184	2 184	2 184	2 184
Total Depreciation and Amortisation	62 439	58 548	59 423	55 686

9. Net Loss from Disposal of Non-Current Assets	Consolidated		DECS	
	2008	2007	2008	2007
Land and Buildings:				
Proceeds from disposal	1 331	1 703	1 331	1 703
Less: Net book value of assets disposed	2 289	7 046	2 289	7 046
Net loss from disposal of land and buildings	(958)	(5 343)	(958)	(5 343)

9. Net Loss from Disposal of Non-Current Assets (continued)	Consolidated		DECS	
	2008	2007	2008	2007
Plant and Equipment:	\$'000	\$'000	\$'000	\$'000
Proceeds from disposal	452	477	147	61
Less: Net book value of assets disposed	448	484	196	149
Net gain (loss) from disposal of plant and equipment	4	(7)	(49)	(88)
Total Assets:				
Total proceeds from disposal	1 783	2 180	1 478	1 764
Less: Total value of assets disposed	2 737	7 530	2 485	7 195
Total Net Loss from Disposal of Assets	(954)	(5 350)	(1 007)	(5 431)

10. Other Expenses

Other Expenses paid/payable to Entities within the SA Government:

Auditor's Remuneration -
Auditor-General's Department

520	502	520	502
-----	-----	-----	-----

**Total Other Expenses -
SA Government Entities**

520	502	520	502
-----	-----	-----	-----

Other Expenses paid/payable to Entities external to the SA Government:

Auditor's Remuneration - school/
preschool auditors

863	711	852	706
-----	-----	-----	-----

Allowance for doubtful debts and debt
write offs

4 613	1 818	1 996	(524)
-------	-------	-------	-------

Non-current assets written off

5 569	8 134	5 569	8 134
-------	-------	-------	-------

Write-down of other assets

2 791	-	2 791	-
-------	---	-------	---

**Total Other Expenses -
Non-SA Government Entities**

13 836	10 663	11 208	8 316
--------	--------	--------	-------

Total Other Expenses

14 356	11 165	11 728	8 818
--------	--------	--------	-------

11. Auditor's Remuneration

Audit fees paid/payable to the Auditor-General's Department excluding GST

520	502	520	502
-----	-----	-----	-----

Audit fees paid/payable to school/preschool auditors excluding GST

863	711	852	706
-----	-----	-----	-----

Total Audit Fees

1 383	1 213	1 372	1 208
-------	-------	-------	-------

Other Services

No other services were provided by the Auditor-General's Department.

12. (a) Commonwealth Revenue

Recurrent Revenue:

General purpose

142 533	132 793	142 533	132 793
---------	---------	---------	---------

Specific purpose

82 785	70 322	82 785	70 322
--------	--------	--------	--------

Total Recurrent Revenue

225 318	203 115	225 318	203 115
---------	---------	---------	---------

Capital Revenue:

General purpose

23 226	22 003	23 226	22 003
--------	--------	--------	--------

Total Capital Revenue

23 226	22 003	23 226	22 003
--------	--------	--------	--------

Total Commonwealth Revenue

248 544	225 118	248 544	225 118
---------	---------	---------	---------

(b) Conditions Over Revenue

The following revenues were recognised for the year ended 30 June 2008 with the condition that they be expended in a particular manner, but had yet to be applied in that manner at 30 June 2008:

	Opening Balance 01.07.07	Revenue for 2007-08	*Expenses for 2007-08	Closing Balance 30.06.08
Commonwealth Revenue for:	\$'000	\$'000	\$'000	\$'000
Primary and secondary education	4 026	53 056	(46 528)	10 554
Child care services	3 456	29 729	(31 192)	1 993
Total Recurrent Revenue	7 482	82 785	(77 720)	12 547

* Included in expenses is an amount of \$57.8 million transferred to schools and providers of Child Care Services to be applied for the purposes required under the funding agreements.

13. Student and Other Fees and Charges	Consolidated		DECS	
	2008	2007	2008	2007
Fees and Charges received/receivable from Entities within the SA Government:	\$'000	\$'000	\$'000	\$'000
Sales/fee for service revenue	403	406	898	576
Enrolment fees and charges	-	-	2	-
Other user fees and charges	1 327	1 070	3 882	2 826
Total Fees and Charges - SA Government Entities	1 730	1 476	4 782	3 402
Fees and Charges received/receivable from Entities external to the SA Government:				
Sales/fee for service revenue	13 599	12 062	3 461	3 624
Student enrolment fees and charges	67 026	72 116	2 228	2 669
Other user fees and charges	8 757	8 040	8 855	8 040
School canteen sales	19 821	19 690	-	-
Total Fees and Charges - Non-SA Government Entities	109 203	111 908	14 544	14 333
Total Student and Other Fees and Charges	110 933	113 384	19 326	17 735
14. Interest Revenues				
Interest from entities within the SA Government	11 381	9 680	370	273
Other	587	600	62	64
Total Interest Revenue Received	11 968	10 280	432	337
15. Other Revenue				
Recoveries - Other	2 413	4 801	2 746	5 341
Assets recognised for the first time	3 509	18 485	3 509	18 485
Other revenue	36 668	29 588	15 926	10 671
Fundraising revenue	7 436	7 534	-	-
Total Other Revenue	50 026	60 408	22 181	34 497
16. Revenue from (Payments to) SA Government				
<i>Revenues from SA Government</i>				
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	1 738 690	1 617 108	1 738 690	1 617 108
Appropriation received under other acts	-	-	-	-
Transfers from contingencies	1 710	2 166	1 710	2 166
Total Revenues from SA Government	1 740 400	1 619 274	1 740 400	1 619 274
<i>Payments to SA Government</i>				
Return of surplus cash pursuant to cash alignment policy	(16 498)	(11 437)	(16 498)	(11 437)
Total Payments to SA Government	(16 498)	(11 437)	(16 498)	(11 437)
17. Cash				
Deposits at call - Westpac	34 127	41 089	34 127	41 089
Deposits with the Treasurer	165 924	127 104	165 924	127 104
SA School Investment Fund (SASIF) *	169 221	156 896	-	-
Cash at bank and on hand	16 262	13 280	482	744
Section 21 Deposit Accounts	343	333	343	333
Total Cash	385 877	338 702	200 876	169 270

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

SA School Investment Fund

* Represents the amounts held in schools SASIF accounts at 31 December 2007.

The amount held in schools and units SASIF accounts as at 30 June 2008 was \$231.1 million (\$201 million) and does not include \$17 million (\$16.6 million) held in the account for preschools and some units as these have been treated as transactions with third parties refer Note 2b Reporting Entities.

18. Receivables	Consolidated		DECS	
	2008	2007	2008	2007
Current:	\$'000	\$'000	\$'000	\$'000
Receivables	30 964	19 382	25 861	19 751
Less: Allowance for doubtful debts	9 626	8 326	2 092	420
GST recoverable from the ATO	7 593	6 517	5 567	4 501
Accrued revenues	2 102	797	900	624
Loan receivables	64	64	595	339
Less: Allowance for doubtful debts loans	64	64	64	64
Total Current Receivables	31 033	18 370	30 767	24 731

18. Receivables (continued)

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Expected to be received more than 12 months after reporting date				
Workers compensation receivable	238	446	239	446
Loan receivables	31	31	6 633	4 071
Total Non-Current Receivables	269	477	6 872	4 517
Total Receivables	31 302	18 847	37 639	29 248
Government/Non-Government Receivables				
Receivables from SA Government Entities:				
Fees, charges and other receivables	10 069	2 686	15 637	12 353
Less: Allowance for doubtful debts	-	10	1 536	77
Loan receivables	-	-	7 133	4 315
Accrued revenues	148	428	159	557
Total Receivables from SA Government Entities	10 217	3 104	21 393	17 148
Receivables from Non-SA Government Entities:				
Fees, charges and other receivables	20 895	16 696	10 224	7 398
Less: Allowance for doubtful debts	9 626	8 316	556	343
GST recoverable from the ATO	7 593	6 517	5 567	4 501
Workers compensation receivable	238	446	239	446
Accrued revenues	1 954	369	741	67
Loan receivables	95	95	95	95
Less: Allowance for doubtful debts loans	64	64	64	64
Total Receivables from Non-SA Government Entities	21 085	15 743	16 246	12 100
Total Receivables	31 302	18 847	37 639	29 248

Movement in the Allowance for Doubtful Debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the provision for doubtful debts (impairment loss):

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Movements in the provision for doubtful debts (impairment loss):				
Carrying Amount at 1 July	8 390	8 266	485	1 061
Increase (Decrease) in the provision	4 613	1 818	1 996	(524)
Amounts written off	(3 313)	(1 694)	(325)	(52)
Carrying Amount at 30 June	9 690	8 390	2 156	485

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

19. Inventories

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current:				
Materials at net realisable value	3 807	2 895	118	142
Total Current Inventories	3 807	2 895	118	142
Total Inventories	3 807	2 895	118	142

20. Financial Assets

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current:				
Term deposits	6 178	8 359	-	-
Total Current Investments	6 178	8 359	-	-
Non-Current:				
Term deposits	658	545	-	-
Total Non-Current Investments	658	545	-	-
Total Investments	6 836	8 904	-	-

The term deposits are carried at cost and are to be held to their maturity.

21. Non-Current Assets Classified as Held-for-Sale

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current:				
Land	8 712	5 167	8 712	5 167
Buildings and improvements	2 785	320	2 785	320
Buses	32	108	32	108
Total Current Non-Current Assets Held-for-Sale	11 529	5 595	11 529	5 595

22. Property, Plant and Equipment

Land:				
Land at valuation	1 057 308	903 698	1 057 308	903 698
Land at cost	11 447	212	11 197	-
Total Land	1 068 755	903 910	1 068 505	903 698
Buildings and Improvements:				
Buildings and improvements at valuation	4 303 918	3 533 024	4 303 918	3 533 024
Accumulated depreciation	(2 777 742)	(2 273 055)	(2 777 742)	(2 273 055)
Buildings and improvements at cost	6 299	23 658	5 249	22 662
Accumulated depreciation	(135)	(6 434)	(45)	(6 378)
Total Buildings and Improvements	1 532 340	1 277 193	1 531 380	1 276 253
Leasehold Improvements:				
Leasehold improvements at cost	13 331	13 331	13 331	13 331
Accumulated amortisation	(5 183)	(3 870)	(5 183)	(3 870)
Total Leasehold Improvements	8 148	9 461	8 148	9 461
Construction Work in Progress:				
Construction work in progress at cost	48 661	57 019	48 661	57 019
Total Construction Work in Progress	48 661	57 019	48 661	57 019
Buses/Motor Vehicles:				
Buses at valuation	53 392	54 656	53 392	54 656
Accumulated depreciation	(44 044)	(43 800)	(44 044)	(43 800)
Buses at cost	8 618	7 431	1 246	678
Accumulated depreciation	(4 056)	(3 547)	(42)	(3)
Total Buses/Motor Vehicles	13 910	14 740	10 552	11 531
Computing, Communication Equipment, Furniture and Equipment:				
Computing, communication equipment, furniture and equipment at valuation	1 868	2 410	1 868	2 410
Accumulated depreciation	(1 868)	(2 410)	(1 868)	(2 410)
Computing, communication equipment, furniture and equipment at cost	34 813	34 900	17 399	17 949
Accumulated depreciation	(22 105)	(20 077)	(10 813)	(9 118)
Total Computing, Communication Equipment, Furniture and Equipment	12 708	14 823	6 586	8 831
Other Assets:				
Other assets at cost	6 953	6 402	4 181	4 061
Accumulated depreciation	(4 635)	(4 206)	(2 974)	(2 692)
Total Other Assets	2 318	2 196	1 207	1 369
Total Property Plant and Equipment	2 686 840	2 279 342	2 675 039	2 268 162

Valuation of Non-Current Assets

Valuation of land and buildings were performed at 30 June 2008, paving 30 June 2007, and swimming pools 30 June 2006. The land valuation was performed by the Valuer-General and the buildings, paving and swimming pools were valued by the Department for Transport, Energy and Infrastructure. Valuations of computing and communication equipment, furniture and equipment, and buses are based on current replacement cost. Schools' plant and equipment is recorded at cost.

Reconciliation of Non-Current Assets

The following table shows the movement of non-current assets during 2007-08:

DECS 2007-08					
	Land	Buildings	Leasehold Improvements	Computing, Communication Equipment, Furniture and Equipment	Buses/ Motor Vehicles
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	903 698	1 276 253	9 461	8 831	11 531
Additions	13 748	2 778	-	332	925
Disposals	(1 066)	(2 358)	-	-	(123)
Reclassified held-for-sale	(4 073)	(5 376)	-	-	2
Transfers to (from) WIP	-	64 081	-	-	-
Revaluation increment (decrement)	156 005	245 283	-	-	-
Depreciation	-	(52 597)	(1 313)	(2 577)	(1 783)
Other movements	193	3 316	-	-	-
Carrying Amount at 30 June	1 068 505	1 531 380	8 148	6 586	10 552

	Construction Work in Progress	Other Assets	Tangible Asset Total	Internally Developed Computer Software	Intangible Asset Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	57 019	1 369	2 268 162	2 612	2 612
Additions	59 510	120	77 413	-	-
Disposals	(3 787)	-	(7 334)	-	-
Reclassified held-for-sale	-	-	(9 447)	-	-
Transfer to (from) WIP	(64 081)	-	-	-	-
Revaluation increment (decrement)	-	-	401 288	-	-
Depreciation	-	(282)	(58 552)	(870)	(870)
Other movements	-	-	3 509	-	-
Carrying Amount at 30 June	48 661	1 207	2 675 039	1 742	1 742

DECS 2006-07					
	Land	Buildings	Leasehold Improvements	Computing, Communication Equipment, Furniture and Equipment	Buses/ Motor Vehicles
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	829 759	1 190 499	10 773	10 968	12 943
Additions	727	2 312	1	499	929
Disposals	(957)	(10 944)	-	-	(24)
Reclassified held-for-sale	760	(320)	-	-	(91)
Transfers to (from) WIP	-	23 681	-	-	-
Revaluation increment (decrement)	73 387	100 922	-	-	-
Depreciation	-	(48 360)	(1 313)	(2 636)	(2 226)
Other movements	22	18 463	-	-	-
Carrying Amount at 30 June	903 698	1 276 253	9 461	8 831	11 531

	Construction Work in Progress	Other Assets	Tangible Asset Total	Internally Developed Computer Software	Intangible Asset Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	33 440	1 325	2 089 707	3 483	3 483
Additions	48 031	324	52 823	-	-
Disposals	(771)	-	(12 696)	-	-
Reclassified held-for-sale	-	-	349	-	-
Transfer to (from) WIP	(23 681)	-	-	-	-
Revaluation increment (decrement)	-	-	174 309	-	-
Depreciation	-	(280)	(54 815)	(871)	(871)
Other movements	-	-	18 485	-	-
Carrying Amount at 30 June	57 019	1 369	2 268 162	2 612	2 612

23. Intangible Assets

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Computer Software:				
Internally developed computer software	4 354	4 354	4 354	4 354
Accumulated amortisation	(2 612)	(1 742)	(2 612)	(1 742)
Total Computer Software	1 742	2 612	1 742	2 612

The internally developed computer software relates to the Department's Human Resource Management System (VALEO) with a remaining useful life of two years and carrying amount of \$1 742 000. Prior to June 2003 costs associated with the development of VALEO were expensed, and after that date capitalised.

24. Other Assets

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current Assets:				
Prepayments	1 013	980	31	356
Other	352	189	94	-
Total Current Other Assets	1 365	1 169	125	356

25. Payables

Current:				
Creditors	55 561	39 988	53 489	44 116
Accrued expenses	6 533	7 359	4 474	5 714
Employment on-costs	18 119	16 135	18 108	16 145
Lease payables	53	75	-	-
Total Current Payables	80 266	63 557	76 071	65 975

Non-Current:

Employment on-costs	25 125	24 662	25 125	24 662
Lease payables	91	125	-	-
Total Non-Current Payables	25 216	24 787	25 125	24 662
Total Payables	105 482	88 344	101 196	90 637

Government/Non-Government Payables

Payables to SA Government Entities:

Creditors	24 610	14 953	26 172	21 151
Accrued expenses	2 475	2 411	2 468	2 411
Total Payables to SA Government Entities	27 085	17 364	28 640	23 562

Payables to Non-SA Government Entities:

Creditors	30 951	25 035	27 317	22 965
Accrued expenses	4 058	4 948	2 006	3 303
Employment on-costs	43 244	40 797	43 233	40 807
Lease payables	144	200	-	-
Total Payables to Non-SA Government Entities	78 397	70 980	72 556	67 075
Total Payables	105 482	88 344	101 196	90 637

Interest Rate and Credit Risk

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

26. Borrowings

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current:				
Borrowings from SA Government ⁽¹⁾	926	2 208	926	2 126
Total Current Borrowings	926	2 208	926	2 126
Non-Current:				
Borrowings from SA Government ⁽¹⁾	-	174	-	-
Advances ⁽²⁾	121	121	121	121
Total Non-Current Borrowings	121	295	121	121
Total Borrowings	1 047	2 503	1 047	2 247

(1) This loan is interest bearing and unsecured. The terms of the loan are agreed by the Minister at the time the loan was provided.

(2) The advance was to establish the imprest account and is non-interest bearing.

Borrowings are recognised at cost and have no maturity date. The interest rate is determined by the Treasurer. The average rate was 6.69 percent in 2008 (6.56 percent in 2007).

27. Employee Benefits

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current:				
Annual leave	74 080	70 159	73 974	70 089
Accrued salaries and wages	12 863	8 173	12 384	7 667
Long service leave	47 106	37 132	46 989	36 910
Total Current Employee Benefits	134 049	115 464	133 347	114 666
Non-Current:				
Long service leave	316 859	308 786	315 407	307 652
Total Non-Current Employee Benefits	316 859	308 786	315 407	307 652
Total Employee Benefits	450 908	424 250	448 754	422 318

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2008 is \$151.5 million and \$340.5 million for DECS and \$152.2 million and \$342.0 million for Consolidated respectively.

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has been calculated at 7.5 years (the benchmark applied in 2006-07 was 8.5 years). The result of this has been an increase to the provision of \$6.216 million.

28. Provisions

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current:				
Provision for workers compensation	20 612	19 770	20 612	19 770
Provision for vicarious liability claims	586	668	586	668
Provision for fire claims	1	-	675	658
Total Current Provisions	21 199	20 438	21 873	21 096
Non-Current:				
Provision for workers compensation	81 834	87 758	81 834	87 758
Provision for vicarious liability claims	2 219	1 736	2 219	1 736
Total Non-Current Provisions	84 053	89 494	84 053	89 494
Total Provisions	105 252	109 932	105 926	110 590

Movements in Provisions

Provision for Workers Compensation:				
Carrying amount at 1 July	107 528	101 670	107 528	101 670
Reductions arising from payments/other sacrifice of future economic benefits	(16 436)	(17 679)	(16 436)	(17 679)
Additional provision recognised	11 354	23 537	11 354	23 537
Carrying Amount at 30 June	102 446	107 528	102 446	107 528

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Wellbeing branch of the Department of the Premier and Cabinet. These claims are expected to be settled within the next financial year.

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Provision for Vicarious Liability Claims:				
Carrying amount at 1 July	2 404	2 169	2 404	2 169
Reductions arising from payments/other sacrifice of future economic benefits	(660)	(511)	(660)	(511)
Additional provision recognised	1 061	746	1 061	746
Carrying Amount at 30 June	2 805	2 404	2 805	2 404
Provision for Fire Claims:				
Carrying amount at 1 July	-	25	658	1 086
Reductions arising from payments/other sacrifice of future economic benefits	-	(25)	(446)	(708)
Additional provision recognised	1	-	463	280
Carrying Amount at 30 June	1	-	675	658

29. Other Liabilities

Current:				
Deposits	15 637	13 606	14 901	13 084
Unearned revenue	9 684	3 158	5 473	397
Other liabilities	3 852	3 793	597	613
Total Current Other Liabilities	29 173	20 557	20 971	14 094

29. Other Liabilities (continued)

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Non-Current:				
Deposits	1 401	2 106	-	-
Other liabilities	159	142	-	-
Total Non-Current Other Liabilities	1 560	2 248	-	-
Total Other Liabilities	30 733	22 805	20 971	14 094

30. Equity

Accumulated surplus	1 174 494	1 138 256	987 830	963 523
Asset revaluation reserve	1 261 382	871 976	1 261 344	871 976
Total Equity	2 435 876	2 010 232	2 249 174	1 835 499

The asset revaluation reserve is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is disposed of or assets are transferred to another SA Government entity upon an administrative restructure.

31. Unrecognised Contractual Commitments**Capital Commitments**

Capital Expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Within one year	41 495	26 287	41 495	26 287
Later than one year but not later than five years	21 866	14 541	21 866	14 541
Total Capital Commitments	63 361	40 828	63 361	40 828

The Department's capital commitments are for capital works projects involving the construction or upgrade of school buildings and facilities.

Remuneration Commitments

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

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Within one year	5 004	4 818	5 004	4 818
Later than one year but not later than five years	11 706	10 923	11 706	10 923
Total Remuneration Commitments	16 710	15 741	16 710	15 741

Amounts disclosed include commitments arising from executive service contracts. The Department does not offer fixed-term remuneration contracts greater than five years.

Operating Lease Commitments for Vehicles

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Within one year	3 813	3 430	3 813	3 430
Later than one year but not later than five years	2 849	3 637	2 849	3 637
Total Motor Vehicle Operating Lease Commitment	6 662	7 067	6 662	7 067

The Department has non-cancellable operating lease commitments for the provision of vehicles to senior executive officers or sections (ie: pool vehicles) with Fleet SA. There are no purchase options available to the Department.

Operating Lease Commitments for Accommodation and Facilities

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

	Consolidated		DECS	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Within one year	7 617	1 383	7 617	1 383
Later than one year but not later than five years	19 939	2 864	19 939	2 864
Total Accommodation and Facilities Operating Lease Commitments	27 556	4 247	27 556	4 247

Operating Lease Commitments for Accommodation and Facilities (continued)

The Department has entered into a number of operating leases for the provision of office accommodation and facilities used for the delivery of educational services. Office accommodation is leased from the Department for Transport, Energy and Infrastructure. The property leases include both cancellable and non-cancellable leases and are for varied terms. Contingent rentals are based upon changes in market rental rates, the Consumer Price Index or a specified rate of increase in the rental payments. Options exist to renew the leases at the end of the lease term. Some leases have no option to renew. Rent is payable in arrears.

32. Contingent Assets and Liabilities

The Department has items, which meet the definition of liabilities but have not been recognised because they cannot be measured reliably. These items are:

The Department has recognised that it has a liability to provide for long service leave for temporary relieving teachers (TRTs), hourly paid instructors (HPIs), and other casual employees applicable from 1 January 1978 and for bus drivers applicable from 1 January 1994. The complete effect of this has not been fully quantified. The portion of long service leave liability that has been quantified and included as Employee Benefits (Note 27) as at 30 June 2008 is \$1.916 million (\$1.509 million). Payments for long service leave to these employees totalled \$576 539 in 2007-08 and \$154 626 in 2006-07.

The Department is presently party to a claim in the Industrial Relations Court of South Australia seeking an interpretation of the allowable break in service (three months or two years) for accrual of long service leave for contract teachers and TRTs. Although HPIs are not formally part of the arbitration, the Court's decision may also have similar implications for these employees. Depending on the decision, the Department may have a major liability to provide new rules retrospectively to a date determined by the Court.

33. Remuneration of Board and Committee Members

Members that were entitled to receive remuneration for membership during the 2007-08 financial year were:

Animal Ethics Committee

Ms Anne Clark
Mr Manfred Heide

Ms Kay McGrath
Mr Mark Peters

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

	2008 Number of Members	2007 Number of Members
\$1 - \$9 999	4	6
\$0	7	7
Total Number of Members	11	13

DECS Prudential Management and Audit Committee

Ms Yvonne Sneddon

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

	2008 Number of Members	2007 Number of Members
\$1 - \$9 999	1	1
\$0	12	12
Total Number of Members	13	13

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$8670 (\$8095).

Amounts paid to a superannuation plan for board/committee members was \$0 (\$0).

* In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

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

34. Cash Flow Reconciliation

	Consolidated		DECS	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Reconciliation of Cash - Cash at 30 June as per:				
Cash disclosed in the Balance Sheet	385 877	338 702	200 876	169 270
Balance as per the Cash Flow Statement	385 877	338 702	200 876	169 270

34. Cash Flow Reconciliation (continued)

	Consolidated		DECS	
	2008	2007	2008	
	\$'000	\$'000	\$'000	
Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services:				
Net cash provided by operating activities	125 853	69 882	111 228	61 731
Less: Revenues from SA Government	(1 723 902)	(1 607 837)	(1 723 902)	(1 607 837)
Add (Less): Non-Cash Items:				
Depreciation and amortisation expense of non-current assets	(62 439)	(58 548)	(59 423)	(55 686)
Bad and doubtful debts	(4 613)	(1 818)	(1 996)	524
Non-current assets derecognised/written off	(5 569)	(8 134)	(5 569)	(8 134)
Write-down of other assets	(2 791)	-	(2 791)	-
Assets recognised for the first time	3 509	18 485	3 509	18 485
Loss on sale or disposal of non-current assets	(954)	(5 350)	(1 007)	(5 431)
Assumption of liabilities	144	-	144	-
Change in Assets/Liabilities:				
Increase (Decrease) in receivables	15 847	2 418	6 430	(1 258)
Increase in GST receivable	1 077	491	1 066	334
Increase (Decrease) in other assets	1 183	2 000	(166)	(115)
Increase in employee entitlements	(26 658)	(22 133)	(26 436)	(21 409)
Decrease (Increase) in provisions	4 216	(5 961)	4 664	(5 665)
(Increase) Decrease in payables	(18 665)	4 333	(12 189)	4 321
(Increase) Decrease in other liabilities	(5 821)	1 282	(5 076)	32
Net Cost of Providing Services	(1 699 583)	(1 610 890)	(1 711 514)	(1 620 108)

**Statement of Administered Income and Expenses
for the year ended 30 June 2008**

		2008	2007
	Note	\$'000	\$'000
INCOME:			
Revenues from SA Government	A3	159 781	154 035
Commonwealth revenues	A4	520 189	511 388
Revenues from fees and charges		-	7
Interest revenues	A5	258	252
Other revenues		-	1 958
Total Income		680 228	667 640
EXPENSES:			
Employee benefits expenses	A6	1 688	1 798
Supplies and services	A7	179	262
Transfer payments	A8	675 508	657 685
Payments to the Consolidated Account		-	1 955
Borrowing costs		199	194
Depreciation	A9	7	6
Other expenses		144	1 955
Total Expenses		677 725	663 855
OPERATING SURPLUS		2 503	3 785

The operating surplus is attributable to SA Government as owner

Statement of Administered Assets and Liabilities as at 30 June 2008

		2008	2007
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	A10	6 723	3 813
Receivables	A11	1 367	3 201
Total Current Assets		8 090	7 014
NON-CURRENT ASSETS:			
Receivables	A11	-	173
Plant and equipment	A12	16	23
Total Non-Current Assets		16	196
Total Assets		8 106	7 210
CURRENT LIABILITIES:			
Payables	A13	60	194
Employee benefits	A14	114	126
Borrowings	A15	1 500	2 920
Total Current Liabilities		1 674	3 240
NON-CURRENT LIABILITIES:			
Payables	A13	36	37
Employee benefits	A14	458	458
Borrowings	A15	-	40
Total Non-Current Liabilities		494	535
Total Liabilities		2 168	3 775
NET ASSETS		5 938	3 435
EQUITY:			
Accumulated surplus	A16	5 938	3 435
TOTAL EQUITY		5 938	3 435
The total equity is attributable to the SA Government as owner			
Contingent asset and liabilities	A17		

**Statement of Changes in Administered Equity
for the year ended 30 June 2008**

		Accumulated	
	Note	Surplus	Total
		\$'000	\$'000
Balance at 30 June 2006		(350)	(350)
Operating surplus		3 785	3 785
Total recognised income and expense for 2007		3 785	3 785
Balance at 30 June 2007	A16	3 435	3 435
Operating surplus		2 503	2 503
Total recognised income and expense for 2008		2 503	2 503
Balance at 30 June 2008	A16	5 938	5 938

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

Administered Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH INFLOWS:			
Receipts from SA Government		159 781	154 035
Receipts from Commonwealth		520 189	511 388
Interest received		75	79
GST input tax credits		13 772	13 662
GST receipts on receivables		-	1
Other receipts		-	1 965
Total Cash Inflows		693 817	681 130
CASH OUTFLOWS:			
Employee benefit payments		(1 704)	(1 699)
Supplies and services		(176)	(453)
Transfer payments		(674 949)	(657 665)
Borrowing costs		(199)	(201)
GST payments on purchases		(13 730)	(13 502)
Other Payments		-	(1 955)
Payments to the Consolidated Account		-	(1 955)
Total Cash Outflows		(690 758)	(677 430)
Net Cash Inflows from Operating Activities	A19	3 059	3 700
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Loans repaid		1 311	80
Total Cash Inflows		1 311	80
CASH OUTFLOWS:			
Payments for plant and equipment		-	(11)
Total Cash Outflows		-	(11)
Net Cash Inflows from Investing Activities		1 311	69
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of borrowings		(1 460)	-
Total Cash Outflows		(1 460)	-
Net Cash Outflows from Financing Activities		(1 460)	-
NET INCREASE IN CASH HELD		2 910	3 769
CASH AT 1 JULY		3 813	44
CASH AT 30 JUNE	A10	6 723	3 813

**Program Schedule of Administered Income and Expenses
for the year ended 30 June 2007**

	Minister's Other Payments		Minister's Borrowings		Minister's Salary and Allowances		Totals	
	2008	2007	2008	2007	2008	2007	2008	2007
ADMINISTERED INCOME:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from SA Government	159 541	153 792	-	-	240	243	159 781	154 035
Commonwealth revenues	520 189	511 388	-	-	-	-	520 189	511 388
Revenues from fees and charges	-	7	-	-	-	-	-	7
Interest revenues	-	-	258	252	-	-	258	252
Other revenues	-	1 958	-	-	-	-	-	1 958
Total Administered Income	679 730	667 145	258	252	240	243	680 228	667 640
ADMINISTERED EXPENSES:								
Employee benefit expenses	1 447	1 571	-	-	241	227	1 688	1 798
Supplies and services	179	262	-	-	-	-	179	262
Transfer payments	675 508	657 685	-	-	-	-	675 508	657 685
Payments to								
Consolidated Account	-	1 955	-	-	-	-	-	1 955
Borrowing costs	-	-	199	194	-	-	199	194
Depreciation	7	6	-	-	-	-	7	6
Other expenses	-	1 955	144	-	-	-	144	1 955
Total Administered Expenses	677 141	663 434	343	194	241	227	677 725	663 855
OPERATING SURPLUS (DEFICIT)	2 589	3 711	(85)	58	(1)	16	2 503	3 785

NOTES TO AND FORMING PART OF THE ADMINISTERED STATEMENTS

A1. Summary of Significant Accounting Policies

All DECS accounting policies are contained in Note 2. The policies outlined in Note 2 apply to both the Department and Administered Financial Statements.

A2. Changes in Accounting Policies

All DECS changes in accounting policies are contained in Note 3. The changes outlined in Note 3 apply to both the Department and Administered Financial Statements.

A3. Revenue from SA Government

	2008	2007
	\$'000	\$'000
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	159 531	151 692
Appropriations under other Acts	240	243
Transfers from contingencies	10	2 100
Total Revenues from SA Government	159 781	154 035

A4. (a) Commonwealth Revenues

Commonwealth Revenues:		
Recurrent	479 706	456 453
Capital	40 483	54 935
Total Commonwealth Revenues	520 189	511 388

(b) Conditions Over Revenue

The following revenues were recognised for the year ended 30 June 2008 with the condition that they be expended in a particular manner, but had yet to be applied in that manner at 30 June 2008:

(b) Conditions Over Revenue (continued)

	Opening Balance 01.07.07 \$'000	Revenue 2007-08 \$'000	Expenses 2007-08 \$'000	Closing Balance 30.06.08 \$'000
Commonwealth Revenue for:				
Non-Government schools per capita operating grant	159	458 340	458 340	159
Non-Government schools per capita capital grant	146	22 133	22 047	232
School Language and Literacy	421	940	738	623
Investing in Our Schools Program	195	18 350	18 485	60
Total Commonwealth Revenue	921	499 763	499 610	1 074

A5. Interest Revenues

	2008 \$'000	2007 \$'000
Interest from entities within the SA Government	258	252
Total Interest Revenues	258	252

A6. Employee Benefit Expense

Salaries and wages (including annual leave)	1 374	1 375
Employment on-costs - Superannuation	108	141
Employment on-costs - Payroll tax	64	79
Workers compensation	1	1
Long service leave	10	80
Board fees	131	122
Total Employee Benefit Costs	1 688	1 798

Remuneration of Employees

The number of employees whose remuneration received or receivable exceeded \$100 000 for this period are grouped within the following bands:

	2008 Number of Executives*	2008 Number of Employees	2007 Number of Executives*	2007 Number of Employees
\$100 000 to \$109 999	-	2	-	1
\$110 000 to \$119 999	-	1	-	1
Total Number of Executives/Employees	-	3	-	2

* Based on the Department's Executive Organisation Structure.

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$315 000 (\$223 000).

A7. Supplies and Services

	2008 \$'000	2007 \$'000
Supplies and Services Provided by Entities within SA Government:		
Fees - Consultants, contractors and other outsourced services	-	1
Printing, postage and consumables	2	3
Vehicle and travelling expenses	9	9
Conference expenses	1	-
Other expenses	-	3
Total Supplies and Services to SA Government Entities	12	16

Supplies and Services Provided by Entities external to SA Government:

Fees- Consultants, contractors and other outsourced services	79	75
Printing, postage and consumables	15	58
Minor works, maintenance and equipment	5	5
Vehicle and travelling expenses	16	21
Conference expenses	-	9
Advertising, publicity, promotions	2	2
Rentals and leases	3	8
Computer communications	-	1
Telecommunications	1	13
Other expenses	46	54
Total Supplies and Services to Non-SA Government Entities	167	246
Total Supplies and Services	179	262

	2008 Number	2008 \$'000	2007 Number	2007 \$'000
The number and dollar amount of Consultancies paid/payable during the period:	-	-	-	-

A8. Transfer Payments	2008	2007
Transfer Payments paid/payable to Entities within SA Government:	\$'000	\$'000
Multicultural grants	39	31
Government schools	18 485	44 698
Special schools	2 299	1 421
Other organisations	166	173
SSABSA	11 783	11 267
Transport concessions	10 877	10 865
Total Transfer Payments to SA Government Entities	43 649	68 455
Transfer Payments paid/payable to Entities external to SA Government:		
Multicultural grants	1 307	1 269
Non-Government schools	625 807	583 067
Special schools	3 989	4 186
Other organisations	756	708
Total Transfer Payments to Non-SA Government Entities	631 859	589 230
Total Transfer Payments	675 508	657 685
A9. Depreciation		
Computing, communication equipment, furniture and equipment	7	6
Total Depreciation	7	6
A10. Cash		
Special Deposit Accounts with the Department of Treasury and Finance:		
Deposits at call - Westpac	6 723	3 813
Total Cash	6 723	3 813
A11. Receivables		
Current:		
Loan receivables	926	2 208
Interest receivable	376	193
GST recoverable from the ATO	65	107
Other receivables	-	693
Total Current Receivables	1 367	3 201
Expected to be received more than 12 months after reporting date:		
Loan receivables	-	173
Total Non-Current Receivables	-	173
Total Receivables	1 367	3 374
<i>Government/Non-Government Receivables</i>		
Receivables from SA Government Entities:		
Loan receivables	926	2 381
Interest receivable	376	193
Other receivables	-	693
Total Receivables from SA Government Entities	1 302	3 267
Receivables from Non-SA Government Entities:		
GST recoverable from the ATO	65	107
Total Receivables from Non-SA Government Entities	65	107
Total Receivables	1 367	3 374
A12. Plant and Equipment		
Computing, Furniture and Equipment:		
Computing, furniture and equipment at cost	73	73
Accumulated depreciation	(57)	(50)
Total Computing, Furniture and Equipment	16	23
Total Plant and Equipment	16	23
<i>Valuation of Non-Current Assets</i>		
Valuations of computing, furniture and equipment are based on current replacement cost in accordance with the Department of Treasury and Finance policy on valuations of non-current assets.		
<i>Reconciliation of Plant and Equipment</i>		
The following table shows the movement of plant and equipment:	Computing, Furniture and Equipment	
	2008	2007
	\$'000	\$'000
Carrying amount at 1 July	23	18
Additions	-	11
Depreciation	(7)	(6)
Carrying Amount at 30 June	16	23

A13. Payables	2008	2007
Current:	\$'000	\$'000
Creditors	24	155
Accrued expenses	22	22
Employment on-costs	14	17
Total Current Payables	60	194
Expected to be paid more than 12 months after reporting date:		
Employment on-costs	36	37
Total Non-Current Payables	36	37
Total Payables	96	231

Government/Non-Government Payables

Payables to SA Government Entities:

Creditors	2	133
Accrued expenses	22	22
Total Payables to SA Government Entities	24	155

Payables to Non-SA Government Entities:

Creditors	22	22
Employment on-costs	50	54
Total Non-Current Payables to Non-SA Government Entities	72	76
Total Payables	96	231

A14. Employee Benefits

Current:

Accrued salaries and wages	4	4
Annual leave	47	68
Long service leave	63	54
Total Current Employee Benefits	114	126

Non-Current:

Long service leave	458	458
Total Non-Current Employee Benefits	458	458
Total Employee Benefits	572	584

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2008 is \$128 000 and \$494 000 respectively.

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has been revised from 8.5 years to 7.5 years.

A15. Borrowings	2008	2007
Current:	\$'000	\$'000
Borrowings from SA Government	1 500	2 920
Total Current Borrowings	1 500	2 920
Non-Current:		
Borrowings from SA Government	-	40
Total Non-Current Borrowings	-	40
Total Borrowings	1 500	2 960

A16. Equity

Accumulated surplus	5 938	3 435
Total Equity	5 938	3 435
Accumulated Surplus:		
Balance at 1 July	3 435	(350)
Surplus for the year	2 503	3 785
Balance at 30 June	5 938	3 435

A17. Contingent Assets and Liabilities

The Department is not aware of any contingent assets or liabilities and has made no guarantees in relation to its administered activities.

A18. Remuneration of Board and Committee Members

Members that were entitled to receive remuneration for membership during the 2008 financial year were:

Ethnic Schools Board

Mr Paul Demetriou
Mr David N Edwards
Mrs Chandra K Eriyagama
Mr Paul A Hine
Mr John A Kiosoglous

Ms Helena Lelkes
Ms Ursula McGowan
Dr Sabine Orchard-Simonides
Mr Abdi Ali Osman
Ms Bach Cuc Tran

A18. Remuneration of Board and Committee Members (continued)

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

	2008 Number of Members	2007 Number of Members
\$0	3	5
\$1 - \$9 999	10	9
Total Number of Members	13	14

Ministerial Advisory Committee: Students with Disabilities

Ms Erica Baker
Dr Mary Bambacas
Mr Clive Budden

Ms Marie Hedley
Mr Dindo Varona
Ms Margaret Wallace

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

	2008 Number of Members	2007 Number of Members
\$0	10	10
\$1 - \$9 999	5	5
\$10 000 - \$19 999	1	1
Total Number of Members	16	16

Multicultural Education Coordination Committee

Mr Arachie Andrews
Dr Giancarlo Chiro
Ms Cristina Descalzi
Mrs Laila El Assaad (resigned 30 May 2008)
Assoc Prof, Dr My-Van Tran

Dr Paul Hine
Mr John A Kiosoglous
Mr Lewis W O'Brien
Mrs Zubayra Shamseden

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

	2008 Number of Members	2007 Number of Members
\$0	5	8
\$1 - \$9 999	9	10
Total Number of Members	14	18

Non-Government School Advisory Committee

Mr Jeffery Croser
Ms Nicola Mullins

Ms Katherine Teague

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

	2008 Number of Members	2007 Number of Members
\$0	9	9
\$1 - \$9 999	3	4
Total Number of Members	12	13

Non-Government Schools Registration Board

Mr Robin Anderson
Mr Gordon Baker
Ms Kathleen Cotter
Mr Russell Eley
Ms Margaret Linke

Dr Dale Wasley
Mr Brian Webber
Ms Doreen Yam
Mr Alan Young

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

	2008 Number of Members	2007 Number of Members
\$0	4	8
\$1 - \$9 999	7	4
\$10 000 - \$19 999	1	3
\$20 000 - \$29 999	1	-
Total Number of Members	13	15

Non-Government Schools Joint Planning Committee

Mr John Connell
Mr Ken Hinkly

Ms Mary Jackson

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

	2008 Number of Members	2007 Number of Members
\$0	5	8
\$1 - \$9 999	3	3
Total Number of Members	8	11

A18. Remuneration of Board and Committee Members (continued)

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$119 416 (\$121 029).

Amounts paid to a superannuation plan for board/committee members was \$12 450 (\$1118).

* In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year. The names of these employees are not listed above.

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

A19. Cash Flow Reconciliation

	2008	2007
Reconciliation of Cash - Cash at 30 June as per:	\$'000	\$'000
Administered Cash Flow Statement	6 723	3 813
Statement of Administered Assets and Liabilities	6 723	3 813
<hr/>		
Reconciliation of Net Cash Inflows from Operating Activities to		
Operating Surplus:		
Net cash inflows from operating activities	3 059	3 700
Add (Less): Non-Cash Items:		
Depreciation of plant and equipment	(7)	(6)
Assumption of liabilities	(144)	-
Changes in Assets/Liabilities:		
(Decrease) in GST receivable	(42)	(162)
(Decrease) Increase in receivables	(510)	275
Decrease (Increase) in employee benefits	12	(98)
Decrease in payables	135	76
Operating Surplus	2 503	3 785

DEPARTMENT FOR ENVIRONMENT AND HERITAGE

FUNCTIONAL RESPONSIBILITY

Establishment

The Department for Environment and Heritage (the Department) is an administrative unit established under the PSM Act, and is responsible to the Minister for Environment and Conservation.

Functions

The Department's functions are conserving and restoring the environment by:

- having a primary role in environmental policy, biodiversity conservation, heritage conservation and animal welfare
- managing the State's public land, which includes national parks, marine parks, botanic gardens and coastline
- being a custodian of information and knowledge about the State's environment.

Note 1 of the financial report provides further explanation on the objectives of the Department.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the Department for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2007-08, areas of review included:

- accounts payable
- revenue, receipting and banking
- payroll
- grant expenditure
- fixed assets
- computer processing environment
- budgetary control.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

The following is an extract from the 2007-08 Independent Auditor's Report, which details the qualification to the Department's financial report.

Basis For Qualified Auditor's Opinion

Property, Plant and Equipment reported in the Administered Balance Sheet excludes Unallotted Crown Land as the Department has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings. In addition, limitations exist on the reliability of the base information used to determine the value of Crown Lands included in Property, Plant and Equipment.

This is disclosed in Note A1(c) to the Administered Financial Statements.

As the integrity of Crown Land holdings and values administered by the Department have not been ascertained, I am unable to form an opinion on the reasonableness of the values of Property, Plant and Equipment relating to Crown Lands, brought to account in the Administered Balance Sheet.

Qualified Auditor's Opinion

In my opinion, except for the effects of the matters referred to in the preceding paragraphs, the financial report presents fairly, in all material respects, the financial position of the Department for Environment and Heritage as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards (including the Australian Accounting Interpretations).

Fixed Assets - Accounting for Crown Land

Background

Over a number of years, Audit has commented on action taken on the accounting treatment of Crown Lands and the completeness and accuracy of information available.

The Department did not have a methodology in place to ensure that all administered Crown Land had been recorded in the Balance Sheet. In addition, limitations existed on the reliability of the base information used to value land actually reported in the Administered Balance Sheet. As a result, the Independent Auditor's Report on the Department's financial report for past years qualified administered property, plant and equipment relating to Crown Lands.

2007-08 Developments

The Department has advised that a Crown Lands Asset Register project commenced in 2007-08 to address audit qualification issues raised in prior years. The scope of the project includes:

- establishment of policies and procedures for the management of Crown Land assets
- changes to the Tenements and Billing System (TABS)
- analysis of data quality and data cleansing requirements
- implementation of appropriate conversion processes from the Land Ownership and Tenure System (LOTS) database to TABS
- implementation of interface between TABS and Masterpiece Fixed Assets.

During 2007-08, the project team has:

- documented a methodology for recognition and valuation of Crown Land
- identified an approach for data cleansing
- commenced cleansing the Crown Land data held in LOTS
- started identifying modifications to TABS to enable it to capture the additional Crown Land information from LOTS.

The project does not have a definite end date, however given the volume of data that needs to be cleansed and corrected, the Department anticipates the project will span several years.

2007-08 Independent Auditor's Report

Given the project is in the preliminary stages, the Department has not yet implemented a methodology to ensure all administered Crown Land is recorded in the Administered Balance Sheet. Review and correction of base information used to value land actually reported in the Administered Balance Sheet is also not yet completed.

As a result, the Independent Auditor's Report to the financial report again qualifies the completeness and valuation of Crown Lands included in the Administered Balance Sheet.

Assessment of Controls

In my opinion, the controls exercised by the Department for Environment and Heritage in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to bank reconciliations, vendor masterfile maintenance, accounts payable procedures, employee leave returns and excessive leave management as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Environment and Heritage have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of the Department. The Department's response indicated that appropriate action would be taken to address the matters raised. The following outlines the notable matters that were raised with the Department.

Cash

Bank reconciliation variances were not investigated and resolved in a timely manner. However these variances were corrected prior to 30 June 2008.

Accounts Payable

Bank detail changes on vendor masterfiles were not independently checked to ensure validity.

A number of accounts payable policies and procedures were in draft format and could have been enhanced by requiring additional checking for scanned transactions.

The Department responded that modifications have now been made to enable the checking of bank detail changes and policies and procedures have been updated and authorised.

Payroll

The Payroll section do not always ensure that employee leave returns are received by the due date. In certain instances, excessive leave balances were also not managed and authorised in accordance with the Department's Leave Policy.

The Department indicated that revised procedures have been implemented to follow up leave returns. Further, the Department will investigate excessive leave balances and initiate monthly review of these balances.

Budgetary Control

Audit review indicated scope for improvement in existing controls in the following areas:

- Year end forecasts of total revenue and expenditure in May 2008 varied materially from actual year end results. These variations were due in large part to year end accrual adjustments and unanticipated grant receipts which were difficult to predict and quantify.
- Explanations of material offsets between relevant expenditure lines, for example between salaries and wages expenditure and contractor expenditure, were not provided in returns to the Department of Treasury and Finance (DTF) in all cases.
- The precise monetary impact of 2007-08 budget misalignments was not reflected in variance explanations for relevant line items in certain instances. All budget misalignments were corrected by February 2008.

The Department has implemented initiatives in 2007-08 to further improve its budgetary control processes, including:

- development and implementation of new budget policy and budget handbook
- providing public sector financial management training to operational and financial staff across the department
- providing DTF with spreadsheets of the Department's monthly forecasting calculations to enable identification of 'real' variances
- restructuring staffing arrangements to ensure one team is responsible for both internal corporate and Treasury reporting
- establishing regular meetings between the Department and the DTF Account Management Team
- processing budget alignment journals in conjunction with DTF as early as practicable.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 \$'million	2007 \$'million	Percentage Change
INCOME			
Fees and charges	17.0	16.8	1
Grants and contributions	15.3	14.4	6
Other revenue	6.0	2.6	131
Total Income	38.3	33.8	13
EXPENSES			
Employee benefits expenses	79.6	77.1	3
Supplies and services	53.2	51.2	4
Depreciation and amortisation	22.8	24.8	(8)
Other expenses	11.1	7.7	44
Total Expenses	166.7	160.8	4
Net Cost of Providing Services	128.4	127.0	1
Revenues from SA Government	129.5	125.4	3
Payments to SA Government	24.9	4.0	-
Net Result After Restructure	(23.8)	(5.6)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	5.4	28.4	(81)
ASSETS			
Current assets	108.7	151.9	(28)
Non-current assets	302.6	311.9	(3)
Total Assets	411.3	463.8	(11)
LIABILITIES			
Current liabilities	23.6	60.9	(61)
Non-current liabilities	18.9	18.5	2
Total Liabilities	42.5	79.4	(46)
EQUITY	368.8	384.4	(4)

Income Statement

Income

Total income from activities increased by \$4.5 million (13 percent). The major items causing this change were:

- other income increased by \$4.1 million, due mainly to an increase in SAICORP insurance recoveries for Adelaide Hills flooding incidents in November 2005 and Kangaroo Island fires in December 2007
- grants and contributions increased by \$900 000
- resources received free of charge decreased by \$700 000.

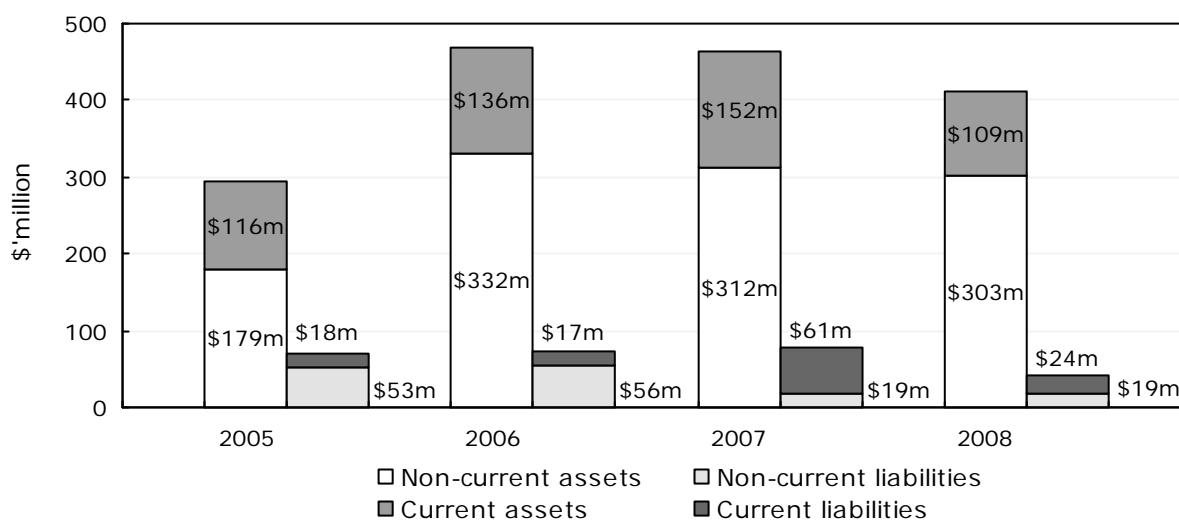
Expenses

Total expenses increased by \$5.9 million (4 percent). The major items causing this change were:

- net loss from disposal of non-current assets increased by \$4.0 million, primarily due to buildings and infrastructure associated with a new Amazon Waterlily Pavilion being transferred to the Board of the Botanic Gardens and State Herbarium free of charge
- employee benefits expenses increased by \$2.5 million due mainly to an Enterprise Bargaining Agreement salary rate increase
- supplies and services increased by \$2.0 million due mainly to higher accommodation and property management expenses and contractor expenses
- finance costs decreased by \$2.7 million as a result of the Department's borrowings being fully repaid in July 2007.

Balance Sheet

For the four years to 2008, a structural analysis of assets and liabilities is shown in the following chart.



The Department's assets comprise two main items, Property, Plant and Equipment and Cash.

Non-Current Assets - Property, Plant and Equipment

In 2008 this item makes up 73 percent (66 percent) of total assets. Land, buildings and improvements and park infrastructure are the dominant items of property, plant and equipment. Note 25 provides further details of items and amounts.

Property, plant and equipment decreased from \$306.8 million to \$299.8 million, due mainly to depreciation expense of \$22.3 million offset by additions of \$14.3 million.

Current Assets - Cash

This item, \$100.5 million (\$145.3 million) represents 93 percent (96 percent) of total current assets and 24 percent (31 percent) of total assets. The main component of cash in 2007-08 is the accrual appropriation account of \$81.7 million (81 percent). This is further discussed below under Cash Flow Statement.

Liabilities

In July 2007, \$38.1 million of borrowings from DTF were fully repaid by the Department.

Cash Flow Statement

The following table summarises the net cash flows for the four years to 2008.

	2008	2007	2006	2005
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	5.4	28.4	34.9	35.2
Investing	(12.1)	(12.1)	(13.6)	(12.8)
Financing	(38.1)	-	(0.1)	-
Change in Cash	(44.8)	16.3	21.2	22.4
Cash at 30 June	100.5	145.3	129.0	107.8

The Department's cash at 30 June 2008 comprises operating deposit accounts \$18.6 million; accrual appropriation account \$81.7 million; and other cash items \$200 000.

Cash decreased by \$44.8 million in 2007-08. This decrease is mainly due to:

- the repayment of Department of Treasury and Finance (DTF) borrowings (\$38.1 million)
- cash returned to DTF under the cash alignment policy (\$6.1 million)
- cash returned to DTF to adjust for amended depreciation expenses in prior years (\$18.8 million).

The repayment of DTF borrowings is also reflected in the increase in financing activities for the year. The cash returned to DTF payments explain the reduction in net cash flows from operations in 2007-08.

The depreciation adjustment transfer was the result of a review performed by the Department of its asset values and depreciation expenses. This review indicated that over the last seven years, the annual depreciation rate applied to fixed assets for budget purposes had averaged over 19.5 percent of asset values. However further investigation performed by the Department revealed that depreciation rates should have been 16.5 percent of asset values. Applying this lower depreciation rate to asset values since 1999-2000, the year that accrual appropriation was first fully applied, meant that the Accrual Appropriation Excess Funds account needed to be reduced by \$18.8 million.

All these payments were made from the DTF Special Deposit Account 'Accrual Appropriation Excess Funds – DEH'. Access to these funds is subject to the Treasurer's approval.

Administered Items**Grants and Contributions**

Grants and contributions expenses increased by \$20.4 million to \$25.6 million, due mainly to a one-off grant of \$18.9 million, classified as 'Minister's Other Payments', made to Zoos SA for a new entrance and underwater fairy penguin enclosure.

Revenues from SA Government

Revenues from SA Government increased by \$19.5 million to \$23.5 million, primarily due to an increase in appropriations to fund the grant to Zoos SA.

FURTHER COMMENTARY ON OPERATIONS

Adelaide's Living Beaches Project

The Government of South Australia approved a new strategy in November 2005 for managing Adelaide's metropolitan beaches – *Adelaide's Living Beaches – A Strategy for 2005-25*. The strategy will investigate and develop infrastructure to manage Adelaide's beaches within six cells along the metropolitan coastline. The project is expected to complete construction of infrastructure by June 2010.

The total project budget to 2009-10 is \$54.2 million converting to an estimated annual operational budget of \$4.8 million from that point on. The total project budget provides \$17 million for construction of sand transfer infrastructure.

The expenditure for 2007-08 was \$5.2 million. Costs incurred to date of \$20.2 million have primarily been in the areas of project establishment costs, sand collection and pumping pipeline trials and ongoing programs of beach replenishment sandcarting and harbour maintenance dredging.

Administered Items

Crown Land Perpetual Leases

On 13 January 2003, Cabinet approved the implementation of an accelerated freeholding project for Crown Land perpetual leases.

The joint project between the Department and the Department for Transport, Energy and Infrastructure, which is managed by a Project Board, was to make an offer of sale to all eligible perpetual lease holders giving them the opportunity to purchase the land over which they have a lease. The number of leases offered for sale totalled approximately 15 000.

In early March 2003, the Minister for Environment and Conservation gave approval for the commencement of the freeholding program. The offer to freehold perpetual leases was distributed to all eligible lessees, with the offer expiring on 30 September 2003. This was subsequently extended to 31 March 2006. 9600 applications to freehold have been received, representing some 13 500 leases.

The Perpetual Lease Accelerated Freeholding (PLAF) Project ceased on 27 June 2008 with the project completing 93 percent of the freeholding applications received. The remaining 7 percent of applications will be processed by a small project team in 2008-09. From 1 July 2009, any outstanding applications will be processed within the Department.

Total costs for the project are estimated at \$15.4 million over the eight years to 30 June 2010. Total freeholding and application revenue is estimated as \$21.4 million generating a net return of \$6 million to the Consolidated Account.

The 2007-08 freeholding and application revenue is \$2.7 million and 2007-08 expenditure is \$1.7 million. The total project freeholding and application revenue to 30 June 2008 is \$20.5 million and the total project expenditure to 30 June 2008 is \$12.9 million. In 2007-08, a transfer of \$3.5 million was made to the Consolidated Account.

Income Statement **for the year ended 30 June 2008**

		2008	2007
	Note	\$'000	\$'000
EXPENSES:			
Employee benefits expenses	5	79 591	77 087
Supplies and services	6	53 146	51 184
Grants and contributions expense	7	4 258	3 177
Depreciation and amortisation	8	22 848	24 751
Financing costs	9	22	2 723
Net loss from disposal of non-current assets	10	5 089	1 044
Other expenses	11	1 765	793
Total Expenses		166 719	160 759
INCOME:			
Fees and charges	12	17 030	16 785
Grants and contributions	13	15 350	14 408
Interest revenue	14	188	173
Resources received free of charge	15	32	775
Net gain from disposal of non-current assets held-for-sale	16	52	-
Other income	17	5 702	1 601
Total Income		38 354	33 742
NET COST OF PROVIDING SERVICES		128 365	127 017
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	18	129 505	125 389
Payments to SA Government	18	(24 900)	(3 979)
Total Revenues from (Payments to) SA Government		104 605	121 410
NET RESULT		(23 760)	(5 607)

The net result is attributable to the SA Government as owner

Balance Sheet as at 30 June 2008

		2008	2007
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	19	100 565	145 343
Receivables	20	6 323	4 480
Inventories	21	1 394	1 392
Other current assets	23	421	637
Total Current Assets		108 703	151 852
NON-CURRENT ASSETS:			
Receivables	20	36	1 862
Non-current assets held for sale	24	950	951
Financial assets	22	8	8
Property, plant and equipment	25	299 825	306 800
Intangible assets	26	1 765	2 269
Total Non-Current Assets		302 584	311 890
Total Assets		411 287	463 742
CURRENT LIABILITIES:			
Payables	27	14 977	14 971
Employee benefits	28	7 601	6 909
Provisions	29	421	351
Borrowings	30	-	38 054
Other current liabilities	31	579	608
Total Current Liabilities		23 578	60 893
NON-CURRENT LIABILITIES:			
Payables	27	1 452	1 421
Employee benefits	28	14 421	13 778
Provisions	29	1 088	953
Other non-current liabilities	31	1 989	2 304
Total Non-Current Liabilities		18 950	18 456
Total Liabilities		42 528	79 349
NET ASSETS		368 759	384 393
EQUITY:			
Asset revaluation reserve	32	170 482	165 661
Retained earnings	32	198 277	218 732
TOTAL EQUITY		368 759	384 393
Total equity is attributable to the SA Government as owner			
Expenditure commitments	35		
Contingent assets and liabilities	36		

Statement of Changes in Equity for the year ended 30 June 2008

		Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2006	32	388 231	221 361	609 592
Asset adjustments this reporting period:				
Reinterpretation of network asset definition	32	-	(2 854)	(2 854)
Other	32	-	5	5
Asset adjustments previously recognised:				
Asset valuation errors	32	(220 465)	-	(220 465)
Depreciation errors	32	-	3 494	3 494
First time recognition of asset errors	32	-	1 479	1 479
Other errors	32	-	678	678
Restated Balance at 1 July 2006	32	167 766	224 163	391 929
Net decrement related to revaluations	32	(2 105)	-	(2 105)
Asset adjustments - ARAMIS revisions				
upwards/downwards	32	-	176	176
Net result for 2006-07	32	-	(5 607)	(5 607)
Total Recognised Income/Expense for 2006-07		(2 105)	(5 431)	(7 536)
Balance at 30 June 2007		165 661	218 732	384 393
Asset adjustments - first time recognition of assets	32	-	2 859	2 859
Asset adjustments - ARAMIS revisions				
upwards/downwards	32	-	446	446
Net increment related to revaluations	32	4 821	-	4 821
Net result for 2007-08	32	-	(23 760)	(23 760)
Total Recognised Income/Expense for 2007-08		4 821	(20 455)	(15 634)
Balance at 30 June 2008	32	170 482	198 277	368 759

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

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:	Note	\$'000	\$'000
Employee benefits payments		(78 196)	(74 165)
Supplies and services		(54 548)	(46 038)
Grants and contribution payments		(4 258)	(3 177)
Interest paid		(246)	(2 747)
GST paid on purchases		(8 849)	(8 355)
Other payments		(30)	(7)
Cash used in Operations		(146 127)	(134 489)
CASH INFLOWS:			
Fees and charges		17 212	17 544
Grant and contribution receipts		15 350	14 408
Interest received		187	252
GST received from customers		3 650	6 023
GST refund from the ATO		4 810	1 688
Other receipts		5 702	1 602
Cash generated from Operations		46 911	41 517
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		129 505	125 389
Payments to SA Government		(24 900)	(3 979)
Total generated from SA Government		104 605	121 410
Net Cash provided by Operating Activities	33	5 389	28 438
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(12 265)	(12 166)
Proceeds from sale of property, plant and equipment		152	86
Net Cash used in Investing Activities		(12 113)	(12 080)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		(38 054)	-
Net Cash used in Financing Activities		(38 054)	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(44 778)	16 358
CASH AND CASH EQUIVALENTS AT 1 JULY		145 343	128 985
CASH AND CASH EQUIVALENTS AT 30 JUNE		100 565	145 343

Program Schedule of Expenses and Income for the year ended 30 June 2008

	Program 1		Program 2		Program 3		Program 4		Program 5	
	Nature		Public Land -		Public Land -		Public Land -			
	Conservation		Visitor Management		Fire Management		Stewardship		Coast and Marine	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits costs	15 637	14 610	11 504	10 619	6 225	5 165	8 187	9 032	5 053	4 189
Supplies and services	10 608	9 274	9 639	9 099	2 250	2 250	2 871	3 368	5 076	6 575
Grants and contributions	1 080	1 221	6	61	34	37	1 133	201	433	188
Depreciation and amortisation	10 431	11 488	10 431	11 488	120	60	297	284	253	212
Finance costs	-	-	-	-	-	-	-	-	-	-
Net loss from disposal of non-current assets	-	-	-	-	-	-	-	-	-	-
Other expenses	89	45	846	359	9	2	1	2	-	-
Total Expenses	37 845	36 638	32 426	31 626	8 638	7 514	12 489	12 887	10 815	11 164
INCOME:										
Fees and charges	1 034	1 103	8 435	8 204	1 176	1 199	3 145	3 113	12	-
Grants and contributions	8 663	8 430	166	106	65	363	667	1 027	949	553
Interest	33	32	136	121	-	-	12	16	-	-
Assets received free of charge	-	-	-	-	-	-	-	-	-	-
Net gain from disposal of non-current assets held for sale	-	-	-	-	-	-	-	-	-	-
Other revenue	38	17	4 053	816	990	94	62	132	15	85
Total Income	9 768	9 582	12 790	9 247	2 231	1 656	3 886	4 288	976	638
NET COST OF PROVIDING SERVICES	28 077	27 056	19 636	22 379	6 407	5 858	8 603	8 599	9 839	10 526
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:										
Revenues from SA Government	-	-	-	-	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-	-	-	-	-
Total Net Revenues from SA Government	-	-	-	-	-	-	-	-	-	-
NET RESULT	(28 077)	(27 056)	(19 636)	(22 379)	(6 407)	(5 858)	(8 603)	(8 599)	(9 839)	(10 526)

Program Schedule of Expenses and Income for the year ended 30 June 2008 (continued)

	Program 6		Program 7		Program 8		Program 9			
	Botanic Gardens		Heritage		Animal		Agency			
	Management		Conservation		Welfare		Support		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits costs	3 828	3 529	1 691	1 563	181	156	27 285	28 224	79 591	77 087
Supplies and services	2 189	2 075	1 240	916	26	36	19 247	17 591	53 146	51 184
Grants and contributions	82	78	684	703	580	501	226	187	4 258	3 177
Depreciation and amortisation	131	153	167	49	39	42	979	975	22 848	24 751
Finance costs	-	-	-	-	-	-	22	2 723	22	2 723
Net loss from disposal of non-current assets	-	-	-	-	-	-	5 089	1 044	5 089	1 044
Other expenses	449	145	114	(22)	-	-	257	262	1 765	793
Total Expenses	6 679	5 980	3 896	3 209	826	735	53 105	51 006	166 719	160 759
INCOME:										
Fees and charges	1	2	812	876	3	4	2 412	2 284	17 030	16 785
Grants and contributions	2 231	1 499	63	62	-	-	2 546	2 368	15 350	14 408
Interest	-	-	-	-	-	-	7	4	188	173
Assets received free of charge	-	-	-	-	-	-	32	775	32	775
Net gain from disposal of non-current assets held for sale	-	-	-	-	-	-	52	-	52	-
Other revenue	31	25	24	2	-	-	489	430	5 702	1 601
Total Income	2 263	1 526	899	940	3	4	5 538	5 861	38 354	33 742
NET COST OF PROVIDING SERVICES	4 416	4 454	2 997	2 269	823	731	47 567	45 145	128 365	127 017
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:										
Revenues from										
SA Government	-	-	-	250	-	-	129 505	125 139	129 505	125 389
administrative restructure	-	-	-	-	-	-	(24 900)	(3 979)	(24 900)	(3 979)
Total Net Revenues from SA Government	-	-	-	250	-	-	104 605	121 160	104 605	121 410
NET RESULT	(4 416)	(4 454)	(2 997)	(2 019)	(823)	(731)	57 038	76 015	(23 760)	(5 607)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department for Environment and Heritage

The Department for Environment and Heritage (the Department) is responsible for nature conservation, heritage conservation and animal welfare. We collect and provide information and knowledge about the State's environment. We manage the State's public land, which includes our national parks, marine parks, botanic gardens and coastline. We also advise on environment policy.

This is achieved through commitment to the following objectives:

Involving South Australians

Encouraging South Australians to enjoy and be actively involved with their rich heritage and diverse natural environments.

A Healthy Environment

Improving South Australia's rich heritage and diverse natural environments, both public and private, particularly sites and places of State significance.

Sustainable Growth

Facilitating economic growth and work to help others recognise that sound environmental management and economic growth are complementary contributors to the sustainable growth of our State.

Better Decisions and Partnerships

Providing quality information and policy advice based on evidence and research. Building and maintaining strong partnerships to deliver better decisions and results.

Getting Results

Making sure that the Department is accountable and well led, and gets the results it sets out to achieve.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

The financial report is a general purpose financial report. The accounts have been prepared in accordance with AASs, TIs and APSs promulgated under the provisions of the PFAA.

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2008. Refer Note 3.

(b) Basis of Preparation

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Department's accounting policies. Areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable Notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported;
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following Note disclosures, that have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items may be utilised resulting in the respective transaction/balance being included within the classification of Entities external to SA Government. The Department has elected to utilise this threshold in relation to transactions applicable to revenue and expense items. However, the Department has reported all SA Government balances applicable to financial assets and financial liabilities within the classification of Entities within the SA Government;
 - (b) expenses incurred as a result of engaging consultants;
 - (c) employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or other wise made available, directly or indirectly by the entity to those employees;
 - (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

The Cash Flow Statement is prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

(c) Reporting Entity

The Department is a government department of the State of South Australia, established pursuant to the PSM Act. The Department is an administrative unit acting on behalf of the Crown.

The financial report includes all the controlled activities of the Department. Transactions and balances relating to administered resources are not recognised as Departmental income, expense, assets and liabilities. As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements (schedule of administered items) at the back of the controlled General Purpose Financial Report. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for Departmental items.

(d) Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS has required a change.

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

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

(e) Rounding

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

(f) Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

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

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

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

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

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

(g) Events After Balance Date

Where an event occurs after 30 June but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

(h) Income and Expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Department will occur and can be reliably measured.

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

Income

The following are specific recognition criteria:

Fees and Charges

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Contributions Received

Contributions are recognised as an asset and income when the Department obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

Generally, the Department has obtained control or the right to receive for:

- contributions with unconditional stipulations - this will be when the agreement becomes enforceable ie the earlier of when the receiving entity has formally been advised that the contribution (ie grant application) has been approved; agreement/contract is executed; and/or the contribution is received;
- contributions with conditional stipulations - this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

Resources Received Free of Charge

Resources received free of charge are recorded as revenue in the Income Statement at their fair value.

Disposal of Non-Current Assets

Income from the disposal of non-current assets is recognised when the control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings.

Revenues from SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Other Income

Other income consists of recoveries of insurance claims lodged with the State of South Australia's Government insurance service SAICORP.

Expenses

Employee Benefits

Employee benefit expense includes all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Income Statement represents the contributions made by the Department to the superannuation plan in respect of current services of current Departmental staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government general purpose financial report.

Contributions Paid

For contributions payable, the contribution will be recognised as a liability and expense when the entity has a present obligation to pay the contribution and the expense recognition criteria are met.

Borrowing Costs

All borrowing costs are recognised as expenses.

Payments to SA Government

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy, taxation revenues and expiation fees received on behalf of the Government and paid directly to the Consolidated Account.

(i) Current and Non-Current Classification

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

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(j) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet includes cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

(k) Receivables

Receivables include amounts receivable from goods and services, GST input tax credits recoverable, and other accruals. Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Collectibility of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Department will not be able to collect the debt. Bad debts are written off when identified.

(l) Inventories

Inventories include goods and other property held either for sale or distribution at no or nominal cost in the ordinary course of business. It excludes depreciating assets.

Inventories held for distribution, for no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential. Inventories (other than those held for distribution at no or nominal consideration) are measured at the lower of cost or their net realisable value.

(l) Inventories (continued)

Bases used in assessing loss of service potential for inventory held for distribution at no or minimal cost include current replacement cost and technological or functional obsolescence.

Cost for all inventory is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

(m) Financial Assets

The Department measures financial assets and debt at historical cost.

(n) Non-Current Asset Acquisition and Recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

All non-current tangible assets with a value of \$5000 or greater are capitalised.

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

Assets Deemed to be at Fair Value

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APF III have not been met, these classes of non-current assets are deemed to be at fair value.

Heritage Assets

In accordance with APF III, heritage assets are recognised in the Balance Sheet as part of the aggregate value of the classes of the assets to which they belong. Certain heritage assets and works of art that are unique due to their historical or cultural interest are not depreciated due to their long and indeterminate useful lives. Heritage assets that provide a functional service are recorded at depreciable fair value.

Land

Land comprising National, Conservation and Recreation Parks and Wilderness Protection Areas and Reserves generally have restrictions on use imposed by Statute or Regulation. These restrictions have been taken into account by the independent valuers.

The Department is custodian of unallotted Crown land, by virtue of its responsibilities under the *Crown Lands Act 1929*. This land is considered to be an administered asset. Unallotted Crown land is not included in the Administered Items activities as the Department has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings. In addition, limitations exist on the reliability of the base information used to determine the valuation of property, plant and equipment actually included in Crown Lands.

(o) Revaluation of Non-Current Assets

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

The Department revalues its land buildings and leasehold improvements on at least a three year rolling basis. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, when they are revalued to fair value.

Property, plant and equipment assets are assessed on an annual basis to determine whether they should be classified as generic assets or unique assets.

Generic building, infrastructure and road assets are valued using a data dictionary approach. Plant and equipment and moveable vehicle assets were also valued using a data dictionary approach for the first time as at 30 June 2008. The data dictionary model is contained within the Department's ARAMIS System. The data dictionary model calculates a value for an asset based on description, grade/composition, condition and size/quantity. For buildings, infrastructure and roads, the model value is adjusted by a locality factor to take into account climatic conditions. The valuation model itself is reviewed every three years.

Unique assets are items which cannot be categorised within standard data dictionary groups. Assets that are deemed to be unique are externally valued by independent professional valuers.

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

The valuers used by the Department are as follows:

- Data Dictionary
June 2006, Valcorp Australia Pty Ltd
Mr A J Lucas, MBA, BAppSc(Val), DipAcc, AAPI
Mr F Taormina, BAppSc(Val), AAPI
- Unique Items
June 2008, Valcorp Australia Pty Ltd
Mr A J Lucas, MBA, BAppSc(Val), DipAcc, AAPI
- Land and Buildings
June 2008, Valcorp Australia Pty Ltd
Mr F Taormina, BAppSc(Val), AAPI

The fair value of unique items was determined by identifying a market buying price, estimated as written down modern equivalent replacement cost.

The fair value of land and buildings was based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

Any revaluation decrease is recognised in the Income Statement, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in revaluations reserve for that asset class.

Any accumulated depreciation, as at the revaluation date, is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Upon disposal or derecognition, any revaluation reserve relating to that asset is transferred to retained earnings.

(p) Impairment

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

For revalued assets, an impairment loss is offset against the asset revaluation reserve.

(q) Non-Current Assets (or Disposal Groups) Held-For-Sale

Non-current assets classified as held-for-sale are stated at the lower of their carrying amount and fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the Balance Sheet.

(r) Depreciation and Amortisation of Non-Current Assets

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

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

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

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

Land and assets held-for-sale are not depreciated.

(r) Depreciation and Amortisation of Non-Current Assets (continued)

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

<i>Class of Asset</i>	<i>Useful Life (Years)</i>
Computing equipment	3 - 10
Application software	3 - 10
Park infrastructure	1 - 76
Plant and equipment	1 - 50
Roads, tracks and trails	1 - 50
Moveable vehicles	2 - 20
Furniture and fittings	3 - 20
Buildings and improvements	1 - 70
Other	1 - 60
Intangible assets:	1 - 70
Computer software	3 - 10
Other (War services leases)	45

(s) Intangible Assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. The Department only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis. For the War Services leases the rate of amortisation has been determined after reference to both the unexpired period of the leases and the rate of extinguishment of the leases.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$5000.

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed.

(t) Payables

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

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

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

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

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

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

(u) Employee Benefits

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

Wages, Salaries, Annual Leave and Sick Leave

Liabilities for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

Long Service Leave

The liability for long service leave is recognised after an employee has completed 6.5 years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

Employee Benefit On-Costs

Employee benefit on-costs (payroll tax, WorkCover and superannuation) are recognised separately under payables.

Provisions

Provisions are recognised when the Department has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Department expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

(v) Interest Bearing Liabilities

Borrowings consisted of an unsecured loan advanced by Department of Treasury and Finance. Interest was incurred at a rate determined by the Treasurer with interest paid quarterly in arrears. The loan was fully repaid in July 2007. All borrowing costs have been recognised as an expense.

(w) Financial Guarantees

The Department has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2008 (there was no material liability recognised for financial guarantee contracts in 2007).

Whilst no liability has been recognised for financial guarantee contracts, further Note disclosures relating to financial guarantees are contained at Note 36.

(x) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use an asset. The Department has entered into one or more operating leases.

Operating Leases

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

Lease Incentive

The Department entered into an operating lease for accommodation whereby it received an incentive, in the form of a rent free period. A liability has been recognised to reflect the deferred benefits received under the lease incentive arrangement and is systematically reduced by the allocation of lease rental payments between rental expense and reduction of the lease incentive liability.

(y) Unrecognised Contractual Commitments and Contingent Assets and Liabilities

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

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a Note and, if quantifiable, are measured at nominal value.

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

3. Changes In Accounting Policy

AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the reporting period ending 30 June 2008. The Department has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies for the financial report of the Department.

4. Programs of the Department

In achieving its objectives, the Department provides a range of services classified into the following programs:

Program 1: Nature Conservation

Protecting, maintaining, improving and restoring ecosystems, habitats, species and populations by developing nature conservation policies and programs with industries, government and communities and by undertaking and supporting research, surveys and monitoring of South Australia's biodiversity.

Program 2: Public Land Management - Visitor Management

Promoting public enjoyment and the conservation of the state's natural and cultural heritage through the provision of sustainable opportunities for environmentally sensitive, economically viable and socially responsible visitor experiences.

Program 3: Public Land Management - Fire Management

Managing fire to reduce the risk to life and property, and conserve our natural and cultural heritage on lands managed by DEH.

Program 4: Public Land Management - Stewardship

Ensuring that public lands and protected areas are managed effectively.

Program 5: Coast and Marine Conservation

Ensuring the conservation, protection and ongoing sustainable productivity of South Australia's coastal, estuarine and marine environments.

Program 6: Botanic Gardens Management

Managing the natural and cultural resources of the Botanic Gardens and State Herbarium to advance plant conservation and sustainable horticulture practices, and to enrich society.

Program 7: Heritage Conservation

Ensuring that the State's built and maritime heritage and heritage objects are identified, protected, conserved, maintained and celebrated.

Program 8: Animal Welfare

Ensuring animals are treated humanely and that companion animals are managed appropriately.

Program 9: Agency Support Services

The provision of business support services to the various operational units within the Department for Environment and Heritage, the Environment Protection Authority, Zero Waste SA and other related boards and committees. These services include the provision and management of information to support the state's environmental needs, human resource management, payroll, financial management, IT infrastructure, IT Helpdesk support, facilities management, project management, asset management, administrative support, business planning, governance, government business, executive support, public affairs, procurement and environmental policy advice.

The Program Schedule of expenses and income presents information regarding the Department's programs for the years ended 30 June 2008 and 30 June 2007.

5. Employee Benefits Expenses

	2008	2007
	\$'000	\$'000
Salaries and wages	57 799	55 609
Annual leave	5 162	5 208
Long service leave	2 040	2 228
Employment on-costs - Superannuation	7 117	6 974
Employment on-costs - Other	4 473	4 426
Board and committee fees	48	28
Other employment related expenses	2 952	2 614
Total Employee Benefits Expenses	79 591	77 087

Employee Remuneration

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$7.479 million (\$5.402 million).

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

	2008	2007
	Number	Number
\$100 000 - \$109 999	31	17
\$110 000 - \$119 999	6	2
\$120 000 - \$129 999	2	6
\$130 000 - \$139 999	5	4
\$140 000 - \$149 999	4	4
\$150 000 - \$159 999	3	4
\$160 000 - \$169 999	2	-
\$170 000 - \$179 999	-	1
\$180 000 - \$189 999	3	-
\$190 000 - \$199 999	-	1
\$200 000 - \$209 999	1	-
\$210 000 - \$219 999	-	1
\$220 000 - \$229 999	1	-
\$290 000 - \$299 999	-	1
\$300 000 - \$309 999	1	-
Total Number of Employees	59	41

6. Supplies and Services	2008	2007
Supplies and Services provided by Entities within the SA Government:	\$'000	\$'000
Accommodation and property management expenses	4 696	4 038
External auditors remuneration	214	245
Fee for service	201	-
General administration	346	375
Total Supplies and Services provided by Entities within the SA Government	5 457	4 658
Supplies and Services provided by Entities external to the SA Government:		
Accommodation and property management services	4 215	4 150
Consultants	195	176
Contractors	4 516	3 819
Cost of goods sold	834	746
Fee-for-service	10 099	11 037
General administration	3 002	2 823
Heritage advisers	469	458
Information technology and communication expenses	6 214	6 607
Minor works, maintenance and equipment	7 219	7 141
Monitoring fees	219	305
Sand replenishment	1 985	1 712
Scientific and technical services	1 309	846
Transportation	258	216
Travel and accommodation	1 604	1 292
Vehicle and aircraft	4 647	4 533
Other	904	665
Total Supplies and Services provided by Entities external to the SA Government	47 689	46 526
Total Supplies and Services	53 146	51 184

Consultants

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:

	2008		2007	
	Number	\$'000	Number	\$'000
Below \$10 000	8	54	6	22
Between \$10 000 - \$50 000	8	141	1	11
Above \$50 000	-	-	1	143
Total Paid/Payable to the Consultants Engaged	16	195	8	176

Auditor's Remuneration

	2008	2007
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department	214	245
Total Audit Fees	214	245

Other Services

No other services were provided by the Auditor-General's Department.

7. Grants and Contributions Expense

Grants and Contributions paid/payable to Entities within the SA Government:		
Grant refund:		
South Australian Murray Darling NRM Board	34	34
Department of Water, Land and Biodiversity Conservation	-	20
State Government	533	489
Total Grants and Contributions paid/payable to Entities within the SA Government	567	543
Grants and Contributions paid/payable to Entities external to the SA Government:		
Community organisations and associations	2 462	1 293
Individuals - Heritage, fencing and other agreements	285	83
Local Government	399	642
Universities	545	616
Total Grants and Contributions paid/payable to Entities external to the SA Government	3 691	2 634
Total Grants and Contributions	4 258	3 177

8. Depreciation and Amortisation

	2008	2007
Depreciation:	\$'000	\$'000
Buildings and improvements	4 166	3 219
Computing equipment	566	578
Furniture and fittings	293	283
Moveable vehicles	696	631
Park infrastructure	6 894	7 143
Roads, tracks and trails	8 962	11 824
Plant and equipment	713	533
Other	54	26
Total Depreciation	22 344	24 237
Amortisation:		
Application software	482	483
Other - War services leases	22	31
Total Amortisation	504	514
Total Depreciation and Amortisation	22 848	24 751

Error Correction Due to Reinterpretation of Network Asset Definition

In 2007-08 the Department performed a review of network assets valued less than \$5 000 to determine whether they had been treated in accordance with APF III. The purpose of the review was to identify network assets which:

- had fundamentally different characteristics to the network assets to which they were attached;
- when grouped together, did not have a value which represented a significant percentage of the Department's total assets.

The review identified those capitalised network assets which met these criteria. As a result, these assets were expensed. In accordance with AASB 108 the resulting adjustment has been applied retrospectively.

The effect of the adjustment on equity has been disclosed in Note 32.

The effect of the change is a reduction in the 2006-07 depreciation expense disclosed above of \$429 000 as follows:

	2007
	\$'000
Buildings and improvements	2
Park infrastructure	417
Roads, tracks and trails	5
Plant and equipment	3
Other	2
	<u>429</u>

Changes in Estimate Useful Lives

During 2007-08, the Department professionally revalued a number of assets. The professional valuations indicated that revisions were necessary to the useful lives of certain assets. The impact of these useful life revisions on current and future years' depreciation expense is as follows:

	\$'000
Buildings and improvements	(347)
Park infrastructure	225
Roads, tracks and trails	(15)
Other	(2)
	<u>(139)</u>

9. Finance Costs

	2008	2007
Borrowing Costs paid/payable to Entities within the SA Government:	\$'000	\$'000
Interest on borrowings	22	2 723
Total Borrowing Costs Through Entities within the SA Government	22	2 723
Total Borrowing Costs	22	2 723

10. Net (Gain) Loss from Disposal of Non-Current Assets

Land:		
Proceeds from disposal	-	-
Less: Net book value of assets disposed	32	-
Net Loss from Disposal	(32)	-
Buildings:		
Proceeds from disposal	-	-
Less: Net book value of assets disposed	3 532	(256)
Net Loss from Disposal	(3 532)	(256)

10. Net (Gain) Loss from Disposal of Non-Current Assets (continued)	2008	2007
Park Infrastructure:	\$'000	\$'000
Proceeds from disposal	-	4
Less: Net book value of assets disposed	1 310	677
Net Loss from Disposal	(1 310)	(673)
Roads, Tracks and Trails:		
Proceeds from disposal	-	-
Less: Net book value of assets disposed	148	43
Net Loss from Disposal	(148)	(43)
Moveable Vehicles:		
Proceeds from disposal	208	71
Less: Net book value of assets disposed	138	27
Net Gain from Disposal	70	44
Computing Equipment:		
Proceeds from disposal	-	-
Less: Net book value of assets disposed	9	8
Net Loss from Disposal	(9)	(8)
Furniture and Fittings:		
Proceeds from disposal	-	3
Less: Net book value of assets disposed	16	56
Net Loss from Disposal	(16)	(53)
Plant and Equipment:		
Proceeds from disposal	-	8
Less: Net book value of assets disposed	112	33
Net Loss from Disposal	(112)	(25)
Other Assets:		
Proceeds from disposal	-	-
Less: Net book value of assets disposed	-	30
Net Loss from Disposal	-	(30)
Total Assets:		
Proceeds from disposal	208	86
Less: Net book value of assets disposed	5 297	1 130
Total Net Loss from Disposal	(5 089)	(1 044)

Assets Transferred Free of Charge

The figures above include assets relating to the Amazon Waterlily Pavilion transferred free of charge to the Board of the Botanic Gardens and State Herbarium, as follows:

	2008	
	\$'000	
Buildings and improvements	3 500	
Park infrastructure	731	
Roads, tracks and trails	33	
Plant and equipment	15	
	4 279	
11. Other Expenses	2008	2007
Other Expenses paid/payable to Entities within the SA Government:	\$'000	\$'000
Capital project costs not capitalised	1 725	702
Total Other Expenses paid/payable to Entities within the SA Government	1 725	702
Other Expenses paid/payable to Entities external to the SA Government:		
Bad and doubtful debts	4	99
Other	36	(8)
Total Other Expenses paid/payable to Entities external to the SA Government	40	91
Total Other Expenses	1 765	793
12. Fees and Charges		
Fees and Charges received/receivable from Entities within the SA Government:		
Sale of support services	550	217
Sale of spatial information	439	-
Total Fees and Charges received/receivable from Entities within the SA Government	989	217

12. Fees and Charges (continued)	2008	2007
Fees and Charges received/receivable from Entities external to the SA Government:	\$'000	\$'000
Admissions and guided tours	4 757	4 708
Fees, levies and licences	747	738
Property rental and related income	3 421	3 182
Other property related income	407	575
Sale of goods	1 885	1 961
Sale of professional services	1 752	1 768
Sale of support services	1 532	1 818
Sale of spatial information	1 311	1 530
Sale of freehold titles	229	288
Total Fees and Charges received/receivable from Entities external to the SA Government	16 041	16 568
Total Fees and Charges	17 030	16 785
13. Grants and Contributions		
Grants and Contributions received/receivable from Entities within the SA Government:		
Administered entities	2 227	1 453
Grants received for specific purposes	10 988	11 639
Total Grants and Contributions received/receivable from Entities within the SA Government	13 215	13 092
Grants and Contributions received/receivable from Entities external to the SA Government:		
Commonwealth Government	1 617	631
Private Industry and Local Government	518	685
Total Grants and Contributions received/receivable from Entities external to the SA Government	2 135	1 316
Total Grants and Contributions	15 350	14 408
14. Interest Revenue		
Interest Revenue received/receivable from Entities within the SA Government:		
Interest on deposit accounts	168	134
Interest Revenue received/receivable from Entities external to the SA Government:		
Interest on deposit accounts	20	39
Total Interest Received	188	173
15. Resources Received Free of Charge		
Resources received free of charge from Entities within the SA Government:		
Land and improvements	-	775
Resources received free of charge from Entities external to the SA Government:		
Land and improvements	32	-
Total Resources Received Free of Charge	32	775
16. Net Gain (Loss) from Disposal of Non-Current Assets Held-For-Sale		
Land Held-for-Sale:		
Proceeds from disposal	53	-
Less: Net book value of assets disposed	1	-
Net Gain from Disposal	52	-
17. Other Income		
Other Income received/receivable from Entities within the SA Government:		
Insurance recoveries	5 020	758
Total Other Income received/receivable from Entities within the SA Government	5 020	758

Insurance recoveries consist of monies received as a result of claims lodged with the State of South Australia's Government Insurance Service SAICORP. Several significant claims were lodged and subsequently settled during 2008. Insurance claims are recognised as income when a claim has been lodged with SAICORP.

17. Other Income (continued)	2008	2007
Other Income received/receivable from Entities external to the SA Government:	\$'000	\$'000
Insurance recoveries	-	116
Salaries and wages recoveries	383	355
Sponsorships, donations, commissions and bequests	32	24
Other sundry revenue	267	348
Total Other Income received/receivable from Entities external to the SA Government	682	843
Total Other Income	5 702	1 601
18. Revenues from (Payments to) SA Government		
Revenues from SA Government:		
Consolidated appropriation	129 445	124 219
Contingency funds	60	1 170
Total SA Government Revenues	129 505	125 389
Payments to SA Government:		
Return to consolidated account	(18 800)	-
Return of surplus cash	(6 100)	(3 979)
Total SA Government Payments	(24 900)	(3 979)
19. Cash and Cash Equivalents		
Deposits with the Treasurer	100 378	145 154
Cash on hand/Imprest accounts	187	189
Total Cash and Cash Equivalents	100 565	145 343

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Interest Rate Risk

Cash deposits are recognised at their nominal amounts and interest is credited to revenue as it accrues. The Department invests surplus funds with the Treasurer at call. Interest is earned on the average monthly balance of the Wildlife Conservation Fund and General Reserves Trust, at rates based on the Department of Treasury and Finance 90 day average overnight cash interest rate and interest is paid at the end of each quarter. The weighted average effective interest rate for these deposit accounts for the reporting period was 6.59 percent (5.95 percent). Deposits with the Treasurer of the remaining accounts earn no interest.

20. Receivables	2008	2007
Current:	\$'000	\$'000
Receivables from Entities within the SA Government:		
Receivables	3 533	1 461
Accrued revenues	172	15
Total Current Receivables from Entities within the SA Government	3 705	1 476
Receivables from Entities external to the SA Government:		
Receivables	367	1 234
Less: Allowance for doubtful debts	75	119
	292	1 115
Accrued revenues	49	-
GST input tax recoverable	2 266	1 877
Workers compensation recoveries	11	12
Total Current Receivables from Entities external to the SA Government	2 618	3 004
Total Current Receivables	6 323	4 480

All receivable amounts disclosed above are expected to be recovered within 12 months after reporting date.

Receivables from Entities external to the SA Government:

Receivables	-	1 823
Workers compensation recoveries	36	39
Total Non-Current Receivables from Entities external to the SA Government	36	1 862
Total Non-Current Receivables	36	1 862

Movements in the Provision for Doubtful Debts (Impairment Loss)

Carrying amount at 1 July	119	40
Increase in the provision	3	99
Amounts written off	(47)	(20)
Carrying Amount at 30 June	75	119

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

21. Inventories	2008	2007
Current Inventories - Held-for-Distribution at No Nominal Amount:	\$'000	\$'000
Inventories held-for-distribution - At cost	420	391
Other inventories - At cost	120	120
Total Current Inventories - Held-for-Distribution at No or Nominal Cost	540	511
Current Inventories - Held-for-Resale at Cost:		
Finished goods held-for-resale - At cost	854	881
Total Current Inventories - Held-for-Resale at Net Realisable Value	854	881
Total Current Inventories	1 394	1 392
22. Financial Assets		
Non-Current:		
Equity in listed entities	7	7
Equity in unlisted entities	1	1
Total Non-Current Other Financial Assets	8	8
23. Other Assets		
Current:		
Prepayments	412	635
Other	9	2
Total Current Other Assets	421	637
24. Non-Current Assets Held-for-Sale		
Land held-for-sale	950	951
	950	951

The Department holds approximately 104 parcels of land that it has previously separately identified as surplus to requirements and therefore available for sale. The Department has initiated a comprehensive review of these parcels with the intent to identify and action all necessary legal and procedural steps that are required to effect sale or other appropriate action for these parcels of land. The review and resulting action is scheduled to be implemented during the 2008-09 reporting period.

25. Property, Plant and Equipment	2008	2007
Land:	\$'000	\$'000
Independent valuation	158 827	155 127
At cost	651	3 225
Total Land	159 478	158 352
Buildings and Improvements:		
Independent valuation	121 879	83 918
At cost	2 207	4 758
Less: Accumulated depreciation	69 751	37 521
Total Buildings and Improvements	54 335	51 155
Park Infrastructure:		
Independent valuation	138 890	132 350
At cost	4 795	6 229
Less: Accumulated depreciation	102 583	91 710
Total Park Infrastructure	41 102	46 869
Roads, Tracks and Trails:		
Independent valuation	143 379	142 165
At cost	1 907	1 762
Less: Accumulated depreciation	122 832	114 116
Total Roads, Tracks and Trails	22 454	29 811
Capital Works in Progress	8 111	9 931
Total Capital Works in Progress	8 111	9 931

25. Property, Plant and Equipment (continued)	2008	2007
Moveable Vehicles:	\$'000	\$'000
Independent valuation	6 359	12
At cost (deemed fair value)	2 489	8 492
Less: Accumulated depreciation	4 857	5 338
Total Moveable Vehicles	3 991	3 166
Computing Equipment:		
At cost (deemed fair value)	4 572	4 777
Less: Accumulated depreciation	3 846	3 804
Total Computing Equipment	726	973
Furniture and Fittings:		
Independent valuation	71	71
At cost (deemed fair value)	5 353	7 730
Less: Accumulated depreciation	2 303	5 594
Total Furniture and Fittings	3 121	2 207
Plant and Equipment:		
Independent valuation	2 018	1 005
At cost (deemed fair value)	3 530	4 187
Less: Accumulated depreciation	3 496	3 217
Total Plant and Equipment	2 052	1 975
Other:		
Independent valuation	1 359	1 210
At cost (deemed fair value)	3 323	1 338
Less: Accumulated depreciation	227	187
Total Other	4 455	2 361
Total Property, Plant and Equipment	299 825	306 800

Carrying Amounts of Plant and Equipment

Classes of property, plant and equipment are valued as follows:

- At cost: Items exceeding \$1 million acquisition cost are held at cost pending revaluation that occurs within three years from acquisition date.
- At cost (deemed fair value): All items have an acquisition cost below \$1 million and are deemed held at fair value pursuant to APF III.
- Independent valuation: Generic assets are held at values determined by the Department's Data Dictionary Valuation System and unique assets are held at values determined by external independent valuers. Refer to Note 2 for further details.

The independent professional valuation performed by Valcorp Pty Ltd as at 30 June 2008 included assets that: (i) had previously been revalued on a net basis rather than a gross basis, (ii) had reverted from a professional valuation basis to a data dictionary valuation basis in prior years, (iii) were previously valued at construction cost, or (iv) were due for revaluation in prior reporting periods.

Assets included in category (i) were last revalued prior to 2005-06, when the Department changed from the 'net' method of revaluation to the 'gross' method. These assets have been revalued as at 30 June 2008 as part of the Department's rolling three year valuation cycle. The adoption of the gross method for these assets has resulted in significant increases in their gross carrying amount and accumulated depreciation.

The Valcorp valuation, which was based on inspection of individual assets, also indicated that the total/remaining useful lives derived using previous valuation methodologies required revision. Hence further significant adjustments to prior period accumulated depreciation, particularly for buildings and improvements, were necessary. The adjustments to prior period accumulated depreciation have not been reflected retrospectively through the comparatives in Note 32 Equity. Given the nature and timing of the valuation methodologies that have been adopted for the revalued assets previously, it is not feasible to quantify the precise amount by which accumulated depreciation and depreciation expense has been misstated for prior years.

The total adjustment made as a result of the Valcorp valuation to 'Buildings and Improvements at Independent Valuation' is \$33.643 million. Accumulated depreciation for 'Buildings and Improvements' has been adjusted by \$27.596 million. The impact of the changes to estimated useful lives on depreciation expense in current and future years is disclosed at Note 8.

Asset Movement Reconciliation 2007-08

A reconciliation of the carrying amount of each class of Property, Plant and Equipment is displayed in the table below.

	Land	Buildings & Improvmts	Park Infra-structure	Roads, Tracks & Trails	Moveable Vehicles	Computing Equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	158 352	51 155	46 869	29 811	3 166	973
Transfers between classes	-	-	(46)	-	-	-
Additions	328	-	6	-	300	328
Additions - Transfers to (from) Capital WIP	-	4 421	3 467	736	800	-
Depreciation expense	-	(4 166)	(6 894)	(8 962)	(696)	(566)
Depreciation on Capital WIP written back	-	-	-	180	-	-
Net revaluation increment (decrement)	596	6 047	(2 051)	(194)	381	-
Assets received for nil consideration	32	-	-	-	-	-
Assets - First time recognition	202	310	851	938	178	-
Disposals	(32)	(3 532)	(1 310)	(148)	(138)	(9)
ARAMIS revisions upwards (downwards)	-	129	223	94	-	-
Capital WIP - expensed in current period	-	-	-	-	-	-
Other adjustments	-	(29)	(13)	(1)	-	-
Carrying Amount at 30 June	159 478	54 335	41 102	22 454	3 991	726

	Furniture & Fittings	Plant & Equipment	Other	Capital Works in Progress	2008 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	2 207	1 975	2 361	9 931	306 800
Transfers between classes	-	46	-	-	-
Additions	-	522	2 013	10 790	14 287
Additions - Transfers to (from) Capital WIP	1 223	58	-	(10 885)	-
Depreciation expense	(293)	(713)	(54)	-	(22 344)
Net revaluation increment (decrement)	-	(93)	135	-	4 821
Assets received for nil consideration	-	-	-	-	32
Assets - First time recognition	-	380	-	-	2 859
Disposals	(16)	(112)	-	-	(5 297)
ARAMIS revisions upwards (downwards)	-	-	-	-	446
Capital WIP - expensed in current period	-	-	-	(1 725)	(1 725)
Other adjustments	-	(11)	-	-	(54)
Carrying Amount at 30 June	3 121	2 052	4 455	8 111	299 825

Restated Asset Movement Reconciliation 2006-07

	Land	Buildings & Improvmts	Park Infra-structure	Roads, Tracks & Trails	Moveable Vehicles	Computing Equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	156 527	57 830	52 970	40 102	3 347	811
Transfers between classes	548	-	19	-	186	118
Additions	737	-	27	9	291	630
Additions - Transfers to (from) Capital WIP	-	409	1 161	163	-	-
Depreciation expense	-	(3 219)	(7 143)	(11 824)	(631)	(578)
Net revaluation increment (decrement)	-	(4 010)	501	1 405	-	-
Assets received for nil consideration	540	235	-	-	-	-
Assets - First time recognition	-	-	-	-	-	-
Disposals	-	(256)	(677)	(43)	(27)	(8)
ARAMIS revisions upwards (downwards)	-	166	11	(1)	-	-
Capital WIP - expensed in current period	-	-	-	-	-	-
Carrying Amount at 30 June	158 352	51 155	46 869	29 811	3 166	973

	Furniture & Fittings	Plant & Equipment	Other	Capital Works in Progress	2007 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	1 888	1 745	2 374	5 125	322 719
Transfers between classes	-	38	(909)	-	-
Additions	-	133	744	8 915	11 486
Additions - Transfers to (from) Capital WIP	658	626	208	(3 407)	(182)
Depreciation expense	(283)	(533)	(26)	-	(24 237)
Net revaluation increment (decrement)	-	(1)	-	-	(2 105)
Assets received for nil consideration	-	-	-	-	775
Assets - First time recognition	-	-	-	-	-
Disposals	(56)	(33)	(30)	-	(1 130)
ARAMIS revisions upwards (downwards)	-	-	-	-	176
Capital WIP - expensed in current period	-	-	-	(702)	(702)
Carrying Amount at 30 June	2 207	1 975	2 361	9 931	306 800

26. Intangible Assets	2008	2007
Computer Software:	\$'000	\$'000
Internally developed computer software - At cost (deemed fair value)	6 410	9 271
Less: Accumulated amortisation	5 592	7 971
Total Computer Software	818	1 300
Other:		
Revenue stream (War services freehold leases) - At cost (deemed fair value)	1 000	1 000
Less: Accumulated amortisation	53	31
Total Other	947	969
Total Intangible Assets	1 765	2 269

Computer Software

Internally developed computer software relates primarily to the Department's Crown Lands System.

Revenue Stream

The revenue stream relates to various property leases that were offered by the Commonwealth Government to ex-service personnel with Australian War Service history. A contract to purchase the right to this revenue stream from the Commonwealth Government by the Department was negotiated during the 2005-06 year, and is being amortised in accordance with the expected life of the revenue stream.

Intangibles Movement Reconciliation

	War Services	Internal Software	2008 Total
	\$'000	\$'000	\$'000
2007-08 Reconciliation:			
Carrying amount at 1 July	969	1 300	2 269
Depreciation expense	(22)	(482)	(504)
Carrying amount at 30 June	947	818	1 765
2006-07 Reconciliation:			
Carrying amount at 1 July	1 000	1 601	2 601
Additions - Transfers to (from) Capital WIP	-	182	182
Depreciation expense	(31)	(483)	(514)
Carrying amount at 30 June	969	1 300	2 269

27. Payables	2008	2007
Current:	\$'000	\$'000
Payables to entities within the SA Government:		
Accruals	300	476
Creditors	2 002	2 091
Employee benefit on-costs	1 405	1 585
	3 707	4 152
Payables to entities external to the SA Government:		
Accruals	748	540
Creditors	10 522	10 279
	11 270	10 819
Total Current Payables	14 977	14 971

All payable amounts disclosed above are expected to be paid within 12 months after reporting date.

Non-Current:

Payables to entities within the SA Government:		
Employee benefit on-costs	1 452	1 421
	1 452	1 421
Total Non-Current Payables	1 452	1 421

Interest Rate and Credit Risk

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

28. Employee Benefits	2008	2007
Current:	\$'000	\$'000
Accrued salaries and wages	1 514	1 193
Annual leave	4 981	4 900
Long service leave	1 106	816
Total Current Employee Benefits	7 601	6 909

28. Employee Benefits (continued)

All employee benefit amounts disclosed above, including long service leave, are expected to be paid within 12 months after reporting date.

Non-Current:	2008	2007
	\$'000	\$'000
Long service leave	14 421	13 778
Total Non-Current Employee Benefits	14 421	13 778

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability was 6.5 years (6.5 years).

29. Provisions

Current:

Provision for workers compensation	421	351
Total Current Provisions	421	351

Non-Current:

Provision for workers compensation	1 088	953
Total Non-Current Provisions	1 088	953

Provision Movement:

Carrying amount at 1 July	1 304	1 108
Additional provisions recognised	-	5
Unwinding of discount and effect of change in the discount rate	205	191
Carrying Amount at 30 June	1 509	1 304

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

30. Borrowings

Current:

Borrowings from SA Government	2008	2007
	\$'000	\$'000
	-	38 054
	-	38 054

Repayable:

Not later than one year	-	38 054
-------------------------	---	--------

31. Other Liabilities

Current:

Other liabilities to entities within SA Government:

Unearned revenue	83	83
	83	83

Other liabilities to entities external to the SA Government:

Lease incentive	328	328
Unearned revenue	34	40
Other	134	157
	496	525

Total Current Other Liabilities

579	608
------------	-----

Non-Current:

Other liabilities to entities within SA Government:

Unearned revenue	93	80
	93	80

Other liabilities to entities external to the SA Government:

Lease incentive	1 896	2 224
	1 896	2 224

Total Non-Current Other Liabilities

1 989	2 304
--------------	-------

32. Equity

Equity represents the residual interest in the net assets of the Department. The State Government holds the equity interest in the Department on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

32. Equity (continued)

	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2007	165 661	218 732	384 393
Adjustments - First time recognition of assets: ⁽ⁱ⁾			
Land	-	202	202
Buildings and improvements	-	310	310
Park infrastructure	-	851	851
Roads, tracks and trails	-	938	938
Moveable vehicles	-	178	178
Plant and equipment	-	380	380
Sub-total: First time recognition of asset errors	-	2 859	2 859
Asset adjustments - ARAMIS revisions upwards (downwards) ⁽ⁱⁱ⁾	-	446	446
Net result for the 2007-08 year	-	(23 760)	(23 760)
Net Increment (Decrement) related to the revaluation of:			
Land ⁽ⁱⁱⁱ⁾	596	-	596
Buildings and improvements ⁽ⁱⁱⁱ⁾	1 109	-	1 109
Buildings and improvements ^(iv)	5 004	-	5 004
Buildings and improvements ^(v)	(66)	-	(66)
Park infrastructure ⁽ⁱⁱⁱ⁾	(720)	-	(720)
Park infrastructure ^(iv)	(945)	-	(945)
Park infrastructure ^(v)	(386)	-	(386)
Roads, tracks and trails ⁽ⁱⁱⁱ⁾	(194)	-	(194)
Moveable vehicles ⁽ⁱⁱⁱ⁾	381	-	381
Plant and equipment ⁽ⁱⁱⁱ⁾	(93)	-	(93)
Other ⁽ⁱⁱⁱ⁾	(1)	-	(1)
Other ^(iv)	3	-	3
Other ^(v)	133	-	133
Sub-total: Net increment (decrement) related to revaluations	4 821	-	4 821
Balance at 30 June 2008	170 482	198 277	368 759

(i) First-Time Recognition of Assets

A review of fixed assets data during 2007-08 identified a number of first time recognition assets that were not recognised, in error, as part of stocktakes undertaken in prior reporting periods.

(ii) ARAMIS Revisions Upwards (Downwards)

ARAMIS revisions occur as a result of infrastructure stocktakes and park re-surveys that result in an assets description, grade/composition, condition or size/quantity being altered on the Data Dictionary System to correctly reflect the current attributes of the asset.

(iii) Revaluation of Assets During 2007-08 - Professional Valuation Process Undertaken

During 2007-08 year the Department revalued items of property, plant and equipment due for revaluation in accordance with its three year revaluation cycle. Valuations used have been obtained from the Department's Data Dictionary System and also from Valcorp, Certified Practising Valuers. Professional valuations have been arrived at via reference to arms length or market transactions for similar items of property, plant and equipment and take into account any zoning or other restrictions on use.

(iv) Revaluation of Assets During 2007-08 - Early Valuation Cycle

During 2007-08 the Department elected, in accordance with Accounting Standards and the Department's Revaluation Policy, to professionally revalue certain items of property, plant and equipment earlier than the normal three year valuation cycle. These items were previously held at valuations obtained via the Department's Data Dictionary Valuation System.

(v) Revaluation of Assets During 2007-08 - Additional Assets Included For Valuation in 2007-08

During 2007-08 the Department identified a small number of assets that were due for revaluation in the prior reporting period. These assets were included for professional revaluation in 2007-08 and the net revaluation increment (decrement) related to these assets has been disclosed separately.

	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	2007 Total \$'000
Balance at 1 July 2006	388 231	221 361	609 592
Adjustments - Error corrections (previously recognised)			
Asset valuation errors: ⁽ⁱ⁾			
Buildings	(29 217)	-	(29 217)
Infrastructure	(91 571)	-	(91 571)
Roads	(99 737)	-	(99 737)
Other - various	60	-	60
	(220 465)	-	(220 465)

32. Equity (continued)

	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	2007 Total \$'000
Depreciation errors: ⁽ⁱⁱ⁾			
Buildings	-	1 182	1 182
Infrastructure	-	2 320	2 320
Other - various	-	(8)	(8)
	-	3 494	3 494
First-time recognition of asset errors: ⁽ⁱⁱⁱ⁾			
Buildings and improvements	-	320	320
Park infrastructure	-	450	450
Roads, tracks and trails	-	685	685
Plant and equipment	-	24	24
	-	1 479	1 479
Other errors:			
Inventory adjustment ^(iv)	-	(55)	(55)
SAICORP revenue ^(v)	-	(324)	(324)
Recognition of intangible asset (War services revenue stream) ^(vi)	-	1 000	1 000
Transfer of revenue (War services) ^(vii)	-	57	57
	-	678	678
Error Corrections (Previously Recognised)	(220 465)	5 651	(214 814)
Adjusted Balance 1 July 2006	167 766	227 012	394 778
Adjustments - Error corrections (this reporting period)			
Asset adjustments - Other: ^(viii)			
Park infrastructure	-	5	5
	-	5	5
Asset adjustments - reinterpretation of network asset definition: ^(ix)			
Buildings and improvements	-	(14)	(14)
Park infrastructure	-	(2 737)	(2 737)
Roads, tracks and trails	-	(56)	(56)
Computing	-	(2)	(2)
Plant and equipment	-	(10)	(10)
Other	-	(35)	(35)
	-	(2 854)	(2 854)
Error Corrections (This Reporting Period)	-	(2 849)	(2 849)
Restated Balance 1 July 2006	167 766	224 163	391 929
Net result for the 2006-07 year:			
Deficit per prior year financial statements	-	(6 005)	(6 005)
Depreciation reduction - reinterpretation of network asset definition ^(ix)	-	429	429
Depreciation increase - amortisation of war services leases ^(x)	-	(31)	(31)
	-	(5 607)	(5 607)
Adjustment - Error corrections (previously recognised)			
ARAMIS revisions upwards (downwards)	-	176	176
Net increment (decrement) related to the revaluations:			
Buildings and improvements	(4 010)	-	(4 010)
Park infrastructure	501	-	501
Roads, tracks and trails	1 405	-	1 405
Plant and equipment	(1)	-	(1)
Balance at 30 June 2007	165 661	218 732	384 393

(i) *Net Increment (Decrement) Related to Asset Valuation Errors*

During the 2006-07 reporting period the Department undertook a comprehensive review of the fixed assets processes for recording, revaluing, reconciling and reporting in the statutory accounts. Through this process the errors in revaluation were attributed to the incorrect use of replacement cost rather than written down replacement cost and consequently the accumulated depreciation for all asset classes (excluding land) were incorrectly stated in the 2005-06 financial year.

(ii) *Net Increment (Decrement) Related to Depreciation Errors*

The 2006-07 review process also identified errors in depreciation expense in prior periods for a small number of assets.

(iii) *First-Time Recognition of Assets*

The review of fixed assets data during 2006-07 identified a number of first time recognition assets that were not recognised, in error, as part of stocktakes undertaken in prior reporting periods.

- (iv) *Inventory Adjustment*
During the 2005-06 reporting period, inventory holdings belonging to the Board of the Botanic Gardens and State Herbarium were incorrectly reported as part of the Department's current assets. This error was adjusted in the 2006-07 reporting period.
- (v) *SAICORP Revenue*
Insurance revenue from SAICORP was incorrectly raised as a receivable in a prior period.
- (vi) *Recognition of Intangible Asset (War Services Revenue Stream)*
During 2005-06 reporting period, the War Services Leases reverted from the Commonwealth to the Department by way of a payment by the Department of \$1 million in two equal instalments spread over two financial years. The revenue stream relating to the leases was recognised as an intangible asset during the 2006-07 reporting period and capitalised retrospectively.
- (vii) *Transfer of Revenue (War Services)*
As a result of the War Services Leases being acquired by the Department, an amount of residual revenue originally payable to the Commonwealth was received by the Department. This was adjusted in the 2006-07 reporting period.
- (viii) *Asset Adjustments - Other*
Other asset adjustments of a non-material amount and/or nature.
- (ix) *Reinterpretation of Network Asset Definition*
During the 2007-08 reporting period the Department performed a review of network assets valued less than \$5000 to determine whether they had been treated in accordance with APF III. The purpose of the review was to identify network assets which:
- had fundamentally different characteristics to the network assets to which they were attached;
 - when grouped together, did not have a value which represented a significant percentage of the Department's total assets. The review identified those capitalised network assets which met this criteria. As a result, these assets were expensed with the adjustment being applied retrospectively in accordance with AASB 108.
- (x) *War Services Leases Amortisation*
The rate of amortisation of the War Services leases has been determined after reference to both the unexpired period of the leases and the rate of extinguishment of the leases. Amortisation commenced during the 2007-08 reporting period, with the amortisation being applied retrospectively in accordance with AASB 108.

33. Cash Flow Reconciliation	2008	2007
Reconciliation of Cash and Cash Equivalents:	\$'000	\$'000
Cash at 30 June as per:		
Cash and cash equivalents disclosed in the Balance Sheet	100 565	145 343
Cash and cash equivalents disclosed in the Cash Flow Statement	100 565	145 343
<i>Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services:</i>		
Net Cash provided by Operating Activities	5 389	28 438
Add (Less):		
Cash flows from Government	(129 505)	(125 389)
Cash flows to Government	24 900	3 979
Add (Less): Non-cash items:		
Depreciation and amortisation	(22 848)	(24 751)
Assets received free of charge	32	775
Assets written-off	(1 779)	(702)
Net loss on sale of assets	(5 089)	(1 043)
Net gain from disposal of non-current assets held-for-sale	52	-
Movement in assets and liabilities:		
Decrease in receivables	(92)	(938)
Increase in inventories	2	5
Decrease in other assets	(216)	(218)
Decrease (Increase) in payables	1 985	(5 031)
Increase in employee benefits	(1 335)	(2 117)
Increase in provisions	(205)	(196)
Decrease in other liabilities	344	171
Net Cost of Providing Services	(128 365)	(127 017)

34. Restrictions on Contributions Received

The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the agreement. At reporting date the Department had the following outstanding funding commitments:

	2008	2007
	\$'000	\$'000
Resource conservation and management	2 990	3 794
	2 990	3 794

35. Expenditure Commitments***Operating Lease Commitments***

The total value of future non-cancellable operating lease commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2008	2007
	\$'000	\$'000
Not later than one year	3 792	4 644
Later than one year but not later than five years	11 902	17 301
Later than five years	3 499	8 819
Total Expenditure Commitments	19 193	30 764

During the 2005-06 financial year, the Department received lease incentives for two leased properties amounting to \$3.28 million. These lease incentives are being amortised at a rate of \$328 000 per annum until 2015.

The weighted average interest rate implicit in non-cancellable operating leases is 3.37 percent (3.30 percent).

The operating leases held by the Department are mainly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease terms. The leases are payable one month in advance and the Department has the right of renewal. There are no existing or contingent rental provisions.

Capital Commitments

The total value of capital commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2008	2007
	\$'000	\$'000
Not later than one year	436	939
Total Capital Commitments	436	939

The Department's Capital Commitments include amounts associated with capital infrastructure projects incomplete at the reporting date.

Remuneration Commitments

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

	2008	2007
	\$'000	\$'000
Within one year	3 088	2 615
Later than one year but not later than five years	10 008	5 075
Total Remuneration Commitments	13 096	7 690

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

36. Contingent Liabilities***Wilpena Tourist Centre***

The Minister (on behalf of the Department) extended during the 2000-01 financial year a guarantee to a maximum value of \$1.25 million to ANZ Bank on behalf of Flinders Tourist Services Pty Ltd, in respect of the Wilpena Tourist Centre redevelopment/lease arrangement. The maximum exposure in relation to the guarantee as at 30 June 2008 is \$325 000 (\$400 000). The loan repayments and associated guarantee is currently reducing at an amount of \$75 000 per year effective from November 2004. As at the reporting date, no event was known to have occurred which would crystallise the liability under the guarantee.

37. Remuneration of Board and Committee Members

Members that were entitled to receive remuneration for membership during the 2007-08 financial year were:

South Australian National Parks & Wildlife Council

James J A
Lewis M J
Ogle G R
Nicholls M F
Russel V J
Yates K
Jackson R

South Australian Heritage Council

Brine J M C
Garnaut C M
Leydon G J
O'Connell M B
Owens L W
Marsland M P
Wigg C A

South Australian Heritage Council Register Committee

Bell P G
Donovan P F
Marsden S E
McDougall K
Queale M W
Wigg C A
Brown D L (expired 28 February 2008)
Taylor R J

Witjira National Park Board of Management

Ah Chee A
Ah Chee M
Naylon-Fuschtei V
Tjami H

Vulkathunha-Gammon Ranges National Park Cooperative Management Committee

Coulthard C
Coulthard J
Coulthard R
McKenzie P
Anderson M
Tree S

Animal Welfare Advisory Committee

Allery L
Hazel S J
Kidman S
Noonan D E
Peters M D
Robb G
Starwick W J

Adelaide Dolphin Sanctuary Advisory Board

Bossley M
Daly J
Crocker L
Gibbs S
Harbison I
Holt P
Kavina C
Wilson D
Zappia T (resigned 26 October 2007)
Watts T

Kangaroo Management Reference Group

Ackland T M
Barrington D P
Cooley G
Ireland C (resigned 28 September 2007)
Corin J F (resigned 24 July 2007)
Johns G R
Lindner J D
Pfitzner D B
Mould J (appointed 5 November 2007)
Vickery F (appointed 5 November 2007)
Warwick R (Deputy)
McBride M (Deputy)

Ngaut Ngaut Conservation Park Co-Management Committee

Campbell I S
Hutchinson C

Coorong & Lower Lakes RAMSAR Taskforce

Ball V M
Geddes M
Jones G E
Owen R
Scobie K L

Wilderness Advisory Committee

Barker S
Bills C
Lesslie R
Whalen M

ALB Steering Group

Foreman G
Roberts I
Iasiello W

Wildlife Ethics Committee

Boardman W
Jensen D
Johnson L
McGrath K R
Peters M D
Pullen F M
Taylor L U
West C

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

\$0
\$1 - \$9 999

Total Number of Members

2008 Number	2007 Number
9	15
74	63
83	78

Board members are not solely members of one Department for Environment and Heritage Board per se, but are members of a number of statutory boards associated with the Department.

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, super contributions, fringe benefits tax and salary sacrifice arrangements. The total remuneration received or receivable by members was \$61 006 (\$42 291).

During the 2007-08 financial year, members of the Board were paid superannuation of \$776 (\$187).

37. Remuneration of Board and Committee Members (continued)

In accordance with Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

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

38. Events Subsequent to Reporting Date

There are no known events after balance date that affect this general purpose financial report in a material manner.

39. Financial Instruments/Financial Risk Management***Categorisation of Financial Instruments***

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

		2008		2007	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		\$'000	\$'000	\$'000	\$'000
Financial Assets	Note				
Cash and cash equivalents	19	100 565	100 565	145 343	145 343
Loans and receivables - At cost:					
Receivables	20	6 359	6 359	6 342	6 342
Held to maturity investments - At cost:					
Financial assets	22	8	8	8	8
Financial Liabilities					
Financial Liabilities - At Cost:					
Payables	27	16 429	16 429	16 392	16 392
Borrowings	30	-	-	38 054	38 054

Credit Risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department. The Department measures credit risk on a fair value basis and monitors risk on a regular basis.

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Department does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently the department does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence that financial assets are impaired. Refer to Note 20 for information on the allowance for impairment in relation to receivables.

Ageing Analysis of Financial Assets

The following table discloses the ageing of financial assets and the ageing of impaired assets.

	Past Due By				Total
	Current	Overdue for less than 30 Days	Overdue for 30-60 Days	Overdue for more than 60 Days	
	\$'000	\$'000	\$'000	\$'000	\$'000
2008					
Not Impaired:					
Receivables	5 835	236	125	88	6 284
Financial assets	8	-	-	-	8
Impaired:					
Receivables	-	-	-	75	75
Financial assets	-	-	-	-	-
2007					
Not Impaired:					
Receivables	5 113	286	139	685	6 223
Financial assets	8	-	-	-	8
Impaired:					
Receivables	-	-	-	119	119
Financial assets	-	-	-	-	-

Maturity Analysis of Financial Assets and Liabilities

The following table discloses the maturity analysis of financial assets and financial liabilities.

	Contractual Maturity			
	Carrying Amount \$'000	Less than 1 Year \$'000	1-5 Years \$'000	More than 5 Years \$'000
2008				
Financial Assets:				
Cash and cash equivalent	100 565	100 565	-	-
Receivables	6 359	6 323	36	-
Financial assets	8	8	-	-
Total Financial Assets	106 932	106 896	36	-
Financial Liabilities:				
Payables	16 429	14 977	1 452	-
Borrowings	-	-	-	-
Total Financial Liabilities	16 429	14 977	1 452	-
2007				
Financial Assets:				
Cash and cash equivalent	145 343	145 343	-	-
Receivables	6 342	4 480	1 862	-
Financial assets	8	8	-	-
Total Financial Assets	151 693	149 831	1 862	-
Financial Liabilities:				
Payables	16 392	14 971	1 421	-
Borrowings	38 054	38 054	-	-
Total Financial Liabilities	54 446	53 025	1 421	-

Liquidity Risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The Department is funded principally from appropriations by the SA Government. The Department works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The Department settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Department's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market Risk

The Department has no interest bearing liabilities as at the end of the reporting period. There is no exposure to foreign currency or other price risks.

A sensitivity analysis has not been undertaken for the interest rate risk of the Department as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

40. State Heritage Fund

The State Heritage Fund (the Fund) was established under the *Heritage Places Act 1993* to conserve places of heritage value. The revenues, expenses, assets, liabilities, changes in equity and cash flows of the Fund are disclosed below. It is noted that these amounts also form part of and are incorporated within the Department's Financial Statements. When incorporating these amounts into the Department's Financial Statements all transactions between the Fund and the Department have been eliminated.

Income Statement for the year ended 30 June 2008

	2008 \$'000	2007 \$'000
Expenses:		
Supplies and services	-	5
Grants and contributions	214	230
Other expenses	-	23
Total Expenses	214	258
Income:		
Other income	23	-
Total Expenses	23	-
Net Cost of Providing Services	191	258
Revenues from SA Government	250	250
Net Result	59	(8)

Balance Sheet as at 30 June 2008

	2008 \$'000	2007 \$'000
Current Assets:		
Cash	218	140
Receivables	35	-
	<u>253</u>	<u>140</u>
Non-Current Assets:		
Receivables	-	35
Total Assets	<u>253</u>	<u>175</u>
Current Liabilities:		
Payables	35	16
Total Liabilities	<u>35</u>	<u>16</u>
Net Assets	<u>218</u>	<u>159</u>
Equity:		
Retained Earnings	218	159
Total Equity	<u>218</u>	<u>159</u>

Statement of Changes in Equity for the year ended 30 June 2008

	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2006	167	167
Net result for 2006-07	(8)	(8)
Balance at 30 June 2007	<u>159</u>	<u>159</u>
Net result for 2007-08	59	59
Balance at 30 June 2008	<u>218</u>	<u>218</u>

Cash Flow Statement for the year ended 30 June 2008

	2008 Inflows (Outflows) \$'000	2007 Inflows (Outflows) \$'000
Cash Flows From Operating Activities:		
Cash Outflows:		
Supplies and services	-	(64)
Grants and contributions	(195)	(230)
Cash used in Operations	<u>(195)</u>	<u>(294)</u>
Cash Inflows:		
Other revenues	23	-
Cash generated from Operations	<u>23</u>	<u>-</u>
Cash generated from SA Government	250	250
Net Cash provided by (used in) Operating Activities	<u>78</u>	<u>(44)</u>
CASH AT 1 JULY	<u>140</u>	<u>184</u>
CASH AT 30 JUNE	<u>218</u>	<u>140</u>

Administered Income Statement for the year ended 30 June 2008

	2008	2007
	\$'000	\$'000
EXPENSES:		
Employee benefits costs	317	336
Supplies and services	1 634	1 473
Grants and contributions	25 620	5 176
Depreciation and amortisation	2 782	2 523
Other expenses	10	(58)
Total Expenses	30 363	9 450
INCOME:		
Fees and charges	923	976
Grants and contributions	97	104
Interest	175	142
Assets received free of charge	4 279	1 014
Net gain from disposal of non-current assets	9 726	11 022
Other revenue	1 422	1 110
Total Income	16 622	14 368
NET SURPLUS OF PROVIDING SERVICES	(13 741)	4 918
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:		
Revenues	23 517	3 976
Payments	(12 964)	(33 495)
Total Revenues from (payments to) SA Government	10 553	(29 519)
NET RESULT	(3 188)	(24 601)

Administered Balance Sheet as at 30 June 2008

	2008	2007
	\$'000	\$'000
CURRENT ASSETS:		
Cash and cash equivalents	7 854	12 351
Receivables	342	594
Inventories	149	159
Total Current Assets	8 345	13 104
NON-CURRENT ASSETS:		
Receivables	106	156
Property, plant and equipment	77 205	71 114
Total Non-Current Assets	77 311	71 270
Total Assets	85 656	84 374
CURRENT LIABILITIES:		
Payables	283	748
Other current liabilities	1 385	2 151
Total Current Liabilities	1 668	2 899
NON-CURRENT LIABILITIES:		
Payables	105	140
Total Non-Current Liabilities	105	140
Total Liabilities	1 773	3 039
NET ASSETS	83 883	81 335
EQUITY:		
Asset revaluation reserve	42 943	37 219
Retained earnings	40 940	44 116
TOTAL EQUITY	83 883	81 335

Statement of Changes in Administered Equity for the year ended 30 June 2008

	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2006	68 765	65 877	134 642
Adjustments - Error corrections (this reporting period)	104	(498)	(394)
Adjustments - Error corrections (previously recognised)	(43 552)	206	(43 346)
Restated Balance at 1 July 2006	25 317	65 585	90 902
Net increment (decrement) related to revaluations	11 902	-	11 902
Adjustments - Error corrections	-	3 132	3 132
Net result for 2006-07	-	(24 601)	(24 601)
Total Recognised Income/Expense for 2006-07	11 902	(21 469)	(9 567)
Balance at 30 June 2007	37 219	44 116	81 335
Adjustments - first-time recognition of assets	-	12	12
Net increment (decrement) related to revaluations	5 724	-	5 724
Net result for 2007-08	-	(3 188)	(3 188)
Total Recognised Income/Expense for 2007-08	5 724	(3 176)	2 548
Balance at 30 June 2008	42 943	40 940	83 883

**Statement of Administered Cash Flows
for the year ended 30 June 2008**

	2008	2007
	Inflows	Inflows
	(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:	\$'000	\$'000
Employee benefits payments	(332)	(318)
Supplies and services	(2 098)	(5 241)
Grants and contributions	(25 620)	(5 176)
Other payments	(4)	-
Cash used in Operations	(28 054)	(10 735)
CASH INFLOWS:		
Fees and charges	457	834
Grants and contribution receipts	97	140
Interest received	171	140
Loan repayments	-	140
Other receipts	1 422	1 073
Cash generated from Operations	2 147	2 327
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government:		
Recurrent appropriation	23 517	3 976
Total Receipts from SA Government	23 517	3 976
Payments to SA Government:		
Return of surplus cash	(12 964)	(33 495)
Total Payments to SA Government	(12 964)	(33 495)
Net Cash used in Operating Activities	(15 354)	(37 927)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(23)	(1 357)
Proceeds from sale of property, plant and equipment	10 880	39 451
Net Cash provided by Investing Activities	10 857	38 094
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4 497)	167
CASH AND CASH EQUIVALENTS AT 1 JULY	12 351	12 184
CASH AND CASH EQUIVALENTS AT 30 JUNE	7 854	12 351

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Administered Items of the Department

(a) Reporting Entities and Strategic Context

The activities of the Administered Items are:

Board of the Botanic Gardens and State Herbarium

The Board was established under section 6 of the *Botanic Gardens and State Herbarium Act 1978* to ensure the maintenance and development of South Australia's Botanic Gardens and State Herbarium and to provide advice on relevant policies consistent with the provisions of the Act and with the objectives of the Minister for Environment and Conservation.

The Department is related to the Board in the following manner:

- The Board's budget forms part of the Department's budget approved by the Department of Treasury and Finance.
- Assets constructed through the Department's capital works program, on behalf of the Board, are transferred to the Board at nil cost.
- Departmental staff provide a number of services to the Board at nil cost.

However the Board constitutes a separate legal entity, with members appointed by the Governor. Hence the Department cannot direct the Board to expend funds in a particular manner. As a result, the Board is not controlled by the Department and has been reflected as an Administered item.

Crown Lands

Crown Lands is comprised of an account established by the Treasurer to record receipts and payments associated with the sale of Crown land and other surplus Government land and property. The net revenues from these sales are returned to the Department of Treasury and Finance Consolidated Account.

Ministerial Other Payments

Payments made under Special Acts such as grant payments to Zoos SA.

Grants and contributions expense for the 2007-08 year includes a one-off grant of \$18.9 million made to Zoos SA for a new entrance and underwater fairy penguin enclosure.

Special Acts Allocation

Payments made under Special Acts for the salary and allowances for the Minister for Environment and Conservation.

(b) Administered Items' Financial Arrangements

The financial activities of the administered items are conducted through a number of deposit accounts with Department of Treasury and Finance pursuant to the PFAA. For those administered items that do not have their own deposit account their financial activities are conducted through the Department's deposit account.

The Department conducts a large number of activities directed towards meeting the administered items' objectives and responsibilities as specified in the legislation and/or other authoritative documentation that establishes the administered items. Many of the administered items, in accordance with the Acts, have delegated certain functions to officers within the Department who provide technical and administrative support including the use of plant and equipment, office accommodation and various administrative services. The cost of the services provided that can be identified with the activities of the administered items and can be measured reliably are met by the administered items. Other support services that are not identifiable and/or cannot be measured reliably are provided free of charge and have not been recognised in the administered items' schedules.

(c) Administered Items' Summary of Significant Accounting Policies

The administered items' Schedules detail the sum of the individual administered items' revenues, expenses, assets, liabilities, changes in equity and cash flows and as such the principles of consolidation have not been applied in preparing the schedules as the definition of an economic entity has not been satisfied. Accordingly, transactions and balances between the individual administered items have not been eliminated.

In general, the administered items adopt the accounting policies of the Department. As detailed in Note 2 of the Department's financial statements, deviations from these policies are as follows:

Property, Plant and Equipment

The Department is custodian of unallotted Crown land, by virtue of its responsibilities under the *Crown Lands Act 1929*. This land is considered to be an administered asset. Unallotted Crown land is not included in the administered items activities as the Department has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings. In addition, limitations exist on the reliability of the base information used to determine the valuation of property, plant and equipment actually included in Crown Lands.

The administered items activities include the Crown's interest in land leased to third parties under perpetual and other leases and annual licences.

Total property, plant and equipment as disclosed in the Administered Balance Sheet consists of assets belonging to the Botanic Gardens and State Herbarium (\$55.7 million) and Crown Lands (\$21.5 million).

Employee Benefits

In general, administered items' utilise the services of contractors or the Department's employees rather than recruiting and appointing employees in their own right. In the majority of cases, the services provided by the Department's employees are provided free of charge. If, however, the services provided by the Department's employees are directly attributable to the activities of an administered item and can be reliably measured the services are charged to the administered item on a fee-for-service (cost recovery) basis. These charges are included in Administered Income Statement as employee benefits. Further, the liability for employee benefits arising from services rendered by employees is not recognised in the Administered financial statements as the Department is obligated to pay employees for services provided. Accordingly, employee benefits are recognised in the Department's financial statements.

Details of Administered Items' revenues and expenses are provided in the following Schedules:

Schedule 1(A): Administered Expenses and Income for the year ended 30 June 2008

Schedule 1(B): Administered Expenses and Income for the year ended 30 June 2007

**Schedule 1(A): Administered Expenses and Income
for the year ended 30 June 2008**

	Botanic Gardens and State Herbarium	Crown Lands	Minister's Other Payments	Special Acts Allocation	2008 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:					
Employee benefits costs	82	-	-	235	317
Supplies and services	247	1 383	4	-	1 634
Grants and contributions	2 226	132	23 262	-	25 620
Depreciation and amortisation	2 772	10	-	-	2 782
Other	10	-	-	-	10
Total Expenses	5 337	1 525	23 266	235	30 363
INCOME:					
Fees and charges	822	101	-	-	923
Grants and contributions	97	-	-	-	97
Interest	175	-	-	-	175
Assets received free of charge	4 279	-	-	-	4 279
Net gain from disposal of non-current assets	(8)	9 734	-	-	9 726
Other revenue	1 422	-	-	-	1 422
Total Income	6 787	9 835	-	-	16 622
NET SURPLUS (COST OF SERVICES)	1 450	8 310	(23 266)	(235)	(13 741)
REVENUES FROM (PAYMENTS TO)					
SA GOVERNMENT:					
Revenues	-	-	23 267	250	23 517
Payments	-	(12 964)	-	-	(12 964)
Total SA Government Revenues and Payments	-	(12 964)	23 267	250	10 553
NET RESULT	1 450	(4 654)	1	15	(3 188)

**Schedule 1(B): Administered Expenses and Income
for the year ended 30 June 2007**

	Botanic Gardens and State Herbarium	Crown Lands	Minister's Other Payments	Special Acts Allocation	2007 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:					
Employee benefits costs	77	-	-	259	336
Supplies and services	329	1 140	4	-	1 473
Grants and contributions	1 450	-	3 726	-	5 176
Depreciation and amortisation	2 515	8	-	-	2 523
Other	(58)	-	-	-	(58)
Total Expenses	4 313	1 148	3 730	259	9 450
INCOME:					
Fees and charges	823	153	-	-	976
Grants and contributions	104	-	-	-	104
Interest	142	-	-	-	142
Assets received free of charge	1 005	9	-	-	1 014
Net gain from disposal of non-current assets	-	11 022	-	-	11 022
Other revenue	1 110	-	-	-	1 110
Total Income	3 184	11 184	-	-	14 368
NET SURPLUS (COST OF SERVICES)	1 129	(10 036)	3 730	259	(4 918)
REVENUES FROM (PAYMENTS TO)					
SA GOVERNMENT:					
Revenues	-	-	3 730	246	3 976
Payments	-	(33 495)	-	-	(33 495)
Total SA Government Revenues and Payments	-	(33 495)	3 730	246	(29 519)
NET RESULT	(1 129)	(23 459)	-	(13)	(24 601)

ENVIRONMENT PROTECTION AUTHORITY

FUNCTIONAL RESPONSIBILITY

Establishment

The financial reporting entity, the Environment Protection Authority (EPA), includes the following:

- The Environment Protection Authority - an administrative unit established under the PSM Act.
- A statutory authority with an appointed Board also named the Environment Protection Authority (the Board) established by the *Environment Protection Act 1993* (the EP Act).
- The Environment Protection Fund as established under the EP Act.

The EP Act also establishes the Office of the Chief Executive, who is subject to the control and direction of the Board. The EP Act permits the Board to make use of the services of the administrative unit's employees and its facilities.

Functions

The EPA is South Australia's primary environmental regulator for the control and minimisation of pollution and waste. It is responsible for the protection and enhancement of air and water quality, and control of pollution, waste and environmental noise.

For details of the EPA's roles refer to Note 1(a) of the financial report.

The EPA is also responsible for the Environment Protection Fund (EPF) established under the EP Act. Note 34 outlines income and expenses of the Fund.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the EPA for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2007-08, areas of review included:

- revenue raising
- environmental licensing
- waste depot levies
- expenditure
- payroll.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Environment Protection Authority as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

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

Communication of Audit Matters

Matters arising during the course of the audit were detailed in a management letter to the Acting Chief Executive of the EPA. The management letter noted that financial and accounting controls were generally satisfactory, however there was scope for improvement in the following areas:

Waste Depot Levies

The Integrated Information System (IIS) is used to record details of all returns received from waste levy depots and for revenue raising purposes. Reconciliations between IIS and the General Ledger were not performed in a timely manner during the year.

Risk Management

Risk registers for three divisions were yet to be developed in the template format required by the EPA's Risk Management Policy and Procedures.

The EPA's response indicated that appropriate action would be taken to address matters raised.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 \$'million	2007 \$'million	Percentage Change
INCOME			
Fees and charges	32.7	20.9	56
Other revenues	1.4	1.1	27
Total Operating Revenue	34.1	22.0	55
OPERATING EXPENDITURE			
Employment benefits costs	19.0	17.7	7
Grants and contributions	11.9	6.0	98
Other expenses	8.2	7.3	12
Total Expenses	39.1	31.0	26
Net Cost of Providing Services	5.0	9.0	(44)
REVENUES FROM SA GOVERNMENT			
Revenues from SA Government	5.3	9.9	(46)
Net Result	0.3	0.9	(67)
NET CASH PROVIDED BY OPERATING ACTIVITIES	0.8	1.9	(58)

	2008 \$'million	2007 \$'million	Percentage Change
ASSETS			
Current assets	10.1	8.9	13
Non-current assets	3.3	3.4	(3)
Total Assets	13.4	12.3	9
LIABILITIES			
Current liabilities	3.8	2.9	31
Non-current liabilities	3.9	4.0	(3)
Total Liabilities	7.7	6.9	12
EQUITY	5.7	5.4	6

Income Statement

Income

Total income increased by \$12.1 million (55 percent). The major items causing this change were:

- waste levies within fees and charges revenue increased by \$12.7 million, due primarily to a 109 percent increase in waste levy rates in 2007-08
- fees, levies and licenses within fees and charges revenue decreased by \$651 000, primarily due to invoices for license fees being raised later than in prior years, as a result of the implementation of a new fee, levy and license structure and associated IT system.

Expenses

Total expenses increased by \$8.1 million (26 percent). The major items causing this change were:

- Zero Waste SA grant within grants and contributions expense increased by \$6 million, mainly due to the impact of increased waste levies revenue, of which Zero Waste SA receives 50 percent as a grant payment
- employee benefits expenses increased by \$1.3 million, due mainly to an Enterprise Bargaining Agreement increase and the reclassification of some employees to higher positions.

Cash Flow Statement

The following table summarises the net cash flows since 2005.

	2008 \$'million	2007 \$'million	2006 \$'million	2005 \$'million
Net Cash Flows				
Operations	0.8	1.9	1.5	(0.3)
Investing	(0.6)	(0.5)	(0.7)	(0.8)
Change in Cash	0.2	1.4	0.8	(1.1)
Cash at 30 June	7.6	7.4	6.0	5.2

Income Statement **for the year ended 30 June 2008**

		2008	2007
	Note	\$'000	\$'000
EXPENSES:			
Employee benefits expenses	5	18 997	17 704
Supplies and services	6	7 373	6 351
Grants and contributions expense	7	11 910	5 999
Depreciation and amortisation	8	816	870
Net loss from disposal of non-current assets	9	17	60
Other expenses	10	(2)	5
Total Expenses		39 111	30 989
INCOME:			
Fees and charges	11	32 699	20 895
Grants and contributions	12	1 246	944
Interest revenue	13	155	93
Other income	14	52	101
Total Income		34 152	22 033
NET COST OF PROVIDING SERVICES		4 959	8 956
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	15	5 300	9 888
Total Net Revenues from SA Government		5 300	9 888
NET RESULT		341	932

Net result is attributable to the SA Government as owner

Balance Sheet as at 30 June 2008

	Note	2008 \$'000	2007 \$'000
CURRENT ASSETS:			
Cash and cash equivalents	16	7 597	7 429
Receivables	17	2 372	1 362
Other current assets	19	80	69
Total Current Assets		10 049	8 860
NON-CURRENT ASSETS:			
Receivables	17	3	15
Financial assets	18	5	5
Property, plant and equipment	20	2 715	2 733
Intangible assets	21	625	722
Total Non-Current Assets		3 348	3 475
Total Assets		13 397	12 335
CURRENT LIABILITIES:			
Payables	22	1 963	1 096
Employee benefits	23	1 766	1 513
Provisions	24	34	28
Other current liabilities	25	1	299
Total Current Liabilities		3 764	2 936
NON-CURRENT LIABILITIES:			
Payables	22	354	375
Employee benefits	23	3 428	3 525
Provisions	24	88	77
Total Non-Current Liabilities		3 870	3 977
Total Liabilities		7 634	6 913
NET ASSETS		5 763	5 422
EQUITY:			
Asset revaluation reserve	26	1 222	1 222
Retained earnings	26	4 541	4 200
TOTAL EQUITY		5 763	5 422
Total equity is attributable to the SA Government as owner			
Expenditure commitments	29		
Contingent assets and liabilities	30		

Statement of Changes in Equity for the year ended 30 June 2008

		Asset		
		Revaluation	Retained	Total
	Note	Reserve	Earnings	
		\$'000	\$'000	\$'000
Balance at 1 July 2006	26	1 222	3 165	4 387
Adjustments - Error corrections (previously recognised)	26	-	103	103
Restated Balance at 1 July 2006	26	1 222	3 268	4 490
Net result for 2006-07	26	-	932	932
Total recognised income and expense for 2006-07		-	932	932
Balance at 30 June 2007		1 222	4 200	5 422
Net result for 2007-08	26	-	341	341
Total recognised income and expense for 2007-08		-	341	341
Balance at 30 June 2008	26	1 222	4 541	5 763

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

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefits payments		(18 813)	(16 915)
Supplies and services		(6 625)	(6 956)
Grant and contribution payments		(11 910)	(5 999)
Other payments		4	(2)
Cash used in Operations		(37 344)	(29 872)
CASH INFLOWS:			
Fees and charges		31 418	20 741
Grant and contribution receipts		1 246	944
Interest received		140	95
Other receipts		52	124
Cash generated from Operations		32 856	21 904
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government:		5 300	9 888
Cash generated from SA Government		5 300	9 888
Net Cash provided by Operating Activities	27	812	1 920
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(644)	(496)
Net Cash used in Investing Activities		(644)	(496)
NET INCREASE IN CASH AND CASH EQUIVALENTS		168	1 424
CASH AND CASH EQUIVALENTS AT 1 JULY		7 429	6 005
CASH AND CASH EQUIVALENTS AT 30 JUNE		7 597	7 429

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Environment Protection Authority

(a) Strategic Context

The Environment Protection Authority (the Authority) is South Australia's primary environmental regulator for the protection, restoration and enhancement of our environment. The Authority promotes the principles of ecologically sustainable development and works with government, industry and the people of South Australia, with key roles to:

- review, develop and draft environmental protection policies and national environment protection measures
- authorise activities of environmental significance through an authorisation system aimed at the control and minimisation of pollution and waste
- conduct compliance investigation and institute environmental monitoring and evaluation programmes
- provide advice and assistance regarding best environmental management practice
- minimise adverse impacts of radiation on human health and the environment

The Authority has a key advocacy and engagement role across government and with the people of South Australia, business and communities throughout South Australia to achieve a healthy and valued environment.

(b) Financial Arrangements

The Department for Environment and Heritage (DEH) provides some professional, technical and administrative support to the Authority. The identifiable direct costs of providing these services are met by the Authority. In addition, certain services are provided by DEH at no charge to the Authority and have not been recognised in the financial statements as it is impractical to determine a value for these items. The costs of these services include salaries and overheads relating to the provision of various administrative services. A Memorandum of Understanding was signed on 31 May 2004 between DEH and the Authority relating to the future provision of these services.

(b) Financial Arrangements (continued)

The Authority's sources of funds consist of monies appropriated by Parliament together with income derived primarily from fees, levies and licences to the public and industry. These include:

- environment and radiation protection licences
- waste levies from landfill depots
- fines and penalties
- Section 7 enquiries.

The financial activities of the Authority are primarily conducted through deposit accounts with the Department of Treasury and Finance (DTF) pursuant to sections 8 and 21 of the PFAA. The deposit accounts are used for funds provided by Parliamentary appropriation together with revenues from services provided and from fees and charges.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, TIs and APSs promulgated under the provisions of the PFAA.

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Authority for the reporting period ending 30 June 2008. Refer Note 3.

(b) Basis of Preparation

The preparation of the financial report requires:

- the use of certain accounting estimates and management to exercise its judgment in the process of applying the Authority's accounting policies. Areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable Notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported;
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following Note disclosures, that have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies;
 - (b) expenses incurred as a result of engaging consultants;
 - (c) employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees;
 - (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

The Cash Flow Statement is prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

(c) Reporting Entity

The financial reporting entity includes the following:

- The Environment Protection Authority - an administrative unit established on 1 July 2002 pursuant to the PSM Act as part of a restructure of the Government's environment protection functions.
- A statutory authority also named the Environment Protection Authority established through amendments to the *Environment Protection Act 1993* (the Act).
- The Environment Protection Fund as established under the Act.

(c) Reporting Entity (continued)

The Fund meets the accounting criteria of a controlled entity of the Authority and consequently the assets and liabilities of the Fund are recognised by the Authority in the Balance Sheet, the Fund's revenues and expenses have been recognised in the Authority's Income Statement and the Fund's changes in equity have been recognised in the Authority's Statement of Changes in Equity. The transactions of the Fund are disclosed in Note 34.

The Authority performs functions related to Authority and Administered activities. The Authority's financial statements include the assets, liabilities, revenues and expenses controlled or incurred by the Authority in its own right. Administered items have been disclosed in the Schedule of Administered Items which the Authority administers on behalf of the SA Government, industry and the Minister for Environment and Conservation but does not control (refer Note 35). The Administered Item is:

- Adelaide Coastal Waters Study Steering Committee.

(d) Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS has required a change.

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

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

(e) Rounding

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

(f) Taxation

The Authority is not subject to income tax. The Authority is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

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

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

DEH prepares a Business Activity Statement on behalf of the Authority under the grouping provisions of the GST legislation. Under these provisions, DEH is liable for the payments and entitled to the receipts associated with GST. As such, the GST applicable to the Authority forms part of the receivables and payables recorded in the Balance Sheet and the GST cash flows recorded in the Cash Flow Statement of DEH.

(g) Events after Balance Date

Where an event occurs after 30 June but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

(h) Income and Expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Authority will occur and can be reliably measured.

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

The Notes accompanying the financial statements disclose income, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

Income

The following are specific recognition criteria:

Fees and Charges

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

With respect to licence fees under the Act, the Authority recognises this revenue upon receipt.

With respect to waste levies under the Act, the Authority recognises this revenue on an accrual basis.

Contributions Received

Contributions are recognised as an asset and income when the Authority obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

Generally, the Authority has obtained control or the right to receive for:

- contributions with unconditional stipulations - this will be when the agreement becomes enforceable ie the earlier of when the receiving entity has formally been advised that the contribution (eg grant application) has been approved; agreement/contract is executed; and/or the contribution is received
- contributions with conditional stipulations - this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

Disposal of Non-Current Assets

Income from the disposal of non-current assets is recognised when the control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings.

Revenues from SA Government

Appropriations for program funding are recognised as revenues when the Authority obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Expenses

Employee Benefits

Employee benefit expense includes all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Income Statement represents the contributions made by the Authority to the superannuation plan in respect of current services of current Authority staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government general purpose financial report.

Contributions Paid

For contributions payable, the contribution will be recognised as a liability and expense when the entity has a present obligation to pay the contribution and the expense recognition criteria are met.

(i) Current and Non-Current Classification

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

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Authority has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(j) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet includes cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above. Cash is measured at nominal value.

(k) Receivables

Receivables include amounts receivable from goods and services, GST input tax credits recoverable, and other accruals. Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Authority will not be able to collect the debt. Bad debts are written off when identified.

(l) Financial Assets

The Authority measures financial assets at historical costs.

(m) Non-Current Asset Acquisition and Recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

All non-current tangible assets with a value of \$5000 or greater are capitalised.

Assets Deemed to be at Fair Value

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APF III have not been met, these classes of non-current assets are deemed to be at fair value.

Asset classes that did not satisfy the criteria and are therefore deemed to be at fair value include:

- moveable vehicles
- computing equipment
- application software
- furniture and fittings
- plant and equipment.

(n) Revaluation of Non-Current Assets

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

Every five years, the Authority revalues its land, buildings and leasehold improvements on a rolling basis. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

Any revaluation decrease is recognised in the Income Statement, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in revaluations reserve for that asset class.

Any accumulated depreciation, as at the revaluation date, is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Upon disposal or derecognition, any revaluation reserve relating to that asset is transferred to retained earnings.

The Authority undertook an independent professional valuation in 2004-05 for property, plant and equipment.

(o) Impairment

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

For revalued assets, an impairment loss is offset against the asset revaluation reserve.

(p) Depreciation and Amortisation of Non-Current Assets

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

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

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate. Depreciation/amortisation is calculated on a straight line basis over the estimated useful life of the following classes of assets as follows:

(p) Depreciation and Amortisation of Non-Current Assets (continued)

<i>Class of Asset</i>	<i>Useful Life (Years)</i>
Computing equipment	3-10
Application software	3-15
Infrastructure	5-50
Plant and equipment	3-30
Moveable vehicles	10-25
Furniture and fittings	10-15
Buildings and improvements	30-50
Other	7-10

Land is not depreciated.

(q) Intangible Assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. The Authority only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$5000.

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed.

(r) Payables

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

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

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

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

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

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

(s) Employee Benefits

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

Wages, Salaries, Annual Leave and Sick Leave

Liabilities for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

Long Service Leave

The liability for long service leave is recognised after an employee has completed 6.5 years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Authority's experience of employee retention and leave taken.

Employee Benefit On-Costs

Employee benefit on-costs (payroll tax, WorkCover and superannuation) are recognised separately under payables.

Provisions

Provisions are recognised when the Authority has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Authority expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

(t) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Authority has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use an asset. The Authority has entered into one or more operating leases.

Operating Leases

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

(u) Unrecognised Contractual Commitments and Contingent Assets and Liabilities

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

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a Note and, if quantifiable, are measured at nominal value.

3. Changes in Accounting Policies

The AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Authority for the reporting period ending 30 June 2008. The Authority has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies of the financial report of the Authority.

4. Programs of the Authority

The Authority is funded by appropriation and revenue for the provision of environment protection, policy and regulatory services. In line with the objectives of establishing the Authority to focus on environment protection activities the Authority conducts its services through a single program, Environment and Radiation Protection. The purpose of this program is to achieve a clean, healthy and valued environment that supports social and economic policy for all South Australians.

5. Employee Benefits Expenses

	2008	2007
	\$'000	\$'000
Salaries and wages	13 664	12 694
Annual leave	1 366	1 225
Long service leave	617	653
Employment on-costs - Superannuation	1 791	1 726
Employment on-costs - Other	930	941
Boards and committee fees	100	113
Other employment related expenses	529	352
Total Employment Benefits Expenses and Other Costs	18 997	17 704

Employee Remuneration

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$2.670 million. (\$1.538 million).

The number of employees whose remuneration received or receivable, greater than \$100 000, falls within the following bands:

	2008	2007
	Number of Employees	Number of Employees
\$100 000 - \$109 999	11	5
\$110 000 - \$119 999	3	1
\$120 000 - \$129 999	1	2
\$130 000 - \$139 999	2	1
\$140 000 - \$149 999	1	2
\$150 000 - \$159 999	2	-
\$160 000 - \$169 999	1	-
\$180 000 - \$189 999	1	-
\$240 000 - \$249 999	-	1
Total Number of Employees	22	12

6. Supplies and Services	2008	2007
Supplies and Services paid/payable to Entities within the SA Government:	\$'000	\$'000
Accommodation and property management expenses	1 636	1 598
External auditors remuneration	66	64
Total Supplies and Services paid/payable to Entities within the SA Government	1 702	1 662
Supplies and Services paid/payable to Entities external to the SA Government:		
Accommodation and property management expenses	263	276
Consultants	19	31
Contractors	883	459
Fee-for-service	903	749
General administration	506	350
Information technology and communication expenses	655	698
Minor works, maintenance and equipment	462	456
Monitoring fees	88	-
Scientific and technical services	763	781
Transportation	109	99
Travel and accommodation	166	149
Vehicle and aircraft	343	388
Other	511	253
Total Supplies and Services paid/payable to Entities external to the SA Government	5 671	4 689
Total Supplies and Services	7 373	6 351

The total supplies and services amount disclosed above includes GST amounts not recoverable from the ATO due to the Authority not holding a valid tax invoice or payments relating to third party arrangements.

Consultants

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:

	2008		2007	
	Number	\$'000	Number	\$'000
Below \$10 000	2	3	1	1
Between \$10 000 and \$50 000	1	16	1	30
Total paid/payable to the Consultants engaged		19		31

Auditor's Remuneration

	2008	2007
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department	66	64
Total Audit Fees	66	64

No other services were provided by the Auditor-General's Department.

7. Grants and Contributions Expense

Grants and Contributions paid/payable to Entities within the SA Government:		
Department for Environment and Heritage	-	50
Department of Water, Land and Biodiversity Conservation	7	-
Zero Waste SA ⁽ⁱ⁾	11 490	5 551
Other	-	81
Total Grants and Contributions paid/payable to Entities within the SA Government	11 497	5 682
Grants and Contributions paid/payable to Entities external to the SA Government:		
Community organisations and associations	170	164
Individuals - Solar hot water rebate	58	38
Local Government	10	-
Commonwealth Government	118	-
Universities	6	-
Other	51	115
Total Grants and Contributions paid/payable to Entities external to the SA Government	413	317
Total Grants and Contributions	11 910	5 999

(i) As per section 113 of the *Environment Protection Act 1993* the Authority earns and collects 100 percent of waste levies, however is then required to transfer 50 percent of levies collected to Zero Waste SA as per section 17 of the *Zero Waste SA Act 2004*. This transfer represents the payment of waste levies monies to Zero Waste SA in accordance with the *Zero Waste SA Act 2004*.

8. Depreciation and Amortisation	2008	2007
Depreciation:	\$'000	\$'000
Buildings and improvements	3	3
Computing equipment	21	24
Furniture and fittings	112	113
Moveable vehicles	4	3
Infrastructure	12	10
Plant and equipment	540	433
Other	2	2
Total Depreciation	694	588
Amortisation:		
Application software	122	282
Total Amortisation	122	282
Total Depreciation and Amortisation	816	870

Change in Amortisation due to Useful Life Review

As a result of the Authority's stocktake process, the useful lives of its intangible assets were adjusted. This resulted in a \$160 000 reduction in amortisation expense for 2007-08. It is anticipated that amortisation at this reduced amount of \$122 000 will continue.

9. Net Gain/Loss from Disposal of Non-Current Assets	2008	2007
Furniture and Fittings:	\$'000	\$'000
Proceeds from disposal	-	-
Less: Net book value of assets disposed	-	51
	-	(51)
Plant and Equipment:		
Proceeds from disposal	-	-
Less: Net book value of assets disposed	17	9
	(17)	(9)
Total Assets:		
Proceeds from disposal	-	-
Less: Net book value of assets disposed	17	60
Total Net Loss from Disposal of Non-Current Assets	(17)	(60)

10. Other Expenses		
Other Expenses paid/payable to Entities external to the SA Government:		
Bad and doubtful debts	(2)	5
Total Other Expenses paid/payable to Entities external to the SA Government	(2)	5
Total Other Expenses	(2)	5

11. Fees and Charges		
Fees and Charges received/receivable from Entities external to the SA Government:		
Fines and penalties	44	173
Waste levies	24 326	11 674
Fees, levies and licences	7 905	8 556
Sale of goods	1	-
Sale of professional services	68	70
Sale of support services	-	121
Section 7 enquiries	355	301
Total Fees and Charges received/receivable from Entities external to the SA Government	32 699	20 895
Total Fees and Charges	32 699	20 895

12. Grants and Contributions		
Grants and Subsidies received/receivable from Entities within the SA Government:		
State Government Grants ⁽ⁱ⁾	974	667
	974	667
Grants and Subsidies received/receivable from Entities external to the SA Government:		
Commonwealth Government ⁽ⁱⁱ⁾	263	277
Private industry and local government ⁽ⁱⁱⁱ⁾	9	-
	272	277
Total Grants and Subsidies	1 246	944

12. Grants and Contributions (continued)	2008	2007
(i) State Government Grants and Contributions:	\$'000	\$'000
Department of Water, Land and Biodiversity Conservation	368	308
Murray Darling Basin Commission Natural Resources Management Board	75	60
SA Water Corporation	40	-
Department of Primary Industries and Resources	-	80
Zero Waste SA	213	20
Department of Further Education, Employment, Science and Technology	150	150
Department for Transport, Energy and Infrastructure	-	34
Department for Environment and Heritage	126	-
Other	2	15
	974	667
(ii) Commonwealth Government:		
Natural Heritage Trust	23	182
Department of the Environment, Water, Heritage and the Arts	240	90
Rural Industrial Research Development	-	5
	263	277
(iii) Private Industries and Local Government:		
Australian Acoustical Society	9	-
	9	-
13. Interest Revenue		
Interest Revenue received/receivable from Entities within the SA Government		
Interest on deposit accounts	155	93
Total Interest Received	155	93
14. Other Income		
Other Income received/receivable from Entities external to the SA Government:		
Salaries and wages recoveries	51	92
Other sundry revenue	1	9
Total Other Income	52	101
15. Revenues from SA Government		
Revenues from SA Government:		
Consolidated appropriation	5 288	9 441
Contingency funds	12	447
Total SA Government Revenues	5 300	9 888
16. Cash and Cash Equivalents		
Deposits with the Treasurer	4 897	5 564
Environment Protection Fund Deposit Account	2 695	1 862
Cash on hand/Imprest accounts	5	3
Total Cash and Cash Equivalents	7 597	7 429

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Interest Rate Risk

Cash on hand is non-interest bearing. The Environment Protection Fund Deposit Account earns a floating interest rate. The carrying amount of cash and cash equivalents represents fair value.

17. Receivables	2008	2007
Current:	\$'000	\$'000
Receivables from entities within the SA Government:		
Accrued revenues	15	-
	15	-
Receivables from entities external to the SA Government		
Receivables	2 358	1 365
Less: Allowance for doubtful debts	2	4
	2 356	1 361
Workers compensation recoveries	1	1
	2 357	1 362
Total Current Receivables	2 372	1 362

All receivable amounts disclosed above are expected to be recovered within 12 months after reporting date.

17. Receivables (continued)	2008	2007
Non-Current:	\$'000	\$'000
Receivables from entities external to the SA Government:		
Receivables	-	12
Less: Allowance for doubtful debts	-	-
	-	12
Workers compensation recoveries	3	3
	3	15
Total Non-Current Receivables	3	15

Movement in Allowance for Doubtful Debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in 'Other expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the Allowance for Doubtful Debts (Impairment Loss)

	2008	2007
	\$'000	\$'000
Carrying amount at 1 July	4	7
Increase in the provision	-	5
Decrease in allowance recognised in the Income Statement	(2)	(8)
Carrying Amount at 30 June	2	4

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

18. Other Financial Assets	2008	2007
Non-Current:	\$'000	\$'000
Equity in listed entities	5	5
Total Other Non-Current Financial Assets	5	5

19. Other Assets		
Current:		
Prepayments	80	69
Total Other Current Assets	80	69

20. Property, Plant and Equipment		
Land:		
Independent valuation	100	100
Total Land	100	100
Buildings and Improvements:		
Independent valuation	84	84
At cost (deemed fair value)	7	7
Less: Accumulated depreciation	52	49
Total Buildings and Improvements	39	42
Infrastructure:		
Independent valuation	188	188
At cost (deemed fair value)	72	66
Less: Accumulated depreciation	34	22
Total Infrastructure	226	232
Capital Works in Progress:		
Capital works in progress	498	19
Total Capital Works in Progress	498	19
Moveable Vehicles:		
At cost (deemed fair value)	101	101
Less: Accumulated depreciation	60	56
Total Moveable Vehicles	41	45
Computing Equipment:		
At cost (deemed fair value)	199	204
Less: Accumulated depreciation	165	162
Total Computing Equipment	34	42

20. Property, Plant and Equipment (continued)

	2008	2007
	\$'000	\$'000
Furniture and Fittings:		
At cost (deemed fair value)	1 219	1 219
Less: Accumulated depreciation	592	480
Total Furniture and Fittings	627	739
Plant and Equipment:		
Independent valuation	627	642
At cost (deemed fair value)	3 688	3 678
Less: Accumulated depreciation	3 311	2 881
Total Plant and Equipment	1 004	1 439
Other:		
Independent valuation	69	69
At cost (deemed fair value)	144	71
Less: Accumulated depreciation	67	65
Total Other	146	75
Total Property, Plant and Equipment	2 715	2 733

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2008.

Asset Movement Reconciliation 2007-08

A reconciliation of the carrying amount of each class of property, plant and equipment is displayed in the table below.

	Land	Buildings	Infra-structure	Moveable Vehicles	Computing Equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	100	42	232	45	42
Transfers between classes	-	-	6	-	13
Additions	-	-	-	-	-
Depreciation expense	-	(3)	(12)	(4)	(21)
Disposals	-	-	-	-	-
Balance at 30 June	100	39	226	41	34

	Furniture and Fittings	Plant and Equipment	Other	Capital Works in Progress	Sub-Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	739	1 439	75	19	2 733
Transfers between classes	-	52	(71)	-	-
Additions	-	70	144	479	693
Depreciation expense	(112)	(540)	(2)	-	(694)
Disposals	-	(17)	-	-	(17)
Balance at 30 June	627	1 004	146	498	2 715

Asset Movement Reconciliation 2006-07

	Land	Buildings	Infra-structure	Moveable Vehicles	Computing Equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	100	45	242	48	62
Transfer between classes	-	-	-	-	-
Additions	-	-	-	-	5
Additions - Transfers to (from) from CWIP	-	-	-	-	-
Depreciation expense	-	(3)	(10)	(3)	(24)
Disposals	-	-	-	-	-
ARAMIS revisions - upwards (downwards)	-	-	-	-	(1)
Balance at 30 June	100	42	232	45	42

	Furniture and Fittings	Plant and Equipment	Other	Capital Works in Progress	Sub-Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	802	1 659	82	158	3 198
Transfer between classes	-	28	(28)	-	-
Additions	8	195	23	231	462
Additions - Transfers to (from) from CWIP	93	-	-	(370)	(277)
Depreciation expense	(113)	(433)	(2)	-	(588)
Disposals	(51)	(9)	-	-	(60)
ARAMIS revisions - upwards (downwards)	-	(1)	-	-	(2)
Balance at 30 June	739	1 439	75	19	2 733

21. Intangible Assets

	2008	2007
	\$'000	\$'000
Computer Software (internally generated):		
At cost (deemed fair value)	1 722	1 723
Less: Accumulated amortisation	1 097	1 001
Total Computer Software (Internally Generated)	625	722
Total Intangible Assets	625	722

Intangible Asset Reconciliation

	2008	2007
	\$'000	\$'000
Carrying amount at 1 July	722	696
Additions	25	-
Additions - Transfers to (from) CWIP	-	308
Depreciation expense	(122)	(282)
Carrying Amount at 30 June	625	722

Computer Software

The internally developed computer software has a carrying value of \$625 000 and relates primarily to the Authority's General Environment Information System (GENI) (carrying value \$334 000) together with various other specialised software. The entire software class has an average remaining useful life of 3.4 years.

Intangible Assets in CWIP

The balance of Capital Works in Progress (CWIP) includes \$485 000 of intangible assets. These assets are expected to be in use in 2008-09.

22. Payables

	2008	2007
	\$'000	\$'000
Current:		
Payables to entities within the SA Government:		
Accruals	66	64
Creditors	384	242
Employee benefit on-costs	387	351
	837	657
Payables to entities external to the SA Government:		
Accruals	-	9
Creditors	1 126	430
	1 126	439
Total Current Payables	1 963	1 096

All payable amounts disclosed above are expected to be paid within 12 months after reporting date.

Non-Current:

Payables to entities within the SA Government:		
Employee benefit on-costs	354	375
	354	375
Total Non-Current Payables	354	375

Interest Rate and Credit Risk

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

23. Employee Benefits

	2008	2007
	\$'000	\$'000
Current:		
Accrued salaries and wages	367	292
Annual leave	1 150	1 112
Long service leave	249	109
Total Current Employee Benefits	1 766	1 513

All employee benefit amounts disclosed above, including long service leave, are expected to be paid within 12 months after reporting date.

Non-Current:

Long service leave	3 428	3 525
Total Non-Current Employee Benefits	3 428	3 525

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability was 6.5 years (6.5 years).

24. Provisions

Current:		
Provision for workers compensation	34	28
Total Current Provisions	34	28
Non-Current:		
Provision for workers compensation	88	77
Total Non-Current Provisions	88	77

Provision Movement

	2008	2007
	\$'000	\$'000
Carrying amount at 1 July	105	94
Additional provisions recognised	-	1
Unwinding of discount and effect of change in the discount rate	17	10
Carrying Amount at 30 June	122	105

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

25. Other Liabilities

	2008	2007
	\$'000	\$'000
Current:		
Other Liabilities to Entities external to the SA Government:		
Unearned revenue	-	279
Other	1	20
Total Current Other Liabilities	1	299

26. Equity

Equity represents the residual interest in the net assets of the Authority. The State Government holds the equity interest in the Authority on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	2008 Total \$'000
Balance at 1 July 2007	1 222	4 200	5 422
Net result for 2007-08	-	341	341
Balance at 30 June 2008	1 222	4 541	5 763

	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	2007 Total \$'000
Balance at 1 July 2006	1 222	3 165	4 387
Adjustments - Error corrections (previously recognised)			
Depreciation errors ⁽ⁱ⁾			
Infrastructure	-	65	65
Computing	-	29	29
Furniture and fittings	-	2	2
Plant and equipment	-	13	13
Sub-total: Depreciation errors	-	109	109
Other errors			
Revenue Correction 2005-06	-	(6)	(6)
Sub-total: Other errors	-	(6)	(6)
Sub-total: Error corrections	-	103	103
Restated Balance 1 July 2006	1 222	3 268	4 490
Net result for 2006-07		932	932
Balance at 30 June 2007	1 222	4 200	5 422

(i) Depreciation Errors

During the 2006-07 financial year, the Authority undertook a comprehensive review of the fixed asset processes for recording, revaluing, reconciling and reporting in the statutory accounts. Through this process errors in depreciation expense in prior periods for a small number of assets were identified. These errors were adjusted for in the 2006-07 reporting period.

27. Cash Flow Reconciliation

	2008	2007
	\$'000	\$'000
Reconciliation of Cash and Cash Equivalents		
Cash at 30 June per:		
Cash and cash equivalents disclosed in the Balance Sheet	7 597	7 429
Cash and cash equivalents disclosed in the Cash Flow Statement	7 597	7 429

27. Cash Flow Reconciliation (continued)	2008	2007
<i>Reconciliation of Net Cash provided by Operating Activities to</i>	\$'000	\$'000
<i>Net Cost of Providing Services</i>		
Net cash provided by operating activities	812	1 920
Less: Cash flows from government	(5 300)	(9 888)
Less: Non-cash items:		
Depreciation and amortisation	(816)	(870)
Net loss on sale of assets	(17)	(60)
Movement in assets and liabilities:		
Increase in receivables	998	282
Increase in other assets	11	25
(Increase) Decrease in payables	(772)	437
Increase in employee benefits	(156)	(638)
Increase in provisions	(17)	(11)
Decrease (Increase) in other liabilities	298	(153)
Net Cost of Providing Services	(4 959)	(8 956)

28. Restrictions on Contributions Received

The Authority is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Authority on the premise that these funds are expended in a manner consistent with the terms of the agreement. At reporting date the Authority had the following outstanding funding commitments:

	2008	2007
	\$'000	\$'000
Environment Protection Fund	2 695	1 858
NRG Flinders	435	482
ChemCollect	348	490
Externally funded projects	372	309
	3 850	3 139

29. Expenditure Commitments

Operating Lease Commitments

The total value of future non-cancellable operating lease commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2008	2007
	\$'000	\$'000
Not later than one year	905	1 334
Later than one year but not later than five years	413	859
Total Operating Lease Commitments	1 318	2 193

The operating leases held by the Authority are mainly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease terms. The leases are payable one month in advance and the Authority has the right of renewal. There are no existing or contingent rental provisions.

Lease commitments have decreased due to the Authority's current operating lease agreement expiring in November 2008. There is no present obligation for the lease commitment for the new premises because as at balance date, the lease agreement had not been finalised.

Remuneration Commitments

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

	2008	2007
	\$'000	\$'000
Not later than one year	735	789
Later than one year but not later than five years	2 296	1 678
Total Remuneration Commitments	3 031	2 467

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

30. Contingent Liabilities

The Authority is seeking legal advice on a licensing matter that may result in a settlement of \$162 000.

31. Remuneration of Board and Committee Members

Members that were entitled to receive remuneration for membership during the 2007-08 financial year were:

Board of the Environment Protection Authority (EPA)

M Dyson
L Bowes (appointed 11 October 2007)
S Hains
C Hill (appointed 20 March 2008)
G Panigas
Y Sneddon
K Wells (resigned 30 January 2008)

Radiation Protection Committee

J Fitch (appointed 01 January 2008)
Dr G Laurence
Dr K Lokan (term expired 31 December 2007)
Dr M Lardelli
S Paulka
K Smith (term expired 31 December 2007)
K Taylor (appointed 01 January 2008)

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

\$0
\$1 - \$9 999
\$10 000 - \$19 999
\$20 000 - \$29 999

Total Number of Board and Committee Members

2008 Number of Members	2007 Number of Members
2	2
6	4
6	4
-	2
14	12

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, super contributions, FBT and salary sacrifice arrangements. The total remuneration received or receivable by members was \$115 160 (\$125 521).

During the 2007-08 financial year, members of the Board were paid superannuation of \$6137 (\$6226). In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

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

32. Events Subsequent to Reporting Date

There are no known events after balance date that affect this general purpose financial report in a material manner.

33. Financial Instruments/Financial Risk Management*Categorisation of Financial Instruments*

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 2 'Summary of Significant Accounting Policies'.

	Note	2008		2007	
		Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial Assets					
Cash and cash equivalents					
Cash and cash equivalent	16	7 597	7 597	7 429	7 429
Loans and receivables - At cost:					
Receivables	17	2 375	2 375	1 377	1 377
Held to maturity investments - At cost:					
Other financial assets	18	5	5	5	5
Financial Liabilities					
Financial Liabilities - At cost:					
Payables	22	2 317	2 317	1 471	1 471

Credit Risk

Credit risk arises when there is the possibility of the Authority's debtors defaulting on their contractual obligations resulting in a financial loss to the Authority. The Authority measures credit risk on a fair value basis and monitors risk on a regular basis.

The Authority has minimal concentration of credit risk. The Authority has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Authority does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently the Authority does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer to Note 17 for information on the allowance for impairment in relation to receivables.

Ageing Analysis of Financial Assets

The following table discloses the ageing of financial assets and the ageing of impaired assets.

	Current \$'000	Past Due By			2008 Total \$'000
		Overdue for less than 30 Days \$'000	Overdue for 30-60 Days \$'000	Overdue for more than 60 Days \$'000	
2008					
Not Impaired:					
Receivables	2 096	131	102	44	2 373
Financial assets	5	-	-	-	5
Impaired:					
Receivables	-	-	-	2	2
2007					
Not Impaired:					
Receivables	1 094	127	52	100	1 373
Financial assets	5	-	-	-	5
Impaired:					
Receivables	-	-	-	4	4

Maturity Analysis of Financial Assets And Liabilities

The following table discloses the maturity analysis of financial assets and financial liabilities.

	Carrying Amount \$'000	Contractual Maturity		
		Less than 1 Year \$'000	1-5 Years \$'000	More than 5 Years \$'000
2008				
Financial Assets:				
Cash and cash equivalents	7 597	7 597	-	-
Receivables	2 375	2 372	3	-
Financial assets	5	5	-	-
Total Financial Assets	9 977	9 974	3	-
Financial Liabilities:				
Payables	2 317	1 963	354	-
Total Financial Liabilities	2 317	1 963	354	-
2007				
Financial Assets:				
Cash and cash equivalents	7 429	7 429	-	-
Receivables	1 377	1 362	15	-
Financial assets	5	5	-	-
Total Financial Assets	8 811	8 796	15	-
Financial Liabilities:				
Payables	1 471	1 096	375	-
Total Financial Liabilities	1 471	1 096	375	-

Liquidity Risk

Liquidity risk arises where the Authority is unable to meet its financial obligations as they fall due. The Authority is funded principally from appropriations by the SA Government. The Authority works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The Authority settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Authority's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market Risk

The Authority has no interest bearing liabilities as at the end of the reporting period. There is no exposure to foreign currency or other price risks.

A sensitivity analysis has not been undertaken for the interest rate risk of the Authority as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

34. The Environment Protection Fund

The following is a summary of the amounts included in the Fund. In reflecting these amounts in the Authority's financial statements, transactions between the Fund and the Authority have been eliminated.

Income Statement for the year ended 30 June 2008

	2008 \$'000	2007 \$'000
EXPENSES:		
Employee benefits expenses	112	128
Supplies and services	773	315
Grants and contributions	152	113
Other expenses	-	6
Total Expenses	1 037	562
INCOME:		
Fees and charges	1 584	1 173
Grants and contributions	2	3
Interest revenue	155	93
Total Income	1 741	1 269
NET COST OF PROVIDING SERVICES	(704)	(707)
NET RESULT	704	707

Balance Sheet as at 30 June 2008

	2008 \$'000	2007 \$'000
CURRENT ASSETS:		
Cash	2 695	1 862
Receivables	142	167
Total Current Assets	2 837	2 029
Total Assets	2 837	2 029
CURRENT LIABILITIES:		
Payables	148	44
Total Liabilities	148	44
NET ASSETS	2 689	1 985
EQUITY:		
Retained earnings	2 689	1 985
TOTAL EQUITY	2 689	1 985

Statement of Changes in Equity for the year ended 30 June 2008

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2006	1 278	1 278
Net Result for 2006-07	707	707
Balance at 30 June 2007	1 985	1 985
Net Result for 2007-08	704	704
Balance at 30 June 2008	2 689	2 689

Cash Flow Statement for the year ended 30 June 2008

	2008 Inflows (Outflows) \$'000	2007 Inflows (Outflows) \$'000
Cash Flows from Operating Activities:		
CASH OUTFLOWS:		
Board member remuneration payments	(113)	(128)
Payments for supplies and services	(668)	(375)
Grant and contribution payments	(152)	(113)
Total Cash used in Operations	(933)	(616)
CASH INFLOWS:		
Fees and charges	1 624	1 052
Grant and contribution receipts	2	3
Interest received	140	90
Total Cash generated from Operations	1 766	1 145
Cash generated from SA Government	-	-
Net Cash provided by Operating Activities	833	529
Cash at 1 July	1 862	1 333
Cash at 30 June	2 695	1 862

35 Administered Item of the Authority

(a) Reporting Entity and Strategic Context

The major objective of the Adelaide Coastal Waters Study Steering Committee (the Committee) is to carry out an integrated ecological study of the marine environment off metropolitan Adelaide. The study is referred to as the Adelaide Coastal Waters Study (ACWS) and focuses on the issues of loss of seagrass, declining water quality, algal blooms, beach closures, sand loss and wide scale movement, sediment on reef systems, mangrove dieback and problems caused by exotic organisms.

(b) Administered Item Financial Arrangements

The Committee's sources of funds consist of monies contributed or to be contributed by Mobil Australia, Ports Corp, SA Water Corporation, Adelaide and Mount Lofty Ranges Natural Resources Management Board, TRU Energy, the Department for Transport, Energy and Infrastructure, the Department of Primary Industries and Resources, the Coast Protection Board and the Authority.

The financial activities of the Committee are conducted through the Authority's Special Deposit Account with the Department of Treasury and Finance pursuant to section 8 of the PFAA.

The Authority and DEH continue to provide financial services to the Committee. Officers of the Authority and DEH provide technical and administrative support to the Committee at no charge. Certain facilities are also provided at no charge to the Committee including the use of plant and equipment and office accommodation.

Effective from 1 July 2008, the Steering Committee resolved that the contractual obligation for the Adelaide Coastal Waters Study (ACWS) had been fulfilled and it was agreed by the financial contributors that any ACWS funds remaining would be used to assist the funding of the Adelaide Coastal Water Quality Improvement Plan controlled by the EPA.

(c) Administered Item Summary of Significant Accounting Policies

The Administered Item schedule of activities details the Administered Item income, expenses, assets and liabilities.

In general, the Administered Item adopts the accounting policies of the Authority, as detailed in Note 2. Deviations from these policies are as follows:

Employee Benefits

In general, the Administered Item utilises the services of the Authority's and DEH's employees rather than recruiting and appointing employees in its own right. In the majority of cases, the services provided by the employees are provided free of charge. If, however, the services provided by the employees are directly attributable to the activities of the Administered Item and can be reliably measured, the services are charged to the Administered Item on a fee-for-service (cost recovery) basis. Further, the liability for employee benefits arising from services rendered by employees is not recognised in the Administered Item's schedules as the Authority and DEH are obligated to pay employees for services provided. Accordingly, Employee Benefits are recognised in the Authority's and DEH's financial statements.

Schedule 1(a): Disclosure of Administered Items as at 30 June 2008

Adelaide Coastal Waters Study Steering Committee

	2008	2007
	\$'000	\$'000
Administered Expenses:		
Supplies and services	65	225
Total Administered Expenses	65	225
Administered Income:		
Grants and contributions	-	18
Total Administered Income	-	18
Net Cost of Providing Services	65	207
Administered Current Assets:		
Cash and cash equivalents	150	170
Total Administered Current Assets	150	170
Total Administered Assets	150	170
Administered Current Liabilities:		
Payables	45	-
Total Administered Current Liabilities	45	-
Total Liabilities	45	-
Net Assets	105	170
Administered Equity:		
Retained earnings	105	170
Total Administered Equity	105	170

DEPARTMENT FOR FAMILIES AND COMMUNITIES

FUNCTIONAL RESPONSIBILITY

Establishment of the Department

The Department for Families and Communities (DFC) is an administrative unit established pursuant to the PSM Act.

Functions

DFC works with people in need who, through circumstance, may be poor, vulnerable, at risk of harm or isolated and disconnected. DFC is responsible for delivering specific programs to the public with respect to activities assigned to it under various Acts.

In addition, DFC provides services to the South Australian Housing Trust (SAHT).

For more information about DFC's objectives and functions refer to Note 1 of the financial report.

Shared Service Arrangements

Shared services arrangements were established to facilitate the delivery of certain business services to the Department of Health (DH). The services provided to DH include financial, internal audit, legal, risk management, purchasing and fleet management.

Changes to Functions and Structure

Julia Farr Services

In May 2006 the then Minister for Disability announced reforms to the governance arrangements for the provision of disability services within the State. Consistent with these reforms, on 28 June 2007 the Governor proclaimed the dissolution of Julia Farr Services (JFS) effective 1 July 2007. Pursuant to the proclamation the assets and liabilities of JFS were transferred to the Minister for Disability on that date.

Prior to its dissolution the former Board of the JFS acted as trustee of the Home for Incurables Trust (Trust) which held certain real property and cash assets. Since the dissolution the Minister for Disability has been appointed trustee. As the Trust is not controlled by DFC but is administered by DFC on behalf of the Minister, its assets are disclosed as administered items of DFC. For more information refer to Note A12 of the financial report.

The remaining net liabilities of JFS were assumed by DFC as part of the restructure arrangements. For more information refer to Note 32 of the financial report.

Metropolitan Domiciliary Care

On 28 June 2007 the Governor by proclamation, dissolved Metropolitan Domiciliary Care with effect from 1 July 2007. Pursuant to the proclamation, the assets and liabilities of the incorporated health service were transferred to DFC. For more information refer to Note 32 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of DFC for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2007-08, specific areas of audit attention included:

- grant funding to non-government organisations (NGOs)
- payroll
- accounts payable
- revenue
- accounts receivable
- administration of concessions
- fixed assets.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Department for Families and Communities as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Department for Families and Communities in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to Funding to NGOs, Payroll and Expenditure, as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Families and Communities have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of DFC. Responses to the management letters were generally considered to be satisfactory. Major matters raised with DFC and the related responses are outlined below.

Funding to NGOs

Prior year reports have identified weaknesses in arrangements for the administration of grants by the Department.

Review in 2007-08 found that DFC continued to make progress in addressing issues raised in prior audits. The progress included finalising the Delivering Community Value and Performance Management Frameworks providing additional policy and procedural guidance.

The multi-year term of many funding arrangements mean it will take more than one year to implement these new frameworks. Therefore a significant proportion of grant payments made in 2007-08 related to funding arrangements finalised prior to the 2007-08 financial year. As such, Audit comments from previous years regarding potential to improve performance management and support for allocation of grants remain relevant to a large percentage of grant payments as they are covered by old agreements. Implementation of the new frameworks will be important to improve grant allocation and accountability controls.

Other matters raised requiring attention included instances where:

- funding exceeded approvals without additional approvals being sought
- internal procurement policies were not being consistently followed.

DFC's response detailed actions it is taking to ensure policy frameworks are implemented for all program areas including:

- providing training for DFC staff

- using templates to guide staff
- updating processes and procedures
- communicating grant management issues through DFC formal committee structures for planning and further development
- creating an internal Performance Management Team and ongoing development of its Grant Management Unit to assist implementing the framework and policy
- continued development and documentation of NGO performance indicators
- review of delegation and approval processes to ensure all payments are made in line with the DFC's Financial Delegation Policy.

Payroll

Consistent with prior years, a number of key payroll controls were not operating as intended. Of most significance was the breakdown of arrangements for the return and effective review of bona fide certificates. This control is relied on to provide DFC with assurance that payments are made only to bona fide employees, for work actually performed, at the correct classification and that leave is correctly updated to the system.

Other matters noted included:

- position relationships within the Payroll system which define who is able to approve electronic leave applications did not align with DFC's HR delegations
- inability to locate employee attendance records preventing a reliable audit trail to validate payroll and leave transactions
- scope to improve policy and procedure documentation.

In response, DFC advised that as a consequence of the intended transition of its payroll section to Shared Services SA in October 2008, the responsibility for some payroll processes will be split between DFC and Shared Services SA. DFC have created a working party to manage the impact of these changes and to review its bona fide validation processes. DFC also provided details of actions taken to address the other issues raised by Audit.

Expenditure

The audit identified a number of areas where it was considered controls could be improved. Matters noted included:

- the need to implement a check to ensure that all payments processed through the manual payment voucher system are authorised in accordance with DFC's approved delegations
- the need to better identify instances of processing payments outside of DFC's mandated Basware environment
- instances where Masterpiece and Basware delegations did not align with the approved delegations instrument
- improvements required in the allocation of general ledger codes
- expenditure processed through Justice Information System (JIS) was not regularly reconciled to the general ledger
- instances where brokerage invoices were not authorised in accordance with DFC's Financial Instrument of Authorisation.

The accounts payable section transferred to Shared Services SA in the Department of Treasury and Finance in July 2008.

DFC's responses indicated actions to be taken to address the issues raised by Audit including:

- educating staff of their responsibilities when using payment systems
- reviewing processes with Shared Services SA to ensure all payments are appropriately approved.

Home for Incurables Trust

As previously discussed under 'Changes to Functions and Structure', since the dissolution of JFS, the Minister for Disability has been appointed trustee of the Home for Incurables Trust.

During 2007-08 DFC related to my Office about DFC's role in supporting the Minister as trustee of the Trust. The Trust then comprised \$6.4 million in cash and \$28.9 million in land and buildings. I commented on financial reporting and audit arrangements for the Trust noting that for trusts in general, matters including independent decision making and authority and critical elements of stewardship and accountability, are paramount.

I considered that this matter fell within the administered items reporting framework and the Trust activities should be reported as an administered item in the DFC financial report from 1 July 2007. As the Auditor-General is DFC's mandated auditor, I would therefore audit the financial report including the administered item for the Trust. Other observations included the following:

- Supporting Documentation — Noting the extended history of the Trust (established in June 1879) and the various changes to administrative arrangements since it was established, it was essential that all relevant records, including approved purposes of the Trust and property records, were maintained to show the history of changes and approvals.
- Operating Rules — DFC should prepare operating rules for the Trust which set out the purposes of the Trust, the Minister's approved principles for applying the Trust funds, eg whether capital is to be maintained intact etc, authorised transactions and approval processes including delegations where appropriate for routine activities. This should be approved by the Minister.
- Financial Reporting — The Crown Solicitor also advised that the Minister should be provided with periodic reports detailing the income and expenditure of the Trust and be kept fully informed of all Trust dealings. DFC should prepare reporting rules including format, frequency, timeframes and responsible officers.

In response, DFC concurred with my advice, indicating steps taken to address each matter to ensure robust governance arrangements supported the ongoing management of the Trust.

Details of the Trust's 2007-08 financial operations are included in the Administered Items financial statements and Note A12 of the financial report.

Other Matters

Administration of Concessions

DFC administers the provision of concessions to eligible recipients, for the emergency services levy; water, sewer and council rates; electricity and transport charges. The value of concessions provided in the year to 30 June 2008 was \$112 million (\$108 million).

Over a number of years Audit review of the administration of concessions payments has highlighted areas where controls could be improved.

The audit for 2007-08 indicated that DFC had continued to work towards addressing issues raised in prior years. In particular DFC have updated its CARTS systems to include all persons eligible for energy concessions. This has allowed for better validation of the provision of concessions by energy providers.

In December 2007 the Government announced a change in the nature of water concessions from 1 July 2008 including extension of eligibility requirements and changes in the basis of water remissions. In 2007-08 DFC has worked towards developing processes to manage these changes. As part of this work, consideration was given to improving validation of concessions provided through SA Water.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

DFC, as previously commented, was subject to organisational changes during 2007-08. Notes 1.2 and 32 to the financial statements provide details (including financial information) in relation to the changes. As a result financial report reflects the effects of the changes and prior year figures may not be directly comparable.

Highlights of the Financial Report

	2008	2007	Percentage
	\$'million	\$'million	Change
EXPENSES			
Employee benefits expenses	395	291	36
Supplies, services and other expenses	171	108	58
Grants, subsidies and client payments	601	642	(6)
Total Expenses	1 167	1 041	12
INCOME			
Rent, fees and charges	107	98	9
Commonwealth revenues	280	248	13
Other revenue	9	9	-
Total Income	396	355	12
Net Cost of Providing Services	771	686	12
REVENUES FROM SA GOVERNMENT	760	679	12
Net result from an administrative restructure	(4)	39	-
Net Result after Restructure	(15)	32	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	19	(12)	-
ASSETS			
Current assets	67	45	49
Non-current assets	234	183	28
Total Assets	301	228	32
LIABILITIES			
Current liabilities	85	61	39
Non-current liabilities	71	51	39
Total Liabilities	156	112	39
EQUITY	145	116	25

Income Statement*Expenses*

In 2007 total expenses increased by \$126 million to \$1.2 billion. This reflects increases in employee benefits expenses, \$104 million, and supplies, services and other expenses, \$63 million. The increases are off set by a \$41 million decrease in grants and subsidies reflecting the transfer of JFS operations to DFC in 2007-08 (DFC previously provided funding to JFS).

Grants and subsidies, \$601 million, is the most material expenditure item for DFC. Note 9 of the financial report discloses a detailed list of grants and subsidies paid/payable to various entities and clients.

Net expense from restructure was \$4 million which reflects the transfer of assets and liabilities from JFS and Metropolitan Domiciliary Care (MDC) to DFC and the transfer of staff and associated liabilities from DH to DFC. Refer to Note 32 of the financial report.

Income

Commonwealth revenues increased by \$32 million due mainly to increases in the following items:

- Funding under the Commonwealth State Disability Agreement, up \$11.1 million to \$79.6 million.
- Home and Community Care up \$6.5 million to \$85.4 million.
- Compensation from the ATO for FBT transitional arrangements of \$10.4 million. (In 2006-07 this income was received by the former JFS).

Revenues from SA Government increased by \$81 million to \$760 million (\$679 million) due mainly to:

- \$22.7 million to Families SA to address demand for care placements and implement a number of reform initiatives proposed in the 'Keeping Them Safe - In Our Care' review
- \$11 million to address increased demand for disability service providers
- \$23.1 million appropriation relating to the transfer of MDC from the Department of Health
- \$10.8 million increase in appropriations received for Tax Equivalent Regime reimbursements for the SAHT.

Further, during 2007-08 officers of the Department of Treasury and Finance undertook a review of activity levels and cost pressures in DFC. As a result of that review, and based on an activity model developed jointly by DFC and the Department of Treasury and Finance, DFC has received additional funding in 2007-08 of \$18.8 million and is budgeted to receive additional funding in the future to meet changes in activity levels.

Grants from SA Government agencies decreased by \$6.5 million to \$16.1 million. The decrease reflects a reduction in other grants from SA Government agencies, which in 2006-07 included a non-recourse grant of \$5 million from SAHT for payment to Common Ground Adelaide Ltd. No such grant was received from the SAHT in 2007-08. In contrast, in late June 2008, DFC received additional appropriation of \$6.8 million to pay to the SAHT to facilitate the Port Adelaide and Port Augusta Regional Common Ground Projects.

Balance Sheet

Assets

In 2008 non-current assets increased by \$51 million (28 percent) due mainly to an increase in land and buildings and leasehold improvements of \$46.5 million, arising from a revaluation of \$36 million and the transfer of non-current assets from JFS and MDC of \$14 million.

Liabilities

Current liabilities increased by \$24 million due mainly to increases in payables of \$12.9 million, employee benefits of \$8.6 million and provisions of \$2.7 million.

Non-current liabilities increased by \$20 million due to an increase in employee benefits of \$13.5 million and provisions \$6.4 million.

The increase in employee benefits and provisions reflected an increase in leave liabilities and workers compensation provisions following the transfer of employees from JFS, MDC and DH. The increase in payables was due mainly to an increase in creditors as at 30 June 2008.

Equity

Total equity increased by \$29 million due to the following:

- land and buildings revaluation resulting in an increase to the asset revaluation reserve of \$36 million
- a State Government equity contribution of \$7.5 million
- the deficit after restructure of \$15 million.

Equity at 30 June 2006 was retrospectively increased by \$8.4 million to correct an understatement of receivables and decreased by \$8.1 million to reflect the adoption of a change in accounting policy. Refer to Note 4 of the financial report.

Cash Flow Statement

The following table summarises the net cash flows.

	2008 \$'million	2007 \$'million	2006 \$'million	2005 \$'million
Net Cash Flows				
Operations	19	(12)	(4)	(9)
Investing	(4)	(4)	(2)	(1)
Financing	12	10	11	29
Change in Cash	27	(6)	5	19
Cash at 30 June	45	18	24	19

The table shows net inflows from operating activities for the first time since DFC was created in March 2004. The net cash inflows provided by operating activities of \$19 million are in contrast to the net deficit before restructure of \$11 million. The reasons for this difference are:

- increases in liabilities including employee benefits, provisions and payables
- a decrease in receivables
- non-cash depreciation and amortisation expenses.

Refer to Note 34 of the financial report.

The table highlights a large increase in cash as at 30 June 2008. Despite the Department's higher cash balances, current liabilities of \$85.1 million exceed current assets of \$67.2 million by \$17.9 million. Further, DFC is engaged in a number of programs involving the receipt of funds from State and Commonwealth sources who provide funds on the basis that funds are to be expended in a manner consistent with the terms of the program. As at 30 June 2008 the value of unexpended funding commitments was \$25 million. Refer to Note 17 of the financial report for details of unexpended funding commitments.

The table also highlights that in 2008 there was a net cash inflow from financing activities of \$12 million due primarily to an equity contribution of \$7.5 million received from the SA Government and proceeds of \$4.4 million from the transfer of JFS and MDC cash to DFC.

Income Statement for the year ended 30 June 2008

		2008	2007
	Note	\$'000	\$'000
EXPENSES:			
Employee benefits expenses	6	394 688	290 905
Supplies and services	7	166 946	105 108
Depreciation and amortisation	8	3 403	3 045
Grants, subsidies and client payments	9	600 678	642 135
Net loss from disposal of non-current assets	14	757	-
Other expenses	10	201	93
Total Expenses		1 166 673	1 041 286
INCOME:			
Rent, fees and charges	11	106 941	98 260
Dividends - HomeStart Finance	2.8	-	5 000
Commonwealth revenues	12	280 157	247 862
Interest revenue	13	442	12
Net gain from disposal of non-current assets	14	-	90
Other revenues	15	8 043	3 481
Total Income		395 583	354 705
NET COST OF PROVIDING SERVICES		(771 090)	(686 581)
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	16.1	744 035	656 228
Grants from SA Government agencies	16.2	16 080	22 581
Total Revenue from SA Government		760 115	678 809
Net Result before Restructure		(10 975)	(7 772)
Net (expenses) revenues from administrative restructure	32	(4 213)	39 708
NET RESULT AFTER RESTRUCTURE		(15 188)	31 936

Net result after restructure is attributable to the SA Government as owner

Balance Sheet as at 30 June 2008

		2008	2007
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	18	44 929	18 496
Receivables	19	21 967	26 868
Inventories	20	347	285
Total Current Assets		67 243	45 649
NON-CURRENT ASSETS:			
Receivables	19	14 131	13 651
Property, plant and equipment	21	210 240	163 080
Capital works in progress	22	8 822	6 080
Intangible assets	23	167	-
Total Non-Current Assets		233 360	182 811
Total Assets		300 603	228 460
CURRENT LIABILITIES:			
Payables	24	32 314	19 423
Employee benefits	25	45 226	36 643
Provisions	27	7 451	4 716
Other liabilities	28	115	111
Total Current Liabilities		85 106	60 893
NON-CURRENT LIABILITIES:			
Payables	24	4 519	4 822
Employee benefits	25	46 954	33 426
Borrowings	26	285	285
Provisions	27	19 023	12 666
Total Non-Current Liabilities		70 781	51 199
Total Liabilities		155 887	112 092
NET ASSETS		144 716	116 368
EQUITY:			
Contributed capital	29	26 991	19 474
Asset revaluation reserve	29	49 452	13 433
Retained earnings	29	68 273	83 461
TOTAL EQUITY		144 716	116 368
Total equity is attributable to the SA Government as owner			
Unexpended funding commitments	17		
Unrecognised contractual commitments	31		
Contingent assets and liabilities	33		

Statement of Changes in Equity for the year ended 30 June 2008

		Contributed	Asset Revaluation	Retained	
		Capital	Reserve	Earnings	Total
	Note	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2006		10 763	13 433	51 175	75 371
Changes in accounting policy	4	-	-	(8 090)	(8 090)
Error correction	4	-	-	8 440	8 440
Restated balance as at 30 June 2006		10 763	13 433	51 525	75 721
Net result after restructure for 2006-07		-	-	31 936	31 936
Total recognised income and expense for 2006-07		-	-	31 936	31 936
Equity contributions from SA Government		8 711	-	-	8 711
Balance at 30 June 2007	29	19 474	13 433	83 461	116 368
Gains (Loss) on revaluation of property, plant and equipment during 2007-08		-	36 019	-	36 019
Net income/expense recognised directly in equity for 2007-08		-	36 019	-	36 019
Net result after restructure for 2007-08		-	-	(15 188)	(15 188)
Total recognised income and expense for 2007-08		-	-	(15 188)	(15 188)
Equity contributions from SA Government		7 517	-	-	7 517
Balance at 30 June 2008	29	26 991	49 452	68 273	144 716

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

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Employee benefit payments		(382 502)	(285 400)
Supplies and services		(161 349)	(109 914)
Grants and subsidies		(600 037)	(646 060)
GST payments on purchases		(40 655)	(43 583)
GST paid to the ATO		(2 190)	(2 018)
Other payments		-	(4)
Cash used in Operations		(1 186 733)	(1 086 979)
CASH INFLOWS:			
Fees and charges		107 048	96 095
Receipts from Commonwealth		287 477	240 542
Dividends received		-	5 000
Interest received		446	279
GST receipts on receivables		2 171	2 125
GST recovered from the ATO		40 189	49 074
Other receipts		8 089	3 364
Cash generated from Operations		445 420	396 479
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		744 035	651 336
Grants from SA Government agencies		16 080	27 473
Cash generated from SA Government		760 115	678 809
Net Cash provided by (used in) Operating Activities	34	18 802	(11 691)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment (including WIP)		(4 301)	(4 057)
Cash used in Investing Activities		(4 301)	(4 057)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		44	235
Cash generated from Investing Activities		44	235
Net Cash used in Investing Activities		(4 257)	(3 822)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Capital contributions from Government		7 517	8 711
Proceeds from restructuring activities		4 371	1 359
Cash generated from Financing Activities		11 888	10 070
Net Cash provided by Financing Activities		11 888	10 070
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		26 433	(5 443)
CASH AND CASH EQUIVALENTS AT 1 JULY		18 496	23 939
CASH AND CASH EQUIVALENTS AT 30 JUNE	18	44 929	18 496
Non-cash transactions	18		

Program Schedule of Expenses and Income for the year ended 30 June 2008

	(Refer Note 5)		Program 1		Program 2		Program 3	
			2008	2007	2008	2007	2008	2007
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:								
Employee benefit expenses			25 608	22 483	38 413	38 221	167 621	92 983
Supplies and services			-	335	22	1 238	100 232	32 699
Depreciation and amortisation			-	2	-	3	1 510	990
Grants, subsidies and client payments			85 728	80 949	186 208	177 559	249 845	314 378
Net loss from disposal of non-current assets			-	-	-	-	3	-
Other expenses			-	-	-	4	124	-
Total Expenses			111 336	103 769	224 643	217 025	519 335	441 050
INCOME:								
Rent, fees and charges			23 775	20 673	35 774	35 245	18 334	14 230
Dividends - HomeStart Finance			-	1 600	-	3 400	-	-
Commonwealth revenues			21 503	21 395	69 499	68 265	188 057	157 194
Interest revenue			-	-	-	-	364	12
Net (loss) gain from disposal of non-current assets			-	-	-	-	-	-
Other revenues			-	-	-	-	3 967	2 986
Total Income			45 278	43 668	105 273	106 910	210 722	174 422
NET COST OF PROVIDING SERVICES			(66 058)	(60 101)	(119 370)	(110 115)	(308 613)	(266 628)

	(Refer Note 5)		Program 4		Program 5	
			2008	2007	2008	2007
			\$'000	\$'000	\$'000	\$'000
EXPENSES:						
Employee benefit expenses			114 438	109 775	48 608	26 275
Supplies and services			28 061	27 533	38 631	37 322
Depreciation and amortisation			1 043	1 348	850	702
Grants, subsidies and client payments			70 929	60 477	7 968	14 283
Net loss from disposal of non-current assets			749	-	5	-
Other expenses			-	-	77	89
Total Expenses			215 220	199 133	96 139	78 671
INCOME:						
Rent, fees and charges			2 295	1 343	26 763	26 720
Dividends - HomeStart Finance			-	-	-	-
Commonwealth revenues			1 098	1 008	-	-
Interest revenue			-	-	78	-
Net (loss) gain from disposal of non-current assets			-	90	-	-
Other revenues			336	249	3 740	246
Total Income			3 729	2 690	30 581	26 966
NET COST OF PROVIDING SERVICES			(211 491)	(196 443)	(65 558)	(51 705)

Program Schedule of Expenses and Income for the year ended 30 June 2008 (continued)

(Refer Note 5)	Program 7		Total	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
EXPENSES:				
Employee benefit expenses	-	1 168	394 688	290 905
Supplies and services	-	441	166 946	99 568
Depreciation and amortisation	-	-	3 403	3 045
Grants, subsidies and client payments	-	29	600 678	647 675
Net loss from disposal of non-current assets	-	-	757	-
Other expenses	-	-	201	93
Total Expenses	-	1 638	1 166 673	1 041 286
INCOME:				
Rent, fees and charges	-	49	106 941	98 260
Dividends - HomeStart Finance	-	-	-	5 000
Commonwealth revenue	-	-	280 157	247 862
Interest revenue	-	-	442	12
Net (loss) gain from disposal of non-current assets	-	-	-	90
Other revenues	-	-	8 043	3 481
Total Income	-	49	395 583	354 705
NET COST OF PROVIDING SERVICES	-	(1 589)	(771 090)	(686 581)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Functions of the Department

The Department for Families and Communities (the Department) was established on 5 March 2004 and commenced operating on 1 July 2004, to provide a clear focus for the SA Government's goals for the protection of our children and young people and to help build the resilience and well-being of families and communities. The vision of the Department is to be an innovative, effective and responsive leader in improving the quality of family and community life in South Australia. The Department has a broad mandate to work with those in need who, through circumstance, may be poor, vulnerable, at risk of harm or isolated and disconnected.

To achieve this vision, the Department will actively work towards a community where:

- enhanced wellbeing is a fundamental right;
- everybody shares the responsibility for building and supporting stronger families and communities;
- everybody benefits from improved wellbeing.

The Department serves the Minister for Families and Communities, Housing, Ageing and Disability. The Department has the responsibility for delivery of specific programs to the public with respect to activities assigned to the Department under various Acts as delegated, by the respective Ministers, to the Chief Executive of the Department.

The Department also functions as a service provider to the South Australian Housing Trust (SAHT). The financial affairs of the SAHT does not form part of the Department's financial report.

1.1 Administered Items

The Department administered certain revenues, expenses, assets and liabilities on behalf of other government agencies and non-government entities. They are not controlled by the Department and are consequently not recognised in the Department's financial statements. They are regarded as significant and disclosed in a separate set of financial statements

1.2 Administrative Restructures 2007-08

Julia Farr Services (JFS) was incorporated under the *South Australian Health Commission Act 1976*. Effective 1 July 2004, the Minister of Health delegated responsibility for JFS to the Minister for Disability. On 28 June 2007, the Governor proclaimed to dissolve JFS in accordance with reforms to the governance arrangements for the management of the provision of disability services. Effective 1 July 2007, the Board of JFS dissolved and the assets and liabilities of JFS were transferred, assigned or vested in the Minister for Disability.

2007-08 (continued)

Metropolitan Domiciliary Care (MDC) was incorporated under the *South Australian Health Commission Act 1976*. On 28 June 2007, the Governor proclaimed to dissolve MDC in accordance with reforms to the governance arrangements for the management of the provision of health services. Effective 1 July 2007, the Board of MDC dissolved and the assets and liabilities of MDC were transferred, assigned or vested in the Minister for Ageing. (Refer Note 32).

Prior to 1 July 2007, the Department of Health (DH) provided general accounting, financial accounting, financial systems and accounting policy advice to the Department. The provision of these services was covered by a Service Level Agreement. Effective 1 July 2007, the Department became the provider of these services to DH. A revised Service Level Agreement reflects that the Department is now the provider. The liabilities transferred from DH are employee liabilities.

2006-07

The Intellectual Disability Services Council (IDSC) and the Independent Living Centre (ILC) were incorporated under the *South Australian Health Commission Act 1976*. Effective 1 July 2004, the Minister of Health delegated responsibility for IDSC and ILC to the Minister for Disability. On 29 June 2006, the Governor proclaimed to dissolve IDSC and ILC in accordance with reforms to the governance arrangements for the management of the provision of disability services. Effective 1 July 2006, the Boards of IDSC and ILC dissolved and the assets and liabilities of IDSC and ILC were transferred, assigned or vested in the Minister for Disability.

The Office for Women (OFW) was transferred from the Department for Families and Communities to the Attorney-General's Department (AGD) on 1 April 2007.

1.3 Funding for the Department

Funding for the Department comes mainly from appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities.

The Department also receives amounts from other sources including rent, fees, and charges, and dividends from portfolio housing agencies.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with:

- applicable AASs;
- TIs and APSs promulgated under the provisions of the PFAA;
- other mandatory professional reporting requirements in Australia.

Statement of Compliance

AASs include AIFRS and AAS 29.

The preparation of the financial report requires the use of certain accounting estimates, where management is required to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgments or where assumptions and estimates are significant to the financial statements are outlined in the applicable Notes.

The preparation of the financial report also requires compliance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19. In the interest of public accountability and transparency the APSs require the following Note disclosures, that have been included in this financial report:

- Revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature
- Expenses incurred as a result of engaging consultants
- Employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and aggregate remuneration paid or payable or otherwise made available, directly or indirectly by the Department to those employees
- Board/committee member and remuneration information, where a board or committee member is entitled to receive income from membership other than direct out of pocket reimbursement.

The Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historic cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Cash Flow Statement has been prepared on a cash basis.

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

The existence of the Department and the ongoing delivery of current programs and services is dependent on Government policy and on continuing appropriations by Parliament.

Early Adoption of Accounting Standards

The AASs and Interpretations that have been recently issued or amended but are not yet effective, have not been adopted by the Department for the reporting period ending 30 June 2007. The Department has assessed the impact of new and amended Standards and Interpretations and considers that there will be no impact on the accounting policies or financial report of the Department.

2.2 Reporting Entity

The Department's financial statements include both departmental and administered items. The Department's financial statements include assets, liabilities, income and expenses controlled or incurred by the Department in its own right. The Administered financial statements include assets, liabilities, income and expenses which the Department administers on behalf of the SA Government, but does not control. A separate set of financial statements is produced as these administered items are regarded as significant in respect to the Department's operations.

2.3 Comparative Figures

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or an AAS has required a change.

Where presentation and classification of items in the financial report have been amended, comparative amounts have been reclassified unless reclassification is impracticable. Any restated comparative amounts do not replace the original financial report for the preceding period.

2.4 Rounding

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

2.5 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST and the emergency services levy. Income, expenses and assets are recognised net of the amount of GST except:

- where the amount of GST incurred by the Department as a purchaser is not recoverable from the ATO, GST is recognised as part of the cost of acquisition of an asset or is part of an item of expenses
- where appropriate, receivables and payables are stated with the amount of GST included.

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

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

Commitments and contingencies include the amount of GST recoverable from or payable to the ATO.

2.6 Income and Expenses

Income and Expenses are recognised in the Department's Income Statement when and only when the flow or consumption or loss of future economic benefits has occurred and can be reliably measured.

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

The Notes to the financial statements disclose revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date.

Fees and Charges

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Disposal of Non-Current Assets

Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings.

Resources Received/Provided Free of Charge

Resources received/provided free of charge are recorded as revenue and expenditure in the Income Statement at their fair value. Resources provided free of charge are recorded in the expense line items to which they relate.

Grant Contributions Received

Grants that are received from other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies or the Commonwealth Government. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. The contribution is recognised as an asset and income when the Department obtains control of the contributions or the right to receive the contribution.

Grants Paid

Grants that are paid to other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, non-government organisations (NGOs) or the public. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. For contributions payable, the contribution will be recognised as a liability and expense when the entity has a present obligation to pay the contribution.

2.7 Revenues from SA Government

Appropriations are recognised as revenues when the Department obtains control over the funding. Control over the appropriations is normally obtained upon their receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department and the contribution is recorded as contributed equity.

2.8 Dividends

In 2006-07 dividends were received by the Department from HomeStart Finance, in compliance with section 26(8) of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and redistributed to portfolio housing entities consistent with Departmental strategic plans. In 2007-08, dividends were paid directly to the Department of Treasury and Finance.

2.9 Current and Non-Current Items

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

2.10 Cash and Cash Equivalents

Cash and cash equivalents as reported in the Balance Sheet includes cash on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value. Cash and cash equivalents in the Cash Flow Statement comprise cash and cash equivalents as defined above. Cash is measured at nominal value.

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with the appropriation and expenditure authority. During the 2007-08 and 2006-07 financial years the Department was not required to transfer any of its cash balance to the Consolidated Account.

2.11 Receivables

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

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are receivable within 30 days after the issue of an invoice or otherwise in accordance with relevant contractual arrangements.

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible, after all reasonable attempts have been made to collect the debt, are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Department will not be able to collect the debts.

2.12 Inventories

Inventories are stated at the lower of cost and their net realisable value. Inventories held for use by the Department are measured at cost, with cost being allocated in accordance with the first-in/first-out method.

2.13 Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. Where the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

The Department capitalises all non-current physical assets with a value of \$10 000 or greater.

Assets held-for-sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell.

Works in progress are projects physically incomplete as at reporting date.

2.14 Revaluation of non-current assets

In accordance with APF III:

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

Land and Buildings at Fair Value

The Department revalues its land and buildings every three years. However, if at any time management considers that the carrying amount of the asset materially differs from the fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

The Department's land and buildings were due to be revalued as at 30 June 2009. During the 2007-08 financial year, management considered that prices had materially appreciated and a desktop valuation was carried out on land and buildings by a Professional Valuer. The fair value valuation methodology was used by the Valuer in conducting the desktop valuation. As a result of the desktop valuation, asset values were adjusted to be in accordance with the fair value as determined by the Valuer.

The professional valuer engaged to perform the independent desktop valuation:

- Martin Burn, MBA, BAppSc. Property Resource Management, Associate Australian Property Institute (AAPI), Certified Practising Valuer (CPV), Liquid Pacific Limited

Land and Buildings transferred from JFS and MDC on 1 July 2007, were transferred at the value recorded by JFS and MDC prior to the transfer. As at 30 June 2008 these asset values were adjusted in accordance with the outcome of the desktop valuation.

Assets Deemed to be at Fair Value

For those classes of non-current assets where an independent revaluation has not been undertaken, the criteria which require revaluation within APF III have not been met. For these classes of non-current assets, written down cost is deemed to be at fair value as determined by APF III.

Asset classes where written down cost is deemed to be fair value, include:

- leasehold improvements;
- buildings and improvements in progress (WIP);
- computing equipment;
- motor vehicles;
- other plant and equipment.

2.15 Impairment

All non-current assets are tested for an indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. An impairment loss is recognised immediately in the Income Statement, unless the asset has been revalued. For revalued assets an impairment loss is offset against the revaluation reserve for that same class of assets, to the extent that the impairment loss does not exceed the amount in the asset revaluation reserve for that class of asset.

2.16 Depreciation and Amortisation of Non-Current Assets

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

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

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

Land and assets held-for-sale are not depreciated.

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

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Buildings and improvements	Straight line	25-50
Leasehold improvements	Straight line	Life of lease
Computing equipment	Straight line	3
Motor vehicles	Straight line	10
Other plant and equipment	Straight line	3-15
Intangible assets - Computer software	Straight line	3

2.17 *Intangibles*

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

The acquisition or internal development of software is capitalised when the expenditure meets the asset definition criteria (identifiability, control, and the existence of future economic benefits) and the asset recognition criteria (probability of future economic benefit and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed.

2.18 *Payables*

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

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

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

All payables are measured at their nominal amount and are unsecured. Invoices are normally settled promptly in accordance with TI 11 after the Department receives an invoice.

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

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 the Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government financial statements. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

2.19 *Employee Benefits*

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

Sick Leave

A provision has not been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years is estimated to be less than the annual entitlement of sick leave.

Annual Leave

The liability for annual leave is measured as the amount unpaid at the reporting date at remuneration rates expected to be paid at reporting date. The annual leave liability is expected to be paid within 12 months and is measured at the undiscounted nominal amount.

Long Service Leave

The liability for long service leave was determined through an actuarial assessment undertaken by Mercer (Australia) Pty Ltd, in accordance with AASB 119. The following assumptions were made by the actuary when performing the assessment:

- Salary increases of 3.5 percent per annum based on the current enterprise bargaining agreement and short-term forecasts.
- Discounting of 6.4 percent per annum based on the gross 10 year Commonwealth Government bonds rate at 30 June 2008.

Accrued Salaries and Wages

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

2.20 *Provisions*

Insurance

The Department is a participant in the State Government's Insurance Program. The Department pays a premium to SAICORP for professional indemnity insurance and general public liability insurance and is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible.

Insurance (continued)

The provision for Public Liability and Professional Indemnity Insurance represents liabilities for outstanding claims in respect of incidents that have occurred. The liabilities include claims incurred and reported but not paid, claims incurred but not reported (IBNR), claims incurred but not enough reserve (IBNER) and the anticipated costs of settling those claims. The claims liabilities are measured as the present values of the expected future payments. Claims incurred but not paid and claim settlement costs that can be directly attributed to particular claims are assessed by reviewing individual claim files.

In respect of IBNR and IBNER claims, an amount of \$50 000 has been set aside for both the Public Liability Claims and Professional Indemnity Claims. These amounts are based upon historical claims activity, with allowance for prudential margins and are reviewed annually. Public Liability and Professional Indemnity Claims relating to periods prior to the restructuring of the former Department of Human Services, effective 1 July 2004, are the responsibility of DH.

The provision for property claims represents outstanding payments for incurred damage to property. An allowance is also included for (IBNER) claims. This provision is based upon historical claims activity and with allowance for prudential margins and is reviewed annually.

Workers Compensation

The Department is an exempt employer under the WRCA. Under a scheme arrangement the Department is responsible for the management of workers rehabilitation and compensation.

The workers compensation liability recognised for the employees of the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 30 April 2008 data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June 2008. For the 2007-08 financial year the Department has reflected a workers compensation provision of \$25.49 million (\$16.55 million). (Refer Note 27.2).

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the Payment Per Claim Incurred (PPCI) valuation method. The assessment has been conducted in accordance with AASB 137 and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

2.21 Leases

The Department has not entered into any finance leases. The Department has entered into some operating leases.

Operating Leases

In respect of operating leases, the lessor retains substantially the entire risks and benefits incidental to the ownership of the leased items. Operating lease payments are recognised as an expense on a basis which is representative of the pattern of benefits derived from the leased assets.

2.22 Government/Non-government Disclosures

The Department has complied with APF II where the Department must disclose by way of Note whether transactions are with entities that are within or external to the SA Government. These transactions are classified by their nature and relate to income, expenses, financial assets and financial liabilities.

3. Financial Risk Management

The Department has non-interest bearing assets in the form of cash on hand and receivables, and non-interest bearing liabilities in the form of payables. The Department's exposure to market risk is minimal and cash flow interest risk is minimal. From 1 July 2006, as a result of policy changes, the Department does not receive interest on cash balances in the Departmental operating account. This balance comprises the majority of the Department's controlled cash.

The Department has no significant concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

In relation to liquidity/funding risk, the continued existence of the Department in its present form and with its present programs, is dependent on government policy and on continuing appropriations by Parliament for the Department's administration and programs.

4. Change in Accounting Policy**2007-08: Accounting Error - Change in Accounting for Employee Related Services Recoverable**

Employees of the Department provide services to the SAHT. The Department recognises as a liability, all employee entitlements for these staff. As these amounts are recoverable from SAHT a receivable is also recognised. In past years, the Department has recognised a receivable for only part of the value of entitlements for employees assigned to the SAHT. The SAHT is, however, meeting the full employment costs of these employees. The accounting treatment of the recovery of employee entitlement was reviewed in 2007-08. As a result it was established that prior year financial reports had understated the receivable by \$8.44 million. In accordance with AASB 108, this error has been corrected by increasing the value of the receivable in the current and prior year to reflect the full cost of Departmental employees providing services to SAHT. Opening equity has also been adjusted to reflect the impact of the correction on earlier years.

2006-07: Change in Asset Threshold

Effective 1 July 2006, the asset capitalisation threshold for the Department was increased to \$10 000. The previous asset capitalisation threshold was \$5000. The increase in the asset capitalisation threshold will ensure that there is consistency in the asset capitalisation threshold across various entities within the portfolio. The increase is in accordance with APF III issued by the Department of Treasury and Finance where assets with a fair value at the time of acquisition of less than \$10 000 need not be recognised (capitalised) as an asset. The change in accounting policy was accounted for by adjusting the balance of retained earnings for 2006 by \$165 000 for the Department, and by an adjustment of \$8.090 million directly to equity in 2006-07 for the former ILC and IDSC (ILC \$7.955 million, and IDSC \$135 000).

5. Programs of the Department

In achieving its objective the Department provides a range of services classified into the following programs:

Program 1: Affordable Housing Choices and Communities that Prosper

To work with others to expand and improve affordable housing choices across the state and help build communities that prosper.

This program encompasses the management of grants for housing services to low-income households. This includes grants for the provision of private rental services, public, Aboriginal and community managed housing, the funding and regulation of community housing.

Program 2: High Need Housing

To develop and implement better high need housing and service responses for people at risk or in high need.

This program encompasses the management of grants for housing services for people in high need and supported accommodation assistance for people in crisis as well as providing other services and programs related to high need housing.

Program 3: Independence and Community Connection

To enable people to take charge of their lives and ensure community connection opportunities are available to all.

This program encompasses the provision of services related to supporting people with disabilities to live in the community, managing grants and providing advice to the Minister for the promotion of health, social well-being and quality of life of the community, implementing strategies and programs to promote the participation and support of older people in the community.

Program 4: Keeping Them Safe and Connected

Providing services that ensure children, young people and families are safe, supported and connected to the future.

This encompasses child protection, alternative care for those children and young people not able to be cared for by their own families, case management and support for young people under the Guardianship of the Minister, adoption and post-adoption services, youth justice services as directed by the Youth Court (eg remand, bail orders, community service orders, supervision and home detention), provision of secure care facilities for young people who are detained, emergency financial assistance, domestic violence assistance, anti-poverty preventative programs and recovery services for victims of disasters.

Program 5: Effective and Sustainable Business Practices

To establish and maintain efficient, effective and accountable business practices to underpin delivery of the Connecting to the Future strategic agenda. Services provided include strategic and overarching support services such as policy development, reporting and advice, strategic planning, continuous improvement tools and quality management, research and evaluation, financial services, legal services, information management, workforce and infrastructure development, for the entire portfolio.

2006-07 Programs Reported

In 2006-07 the Department reported on an additional program:

Program 7: Office for Women

Pursuit of the full and equal participation of women in the social and economic life of the State by providing innovative and balanced public policy advice to government. Providing high quality State-wide information, support and referral services through the Women's Information Service. This program was transferred to the Attorney-General's Department on 1 April 2007.

6. Employee Benefit Expenses

	2008	2007
	\$'000	\$'000
Salaries and wages	282 901	212 553
Long service leave	9 209	5 924
Annual leave	28 941	20 725
Superannuation	31 971	24 472
Workers compensation	15 631	7 272
Payroll tax	19 457	14 903
Other employee related expenses	6 578	5 056
Total Employee Benefit Expenses	394 688	290 905

Remuneration of Employees

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

	2008	2007
	Number of	Number of
	Employees	Employees
\$100 000 - \$109 999	77	43
\$110 000 - \$119 999	33	20
\$120 000 - \$129 999	15	8
\$130 000 - \$139 999	10	11
\$140 000 - \$149 999	5	4
\$150 000 - \$159 999	4	7
\$160 000 - \$169 999	9	4
\$170 000 - \$179 999	2	3
\$180 000 - \$189 999	2	4
\$190 000 - \$199 999	5	3
\$200 000 - \$209 999	2	2
\$210 000 - \$219 999	-	1
\$220 000 - \$229 999	5	-
\$240 000 - \$249 999	-	1
\$270 000 - \$279 999	1	-
\$280 000 - \$289 999	-	1
\$320 000 - \$329 999	-	1
\$330 000 - \$339 999	1	-
Total Number of Employees	171	113

The table includes all employees who received remuneration of \$100 000 or more during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$21.7 million (\$14.9 million).

7. Supplies and Services

	2008	2007
	\$'000	\$'000
Accommodation and property related	27 213	22 792
Advertising and promotions	380	539
Brokerage fees	46 882	18 298
Client related expenses	4 408	5 142
Communication and computing	18 373	16 917
Contractors and agency staff	19 931	8 563
Consultants	650	508
Drug and medical supplies	4 615	962
Insurance	1 196	857
Interpreter and translator fees	85	21
Managed payments	3 097	2 716
Minor equipment	7 950	5 130
Motor vehicles	10 534	7 109
Printing, stationery, postage and periodicals	3 604	3 025
Seminars, courses and training	1 911	1 350
Travel and accommodation	2 367	2 118
Other administration	13 387	8 784
Total Supplies and Services (Excluding Audit Fees)	166 583	104 831
Audit fees paid/payable to the Auditor-General's Department*	363	277
Total Audit Fees	363	277
Total Supplies and Services (Including Audit Fees)	166 946	105 108

Supplies and Services provided by Entities within SA Government:

Accommodation and property related	18 460	15 491
Advertising and promotions	7	47
Brokerage fees	107	-
Client related expenses	176	287
Communication and computing	6 669	8 036
Contractors and agency staff	679	2 635
Consultants	-	16
Insurance	988	852
Interpreter and translator fees	1	-
Managed payments	2 751	2 466
Minor equipment	229	260
Motor vehicles	9 895	6 661
Printing, stationery, postage and periodicals	106	128
Repairs and maintenance	-	457
Seminars, courses and training	71	90
Travel and accommodation	11	12
Other administration	1 636	2 210
Total Supplies and Services - SA Government (Excluding Audit Fees)	41 786	39 648

7. Supplies and Services (continued)	2008	2007
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department*	363	277
Total Audit Fees - SA Government	363	277
Total Supplies and Services - SA Government (Including Audit Fees)	42 149	39 925

* There were no other services provided by the Auditor-General's Department.

	2008		2007	
	Number	\$'000	Number	\$'000
The number and dollar amount of consultancies paid/payable (included in Supplies and Services expense) that fell within the following bands:				
Below \$10 000	7	40	11	29
Between \$10 000 - \$50 000	9	227	13	299
Above \$50 000	5	383	3	180
Total Paid/Payable to Consultants Engaged	21	650	27	508

8. Depreciation and Amortisation	2008	2007
	\$'000	\$'000
Depreciation:		
Buildings and improvements	1 868	1 733
Computing equipment	148	52
Motor vehicles	5	5
ILEP equipment	597	540
Other plant and equipment	235	142
Total Depreciation	2 853	2 472
Amortisation:		
Leasehold improvements	493	573
Computer software	57	-
Total Amortisation	550	573
Total Depreciation and Amortisation	3 403	3 045

9. Grants, Subsidies and Client Payments by Program		
Recurrent funding to JFS	-	57 363
Capital funding to JFS	-	31
Aboriginal Community Benefit Grants	1 477	1 332
Commonwealth State Territory Disability Agreement Grants	115 801	109 556
Community Connect Grants	2 227	2 687
Supported accommodation (Commonwealth State Housing Agreement)	2 738	3 561
Julia Farr Association Establish Grant	1 396	-
Supported residential facility	8 176	7 953
Commonwealth State Housing Agreement	112 837	106 312
Housing SA - Tax Equivalents Regime	135 766	123 062
Supported Accommodation Assistance Program	31 314	27 819
Home and Community Care	96 418	113 930
Children's payments	44 015	38 233
Family and Community Development	8 610	8 394
Alternative care	22 030	17 573
Emergency financial assistance	3 559	3 085
Concessions - SA Spectacle Scheme	880	1 027
Aged Care Grants (formerly Funds for Seniors)	4 487	7 675
Parks Community Centre (Local Government Grant)	1 969	1 921
Strathmont Centre Devolution Grant	5 465	6 264
Other	1 513	4 357
Total Grants, Subsidies and Client Payments	600 678	642 135

Grants, Subsidies and Client Payments by Program paid/payable within SA Government:

Recurrent funding to JFS	-	57 363
Capital funding to JFS	-	31
Aboriginal Community Benefit Grants	40	5
Commonwealth State Territory Disability Agreement Grants	1 962	2 024
Community Connect Grants	1 109	614
Supported Accommodation (Commonwealth State Housing Agreement)	-	1 400
Supported residential facility	892	366
Commonwealth State Housing Agreement	111 505	97 791
Housing SA - Tax Equivalents Regime	135 766	123 062
Supported Accommodation Assistance Program	1 214	1 148
Home and Community Care	25 829	49 937
Children's payments	904	550
Family and Community Development	-	5
Alternative care	935	355
Emergency financial assistance	35	94
Aged Care Grants (formerly Funds for Seniors)	2 395	6 059
Strathmont Centre Devolution Grant	5 465	6 264
Other	671	2 101
Total Grants, Subsidies and Client Payments- SA Government	288 722	349 169

9. Grants, Subsidies and Client Payments by Program (continued)			2008	2007
Grants and Subsidies by Recipient Type:		Note	\$'000	\$'000
SA Government entities			256 754	291 778
SA Health Units			31 029	56 747
NGOs		9.1	247 289	235 224
Local government			17 044	16 262
Universities			542	374
Grant - Commonwealth and other State/Territory Gov.			446	432
Children's payments and Emergency financial assistance* - Government			939	644
Children's payments and Emergency financial assistance* - Non-government			46 635	40 674
Grand Total			600 678	642 135

* Small payments are made to numerous providers in accordance with the Departmental client payment policies.

9.1 Funding to NGOs

Minda Inc	31 332	30 669
Royal District Nursing	16 696	16 161
NOVITA Children's Services	14 318	11 898
Anglicare SA	11 387	9 309
Community Accommodation Respite Agency	11 321	10 966
Centacare Catholic Family	6 885	6 226
Aged Care and Housing Group Inc	5 465	3 322
Uniting Care Wesley Adelaide Inc	5 211	5 434
Uniting Care Wesley Port Adelaide Inc	4 918	4 932
Spastic Centres of SA (formerly Community Access Services of SA Inc)	4 770	4 486
Leveda Incorporated	4 592	4 245
Anglican Community Care Inc	3 968	3 135
Aboriginal Family Support	3 909	3 210
The Salvation Army (SA)	3 906	3 989
Southern Junction Community	3 673	3 208
Julie Farr Association Inc	3 556	2 920
Life Without Barriers	3 519	3 191
Baptist Community Services	2 969	3 310
Resthaven Inc	2 884	2 249
Uniting Care Wesley Port Pirie Inc	2 723	2 301
Life's for Living	2 620	2 298
Royal Society for the Blind	2 427	2 158
Orana	2 126	2 056
Helping Hand Aged Care	1 983	1 546
Autism Association of SA Inc	1 928	1 715
Meals on Wheels Inc	1 852	1 838
Community Lifestyles Inc	1 734	1 473
Community Living Options	1 646	1 399
Guide Dogs Association	1 573	1 629
St Johns Youth Services Inc	1 560	1 518
Catherine House Inc	1 410	1 374
Community Living for Disabled	1 375	1 214
Carers Assoc of SA Inc	1 360	1 350
Country Home Advocacy	1 339	1 318
Paraquad SA (formerly the paraplegic and quadriplegic association of SA Inc)	1 329	1 350
Aboriginal Prisoners and Offenders Support Services Inc	1 306	1 273
Central Eastern Domestic	1 293	1 214
Individual Supported Accommodation Services	1 283	1 277
Hills Community Options	1 271	1 216
Barkuma Inc	1 217	1 127
Community Living and Support Services Inc	1 192	1 266
Aboriginal Elders and Community Care Services Inc	1 132	1 135
Community Living Project Inc	1 118	1 083
Northern Carer's Network Inc	1 109	1 146
Lifestyle Assistance and Accommodation Service Inc	1 104	1 056
Bedford Industries	1 097	713
Alabicare (SA)	1 020	1 015
Other	58 883	62 306
Total Funding to NGOs	247 289	235 224

* Payments to non-SA Government organisations, where total payments to an organisation are greater than \$1 million are individually disclosed above. Payments less than \$1 million are in 'Other'. This excludes payments for Children's Payments and Emergency Financial Assistance.

10. Other Expenses	2008	2007
	\$'000	\$'000
Bad and doubtful debts	171	89
Transferred assets	30	-
Other	-	4
Total Other Expenses	201	93
Other Expenses paid/payable to Entities within the SA Government:		
Bad and doubtful debts	(118)	84
Transferred assets	30	-
Total Other Expenses - SA Government	(88)	84
11. Rent, Fees and Charges Received/Receivable		
Employee services*	59 448	55 543
Insurance recoveries	1 593	808
Recoveries	18 101	11 606
Business services	16 314	15 699
Fees, fines and penalties	887	742
Rent	737	609
Patient and client fees	9 861	13 253
Total Rent, Fees and Charges	106 941	98 260
Rent, Fees and Charges received/receivable from Entities within SA Government:		
Employee services*	59 448	55 543
Insurance recoveries	909	190
Recoveries	12 365	9 064
Business services	15 052	15 235
Fees, fines and penalties	784	163
Rent	600	460
Patient and client fees	-	128
Total Fees and Charges - SA Government	89 158	80 783
* Represents the recovery of costs for the provision of employee related services to Housing SA.		
12. Commonwealth Revenues		
Commonwealth Revenues received/receivable:		
Housing Assistance	73 739	72 539
Commonwealth State Disability Agreement	79 563	68 506
Home and Community Care	85 407	78 952
Supported Accommodation Assistance Program	17 263	17 121
Aged Care Assessment Program	6 316	7 522
FBT transitional compensation from ATO	10 434	-
Other	7 435	3 222
Total Commonwealth Revenues	280 157	247 862
13. Interest Revenue		
Interest on funds held	442	12
Total Interest Revenue	442	12
14. Net Gain from Disposal of Assets		
Land and Buildings:		
Proceeds from disposal	-	235
Less: Net book value of assets disposed	749	145
Net (Loss) Gain from Disposal of Land and Buildings	(749)	90
Plant and Equipment:		
Proceeds from disposal	44	-
Less: Net book value of assets disposed	52	-
Net Loss from Disposal of Plant and Equipment	(8)	-
Total Assets:		
Total proceeds from disposal	44	235
Less: Total value of assets disposed	801	145
Total Net (Loss) Gain from Disposal of Assets	(757)	90

15. Other Revenue		2008	2007
Other Revenue received/receivable:	Note	\$'000	\$'000
Assets received for nil consideration	15.1	-	181
Other		8 043	3 300
Total Other Revenue		8 043	3 481
Other Revenue received/receivable from Entities within SA Government:			
Assets received for nil consideration	15.1	-	181
Other		1 884	1 281
Total Other Revenue - SA Government		1 884	1 462
15.1 Assets Received for nil Consideration			
During the reporting period the Department received the following assets free of charge or for nominal consideration:			
Land and buildings		-	166
Plant and equipment		-	15
Total Assets Received for nil Consideration		-	181
16. Revenues from SA Government			
16.1 Revenue from SA Government:			
Appropriations from Consolidated Account pursuant to the Appropriations Act:			
General appropriation		584 244	499 809
Department of Treasury and Finance - Contingency funds		692	4 892
Tax Equivalent Regime Reimbursement - HomeStart Finance		1 250	1 500
Tax equivalent regime reimbursement - Housing SA		134 103	123 347
State Housing Assistance Funds		23 746	26 680
Total SA Government Appropriations		744 035	656 228
16.2 Grants from SA Government Agencies			
Community Development Fund		3 413	3 489
Social Inclusion		5 561	5 923
Other		7 106	13 169
Total Grants from SA Government Agencies		16 080	22 581
Total Revenues from SA Government		760 115	678 809
17. Unexpended Funding Commitments			
The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the program.			
As at 30 June 2008 the Department had outstanding funding commitments to the following programs:		2008	2007
		\$'000	\$'000
Home and Community Care Program		4 022	3 568
CSHA Projects		3 515	6 071
Young People in Nursing Homes		2 000	-
Supported Accommodation Assistance Program		892	449
Office for the Ageing - Common Arrangements		576	-
Aged Care Assessment Program		351	123
Community Care Innovation Fund		282	-
The Way Forward		200	-
Water Remissions Funding		142	-
Social Inclusion Program		132	-
Domiciliary Care SA - Aged Care Assessment Team (ACAT)		53	228
Post Care Services (AFIS)		17	-
SRF Fire Safety Program		-	1 452
Families SA Commonwealth Program		-	386
Social Inclusion - Homelessness Grants		-	196
WECAN Aboriginal Schools Program		-	59
National Child Protection and Support Service		-	40
Maria Daysh - Bequest		-	10
Total Operating		12 182	12 582
Tregenza Avenue - Office redevelopment		3 984	-
Case Management System		3 572	2 614
Families SA - Residential Care Units		2 805	-
Reorganisation of services relating to I&CC		1 000	-
Youth Training Centre Sustainment		575	607
SACOSS Children Facility		310	310
Strathmont Centre		284	145

17. Unexpended Funding Commitments (continued)	2008	2007
	\$'000	\$'000
Youth Detention Centre Project - Team	121	-
Families SA Accommodation	111	1 151
Child Protection Review - Staff Accommodation	48	341
Total Capital	12 810	5 168
Total Unexpended Funding Commitments	24 992	17 750
18. Cash and Cash Equivalents		
Special Deposit Account with the Treasurer	44 291	17 397
Advance Account	329	304
Other Deposits	295	753
Cash on hand	14	42
Total Cash and Cash Equivalents	44 929	18 496
Cash deposits are recognised at their nominal amounts.		
19. Receivables		
Current:		
Debtors	10 184	7 536
Less: Allowance for doubtful debts	282	399
Employee related services recoverable	8 165	6 947
Overpaid salaries	136	118
Sundry	124	2 613
Grant receivables	-	7 320
Prepayments	160	179
GST receivable	3 480	2 554
Total Current Receivables	21 967	26 868
Non-Current:		
Sundry	569	449
Employee related services recoverable	13 562	13 202
Total Non-Current Receivables	14 131	13 651
Total Receivables	36 098	40 519
Receivables from SA Government Entities:		
Debtors	7 983	4 433
Less: Allowance for doubtful debts	65	70
Employee related services recoverable	21 727	20 149
Sundry	-	546
Prepayments	-	157
GST receivable	-	2 554
Total Receivables - SA Government	29 645	27 769

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Maturity and Analysis of Receivables - refer to Note 30

Categorisation of Financial Instruments and Risk Exposure Information - refer to Note 30

Bad and Doubtful Debts

The Department has recognised a bad and doubtful debt expense of \$171 000 in the Income Statement.

Movement in Allowance for Doubtful Debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in 'Other Expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the Allowance for Doubtful Debts	2008
(Impairment Loss)	\$'000
Carrying amount at 1 July	399
Transfer from administrative restructure	79
Decrease in the allowance	(189)
Amounts written off	(394)
Amounts recovered during the year	217
Increase in allowance recognised in profit or loss	170
Carrying Amount at 30 June	282

20. Inventories	2008	2007
Current:	\$'000	\$'000
Drug supplies	57	61
Stores	67	74
Medical, surgical and laboratory supplies	73	14
Food and hotel supplies	70	58
Other	80	78
Total Current Inventories	347	285
21. Property, Plant and Equipment		
Land and Buildings:		
Vacant land (fair value)	5 312	4 360
Site land (fair value)	139 581	109 051
Vacant buildings (fair value)	-	-
Less: Accumulated depreciation - Vacant buildings	-	-
Buildings and improvements (fair value)	71 697	58 106
Less: Accumulated depreciation - Buildings and improvements	11 050	12 856
Total Land and Buildings	205 540	158 661
Leasehold Improvements:		
Leasehold improvements at cost (deemed fair value)	7 916	7 980
Less: Accumulated amortisation - Leasehold improvements	6 657	6 300
Total Leasehold Improvements	1 259	1 680
Plant and Equipment:		
Computing equipment at cost (deemed fair value)	778	418
Less: Accumulated depreciation - Computing equipment at cost	486	133
Motor vehicles at cost (deemed fair value)	320	138
Less: Accumulated depreciation - Motor vehicles at cost	230	114
ILEP equipment at cost (deemed fair value)	3 506	2 877
Less: Accumulated depreciation - ILEP equipment at cost	1 876	1 279
Other plant and equipment at cost (deemed fair value)	3 332	1 941
Less: Accumulated depreciation - Other plant and equipment at cost	1 903	1 109
Total Plant and Equipment	3 441	2 739
Total property, plant and equipment at valuation (fair value)	216 590	171 517
Total property, plant and equipment at cost (deemed fair value)	15 852	13 354
Less: Total accumulated amortisation	6 657	6 300
Less: Total accumulated depreciation	15 545	15 491
Total Property, Plant and Equipment	210 240	163 080

21.1 Reconciliation of Land, Buildings and Leasehold Improvements

The following table shows the movement of Land, Buildings and Improvements, and Leasehold Improvements during 2007-08.

	Vacant Land \$'000	Site Land \$'000	Buildings and Improve- ments \$'000	Leasehold Improve- ments \$'000	Total Property, Bldgs & Leasehold Improve- ments \$'000
Carrying amount at 1 July	4 360	109 051	45 250	1 680	160 341
Purchases	-	-	-	79	79
Disposals	-	(749)	-	-	(749)
Revaluation increment (decrement)	952	24 609	10 459	-	36 020
Depreciation and amortisation for the year	-	-	(1 868)	(493)	(2 361)
Acquisition (Disposal) through administrative restructure	-	6 670	6 806	38	13 514
Other movements	-	-	-	(45)	(45)
Carrying amount at 30 June	5 312	139 581	60 647	1 259	206 799

21.2 Reconciliation of Plant and Equipment

The following table shows the movement of Plant and Equipment during 2007-08.

	Computing Equipment \$'000	Motor Vehicles \$'000	ILEP Equipment \$'000	Other Plant & Equipment \$'000	Total Plant & Equipment \$'000
Carrying amount at 1 July	285	24	1 598	832	2 739
Purchases	114	71	629	401	1 215
Assets received for nil consideration	-	-	-	(30)	(30)

21.2 Reconciliation of Plant and Equipment (continued)

	Computing Equipment \$'000	Motor Vehicles \$'000	ILEP Equipment \$'000	Other Plant & Equipment \$'000	Total Plant & Equipment \$'000
Disposals	-	-	-	(36)	(36)
Depreciation and amortisation for the year	(148)	(5)	(597)	(235)	(985)
Acquisition (disposal) through administrative restructure	41	-	-	502	543
Other movements	-	-	-	(5)	(5)
Carrying Amount at 30 June	292	90	1 630	1 429	3 441

22. Capital Works in Progress

	2008 \$'000	2007 \$'000
Buildings and Improvements in progress at cost (deemed fair value)	8 822	6 080
Total Capital Works in Progress	8 822	6 080

Reconciliation of Capital Works in Progress

The following table shows the movement of capital works in progress during 2007-08:

	Total Capital Works in Progress \$'000
Carrying amount at 1 July	6 080
Purchases	2 871
WIP adjustments	(129)
Carrying Amount at 30 June	8 822

23. Intangible Assets

	2008 \$'000	2007 \$'000
Computer software	167	-
Less: Accumulated amortisation - Computer software	-	-
Total Intangible Assets	167	-

The Department has no contractual commitments for the acquisition of intangible assets.

Reconciliation of Intangible Assets

The following table shows the movement of intangible assets during 2007-08:

	Total Intangibles Assets \$'000
Carrying amount at 1 July	-
Transfers in	57
Purchases	167
Depreciation and amortisation for the year	(57)
Carrying Amount at 30 June	167

24. Payables

	2008 \$'000	2007 \$'000
Current:	14 725	7 515
Creditors	-	381
Disability Health Service workers compensation	-	891
Disability Health Service Budget under-runs	5 591	34
Grants to SAHT - Tax equivalent regime	4 000	3 170
Other accrued expenses	7 739	6 409
Employee benefit on-costs	259	1 023
Other	32 314	19 423
Total Current Payables	32 314	19 423

Non-Current:

Disability Health Service workers compensation	-	902
Grants to NGOs	621	743
Employee benefit on-costs	3 898	3 177
Total Non-Current Payables	4 519	4 822
Total Payables	36 833	24 245

Payables to SA Government Entities:

Creditors	2 575	2 666
Disability Health Service workers compensation	-	1 283
Disability health service budget under-runs	-	891
Grants to SAHT - Tax equivalent regime	5 591	34
Other accrued expenses	404	729
Employee benefit on-costs	11 550	8 542
Other	-	-
Total Payables - SA Government Entities	20 120	14 145

Interest Rate and Credit Risk

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

Maturity and Analysis of Payables - Refer to Note 30

Categorisation of Financial Instruments and Risk Exposure Information - Refer to Note 30.

25. Employee Benefits		2008	2007
Current:		\$'000	\$'000
Annual leave		27 931	20 660
Long service leave		9 046	10 527
Accrued salaries and wages		8 249	5 456
Total Current Employee Benefits		45 226	36 643
Non-Current:			
Long service leave		46 954	33 426
Total Non-Current Employee Benefits		46 954	33 426
Total Employee Benefits		92 180	70 069

The total current and non-current employee expenses (ie aggregate employee benefit plus related on-costs) for 2008 is \$52.95 million (\$43.052 million) and \$49.68 million (\$36.6 million) respectively.

26. Borrowings		2008	2007
Non-Current	Note	\$'000	\$'000
Advance - Treasury Imprest Account		285	285
Total Non-Current Borrowings - SA Government		285	285
Total Borrowings		285	285

27. Provisions			
Current:			
Insurance	27.1	316	251
Workers compensation	27.2	7 135	4 465
Total Current Provisions		7 451	4 716
Non-Current:			
Insurance	27.1	669	577
Workers compensation	27.2	18 354	12 089
Total Non-Current Provisions		19 023	12 666
Total Provisions		26 474	17 382

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

27.1 Reconciliation of Insurance

The following table shows the movement of Insurance during 2007-08:

	Public Liability	Property	2008 Total
	\$'000	\$'000	\$'000
Carrying amount as at 1 July	805	23	828
Increase to provision due to revision of estimates	297	51	348
Reduction due to payments	(90)	(31)	(121)
Net revision of estimates	(79)	9	(70)
Carrying Amount at 30 June	933	52	985

The following table shows the movement of Insurance during 2006-07:

	Public Liability	Property	2007 Total
	\$'000	\$'000	\$'000
Carrying amount as at 1 July	780	43	823
Increase to provision due to revision of estimates	103	-	103
Reduction due to payments	(50)	(20)	(70)
Net revision of estimates	(28)	-	(28)
Carrying Amount at 30 June	805	23	828

27.2 Reconciliation of Workers Compensation

The following table shows the movement of workers compensation:

	2008	2007
	\$'000	\$'000
Carrying amount at 1 July	16 554	8 466
Transfers in at 1 July	7 142	9 770
Increase to provision due to revision of estimates	14 948	5 122
Reduction due to payments	(13 155)	(6 804)
Carrying Amount at 30 June	25 489	16 554

28. Other Liabilities	2008	2007
Current:	\$'000	\$'000
Unclaimed monies	115	69
Unearned revenue	-	42
Total Current Other Liabilities	115	111
Total Other Liabilities	115	111
Other Liabilities with SA Government Entities:	-	-
Total Other Liabilities - SA Government	-	-
29. Equity		
Contributed capital	26 991	19 474
Retained earnings	68 273	83 461
Asset revaluation reserve	49 452	13 433
Total Equity	144 716	116 368

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

30. Financial Instruments
30.1 Categorisation of Financial Instruments

	Note	2008		2007	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets		\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	18,34	44 929	44 929	18 496	18 496
Receivables	19	32 618	32 618	37 965	37 965
Total Financial Assets		77 547	77 547	56 461	56 461
Financial Liabilities					
Payables	24	36 833	36 833	24 245	24 245
Interest bearing liabilities	26	285	285	285	285
Total Financial Liabilities		37 118	37 118	24 530	24 530

The amount of receivables and payables disclosed above, excludes statutory receivables and payables such as GST input tax credit payable and recoverable.

30.2 Credit Risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department.

The Department has minimal concentration of credit risk. The Department does not engage in high risk hedging for its financial assets.

30.3 Ageing Analysis of Financial Assets

The following table discloses the ageing of financial assets, past due including impaired assets past due:

	Past Due By			2008 Total \$'000
	Overdue for less than 30 Days \$'000	Overdue for 30-60 Days \$'000	Overdue for more than 60 Days \$'000	
2008				
Not Impaired:				
Receivables	1 013	156	477	1 646
Other financial assets	-	-	-	-
Impaired:				
Receivables	-	-	(282)	(282)
Other financial assets	-	-	-	-
	1 013	156	195	1 364
2007				
Not Impaired:				
Receivables	123	33	304	460
Other financial assets	-	-	-	-
Impaired:				
Receivables	-	-	(399)	(399)
Other financial assets	-	-	-	-
	123	33	(95)	61

The amount of receivables and payables disclosed above, excludes statutory receivables and payables such as GST input tax credit payable and recoverable.

30.4 Maturity Analysis of Financial Assets and Liabilities

	Contractual Maturity			
	Carrying Amount \$'000	Less than 1 Year \$'000	1-5 Years \$'000	More than 5 Years \$'000
2008				
Financial Assets:				
Cash and cash equivalents	44 929	44 929	-	-
Receivables	32 618	18 487	5 994	8 137
Other financial assets	-	-	-	-
Total Financial Assets	77 547	63 416	5 994	8 137
Financial Liabilities:				
Payables	36 833	32 314	4 519	-
Borrowings	285	-	-	285
Finance lease liability	-	-	-	-
Other financial liabilities	-	-	-	-
Total Financial Liabilities	37 118	32 314	4 519	285
2007				
Financial Assets:				
Cash and cash equivalent	18 496	18 496	-	-
Receivables	37 965	24 314	5 729	7 922
Other financial assets	-	-	-	-
Total Financial Assets	56 461	42 810	5 729	7 922
Financial Liabilities:				
Payables	24 245	19 423	4 822	-
Borrowings	285	-	-	285
Finance lease liability	-	-	-	-
Other financial liabilities	-	-	-	-
Total Financial Liabilities	24 530	19 423	4 822	285

Maturity analysis of receivables and payables excludes statutory receivables and payables such as GST receivables and payables.

30.5 Liquidity Risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continued appropriations by Parliament for the Department's administration and programs delivery. The Department settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received.

31. Unrecognised Contractual Commitments

31.1 Capital Commitments

Capital expenditure contracted at the reporting date, but not recognised as liabilities in the financial report, are as follows:

	2008 \$'000	2007 \$'000
Within one year	5 822	164
Later than one year and not later than five years	9 255	-
Later than five years	-	-
Total Capital Commitments	15 077	164

Included in Capital expenditure commitments above is \$1.37 million (\$13 000) which is the GST component of the Capital expenditure commitments.

31.2 Operating Lease Commitments

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

	2008 \$'000	2007 \$'000
Within one year	15 059	14 317
Later than one year and not later than five years	31 835	27 401
Later than five years	41 719	-
Total Operating Lease Commitments (including GST)	88 613	41 718

Included in the operating lease commitments above is \$8.06 million (\$3.70 million) which is the GST component of the operating lease payments.

The Department has many lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominately paid in advance. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee.

32. Net Revenues from Restructure**32.1 Net Revenues from Restructure for 2007-08***Transfers into the Department*

Metropolitan Domiciliary Care (MDC) was incorporated under the *South Australian Health Commission Act 1976*. On 28 June 2007, the Governor proclaimed to dissolve MDC in accordance with reforms to the governance arrangements for the management of the provision of health services. Effective 1 July 2007, the Board of MDC dissolved and the assets and liabilities of MDC were transferred, assigned or vested in the Minister for Ageing.

Julia Farr Services (JFS) was incorporated under the *South Australian Health Commission Act 1976*. Effective 1 July 2004, the Minister of Health delegated responsibility for JFS to the Minister for Disability. On 28 June 2007, the Governor proclaimed to dissolve JFS in accordance with reforms to the governance arrangements for the management of the provision of disability services. Effective 1 July 2007, the Board of JFS dissolved and the assets and liabilities of JFS were transferred, assigned or vested in the Minister for Disability.

Prior to 1 July 2007, the Department of Health (DH) provided general accounting, financial accounting, financial systems and accounting policy advice to the Department. The provision of these services was covered by a Service Level Agreement. Effective 1 July 2007, the Department became the provider of these services to DH and relevant staff were transferred from DH to the Department. The Chief Executive of DH and the Chief Executive of the Department approved the transfers in accordance with the requirements of the PSM Act. A revised Service Level Agreement reflects that the Department is now the service provider. The liabilities transferred from DH are employee liabilities.

2007-08	MDC \$'000	JFS \$'000	DH \$'000	Total \$'000
Assets	18 876	5 963	-	24 839
Liabilities	15 478	13 017	557	29 052
Net Assets	3 398	(7 054)	(557)	(4 213)
(Decrease) in Net Assets due to transfer into the Department				(4 213)

Increase (decrease) in Net Assets due to Administrative Restructure in 2007-08

Net Revenues (Loss) from Restructure	3 398	(7 054)	(557)	(4 213)
---	--------------	----------------	--------------	----------------

32.2 Net Revenues from Restructure for 2006-07*Transfers into the Department*

The Intellectual Disability Services Council (IDSC) and the Independent Living Centre (ILC) were incorporated under the *South Australian Health Commission Act 1976*. Effective 1 July 2004, the Minister of Health delegated responsibility for IDSC and ILC to the Minister for Disability. On 29 June 2006 the Governor proclaimed to dissolve IDSC and ILC in association with reforms to the governance arrangements within the SA Government with respect to the management of the provision of disability services. Effective 1 July 2006, the Boards of IDSC and ILC dissolved and the assets and liabilities of IDSC and ILC were transferred, assigned or were vested in the Minister for Disability.

	IDSC \$'000	ILC \$'000	2007 Total \$'000
Assets	63 355	10 551	73 906
Liabilities	32 641	1 565	34 206
Net Assets	30 714	8 986	39 700
Increase in Net Assets due to transfer into the Department			39 700

Transfers out of the Department

On 22 March 2007, the Governor proclaimed the transfer of the employees of the Office for Women from the Department to the Attorney-General's Department. It is taken that the proclamation also means the transfer of assets and liabilities of Office for Women to the Attorney-General's Department. In accordance with APF II, for financial accounting and reporting purposes the transfer is taken to occur 1 April 2007.

	OFW \$'000	2007 Total \$'000
Assets	246	246
Liabilities	254	254
Net Assets	(8)	(8)
Increase in Net Assets due to transfers out of the Department		8

Increase in Net Assets due to Administrative Restructure in 2006-07

	IDSC \$'000	ILC \$'000	OFW \$'000	2007 Total \$'000
Net Revenues from Restructure	30 714	8 986	8	39 708

33. Contingent Assets and Liabilities

The Department does not have any known contingent assets and liabilities.

34. Cash Flow Reconciliations

Reconciliation of cash and cash equivalents at 30 June as per:

Cash Flow Statement

Cash and cash equivalents disclosed in the Balance Sheet

2008	2007
\$'000	\$'000
44 929	18 496
44 929	18 496

Reconciliation of Net Cash used in Operating Activities to Net Cost of

Providing Services:

Net cash used in operating activities

Less: Revenues from SA Government

Less: Grants from SA Government agencies

18 802	(11 691)
744 035	651 336
16 080	27 473
(741 313)	(690 500)

Add (Less): Non-Cash Items:

Depreciation

Amortisation

Assets transferred

Assets received for nil consideration

Impairment of non-current assets

Gain/loss from disposal of non-current assets

Revaluation increments/decrements

Bad and doubtful debts

WIP Adjustment

(2 853)	(2 472)
(550)	(573)
(30)	-
-	181
-	-
(757)	90
-	-
(171)	-
(129)	-

Changes in Assets and Liabilities:

(Decrease) Increase in receivables

(Decrease) Increase in inventories

(Increase) Decrease in payables and provisions

(Increase) Decrease in employee benefits

(Increase) Decrease in other liabilities

(10 097)	2 256
(93)	59
(10 328)	8 214
(4 765)	(3 536)
(4)	(300)

Net Cost of Providing Services

(771 090)	(686 581)
------------------	-----------

35. Remuneration of Directors and Related Party Disclosure

There are various committees, forums, groups, panels and councils that have been created to assist the Department in meeting its objectives. In addition, there are committees that have been created by the Minister. Where any of the members are remunerated, certain disclosures are required under the APF issued by the Department of Treasury and Finance.

Members of Board/Committees during 2007-08 were:

Child Death and Serious Injury Review Committee

William 'Brian' Butler

Roger Byard

Linda Dore

Dymphna Eszenyi

Dianne Gursansky

Diana Hetzel

Samantha Laubsch

Christopher Shakes

Nigel Stewart

Alison Tucker

John Vendito

Fiona Ward

Richenda Webb

Helen Wighton

Peter Woite

Charitable and Social Welfare Board (Community Benefit SA)

Declan Andrews

Letitia Ashworth

Christina Birch

Colleen Fitzpatrick

Mark Henley

Michelle Jones

Elizabeth Kosmala

Council for the Care of Children

Fiona Arney

Peter Bicknell

Jane Chapman

Juliet Haslam

Diana Hetzel

Melita Kimber

Jayne Lehmann

Joslene Mazel

Cody Morris

Daryle Rigney

Chris Robinson

Emily Rozee

Simon Schrapel

Anthony Sherbon

Suzanne Vardon

Ministerial Advisory Board on Ageing

Sue Balde

Brian Butler

Janice Cass

Rosemary Crowley

James Giles

Patricia Greethead

Graeme Hugo

Gerard McEwen

Theadora Papadopoulos

Joan Stone

Minister's Disability Advisory Council

Susan Andrews
Katharine Annear
Monika Baker
Jackie Beard
Maurice Corcoran
Mikaila Crotty
Silvana Gant
Michelle Hagarty
Lorna Hallahan
Miriam High

Sharon Holmes
Evdokia Kalaitzidis
Neil Lillecrapp
Gaelle Mellis
Sandra Miller
Jane Mussared
Tony Starkey
Michael Taggart
Michael Wilson

Risk Management and Audit Committee

Peter Bull
David Caudrey
Jamie Dreckow
Elizabeth Durward
Michael J B Evans
Phil Fagan-Schmidt

Dennis Huxley
Geoff Lamshed
Mary Patetsos
Jane Pickering
Joseph Ullianich

Supported Residential Facilities Advisory Committee

Maxine Ashton
Phillip Beddall
Jane Chapman
Dianne Chapple
Deidre Cope
Marilyn Crabtree
Michael Livori
Keith Moorman
Paul Pledger
Peter Smith
Sue Whittington

Christopher Wurm
Alison Creaser (Deputy)
Kevin Duke (Deputy)
Elizabeth Evans (Deputy)
Lloyd Evans (Deputy)
Kathryn Farr (Deputy)
Val Hall (Deputy)
Jeanette Linn (Deputy)
Suzanne Marshall (Deputy)
Neville Stephens (Deputy)

Deputies listed may or may not have attended a committee meeting during the financial year.

Total income received, or due and receivable by Board/Committee members was \$93 000.

The numbers of members whose income from the entity falls within the following bands are:

\$0
\$1 - \$9 999
\$10 000 - \$19 999
\$20 000 - \$29 999
Total

**2008
Number of
Members**
35
60
-
-

95

In accordance with Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board, committee or forum duties during the financial year.

Benefits given by the Department to superannuation funds or otherwise in connection with the retirement of members was \$6000.

During the financial year, no loans were made to members. At the reporting date, no outstanding loans exist with Members.

Transactions between related parties are on conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

36. Events After Balance Date

Shared Services SA is the agency within Government that has been set up to provide corporate services at a whole-of-government level. During 2008-09, staff from the Department will transfer to Shared Services SA.

37. Administered Items

The revenues, expenditures, assets and liabilities that were administered but not controlled by the Department have not been included in the financial statements. These administered transactions and balances are regarded as significant in relation to the Department's overall financial performance and in accordance the APF II, separate consolidated administered financial statements and Notes to the accounts have been prepared.

38. Residential Aged Care Sector Reporting

The former Julia Farr Services (JFS) was an approved provider of residential aged care (RAC) with 62 places licenced by the Commonwealth Department of Health and Ageing. Effective 1 July 2007, the Governor proclaimed the dissolution of Julia Farr Services and all assets and liabilities vested in or held by Julia Farr Services were transferred or assigned to or vested in, the Minister for Disability. Certain assets held by the former Julia Farr Services are subject to the terms and conditions of the Home for Incurables Trust and the Minister for Disability has been appointed as trustee. The trust assets are administered but not controlled by the Department, hence they are not included in the accounts of the Department.

38. Residential Aged Care Sector Reporting (continued)

The former Intellectual Disability Services Council (IDSC) was also an approved provider of residential aged care with 32 places licenced by the Commonwealth Department of Health and Ageing. On 29 June 2006 the Governor proclaimed to dissolve IDSC in association with reforms to the governance arrangements within the SA Government with respect to the management of the provision of disability services. Effective 1 July 2006, the Board of IDSC dissolved and the assets and liabilities of IDSC were transferred, assigned or were vested in the Minister for Disability.

Balance Sheet as at 30 June 2008

	RAC-JFS	RAC IDSC	Non-RAC	2008 Total
Commonwealth Aged Care Provider ID	1021	3051		
	\$'000	\$'000	\$'000	\$'000
Current Assets:				
Cash and cash equivalents*	-	-	44 929	44 929
Receivables	13	8	21 946	21 967
Inventories	-	-	347	347
Total Current Assets	13	8	67 222	67 243
Non-Current Assets:				
Receivables	-	-	14 131	14 131
Property, plant and equipment	18	10 188	200 034	210 240
Capital works in progress	-	-	8 822	8 822
Intangible assets	-	-	167	167
Total Non-Current Assets	18	10 188	223 154	233 360
Total Assets	31	10 196	290 376	300 603
Current Liabilities:				
Payables	52	48	32 214	32 314
Employee benefits	338	312	44 576	45 226
Provisions	107	90	7 254	7 451
Other liabilities	-	-	115	115
Total Current Liabilities	497	450	84 159	85 106
Non-Current Liabilities:				
Payables	37	36	4 446	4 519
Employee benefits	401	386	46 167	46 954
Borrowings	-	-	285	285
Provisions	270	228	18 525	19 023
Total Non-Current Liabilities	708	650	69 423	70 781
Total Liabilities	1 205	1 100	153 582	155 887
Net Assets	(1 174)	9 096	136 794	144 716
Equity:				
Contributed capital	-	-	26 991	26 991
Asset revaluation reserve	-	1 646	47 806	49 452
Retained earnings	(2 949)	(1 372)	72 594	68 273
Total Equity	(2 949)	274	147 391	144 716

* Cash deficits in residential aged care are funded by contributions from the SA Government.

Income Statement for the year ended 30 June 2008

Commonwealth Aged Care Provider ID	RAC - JFS 1021 \$'000	RAC - IDSC 3051 \$'000	Non-RAC \$'000	2008 \$'000
Expenses:				
Employee benefit expenses	3 275	2 934	388 479	394 688
Supplies and services	2 486	496	163 964	166 946
Depreciation and amortisation	4	115	3 284	3 403
Grants, subsidies and client payments	-	-	600 678	600 678
Net loss from disposal of non-current assets	(1)	-	758	757
Other expenses	1	1	199	201
Total Expenses	5 765	3 546	1 157 362	1 166 673
Income:				
Rent, fees and charges	1 088	593	105 260	106 941
Commonwealth revenues	1 728	1 581	276 848	280 157
Interest revenue	-	-	442	442
Other revenues	-	-	8 043	8 043
Total Income	2 816	2 174	390 593	395 583
Net Cost of Providing Services	(2 949)	(1 372)	(766 769)	(771 090)
Revenues From SA Government:				
Revenues from SA Government	-	-	744 035	744 035
Grants from SA Government agencies	-	-	16 080	16 080
Payments to SA Government	-	-	-	-
Total Revenue from SA Government	-	-	760 115	760 115
Net Result before Restructure	(2 949)	(1 372)	(6 654)	(10 975)
Net revenues from administrative restructure	-	-	(4 213)	(4 213)
Net Result After Restructure	(2 949)	(1 372)	(10 867)	(15 188)

Administered Items Income Statement for the year ended 30 June 2008

		2008	2007
ADMINISTERED INCOME:	Note	\$'000	\$'000
Grants and contributions	A4	9 644	9 645
Rent, fees and charges	A5	506	43
Interest		546	154
Client trust fund receipts		12 293	8 048
Other Income		113	152
Total Income		23 102	18 042
REVENUES FROM SA GOVERNMENT:			
Revenue from SA Government	A6	125 546	106 415
Total Revenues from SA Government		125 546	106 415
Total Administered Income		148 648	124 457
ADMINISTERED EXPENSES:			
Employee benefits costs		266	238
Supplies and services		1 235	1 424
Grants, subsidies and client payments	A7	134 882	128 057
Depreciation and amortisation		645	-
Client trust fund payments		10 889	7 269
Total Administered Expenses		147 917	136 988
OPERATING SURPLUS (DEFICIT)		731	(12 531)

Operating surplus (deficit) is attributable to the SA Government as owner

Administered Items Balance Sheet as at 30 June 2008

		2008	2007
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash		23 393	15 716
Receivables		1 920	19
Other		-	2 264
Total Current Assets		25 313	17 999
NON-CURRENT ASSETS:			
Property, plant and equipment	A9.1	27 067	-
Investment property	A9.2	1 139	-
Total Non-Current Assets		28 206	-
Total Assets		53 519	17 999
CURRENT LIABILITIES:			
Payables		2 424	2 863
Overdraft		20	19
Employee benefits		12	9
Provisions		2	2
Total Current Liabilities		2 458	2 893
NON-CURRENT LIABILITIES:			
Total Non-Current Liabilities		-	-
Total Liabilities		2 458	2 893
NET ASSETS		51 061	15 106
EQUITY:			
Retained earnings		31 677	15 106
Asset revaluation reserve		19 384	-
TOTAL EQUITY		51 061	15 106

Administered Items Statement of Changes in Equity for the year ended 30 June 2008

	Contributed Capital \$'000	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2006	-	-	21 440	21 440
Restructure - Transfer into the Department	-	-	6 202	6 202
Adjustment to equity	-	-	(5)	(5)
Operating (Deficit) Surplus for 2006-07	-	-	(12 531)	(12 531)
Total recognised income and expense for 2006-07	-	-	(6 334)	(6 334)
Balance at 30 June 2007	-	-	15 106	15 106
Restructure - Transfer into the Department	-	19 384	15 840	35 224
Operating (Deficit) Surplus for 2007-08	-	-	731	731
Total recognised income and expense for 2007-08	-	19 384	16 571	35 955
Balance at 30 June 2008	-	19 384	31 677	51 061

Total equity is attributable to the SA Government as owner

Administered Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		(263)	(238)
Concessions		(111 543)	(106 922)
Other grants, subsidies and client payments		(23 370)	(20 144)
Supplies and services		(1 279)	(1 555)
Client trust fund payments		(10 889)	(7 269)
Cash used in Operations		(147 344)	(136 128)
CASH INFLOWS:			
Receipts from SA Government		125 546	106 415
Taxes, fees and charges		2	2
Grants and contributions		9 815	9 746
Interest received		546	154
Client trust fund receipts		12 293	8 048
Other receipts		445	83
Cash generated by Operations		148 647	124 448
Net Cash provided by (used in) Operating Activities	A10	1 303	(11 680)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment		3 900	-
Net Cash provided by Investing Activities		3 900	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Restructuring activities		2 473	6 202
Cash overdraft		1	-
Net Cash provided by Financing Activities		2 474	6 202
NET INCREASE (DECREASE) IN CASH HELD		7 677	(5 478)
CASH AT 1 JULY		15 716	21 194
CASH AT 30 JUNE		23 393	15 716

NOTES TO AND FORMING PART OF THE ADMINISTERED ITEMS FINANCIAL STATEMENTS

A1. Background

The Revenues, Expenditures, Assets and Liabilities that were administered but not controlled by the Department have not been included in the financial statements of the Department. These administered transactions and balances are regarded as significant in relation to the Department's overall financial performance and in accordance with APF II, separate consolidated administered financial statements and Notes to the accounts have been prepared.

A2. Accounting Policies

The accounting policies pertaining to the administered items for the Department are contained in Note 2 for the Department.

Cash and Cash Equivalents

Cash and cash equivalents as reported in the Balance Sheet includes cash on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value. Cash and cash equivalents in the Cash Flow Statement comprise cash and cash equivalents as defined above. Cash is measured at nominal value.

A3. Programs of Administered Items

Gamblers Rehabilitation
 Charitable and Social Welfare
 Home for Incurables Trust**
 Supported Residential Facilities Indemnity Fund
 Client Trust Accounts
 Ministers' salary
 CRC Trust
 Concessions
 Community Service Obligations
 State Emergency Relief Fund

** Effective 1 July 2007, the Minister for Disability became the trustee of the Home for Incurables Trust by virtue of the vesting of assets and liabilities of the former Julia Farr Services. Separate financial information pertaining to the Home for Incurables Trust is in Note A12.

Client Trust Accounts

The Department acts as trustee of client trust accounts relating to clients of the former IDSC and from 1 July 2007, the former Julia Farr Services (JFS). The balance of the client trust accounts at 30 June 2008 was \$8.25 million (\$6.84 million). These amounts cannot be used by the Department to achieve its own objectives, and accordingly are not included in the controlled financial statements.

	2008 \$'000	2007 \$'000
Opening Balance 1 July	6 844	6 065
Add: Receipts	12 293	8 048
Less: Expenses	10 889	7 269
Closing Balance 30 June	8 248	6 844

A4. Grants and Contributions

Gamblers Rehabilitation	5 345	5 345
Charitable and Social Welfare	4 000	4 000
Concessions	58	73
Minister's Salary	241	227
Total Grants, Subsidies and Client Payments	9 644	9 645

A5. Rent, Fees and Charges

Rental income	411	-
Other	95	43
Total Rent, Fees and Charges	506	43

A6. Revenue from SA Government

Concessions	110 272	96 211
Community Service Obligations	15 274	10 204
Total Revenue from SA Government	125 546	106 415

A7. Grants, Subsidies and Client Payments

Gamblers rehabilitation	5 319	4 512
Charitable and Social Welfare	3 856	5 743
Concessions	111 502	107 913
Community Service Obligations	14 171	9 801
State Emergency Relief Fund	34	88
Total Grants, Subsidies and Client Payments	134 882	128 057

A8. Consultancies

The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:

	2008		2007	
	Number	\$'000	Number	\$'000
Below \$10 000	-	-	-	-
Between \$10 000 and \$50 000	1	18	1	14
Above \$50 000	-	-	1	82
Total Paid/Payable to the Consultants Engaged	1	18	2	96

A9. Property, Plant and Equipment**(1) Property, Plant and Equipment**

	2008 \$'000	2007 \$'000
Land and Buildings:		
Site land (fair value)	6 911	-
Buildings and improvements (fair value)	21 445	-
Less: Accumulated depreciation - Buildings and improvements	1 289	-
Total Land and Buildings	27 067	-

Reconciliation of Land and Buildings

The following table shows the movement of land, buildings and improvements, and leasehold improvements during 2007-08:

	Site Land \$'000	Buildings and Improvements \$'000	Total Land, Buildings \$'000
Carrying amount at 1 July through			
Administrative Restructure	6 911	20 801	27 712
Depreciation and amortisation for the year	-	(645)	(645)
Carrying Amount at 30 June	6 911	20 156	27 067

(2) Investment Property

	2008
	\$'000
Investment building	560
Revaluation increment (decrement)	-
Fair Value at 30 June	560
Investment land	579
Revaluation increment (decrement)	-
Fair Value at 30 June	579

(3) Non-Current Classified as Held-for-Sale

Administrative restructure	3 900
Settlement of the sale of the Ringwood land and building 31 August 2008	(3 900)
Carrying Amount at 30 June	-

A10. Cash Flow Reconciliations

	2008	2007
	\$'000	\$'000
Reconciliation of Cash at 30 June as per:		
Cash Flow Statement	23 393	15 716
Balance Sheet	23 393	15 716

Reconciliation of Net Cash Inflows (Outflows) from Operating Activities to Operating (Deficit) Surplus

Net cash provided by (used in) operating activities	1 303	(11 680)
<i>Add (Less): Non-Cash Items:</i>		
Depreciation and amortisation	(645)	-
Correction of prior period error	-	4
<i>Changes in Assets and Liabilities:</i>		
Increase in receivables	1 901	1
(Decrease) Increase in other assets	(2 264)	454
Decrease (Increase) in payables	439	(1 305)
Increase in employee benefits	(3)	(5)
Operating Surplus (Deficit)	731	(12 531)

A11. Administered Contingent Assets and Liabilities

The Department has no administered contingent assets and liabilities.

A12. Home for Incurables Trust

As part of wide ranging reforms relating to the delivery of disability services by the Department, effective 1 July 2007, JFS was dissolved and all assets and liabilities vested in or held by JFS were transferred or assigned or vested with the Minister for Disability. Certain assets held by the former JFS are subject to the terms and conditions of the Home for Incurables Trust. The Original Trust was established in June 1879 and was varied by the Supreme Court on 7 November 1997.

The former Board of Julia Farr Services was trustee of the Home for Incurables Trust and on dissolution, the Board of Julia Farr Services resolved to resign as trustee of the Home for Incurables Trust. The Minister for Disability is the trustee for the Home for Incurables Trust.

The role of the Trust is to apply property vested in it for the purpose of providing for persons whose ability to live independently is temporarily or permanently impaired or in jeopardy as a consequence of an acquired brain injury or degenerative neurological condition or a physical condition resulting in disability including but not limiting the foregoing in any way whatsoever, the following services and facilities:

- (a) *by providing for them, in a variety of residential, centre and community based settings*
- (i) *accommodation*
 - (ii) *nursing, medical, allied health and attendant care service*
 - (iii) *personal and community support services*
 - (iv) *technical and personal support aids*
 - (v) *rehabilitation, respite and recreational services*
 - (vi) *out patient and day care services*
 - (vii) *measures and services to enhance their quality of life*

A12. Home for Incurables Trust (continued)

- (b) by providing facilities for education research with respect to such persons; and
- (c) by providing any services and facilities ancillary or in relation to the foregoing or by providing additional services and facilities that may be appropriate from time to time.

The following Income, Expenditures, Assets and Liabilities of the Home for Incurables Trust have been included in the administered items financial statements, but are separately disclosed in the following schedules in accordance with the governance requirements of the Trust.

Schedule of Income and Expenses - Home for Incurables Trust for the year ended 30 June 2008

	2008 \$'000
Expenses:	
Property expenses	88
Depreciation and amortisation	645
Total Expenses	<u>733</u>
Income:	
Rental income	411
Interest	414
Total Income	<u>825</u>
Net Operating Surplus (Deficit)	<u>92</u>

Schedule of Assets and Liabilities - Home for Incurables Trust as at 30 June 2008

	2008 \$'000
Current Assets:	
Cash and cash equivalents:	
Deposits with the Treasurer	452
Deposits with SAFA	6 658
Total Current Assets	<u>7 110</u>
Non-Current Assets:	
Property, plant and equipment	27 067
Investment properties	1 139
Total Non-Current Assets	<u>28 206</u>
Total Assets	<u>35 316</u>
Total Liabilities	<u>-</u>
Net Assets	<u>35 316</u>

Schedule of Changes in Equity - Home for Incurables Trust for the year ended 30 June 2008

	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance on transfer at 1 July 2007	19 384	15 840	35 224
Net income/expense recognised directly to equity	-	-	-
Net operating result/deficit	-	92	92
Total Recognised Income and Expenses for the period	<u>-</u>	<u>92</u>	<u>92</u>
Balance at 30 June	<u>19 384</u>	<u>15 932</u>	<u>35 316</u>

Schedule of Administered Cash Flows - Home for Incurables Trust for the year ended 30 June 2008

	2008 \$'000
Cash Flows from Operating Activities:	
Cash Inflows:	
Interest revenue	414
Rental revenue	411
Total Cash Inflows	<u>825</u>
Cash Outflows:	
Property expenses	(88)
Total Cash Outflows	<u>(88)</u>
Net Cash Inflows from Operating Activities	<u>737</u>

Schedule of Administered Cash Flows - Home for Incurables Trust for the year ended 30 June 2008 (continued)

Cash Flows from Investing Activities:	2008
Cash Inflows:	\$'000
Proceeds from sale of property, plant and equipment	3 900
Total Cash Inflows	3 900
Net Cash Inflows from Investing Activities	3 900
Cash Flows from Financing Activities:	
Transfer on 1 July 2007	2 473
Total Cash Inflows	2 473
Total Cash Outflows	-
Net Cash Inflows from Financing Activities	2 473
Net Increase in Cash Held	7 110
Cash at 1 July	-
Cash at 30 June	7 110

Accounting Policies

The accounting policies pertaining to the administered items for the Department are contained in Note 2.

Cash and Cash Equivalents

Cash and cash equivalents as reported in the Balance Sheet includes cash on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily convertible to cash and which are subject to insignificant risk of changes in value. Cash and cash equivalents in the Cash Flow Statement comprise cash and cash equivalents as defined above. Cash is measured at nominal value.

Reconciliation of Property, Plant and Equipment - Home for Incurables Trust

Property, plant and equipment:	2008
Land and buildings:	\$'000
Site land (fair value)	6 911
Buildings and improvements (fair value)	21 445
Less: Accumulated depreciation - Buildings and improvements	(1 289)
Total Land and Buildings	27 067

Reconciliation of Land and Buildings - Home for Incurables Trust

The following table shows the movement of land, buildings and improvements, and leasehold improvements for the HFI Trust during 2007-08:

	Site Land	Buildings and Improvements	Total Land, Buildings
	\$'000	\$'000	\$'000
Carrying amount at 1 July through Administrative Restructure	6 911	20 801	27 712
Depreciation and amortisation for the year	-	(645)	(645)
Carrying Amount at 30 June	6 911	20 156	27 067

Investment Property - Home for Incurables Trust

	2008
	\$'000
Investment building	560
Revaluation increment (decrement)	-
Fair Value at 30 June	560
Investment land	579
Revaluation increment (decrement)	-
Fair Value at 30 June	579

Non-Current Classified as Held-for-Sale - Home for Incurables Trust

Ringwood land and building carrying amount at time of transfer through administrative restructure	3 900
Settlement of the sale of the Ringwood land and building 31 August 2008	(3 900)
Carrying Amount at 30 June	-

FLINDERS UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

Establishment

The Flinders University of South Australia (the University) was established pursuant to *The Flinders University of South Australia Act 1966*.

Functions

The functions of the University are to provide higher education and research in an environment which fosters creativeness, advances intellectual knowledge and facilitates accessibility with the wider public community.

The University has a financial interest in a number of entities as detailed in Notes 1, 36, 37 and 38 to the financial statements.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Regulations under the PFAA provide that the University is a public authority. Consequently, subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the University for each financial year.

Assessment of Controls

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

Scope of Audit

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

For the year ended 31 December 2007, specific areas of audit attention included:

- capital works
- revenue
- investments
- property, plant and equipment
- financial accounting
- payroll
- expenditure
- University governance and risk management
- information systems and computer processing environments.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Flinders University of South Australia and the consolidated entity as at 31 December 2007, and their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instruction's promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Support Act 2003* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Flinders University of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to expenditure as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Flinders University of South Australia have been conducted properly and in accordance with law.

Communication of Audit Matters

During the course of the audit a number of opportunities for the University to improve aspects of their processes were identified. These opportunities were detailed in a number of management letters to the officers responsible for the governance of the Flinders University of South Australia. Responses to the management letters were generally considered to be satisfactory. The main matters communicated are outlined below.

Expenditure

Some improvement was required in relation to the independent review of creditor payments. The notable matter related to authority delegation and limits.

Authority to incur expenditure and approve payments is delegated to selected University staff as a control mechanism to ensure that payments are incurred for university purposes. Audit testing revealed that the delegations were not adhered to in all instances and these were not detected prior to the payments being processed. Documents outlining the authority delegated to individual officers were unable to be located in all instances.

The University responded that they were currently implementing a new Policy on the Authorisation of University Expenditure, which will include implementing a process to centrally manage records of both delegations and sub-delegations. As a result of the revised Policy, an updated listing of sub-delegations will be presented to the University Council on an annual basis.

Payroll

There was a need to improve the process of evidencing the completion of reviews of certain employee bona fide information on key payroll reports by responsible review officers of schools and faculties.

The University indicated that they acknowledged the risks identified by Audit and would expand procedures to provide guidance to the schools and faculties, while recognising that the process followed within each school will vary according to the relative assessment of risk.

Financial Accounting

The processing of manual journal entries to the General Ledger was not, as a matter of consistency, backed up by supporting manual documentation and signed by the responsible officers.

The University broadly agreed with the recommendations made by Audit and commenced a process of reviewing the existing policy on journal authorisations.

Reconciliations

Audit noted the need to improve, or implement, or perform in a timely manner reconciliations associated with aspects of the revenue function, investment activity and General Ledger/ bank account operations.

The University agreed with the principles identified by Audit and accepted a number of the recommendations. In instances where the recommendation was not accepted, the University has identified other strategies in place which mitigate the identified risk.

Information and Communications Technology (ICT) Review

The 2008 Audit included specific review of aspects of ICT controls for the human resource management system (HRMS) and finance system, and some aspects of the finance system's computer processing environment. Also the University's use of electronic funds transfer facilities for these systems was reviewed.

Matters of importance to the University's ICT security and specific to the two systems were raised for management attention.

General-wide Security and Control Issues

The notable issues raised included:

- an over-arching security policy is still to be endorsed and implemented
- formal standards have not been established to facilitate the assessment and implementation of databases and/or system software (and subsequent changes) procured from external vendors. In addition, changes to system software are not undertaken within an approved documented change process
- security within the computer room did not provide for physical isolation of computing facilities storing or processing sensitive information. An assessment of database and information from a security viewpoint needed to be performed to determine appropriate physical controls
- support management for anti-virus software for main shared computer facilities (servers) was not documented and not subject to regular audits
- management review the requirement for the logging of relevant network activity for analysis of unauthorised access/intrusion attempts
- a business continuity plan in conjunction with a disaster recovery plan for information technology infrastructure is yet to be developed.

System Specific Issues

The review of certain ICT controls over the HRMS and finance systems raised the following issues:

- For the HRMS there was little documentation that clearly outlined the security/user profiles of staff to evidence adequate segregation of duties practices presently and to evaluate for ongoing staff changes.
- It was noted that new or revised finance system reports were tested in the production database. This is normally undertaken in a test environment to avoid the risk of adversely affecting the production system.

University Response

A reply providing specific responses to the matters raised was received from the University.

The University indicated in its reply that their specific responses to the matters raised would be addressed in the context of resource availability and risk assessment.

The University, for example, has responded that it will establish an information security policy as soon as it is practical.

For certain matters no action is planned based on their assessment of risk. For example, the University has assessed as reasonable the use of the production environment for the testing of finance system reports.

For most of the matters it has proposed remedial actions (consistent with audit recommendations or differently) based on the assessment of risk or resource availability, and with implementation times around the end of 2008 or into 2009.

Matters to be attended to by the end of 2008 or into 2009 or later relate to, for example, the improvement in documentation standards and some aspects of change control processes, enhancement of computer room security, development of business continuity and disaster recovery plans, and documentation of security user profiles of staff for HRMS.

It is considered that some of these matters can commence or nearly be addressed before the end of 2008. Also, that where certain proposed actions have been determined on the basis of risk assessments, those risk assessments should be formally documented. Audit will conduct a follow up review in early 2009 to confirm the implementation of remedial actions, including whether formal risk assessments have been undertaken.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report (Consolidated)

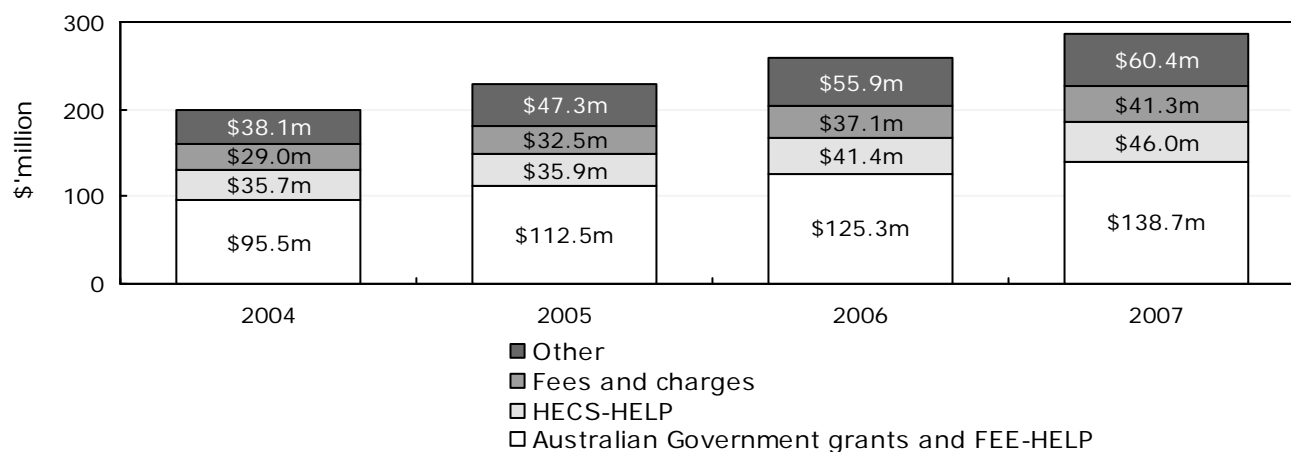
	2007 \$'million	2006 \$'million	Percentage Change
INCOME			
Australian Government grants and FEE-HELP	139	125	11
HECS-HELP (Australian Government and student)	46	42	10
Fees and charges	41	37	11
Other	61	56	9
Total Income	287	260	10
EXPENSES			
Employee benefits and on-costs	168	150	12
Other expenses	92	90	2
Total Expenses	260	240	8
Operating Result	27	20	35
NET CASH PROVIDED BY OPERATING ACTIVITIES	31	31	-
ASSETS			
Current assets	121	116	4
Non-current assets	340	210	62
Total Assets	461	326	41
LIABILITIES			
Current liabilities	44	40	10
Non-current liabilities	46	47	(2)
Total Liabilities	90	87	3
EQUITY	371	239	55

Income Statement

Income

Revenue increased by \$27 million (10 percent). This is mainly due to increases in Australian Government grants of \$14 million (11 percent), HECS-HELP of \$4 million (10 percent) and Fees and charges of \$4 million (11 percent). The increase in Australian Government grants was due mainly to a \$8 million increase in Commonwealth Grants Scheme funding and a \$5 million increase in Other Australian Government Financial Assistance. HECS-HELP revenue has increased as a result of an increase in domestic student enrolments while the increase in Fees and charges is predominantly due to the increase in fee-paying overseas students.

A structural analysis of operating income for the University for the four years to 2007 is presented in the following chart.

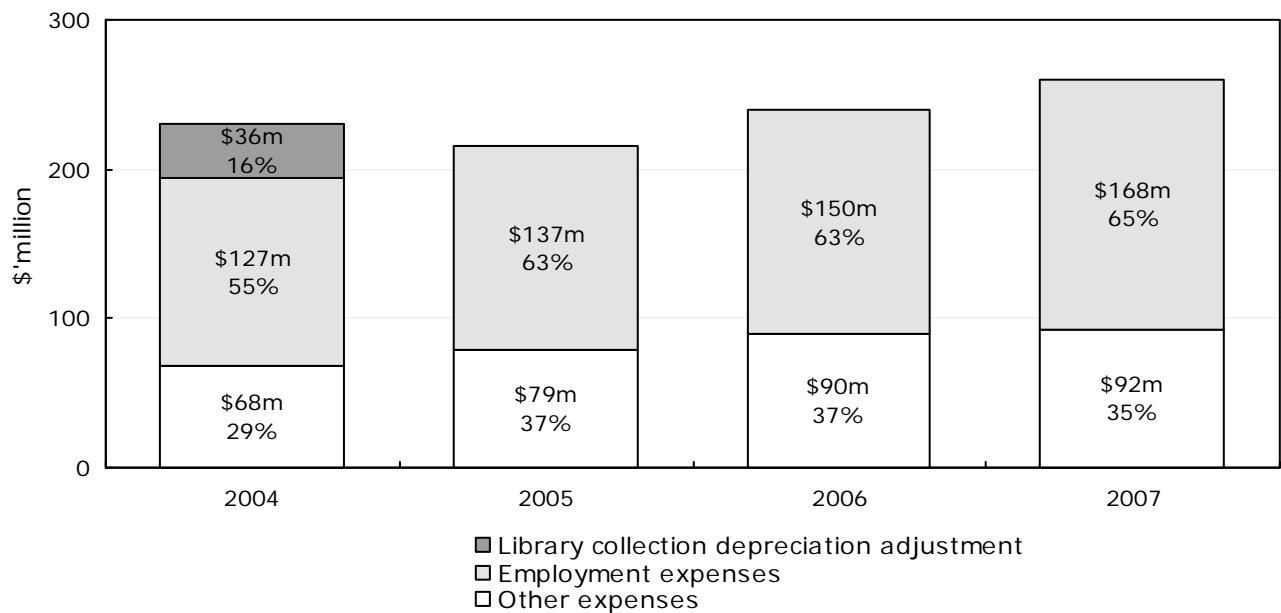


The preceding chart shows that the University is dependent to a large extent on financial assistance from the Australian Government. The chart also demonstrates that the overall revenues from other sources have remained consistent as a proportion of the total revenue raised by the University.

Expenses

Total expenses increased by \$20 million (8 percent). The main reason for the increase was an increase in Employment Benefits of \$18 million (12 percent). Employment Benefit expenses increased as a result of Workplace Agreement increases, effective from January and June 2007, resulting in salary increases for University staff, combined with an increase in overall staff numbers.

For the four years to 2007, a structural analysis of the main operating expense items for the University is shown in the following chart.

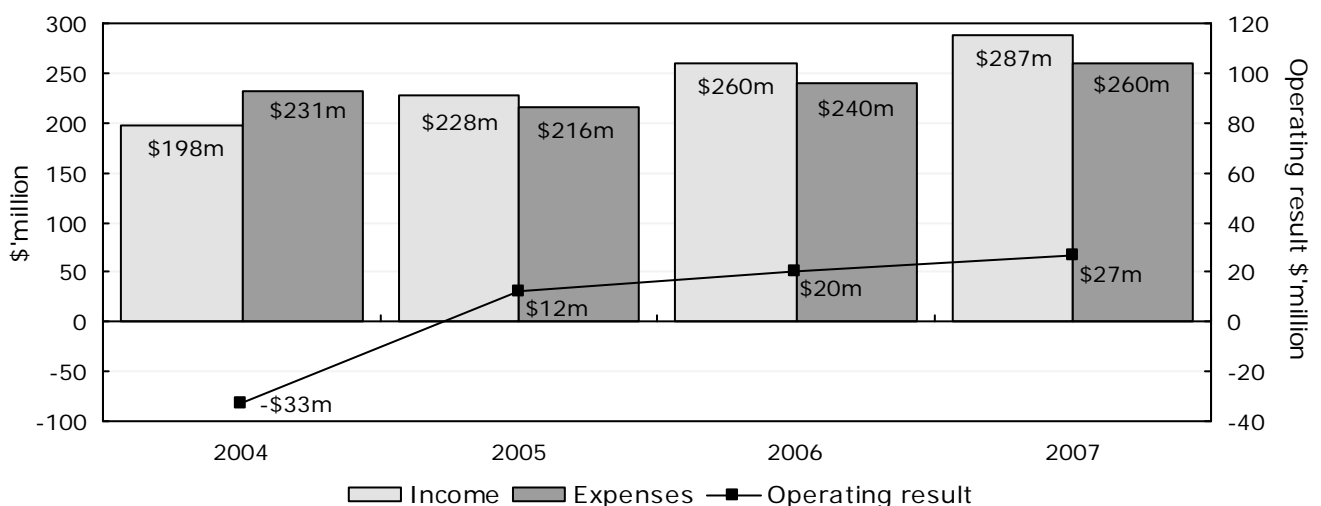


The preceding chart shows that the proportion of employment expenses to total expenditure has remained relatively constant since 2005. The proportion was lower in 2004 due primarily to the impact of the recognition of the Library Collection Depreciation Adjustment of \$36 million, resulting from the revision of the estimated useful lives of the University's Library Collection.

Operating Result

The following chart shows the operating income, operating expenses and the operating result for the four years to 2007. The chart shows that the University recorded a deficit in 2004 followed by a series of surpluses between 2005 and 2007.

The deficit recorded in 2004 was due mainly to the recognition of a Library Collection Depreciation Adjustment.



Balance Sheet

From 2006 to 2007 assets increased by \$135 million (41 percent) and liabilities increased by \$3 million (3 percent).

The value of non-current assets increased by \$130 million (62 percent) attributable to a \$5 million (90 percent) increase in the value of Investment Property and a \$125 million (75 percent) increase in the value of Property, Plant and Equipment as a result of revaluations and additions.

The increase in total liabilities was mainly the result of \$4 million (42 percent) increase in Provisions. This increase is principally the result of an increase in the Annual Leave Provision.

Cash Flow Statement

The following table summarises the net cash flows for 2007 and 2006.

	2007 \$'million	2006 \$'million
Net Cash Flows		
Operations	31	31
Investing	(32)	(16)
Change in Cash	(1)	15
Cash at 31 December	79	80

Net cash inflow from operating activities showed no overall movement between the two years.

Net cash outflow from investing activities mainly reflects the University's significant purchases of property, plant and equipment.

Income Statement for the year ended 31 December 2007

		Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
REVENUE FROM CONTINUING OPERATIONS:	Note				
Australian Government financial assistance:					
Australian Government grants	1(o),2	136 205	122 897	135 634	122 578
HECS-HELP - Australian Government payments	2	39 890	35 314	39 890	35 314
FEE-HELP	2	2 523	2 439	2 523	2 439
State and local Government financial assistance	3	9 276	9 379	9 106	9 210
HECS-HELP - Student Payments		6 088	6 120	6 088	6 120
Fees and charges	1(o),4	41 333	37 137	39 888	35 709
Investment income	1(o),5	15 621	8 634	14 339	8 084
Royalties, trademarks and licenses	6	2 912	1 339	2 770	1 174
Consultancy and contracts	1(o),7	16 789	19 540	9 264	7 569
Other revenue and income	8	15 789	16 520	10 544	10 832
Share of net results of associates using the equity method	37	-	391	-	-
Sub Total		286 426	259 710	270 046	239 029
Deferred Government superannuation contributions	1(h),34	-	900	-	900
Total Revenue from Continuing Operations		286 426	260 610	270 046	239 929
Gains (losses) on disposal of assets	9	128	151	128	145
Total Income from Continuing Operations		286 554	260 761	270 174	240 074
EXPENSES FROM CONTINUING OPERATIONS:					
Employee benefits and on-costs	10	167 776	150 275	161 301	146 229
Depreciation and amortisation	11	10 636	10 933	10 465	10 899
Repairs and maintenance	12	10 900	9 888	10 775	9 796
Impairment of assets	13	1 686	2 099	137	1 811
Other expenses	14	68 682	66 701	58 765	53 535
Sub Total		259 680	239 896	241 443	222 270
Deferred employee benefits for superannuation	1(h),10,34	-	900	-	900
Total Expenses from Continuing Operations		259 680	240 796	241 443	223 170
OPERATING RESULT FOR THE YEAR		26 874	19 965	28 731	16 904
Operating Result attributable to minority interest	27	(13)	-	-	-
OPERATING RESULT ATTRIBUTABLE TO THE UNIVERSITY		26 887	19 965	28 731	16 904

Balance Sheet as at 31 December 2007

		Consolidated		University	
		2007	2006	2007	2006
ASSETS:	Note	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS:					
Cash and cash equivalents	1(d),15	79 177	80 236	77 463	78 118
Receivables	1(d),16	18 359	11 242	16 886	9 661
Inventories	1(l),17	487	508	209	206
Other financial assets	1(d),18	20 155	19 942	18 719	17 422
Other non-financial assets	19	3 075	3 924	3 078	3 916
Total Current Assets		121 253	115 852	116 355	109 323
NON-CURRENT ASSETS:					
Receivables	1(d),16	28 047	27 080	28 047	27 080
Investment property	1(e),20	11 134	5 855	11 134	5 855
Property, plant and equipment	1(p),21	290 028	165 821	289 379	165 088
Other financial assets	1(d),18	8 152	7 016	12 847	13 314
Intangible assets	1(g),22	2 785	4 539	2 674	2 817
Total Non-Current Assets		340 146	210 311	344 081	214 154
Total Assets		461 399	326 163	460 436	323 477
LIABILITIES:					
CURRENT LIABILITIES:					
Trade and other payables	1(d),23	19 159	16 726	17 420	14 584
Provisions	1(h),1(j),24	15 261	10 693	14 991	10 388
Other liabilities	1(d),25	9 786	12 447	12 237	14 933
Total Current Liabilities		44 206	39 866	44 648	39 905
NON-CURRENT LIABILITIES:					
Trade and other payables	1(d),23	3 814	3 814	3 793	3 784
Provisions	1(h),1(j),24	42 046	42 700	41 819	42 491
Total Non-Current Liabilities		45 860	46 514	45 612	46 275
Total Liabilities		90 066	86 380	90 260	86 180
NET ASSETS		371 333	239 783	370 176	237 297
EQUITY:					
Parent entity interest:					
Reserves	26	162 655	56 388	169 768	64 029
Retained surplus	26	208 676	183 380	200 408	173 268
Total Parent Entity Interest		371 331	239 768	370 176	237 297
Minority interest	27	2	15	-	-
TOTAL EQUITY		371 333	239 783	370 176	237 297

Statement of Recognised Income and Expense for the year ended 31 December 2007

	Note	Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Total Equity at 1 January		239 783	217 411	237 297	215 165
Gain on revaluation of land and buildings	26	99 988	1 239	99 988	1 239
Gain on revaluation of library collection	26	4 125	-	4 125	-
Gain on revaluation of art collection	26	700	900	700	900
Gain (Loss) on revaluation of Available-for-sale investments	26	643	377	(405)	3 198
Transfer of building revaluation reserve to operating result as reversal of previous decrement expense	26	(671)	-	(151)	-
AASB 119 adjustment - Super Scheme No. 1 surplus	18,26	(109)	(109)	(109)	(109)
Net income recognised directly in equity		104 676	2 407	104 148	5 228
Operating result for the year		26 874	19 965	28 731	16 904
Total Recognised Income and Expense for the Year		131 550	22 372	132 879	22 132
Total Equity at 31 December		371 333	239 783	370 176	237 297
Total recognised income and expense for the year is attributable to:					
University		131 563	22 372	132 879	22 132
Minority interest	27	(13)	-	-	-
		131 550	22 372	132 879	22 132

Cash Flow Statement for the year ended 31 December 2007

		Consolidated		University	
		2007	2006	2007	2006
		Inflows	Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)	(Outflows)
Note		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Australian Government grants received	2(h)	175 772	155 875	175 201	155 809
State Government grants received		9 235	8 419	9 065	8 322
Local Government grants received		41	29	41	29
HECS-HELP - Student payments		6 088	6 120	6 088	6 120
Receipts from student fees and other customers		69 859	85 830	57 907	69 313
Dividends received		519	432	386	278
Interest received		6 443	5 872	6 190	5 741
Other investment income		2 573	779	1 187	832
Payments to suppliers and employees (inclusive of GST)		(239 351)	(232 173)	(222 541)	(215 162)
Net Cash provided by Operating Activities	41	31 179	31 183	33 524	31 282
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property, plant and equipment		540	631	540	614
Payments for property, plant and equipment		(30 108)	(14 377)	(30 021)	(14 551)
Proceeds from sale of financial assets		-	2 307	-	2 307
Payments for financial assets		(70)	(1 465)	(70)	(1 340)
Increase (Decrease) in funds held on behalf of other entities		(2 600)	(3 256)	(4 628)	(2 867)
Net Cash used in Investing Activities		(32 238)	(16 160)	(34 179)	(15 837)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings		-	-	-	-
Net Cash provided by Financing Activities		-	-	-	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS					
		(1 059)	15 023	(655)	15 445
CASH AND CASH EQUIVALENTS AT 1 JANUARY		80 236	65 213	78 118	62 673
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	1(d)(i), 41	79 177	80 236	77 463	78 118
Non-cash financing and investing activities	42				

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the years presented unless otherwise stated.

(a) Basis of Preparation

The financial statements are a general purpose financial report. They have been prepared on a full accrual basis and in accordance with AASs, AASB Interpretations, the requirements of the Department of Education, Employment and Workplace Relations (DEEWR)* and other State/Australian Government legislative requirements.

(a) Basis of Preparation (continued)

The financial statements are generally consistent with relevant provisions of the TIs issued pursuant to the PFAA and the APF issued pursuant to the TIs, except where they conflict with the DEEWR guidelines.

The financial report has been prepared based on a 12 month operating cycle and is presented in Australian dollars.

The consolidated financial statements (the Economic entity) comprise the accounts of the University (the Parent entity) and all of its subsidiaries.

Compliance with International Financial Reporting Standards (IFRS)

AASs include AIFRS. The financial statements and notes comply with the AASs some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

Historical Cost Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical Accounting Estimates

The preparation of financial statements in conformity with AASs requires management to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements are made by management in the application of AASs that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in this accounting policy note and relevant notes to the financial statements. The main items with critical assumptions are DEEWR financial assistance for student load, superannuation receivable and provision, investment classifications, valuation of property, plant and equipment where not independently valued, long service leave liability, annual leave liability, workers compensation provision and depreciation.

* DEEWR requirements are specified in the publication 'Financial Statement Guidelines for Australian Higher Education Providers for the 2007 Reporting Period'.

(b) Principles of Consolidation*(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University as at 31 December and the revenues and expenses of all subsidiaries for the financial years shown. The consolidated financial statements (the Economic entity) comprise the accounts of the University (the Parent entity) and all of its subsidiaries. A subsidiary is any entity controlled by the University. Control exists where the University has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. A list of subsidiaries is contained in Note 36.

Unrealised gains on transactions between the Economic entity and its subsidiaries are eliminated to the extent of the Economic entity's interest in the subsidiaries. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Economic entity.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated Income Statement and Balance Sheet respectively.

(ii) Associates

Associates are entities over which the Economic entity has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. Where material, investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Economic entity's investment in associates is shown in Note 37.

The Economic entity's share of its associates' post-acquisition profits or losses is recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's Income Statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

(ii) *Associates (continued)*

When the Economic entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Economic entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The effects of transactions between the University and its associates have been eliminated on consolidation.

(c) **Depreciation and Amortisation**

The basis for depreciation and the depreciation rates are reviewed annually. Depreciation is calculated on a straight line basis on all property, plant and equipment, other than land and works of art, which are not depreciated. The following rates are based on the estimated useful life of the assets to the University:

	<i>Percentage</i>
Depreciation:	
Buildings and infrastructure	2.5
Equipment:	
Motor vehicles	20.0
General equipment	16.7
Computer hardware	33.3
Furniture	10.0
Aircraft	10.0
Library collection	10.0
Amortisation:	
Computer software	20.0

The gross amount of depreciable assets and the related accumulated depreciation is provided within Note 21. Depreciation expense by asset class is shown in Note 11.

(d) **Financial Instruments**

(i) *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand and at bank, deposits with financial institutions at call within 3 days and term deposits less than 90 days that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank accounts are recognised at nominal amounts. Note disclosure is made in Note 15.

For the Balance Sheet, Cash and cash equivalents exclude bank overdrafts, as they are included within other liabilities.

For the Cash Flow Statement, cash and cash equivalents are net of bank overdrafts.

(ii) *Receivables*

Receivables are shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (provision for doubtful debts). The University's credit terms are net 30 days. Note disclosure is made in Note 16.

Details regarding the receivable from the Australian Government relating to the State Superannuation Scheme are disclosed in Note 1(h)(iv) 'Superannuation'.

(iii) *Financial Assets (Investments)*

Subsequent to initial recognition, investments in subsidiaries are measured at fair value. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the parent entity financial statements.

In accordance with AASB 139 other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial Assets at Fair Value through Profit or Loss

The consolidated entity has classified certain shares, convertible notes and property trust investments as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Held-to-maturity Investments

Indexed bonds and fixed interest securities are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

Available-for-sale Financial Assets

Certain shares held are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period. This category includes investments classified as 'Available-for-sale' and any investments that do not fit the definitions for inclusion in the previous categories. Consequently it should not be assumed that the University has plans to dispose of these assets.

Loans and Receivables

Trade receivables, loans, and other receivables are recorded at cost less impairment.

The carrying amount of investments is reviewed annually by the University to ensure that all items are carried at fair value. Note disclosure for financial assets (investments) is made in Note 18.

(iv) *Payables*

Payables are shown at amounts due to suppliers, inclusive of GST and exclusive of any applicable discounts that will be taken. Note disclosure is made in Note 23. The amounts are unsecured and are usually paid within 30 days of recognition.

(v) *Interest Bearing Liabilities*

The University has no loans or borrowings. However the University receives deposits from subsidiaries, certain joint ventures and related external entities for group investment along with University funds and shares the investment income with those entities. Note disclosure is made in Note 25.

(vi) *Other Liabilities: Funds Held on behalf of External Entities*

Funds held on behalf of external entities are shown at amounts due. These do not incur any interest charges. Note disclosure is made in Note 25.

(e) *Investment Property*

Investment properties exclude properties held to meet service delivery objectives of the University. The University holds two investment properties which are measured on a fair value basis. Independent valuations are undertaken triennially. At each reporting date, the reported value is reviewed to ensure that it does not differ materially from the property's fair value at that date. Changes to fair value are recorded in the Income Statement as other income.

The University acquired the Mark Oliphant building in 2000 as an investment property. The intention was, and still is, to make returns from capital appreciation and rentals. The property is off campus and the majority of tenants are external entities. Where subsidiaries or internal units of the University occupy space, rental is charged. This contrasts with space in the University where no charges are applied. There are no restrictions on the realisability of investment property or remittance of income from it.

In 2006 the Remote Health Precinct was completed. A portion of this property is treated as an investment property and as at 31 December is shown at fair value. Note disclosure is made in Note 20.

The investment properties were independently valued at fair value as at 31 December 2007 by Peter Lornie AAPI CPV, BComm (VFM) of Southwick Goodyear Pty Ltd.

(f) *Website Costs*

Costs in relation to websites are charged as expenses in the period in which they are incurred.

(g) *Intangible Assets*

(i) *Research and Development*

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Income Statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Income Statement as an expense when incurred.

The University expenses development costs when incurred, as the expenses are not recoverable beyond reasonable doubt. One of the University's subsidiaries, Flinders Partners Pty Ltd, has the rights to commercialise intellectual property arising from the University. Development costs incurred by Flinders Partners Pty Ltd are treated as deferred expenditure:

- during the assessment phase of projects, until financial viability is determined; and
- for projects expected to be financially viable, to offset future revenue.

(i) *Research and Development (continued)*

Development costs treated as deferred expenditure are included in the Consolidated Balance Sheet and are disclosed under Note 22 as Project costs carried forward.

The recoverability of deferred expenditure is reviewed annually and any amounts previously deferred that are no longer expected to be recovered are charged to the Net Operating Result.

(ii) *Software Costs*

The University capitalises certain software costs with a purchase price greater than \$50 000 and an expected useful life greater than 12 months, together with external costs associated with implementation. These are recorded on the basis of cost and then amortised once the system is operational. Note disclosure is made in Note 22.

(h) *Employee Expenses*

Employee expenses expected to be settled within one year have been recognised at their nominal amount. These liabilities are measured at the amounts expected to be paid when the liability is settled. On-costs on the leave liabilities accruing to employees are recognised as provisions and on costs not accruing to employees are classed as payables as required under SA State Government APF IV (APS 5.25). Benefits expected to be settled later than one year have been measured at the present value of the estimated applicable future cash flows to be made for those benefits and related on costs.

(i) *Long Service Leave*

The long service leave liability is independently actuarially estimated each year in accordance with AASB 119. The last update was performed at 31 December 2007 by Stuart Mules, FIAA, of Mercer Human Resource Consulting Pty Ltd. The assumptions used by the actuary include:

- investment earnings rate of 6.3 percent per annum
- salary inflation rate of 5 percent per annum
- on-costs have been applied at the rate of 28 percent
- the proportion of leave taken in service is 70 percent, the balance at termination of service.

The current portion represents the amount expected to be paid in the following 12 months. Note disclosure is made in Notes 23 and 24.

(ii) *Annual Leave*

Up until 2006, the University's liability for unused annual leave applied only to non-academic staff. Prior to 21 August 2006, in accordance with conditions of employment, academic staff were generally required to take annual leave each year in the year in which it was earned and no formal records were maintained. Accordingly no annual leave liability was recorded at year end for academic staff.

As a result of Federal Work Choices legislation, the University is required to formally record academic annual leave which it has done with effect from 21 August 2006.

The calculation to measure the value of annual leave has assumed a 4 percent salary inflation factor, as required by the SA State Government APF IV (APS5.5). The current portion represents the amount expected to be paid in the following 12 months. Note disclosure is made in Notes 23 and 24.

(iii) *Sick Leave*

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken each year is less than the annual entitlement for sick leave.

(iv) *Superannuation*

Superannuation Schemes

Superannuation schemes exist to provide benefits to University employees and their dependents upon resignation, retirement, disability or death. The contributions made to these schemes by the University and the emerging cost from unfunded schemes are expensed in the Income Statement. Except in the case of multi-employer plans such as UniSuper, the University recognises, as an asset or a liability, the difference between the employer established defined benefit superannuation plan's accrued benefits and the net market value of the plan's assets. Note 34 provides details in respect of the individual schemes.

Superannuation Scheme No. 1

Actuarial gains or losses are recognised in the Statement of Recognised Income and Expense in the period to which they relate.

Unfunded Superannuation - State Superannuation Scheme

An arrangement exists between the Australian Government and the State Government to meet the unfunded liability for the University's beneficiaries of the State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by the *State Grants (General Revenue) Amendment Act 1987*, *Higher Education Funding Act 1988* and subsequent amending legislation. Accordingly the unfunded liabilities have been recognised in the Balance Sheet under Provisions with a corresponding asset recognised under Receivables. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the University or the Economic entity.

(v) *Invalidity Scheme*

The Invalidity Scheme exists to provide benefits to certain members of University Superannuation Scheme No. 1 and a small number of other staff in the event of invalidity. The University calculates the present liability of the Scheme by estimating the net present value of future insurance premiums together with an assessment of the probable amount that will be paid above the level of insurance cover. Details are disclosed in Notes 24 and 34.

(vi) *Redundancy/Severance*

Provision is made for redundancy payments in circumstances where the University has formally approved individuals' redundancies and a reliable estimate of the amount of the payments can be determined.

Provision is also made for severance payments where it is probable payments will be made under industrial awards for fixed-term staff. The liability for severance payments is disclosed in Note 24.

(i) *Foreign Currency*

(i) *Functional and Presentation Currency*

The consolidated financial statements are presented in Australian dollars which is the Economic entity's functional and presentation currency.

(ii) *Transactions and Balances*

Foreign currency transactions were converted to Australian currency at the rates of exchange prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. There were no material foreign currency monetary items outstanding at balance date.

(j) *Workers Compensation*

The University is responsible for payments of workers compensation and is registered with WorkCover SA as an exempt employer. Unisure Pty Ltd administers workers compensation arrangements on behalf of the University.

The provision for workers compensation liability is actuarially determined each year. The method used is the claims paid development method where all past claims are brought to current values with an allowance for late claims reporting and administration costs. The liability for workers compensation is disclosed in Note 24.

(k) *GST*

The University recognises revenues and expenses net of the amount of GST, except where the amount of GST incurred by the University is not recoverable from the taxation authority.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

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

Commitments and contingencies are disclosed net of GST recoverable from or payable to the ATO.

(l) *Inventories*

Inventories are stores of consumable items including printing and maintenance materials and are measured at cost. Annual stocktakes are used to verify inventory account balances. Other small inventories of consumable items including stationery, fuel and antisera are expensed as purchased. Note disclosure is made in Note 17.

(m) *Investments in Business Undertakings*

Subsidiaries

Investments in subsidiaries are carried in the University's Balance Sheet at fair value. Dividends are brought to account when they are declared. Note disclosure is made in Note 36.

Associates

Investments in Associates are valued at the lower of cost or recoverable amount in the University's financial statements. On consolidation, the investment is equity accounted. Note disclosure is made in Note 37.

Joint Ventures

Joint Venture Operations

The University's interest in the share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the University's Balance Sheet and Income Statement, where material. Details of joint ventures are included in Note 38.

Joint Venture Entities

The University has no material interest in joint venture entities and does not include any amount in the financial statements for its interest in joint venture entities. Disclosure is made in Note 38.

(n) Leased Assets

University as Lessee

Leases of assets where substantially all the risks and benefits of ownership, but not legal ownership, are transferred to the University are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual value. They are then amortised on a straight line basis over the lease term.

Leases of assets where substantially all the risks and benefits of ownership remain with the lessor are classified as operating leases. Payments made under an operating lease are expensed in the period to which the payment relates.

University as Lessor

The University leases space in two investment properties to external entities. Accommodation on campus is leased to students. The University also leases a small amount of space on its main campus to commercial entities for provision of services to students and staff and a portion of the Lincoln Marine Science Centre to other research entities. The leases are all classified as operating leases.

The University has included commitments for lease options where it is reasonably certain that the lease option will be exercised. Note disclosure is made in Note 33(b).

(o) Revenue Recognition

(i) Australian Government Financial Assistance

DEEWR provide annual grants for teaching and research to the University each year and these are brought to account in the period in which they are received because the University has control of the funds and there is not a direct reciprocal obligation to DEEWR. Certain grants are paid on a provisional basis, eg for student load, with funding adjustments made in the following year. Where material, the University makes appropriate estimates and adjusts the revenue in the year to which it relates.

Other revenue from DEEWR is brought to account when earned.

Other Commonwealth grant revenue is recognised when received.

Note disclosure is made in Note 2.

(ii) Consultancy and Contract Research

Revenue from consultancy and contract research is recognised in the period in which the consultancies/contract services are provided. Research grant revenue is recognised as revenue when received. Note disclosure is made in Note 7.

(iii) Donations

Donations are received in cash and non-cash forms. Non-cash donations are recognised at the University's estimate of the fair value of the items donated. Note disclosure is made in Note 8.

(iv) Fees and Charges: Student Revenue

Revenue comprises fees from students for the provision of courses. The fees are recognised in the periods during which the courses are provided. Note disclosure is made in Note 4.

(v) Investment Income

Interest income is recognised as it accrues. For 'Held-to-maturity assets', the indexation component of indexed bonds is recorded as revenue in the year that it is earned. Dividend income and imputation credits are recognised only when declared before 31 December reporting date.

Income distributions from Managed Funds are recognised on receipt of official advice from investment companies of the University's entitlement to distributions. All movements in the value of investments classified as 'financial assets at fair value through profit and loss' are included in the Net Operating Result. For 'Available-for-sale investments' and investments classified as 'Other financial assets', realised gains are included in the Net Operating Result while unrealised gains and losses are taken to the Asset Revaluation Reserve for Investments except to the extent that unrealised losses exceed previous revaluation increments for all investments held in that reserve. Note disclosure is made in Note 5.

(p) Property, Plant and Equipment

Property, plant and equipment are measured on a fair value basis. At each reporting date, the value of each asset class is reviewed to ensure that it does not differ materially from the asset class' fair value at that date. Where necessary, the asset class is revalued to reflect its fair value. Note disclosure is made in Note 21.

- (i) **Land**
Land occupied by the University is owned by the University in its own right and by the State Government. The value of land owned by the State Government is reflected in the University's financial statements on the basis that the University effectively controls the land occupied.
- Land controlled by the University was independently revalued as at 31 December 2007 by Peter Lornie AAPI CPV, BComm (VFM) of Southwick Goodyear Pty Ltd. Comprehensive independent land valuations are undertaken triennially.
- (ii) **Buildings and Infrastructure**
Buildings and infrastructure controlled by the Consolidated entity were independently revalued as at 31 December 2007 by Peter Lornie BComm (VFM) AAPI CPV and Richard Wood BAppSc (Val) AAPI CPV of Southwick Goodyear Pty Ltd. Comprehensive independent valuations are undertaken triennially.
- Buildings under construction are measured at cost.
- (iii) **Library Collection**
The Library collection was revalued in 2004 at Council's valuation. Additions in 2005, 2006 and 2007 were initially recorded at cost. As at 31 December 2007 the collection was revalued to reflect fair value and is reported at Council's valuation. The value is depreciated over a 10 year period on a straight-line basis with assets at 10 years being disposed of for accounting purposes.
- (iv) **Equipment**
This class of assets includes computer hardware (not software), furniture, vehicles, marine and general equipment. Individual items costing \$10 000 or more are capitalised and recorded in the Balance Sheet initially at cost. Items costing less than \$10 000 are recognised as an expense in the Income Statement in the period acquired. The depreciated value of equipment is deemed to be its fair value.
- (v) **Aircraft**
Individual items costing \$10 000 or more are initially capitalised and recorded in the Balance Sheet at cost. Items costing less than \$10 000 are recognised as an expense in the Income Statement in the period acquired. The carrying values of aircraft are reviewed annually by University management to ensure that they are carried at fair value.
- (vi) **Works of Art**
The Works of Art collection was revalued as at 31 December 2007 and is reported at Council's valuation based on fair value.
- (q) **Impairment of Assets**
At each reporting date, the University undertakes an assessment of its significant assets to determine if there is any evidence of impairment. Where an impairment exists, the University recognises an impairment loss. This is calculated as the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.
- (r) **Doubtful Debts**
The collectability of receivables is assessed at balance date and provision made for any doubtful debts. Note disclosure is made in Note 16.
- (s) **Income Tax Status**
The activities of the University are exempt from income tax as are all but two of its wholly-owned subsidiaries. One of the subsidiaries, Flinders Reproductive Medicine Pty Ltd, operating through the Flinders ART Clinic Trust is subject to income tax but fully distributes all net earnings, so no tax is payable.
- The University is subject to FBT, the GST and payroll tax.
- (t) **Borrowing Costs**
When applicable, borrowing costs are recognised as an expense in the period incurred. At present neither the University nor the Economic entity has any borrowings.
- (u) **Current and Non-Current Classification**
Assets and liabilities are characterised as either current or non-current. The University and the Economic entity operate on a 12 month operating cycle. Assets and liabilities that are sold, consumed or realised as part of the 12 month operating cycle are classified as current. All other assets and liabilities are classified as non-current.
- (v) **Rounding to the Nearest \$'000**
Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.

(w) New or Revised Australian Accounting Standards

The University did not early adopt any new or revised accounting standards that are not yet effective.

The following new or revised Accounting Standards have been issued but are not yet effective:

- AASB 8 Operating Segments (1 January 2009)
- AASB 101 Presentation of Financial Statements (1 January 2009)
- AASB 102 Inventories (1 January 2009)
- AASB 123 Borrowing Costs (1 January 2009)

The University has assessed the impact of these new Standards and Interpretations and considers the impact to be insignificant, but notes that AASB 101 will require restructuring of the financial statements.

(x) Comparative Figures

The previous year's figures are provided in the financial statements for comparative purposes. Where practicable, comparative figures have been adjusted to conform to changes in presentation and classification in the present year.

The 2006 comparatives have been adjusted so that:

- (i) Certain investments previously incorrectly identified as held-to-maturity have now been moved to managed funds. This has decreased investment income by \$19 000 for both the University and the Economic entity, decreasing the operating surplus by this amount as noted in the Income Statement. This has also resulted in an increase in total current assets of \$415 000 and a corresponding decrease in total non-current assets.
- (ii) Previously scholarship revenue was shown under Other revenue. This has been adjusted so that scholarship revenue sourced from the Australian and State Governments is now included under these respective headings. The changes do not affect total revenue or the operating surplus for 2006.
- (iii) Following advice from DEEWR that Statutory Funds was not a mandatory reporting requirement for the 2007 financial statements, these amounts have been combined with Reserves.
- (iv) For 2007 DEEWR require that impairment expense be shown on the face of the Income Statement instead of included within Other expenses. Similarly, Bad debts expense is now shown as part of Other expenses rather than on the face of the Income Statement.
- (v) Some other items of revenue have been reassigned to different line items to improve the accuracy of these line items. The changes do not affect total revenue or the operating surplus for 2006.

(y) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year.

2.	Australian Government Financial Assistance including HECS-HELP and other Australian Government Loan Programmes	Note	Consolidated		University	
			2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(a)	Commonwealth Grants Scheme and Other Grants	46.1				
	Commonwealth Grants Scheme (CGS) #		68 316	62 725	68 316	62 725
	Indigenous Support Fund		507	426	507	426
	Equity Support Programme		252	222	252	222
	Disability Support Programme		125	134	125	134
	Workplace Reform Programme		899	845	899	845
	Workplace Productivity Programme		52	363	52	363
	Learning and Teaching Performance Fund		1 926	-	1 926	-
	Capital Development Pool		1 061	-	1 061	-
	Superannuation Programme		1 022	1 745	1 022	1 745
	Collaboration and Structural Reform Programme		99	-	99	-
	Total Commonwealth Grants Scheme and Other Grants		74 259	66 460	74 259	66 460
(b)	Higher Education Loan Programmes	46.2				
	HECS-HELP		39 890	35 314	39 890	35 314
	FEE-HELP		2 523	2 439	2 523	2 439
	Total Higher Education Loan Programmes		42 413	37 753	42 413	37 753

Includes the basic CGS grant amount, CGS-Regional loading, CGS-Enabling loading and HEFA Transition Fund.

		Consolidated		University	
	Note	2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
(c) Scholarships	46.3				
Australian Postgraduate Awards		1 693	1 696	1 693	1 696
International Postgraduate Research Scholarship		201	243	201	243
Commonwealth Education Cost Scholarships		723	493	723	493
Commonwealth Accommodation Scholarships		1 149	828	1 149	828
Total Scholarships		3 766	3 260	3 766	3 260
(d) DEEWR - Research	46.4				
Institutional Grants Scheme		6 167	6 364	6 167	6 364
Research Training Scheme		10 588	10 823	10 588	10 823
Research Infrastructure Block Grants		2 881	2 964	2 881	2 964
Commercialisation Training Scheme		93	-	93	-
Australian Scheme for Higher Education Repositories		106	-	106	-
Implementation Assistance Programme		50	-	50	-
Total DEEWR - Research Grants		19 885	20 151	19 885	20 151
(e) Voluntary Student Unionism	46.5				
VSU Transition Fund		933	-	933	-
Total Voluntary Student Unionism		933	-	933	-
(f) Australian Research Council					
(i) Discovery	46.6(a)				
Project		2 902	3 216	2 902	3 216
Indigenous Researchers Development		-	32	-	32
Total Discovery		2 902	3 248	2 902	3 248
(ii) Linkages	46.6(b)				
Special Research Initiatives		170	-	170	-
Infrastructure		137	783	137	783
International		6	18	6	18
Projects		1 555	996	1 555	996
Total Linkages		1 868	1 797	1 868	1 797
(iii) Networks and Centres	46.6(c)				
Research Networks		6	62	6	62
Research Centres		164	201	164	201
Total Networks and Centres		170	263	170	263
(g) Other Australian Government Financial Assistance					
National Health and Medical Research Council		8 502	8 041	8 502	8 041
Other Research		12 311	7 804	11 740	7 485
Other Non-research		11 218	11 518	11 218	11 518
Commonwealth scholarships		391	355	391	355
Total Other Australian Government Financial Assistance		32 422	27 718	31 851	27 399
Total Australian Government Financial Assistance		178 618	160 650	178 047	160 331
Reconciliation					
Australian Government grants (a+c+d+e+f+g)		136 205	122 897	135 634	122 578
HECS-HELP Australian Government payments		39 890	35 314	39 890	35 314
Other Australian Government loan programmes (FEE-HELP)		2 523	2 439	2 523	2 439
Total Australian Government Financial Assistance		178 618	160 650	178 047	160 331

(h) Australian Government Grants Received - Cash Basis	Note	Consolidated		University	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
CGS and other DEEWR Grants	46.1	74 489	65 792	74 489	65 792
Higher Education Loan Programmes	46.2	39 567	35 954	39 567	35 954
Scholarships	46.3	3 901	3 220	3 901	3 220
DEEWR Research	46.4	19 885	20 151	19 885	20 151
Voluntary Student Unionism	46.5	933	-	933	-
ARC Grants - Discovery	46.6	2 602	3 107	2 602	3 107
ARC Grants - Linkages	46.6	1 841	1 960	1 841	1 960
Other Australian Government Grants		32 477	25 660	31 906	25 594
Total Australian Government Grants Received - Cash Basis		175 695	155 844	175 124	155 778
OS-Help (Net)	46.2	77	31	77	31
Total Australian Government Funding Received - Cash Basis		175 772	155 875	175 201	155 809
3. State and Local Government Financial Assistance					
South Australian State Government financial assistance		6 931	6 987	6 769	6 915
South Australian Local Government financial assistance		41	53	41	53
Other State/Territory Governments financial assistance		2 304	2 339	2 296	2 242
Total State and Local Government Financial Assistance		9 276	9 379	9 106	9 210
4. Fees and Charges					
Course Fees and Charges:					
Fee-paying overseas students		27 944	24 914	27 944	24 909
Fee-paying domestic postgraduate students		1 820	2 292	1 820	2 292
Fee-paying domestic undergraduate students		334	-	334	-
Fee-paying domestic non-award students		180	135	180	135
Other domestic course fees and charges		2 481	1 832	2 481	1 832
Total Course Fees and Charges		32 759	29 173	32 759	29 168
Other Non-course Fees and Charges:					
Student accommodation		3 926	3 685	3 926	3 685
Rental charges		636	459	563	459
Other student charges		475	423	475	423
Other hire fees		167	229	166	226
Parking fees		1 215	1 225	1 215	1 225
Other fees and charges		2 155	1 943	784	523
Total Other Fees and Charges		8 574	7 964	7 129	6 541
Total Fees and Charges		41 333	37 137	39 888	35 709
5. Investment Income					
Realised Gains:					
Dividends:					
Wholly-owned subsidiaries		-	-	-	-
Other entities		519	432	386	278
		519	432	386	278
Interest		6 443	4 725	6 189	4 609
Managed funds		1 499	1 147	1 499	1 132
Investment property rental revenue		860	779	966	832
Total Realised Gains		9 321	7 083	9 040	6 851
Unrealised Gains:					
Movements in assets at fair value through profit and loss		1 021	1 551	20	1 233
Movements in fair value of investment properties		5 279	-	5 279	-
Total Unrealised Gains		6 300	1 551	5 299	1 233
Total Investment Income		15 621	8 634	14 339	8 084
6. Royalties, Trademarks and Licences					
Total Royalties, Trademarks and Licences		2 912	1 339	2 770	1 174

7.	Consultancy and Contracts	Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
	Consultancy	8 014	14 372	2 587	2 718
	Contract research	8 775	5 168	6 677	4 851
	Total Consultancy and Contracts	16 789	19 540	9 264	7 569
8.	Other Revenue and Income	Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
	Donations and bequests	1 110	1 335	1 109	1 329
	Contribution of assets	1 040	4 770	1 040	1 410
	Scholarships and prizes	392	385	392	385
	Non-government grants	2 517	2 810	2 476	2 810
	Reimbursements	2 560	1 905	2 676	2 146
	Reversal of write-down	671	229	151	103
	Sales and other charges	5 597	3 722	1 371	1 542
	Other revenue	1 902	1 364	1 329	1 107
	Total Other Revenue	15 789	16 520	10 544	10 832
9.	Gains/Losses on Disposal of Assets	Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
	Net gain on sale of assets - refer below	128	151	128	145
	Total Other Income	128	151	128	145
	Proceeds from Sale of Assets:				
	Investments	-	1 489	-	11
	Property, plant and equipment	540	631	540	614
	Total Proceeds from Sale of Assets	540	2 120	540	625
	Carrying Amount of Assets Sold:				
	Investments	23	1 489	23	-
	Property, plant and equipment	389	480	389	480
	Total Carrying Amount of Assets Sold	412	1 969	412	480
	Net Gains on Sale of Assets:				
	Investments	-	-	-	11
	Property, plant and equipment	151	151	151	134
	Total Net Gains on Sale of Assets	151	151	151	145
	Net Losses on Sale of Assets:				
	Investments	23	-	23	-
	Property, plant and equipment	-	-	-	-
	Total Net Losses on Sale of Assets	23	-	23	-
	Net Gain on Sale of Assets	128	151	128	145
10.	Employee Related Expenses	Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
	Employee Benefits and On-costs				
	Academic:				
	Salaries	65 914	58 517	65 252	57 787
	Contributions to superannuation and pension schemes:				
	Emerging cost	1 378	1 612	1 378	1 612
	Funded	9 275	8 350	9 204	8 265
	Payroll tax	4 033	3 661	4 006	3 621
	Workers compensation	536	337	530	328
	Long service leave expense	2 542	2 491	2 520	2 478
	Annual leave	5 660	4 994	5 640	4 972
	Redundancy expenses	681	100	681	100
	Total Academic	90 019	80 062	89 211	79 163
	Non-Academic:				
	Salaries	57 142	52 108	51 786	49 644
	Contributions to superannuation and pension schemes:				
	Emerging cost	344	414	344	414
	Funded	8 359	8 044	8 224	7 562
	Payroll tax	3 610	3 398	3 542	3 328
	Workers compensation	549	241	534	226
	Long service leave expense	2 498	1 451	2 502	1 430
	Annual leave	4 764	4 557	4 667	4 462
	Redundancy expenses	491	-	491	-
	Total Non-Academic	77 757	70 213	72 090	67 066
	Total Employee Benefits and On-costs	167 776	150 275	161 301	146 229
	Deferred government employee benefits for superannuation	-	900	-	900
	Total Employee Related Expenses including Deferred Government Employee Benefits for Superannuation	167 776	151 175	161 301	147 129

11. Depreciation and Amortisation

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Depreciation:				
Buildings and infrastructure	2 729	2 642	2 729	2 642
Plant and equipment	3 311	3 201	3 140	3 167
Aircraft	220	219	220	219
Library collection	3 771	3 998	3 771	3 998
Total Depreciation	10 031	10 060	9 860	10 026
Amortisation:				
Software	605	873	605	873
Total Amortisation	605	873	605	873
Total Depreciation and Amortisation	10 636	10 933	10 465	10 899

Note

12. Repairs and Maintenance

Buildings and grounds	5 543	6 147	5 488	6 117
Minor new works	2 546	1 698	2 546	1 698
Equipment and artwork	2 811	2 043	2 741	1 981
Total Repairs and Maintenance	10 900	9 888	10 775	9 796

13. Impairment of Assets

Impairment of investment in Associate entity	39	1 599	-	1 311
Impairment of property, plant and equipment assets	-	500	-	500
Impairment of intangible assets	1 647	-	137	-
Total Impairment of Assets	1 686	2 099	137	1 811

14. Other Expenses

Bad and doubtful debts	538	266	538	248
Scholarships, grants and prizes	9 999	8 654	9 999	8 654
Non-capitalised equipment	4 980	4 772	4 939	4 723
Advertising, marketing and promotional expenses	2 494	2 025	2 481	1 997
Fees and charges	10 596	12 285	7 412	7 514
Consultancy fees	3 487	3 537	2 167	1 547
General consumables	6 252	4 580	5 127	4 372
Printing and photocopying	1 437	1 486	1 401	1 412
Operating lease rental expenses	1 490	1 550	1 495	1 451
Telecommunications	1 811	1 541	1 794	1 435
Travel, staff development and entertainment	9 752	10 352	8 984	8 300
Utilities	2 380	2 655	2 379	2 654
Student related expenditure	1 431	2 428	1 423	1 385
Library	1 709	2 065	1 708	2 053
Software	2 140	1 577	2 040	1 549
Postage and freight	956	898	925	884
Insurance	1 157	1 127	1 090	1 073
Other expenses	6 073	4 903	2 863	2 284
Total Other Expenses	68 682	66 701	58 765	53 535

15. Cash and Cash Equivalents

Cash at bank and on hand	2 346	1 557	1 448	359
Cash deposits at call within three days	31 831	27 260	31 015	27 260
Term deposits maturing within 90 days	45 000	51 419	45 000	50 499
Total Cash and Cash Equivalents	79 177	80 236	77 463	78 118

41

16. Receivables

Current:				
Student fees	725	901	725	901
Less: Provision for impaired receivables	(586)	(760)	(586)	(760)
	139	141	139	141
General debtors	16 888	9 132	15 415	7 551
Less: Provision for impaired receivables	(568)	(231)	(568)	(231)
	16 320	8 901	14 847	7 320
Subsidiary debtors	-	-	433	278
Less: Provision for impaired receivables	-	-	(433)	(278)
	-	-	-	-
Deferred government contribution for superannuation	1 900	2 200	1 900	2 200
Total Current Receivables	18 359	11 242	16 886	9 661
Non-Current:				
General debtors	1 247	580	1 247	580
	1 247	580	1 247	580
Deferred government contribution for superannuation	26 800	26 500	26 800	26 500
Total Non-Current Receivables	28 047	27 080	28 047	27 080
Total Trade and Other Receivables	46 406	38 322	44 933	36 741

(a) Impaired Receivables

As at 31 December 2007 current receivables of the group with a nominal value of \$1.293 million (\$1.132 million) were impaired. The amount of the Consolidated provision was \$1.154 million (\$991 000). The provision is based on an aged analysis of the debt types based on collectability. It was assessed that a portion of the debts are expected to be recovered. The ageing of these receivables are as follows:

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Student Fees:				
Three to six months	341	234	341	234
Over six months	245	526	245	526
	586	760	586	760
General Debtors:				
Three to six months	256	39	256	39
Over six months	312	192	312	192
	568	231	568	231
Subsidiary Debtors:				
Three to six months	-	-	-	-
Over six months	-	-	433	278
	-	-	433	278

As at 31 December 2007 current receivables of the group with a nominal value of \$8.854 million (\$5.583 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables is as follows:

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Student Fees:				
Three to six months	-	-	-	-
Over six months	-	-	-	-
	-	-	-	-
General Debtors:				
Three to six months	6 943	4 801	5 470	3 242
Over six months	1 911	782	1 911	760
	8 854	5 583	7 381	4 002

Movements in the provision for impaired receivables are as follows:

At 1 January	991	978
Provision for impairment recognised during the year	460	131
Receivables written off during the year as uncollectible	(297)	(118)
	1 154	991

(b) Foreign Exchange and Interest Rate Risk

The carrying amounts of current receivables are denominated in the following currencies:

NZ Dollars	10	14	-	-
US Dollars	8	18	8	18
Singapore Dollars	18	-	18	-
Other	8	-	8	-
	44	32	34	18

The carrying amounts of all non-current receivables are denominated in Australian dollars.

Information regarding the effective interest rate risk of both current and non-current receivables is set out in the Financial Risk Management disclosures at Note 28.

(c) Fair Value and Credit Risk

The carrying value is assumed to approximate their fair value for all receivables. For non-current receivables, fair values are based on cash flows discounted using a discount rate of 8 percent (8 percent) for general receivables. The superannuation receivable is always offset by a corresponding payable, nullifying credit risk for this line item

The maximum exposure to credit risk at the reporting date is the higher of the carrying amount and fair value of receivables. The Economic entity does not hold any collateral as security.

Information regarding the effective credit risk of both current and non-current receivables is set out in the Financial Risk Management disclosures at Note 28.

17. Inventories

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current:				
Inventories held for other than distribution	487	508	209	206
Total Current Inventories	487	508	209	206
Total Inventories	487	508	209	206

18. Other Financial Assets

		Consolidated		University	
		2007	2006	2007	2006
	Note	\$'000	\$'000	\$'000	\$'000
Current:					
Held-to-maturity assets:					
Term deposits greater than 90 days		500	500	500	500
Total Current Held-to-Maturity Assets		500	500	500	500
Financial assets at fair value through profit or loss: *					
Managed Funds:					
Deutsche Bank Private Wealth Management		3 322	3 021	3 322	3 021
Goldman Sachs JB Were		397	415	397	415
Australian Executor Trustees		-	1 307	-	-
Unisure Pty Ltd		6 361	6 274	6 361	6 274
		10 080	11 017	10 080	9 710
Property:					
Property trust		198	276	134	195
		198	276	134	195
Equities:					
Australian equities		9 364	8 136	8 005	7 017
Convertible notes		13	13	-	-
		9 377	8 149	8 005	7 017
Total Financial Assets at Fair Value through Profit or Loss		19 655	19 442	18 219	16 922
Total Current Other Financial Assets		20 155	19 942	18 719	17 422

* Changes in fair values of other financial assets at fair value through profit or loss are recorded in investment revenue in the Income Statement and disclosed in Note 5.

Non-Current:

Held-to-maturity assets:

Indexed bonds

Total Non-Current Held-to-Maturity Assets

2 688	2 687	2 688	2 687
2 688	2 687	2 688	2 687

Available-for-sale financial assets:

Interests in business undertakings:

Subsidiaries at Council valuation

Other entities

Australian equities

International equities

Total Available-For-Sale Financial Assets

36

-	-	8 388	9 437
1 516	826	1 516	826
450	501	-	-
3 243	2 638	-	-
5 209	3 965	9 904	10 263

Superannuation Scheme surplus:

Surplus in Superannuation Scheme No. 1

Total Superannuation Scheme Surplus

Total Non-Current Other Financial Assets

Assets

Total Other Financial Assets

34

255	364	255	364
255	364	255	364
8 152	7 016	12 847	13 314
28 307	26 958	31 566	30 736

Held-To-Maturity Assets Impairment and Risk Exposure

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets.

None of the held-to-maturity assets are either past due or impaired.

All held-to-maturity assets are denominated in Australian currency. As a result there is no exposure to foreign currency risk. There is also no exposure to price risk as the assets will be held-to-maturity.

19. Other Non-Financial Assets

		Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Current:					
Prepayments		3 075	3 924	3 078	3 916
Total Other Non-Financial Assets		3 075	3 924	3 078	3 916

20. Investment Property

Non-Current:

Properties held for investment purposes

11 134	5 855	11 134	5 855
11 134	5 855	11 134	5 855

20. Investment Property (continued)

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Movements for the Period:				
Opening balance at 1 January	5 855	5 400	5 855	5 400
Additions for the year	-	455	-	455
Revaluation for the year	5 279	-	5 279	-
Closing Balance at 31 December	11 134	5 855	11 134	5 855
Direct operating expenses (income generating)	393	365	442	424
Direct operating expenses (non-income generating)	194	274	145	215
	587	639	587	639

21. Property, Plant and Equipment
Land, Buildings and Infrastructure

Crown Land:

2007 Independent valuation	32 150	-	32 150	-
2006 University valuation	-	21 011	-	21 011
	32 150	21 011	32 150	21 011

Freehold Land:

2007 Independent valuation	2 947	-	2 947	-
2006 University valuation	-	2 283	-	2 283
	2 947	2 283	2 947	2 283
Total Land	35 097	23 294	35 097	23 294

Buildings:

2007 independent valuation	165 211	-	165 211	-
2004 independent valuation	-	95 449	-	95 074
At cost	-	6 245	-	6 620
Total Buildings	165 211	101 694	165 211	101 694

Infrastructure:

2007 Independent valuation	27 615	-	27 615	-
2004 Independent valuation	-	4 762	-	4 762
At cost	-	490	-	490
Total Infrastructure	27 615	5 252	27 615	5 252

	192 826	106 946	192 826	106 946
Less: Accumulated depreciation	-	(5 185)	-	(5 185)
Total Buildings and Infrastructure	192 826	101 761	192 826	101 761

Buildings under Construction

	21 473	5 795	21 426	5 795
Total Land, Buildings and Infrastructure	249 396	130 850	249 349	130 850

Library Collection

2007 University valuation	21 130	-	21 130	-
2004 University valuation	-	22 979	-	22 979
At cost	-	4 064	-	4 064
	21 130	27 043	21 130	27 043
Less: Accumulated depreciation	-	(10 217)	-	(10 217)
Total Library Collection	21 130	16 826	21 130	16 826

Equipment:

At fair value	36 301	34 423	33 990	31 966
Less: Accumulated depreciation	(25 429)	(24 285)	(23 720)	(22 561)
Total Equipment	10 872	10 138	10 270	9 405

Aircraft:

2005 University valuation	1 620	1 620	1 620	1 620
At cost	570	570	570	570
Less: Accumulated depreciation	(1 376)	(1 156)	(1 376)	(1 156)
Total Aircraft	814	1 034	814	1 034

Works of Art:

2007 University valuation	7 816	-	7 816	-
2006 University valuation	-	6 973	-	6 973
Total Works of Art	7 816	6 973	7 816	6 973
Total Property, Plant and Equipment	290 028	165 821	289 379	165 088

Valuations of Land and Buildings

Land, buildings and infrastructure were revalued as at 31 December 2007 by Peter Lornie BComm (VFM) AAPI CPV and Richard Wood BAppSc (Val) AAPI CPV of Southwick Goodyear Pty Ltd. The basis of the valuation was written down current value (existing use).

Valuations of Land and Buildings (continued)

In 2006 land, building and infrastructure values were reviewed but, based on the evidence available, there was no change in fair value for buildings and infrastructure. Land was revalued based on a review of land price movement trends. Refer Note 1(p)(i) and (ii).

The basis of valuation of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current year are set out below.

	Land	Buildings and Infra-structure	Constr- uction in Progress	Library	Equip- ment	Aircraft	Works of Art	2007 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Consolidated 2007								
Balance at 1 January	23 294	101 761	5 795	16 826	10 138	1 034	6 973	165 821
Additions	-	1 960	19 327	3 950	4 434	-	143	29 814
Reclassification	-	3 649	(3 649)	-	-	-	-	-
Disposals	-	-	-	-	(389)	-	-	(389)
Revaluation increments (decrements)	11 803	88 185	-	4 125	-	-	700	104 813
Depreciation expense	-	(2 729)	-	(3 771)	(3 311)	(220)	-	(10 031)
Carrying Amount at 31 December	35 097	192 826	21 473	21 130	10 872	814	7 816	290 028
(b) Parent Entity 2007								
Balance at 1 January	23 294	101 761	5 795	16 826	9 405	1 034	6 973	165 088
Additions	-	1 960	19 280	3 950	4 394	-	143	29 727
Reclassification	-	3 649	(3 649)	-	-	-	-	-
Disposals	-	-	-	-	(389)	-	-	(389)
Revaluation increments (decrements)	11 803	88 185	-	4 125	-	-	700	104 813
Depreciation expense	-	(2 729)	-	(3 771)	(3 140)	(220)	-	(9 860)
Carrying Amount at 31 December	35 097	192 826	21 426	21 130	10 270	814	7 816	289 379
	Land	Buildings and Infra-structure	Constr- uction in Progress	Library	Equip- ment	Aircraft	Works of Art	2006 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Consolidated 2006								
Balance at 1 January	22 055	103 532	43	17 618	8 506	1 253	5 982	158 989
Additions	-	1 075	6 003	3 206	5 313	-	91	15 688
Transfer ^	-	(455)	-	-	-	-	-	(455)
Reclassification	-	251	(251)	-	-	-	-	-
Disposals	-	-	-	-	(480)	-	-	(480)
Revaluation increments (decrements)	1 239	-	-	-	-	-	900	2 139
Depreciation expense	-	(2 642)	-	(3 998)	(3 201)	(219)	-	(10 060)
Carrying Amount at 31 December	23 294	101 761	5 795	16 826	10 138	1 034	6 973	165 821
(b) Parent Entity 2006								
Balance at 1 January	22 055	103 532	43	17 618	8 276	1 253	5 982	158 759
Additions	-	1 075	6 003	3 206	4 776	-	91	15 151
Transfer ^	-	(455)	-	-	-	-	-	(455)
Reclassification	-	251	(251)	-	-	-	-	-
Disposals	-	-	-	-	(480)	-	-	(480)
Revaluation increments (decrements)	1 239	-	-	-	-	-	900	2 139
Depreciation expense	-	(2 642)	-	(3 998)	(3 167)	(219)	-	(10 026)
Carrying Amount at 31 December	23 294	101 761	5 795	16 826	9 405	1 034	6 973	165 088

^ Transfer relates to investment property constructed in Alice Springs as part of the Remote Health Precinct. Refer to Note 1(e) for further detail.

Note: The University has restrictions imposed on the real property listed in this Note under *The Flinders University of South Australia Act 1966*. Section 3(5) of the Act states:

The University must not alienate (except by way of lease for a term not exceeding 21 years), mortgage or charge land vested in or conveyed to the University on trust except with, and in accordance with any terms or conditions of, an approval given by the Governor.

22. Intangible Assets

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Non-Current:				
Software costs	6 385	5 923	6 385	5 923
Less: Accumulated amortisation and impairment	(3 711)	(3 106)	(3 711)	(3 106)
Book Value of Software Costs	2 674	2 817	2 674	2 817
Project costs carried forward (development costs)	111	1 722	-	-
Total Intangible Assets	2 785	4 539	2 674	2 817
Consolidated:				
At 1 January 2006:				
Cost		\$'000		\$'000
Accumulated amortisation and impairment		4 966		1 317
Net Book Amount		(2 041)		(270)
		2 925		1 047
				3 972
Year ended 31 December 2006:				
Opening net book amount		2 925		1 047
Additions		820		675
Disposals		(55)		-
Amortisation charge		(873)		-
Closing Net Book Amount		2 817		1 722
				4 539
Year ended 31 December 2007:				
Opening book amount		2 817		1 722
Additions		1 334		-
Disposals		(735)		(101)
		3 416		1 621
Impairment charge		(137)		(1 510)
Amortisation charge		(605)		-
Closing Net Book Amount		2 674		111
				2 785
At 31 December 2007:				
Cost		6 385		1 891
Accumulated amortisation and impairment		(3 711)		(1 780)
Net Book Amount		2 674		111
				2 785

23. Trade and Other Payables

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current:				
Creditors	1 736	3 676	1 016	2 733
OS-HELP Liability to Australian Government	77	31	77	31
Accrued expenses	13 738	10 911	12 757	9 746
Annual leave on-costs	1 343	844	1 319	820
Long service leave on-costs	2 265	1 264	2 251	1 254
Total Current Trade and Other Payables	19 159	16 726	17 420	14 584
Non-Current:				
Annual leave on-costs	614	417	608	402
Long service leave on-costs	3 200	3 397	3 185	3 382
Total Non-Current Trade and Other Payables	3 814	3 814	3 793	3 784
Total Trade and Other Payables	22 973	20 540	21 213	18 368

(a) Foreign Currency Risk

The carrying amounts of the University and Economic entity's trade payables are denominated in the following foreign currencies:

Euro	32	2	32	2
US Dollars	171	231	171	231
GBP	28	102	28	102
Other	13	11	13	11
	244	346	244	346

(b) Fair Value

The carrying amounts shown above approximate fair value.

24. Provisions

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current Provisions Expected to be Settled within 12 months:				
Employee benefits:				
Annual leave	4 634	2 909	4 437	2 708
Long service leave	8 071	5 088	7 998	4 984
Deferred Government benefits for superannuation	1 900	2 200	1 900	2 200
Severance - Contract employees	132	153	132	153
Total Employee Benefits	14 737	10 350	14 467	10 045
Workers compensation	524	343	524	343
Total Current Provisions	15 261	10 693	14 991	10 388
Non-Current:				
Employee benefits:				
Annual leave	2 065	1 376	2 047	1 328
Long service leave	11 525	13 605	11 316	13 444
Deferred Government benefits for superannuation	26 800	26 500	26 800	26 500
Severance	197	107	197	107
Invalidity scheme	153	153	153	153
Total Employee Benefits	40 740	41 741	40 513	41 532
Workers compensation	1 306	959	1 306	959
Total Non-Current Provisions	42 046	42 700	41 819	42 491
Total Provisions	57 307	53 393	56 810	52 879
Reconciliation of Employee Benefits:				
Current employee benefits	14 737	10 350	14 467	10 045
Non-current employee benefits	40 740	41 741	40 513	41 532
Add: Leave on-costs (included in Note 23 'Trade and Other Payables')	7 422	5 922	7 363	5 858
Aggregate Employee Benefits	62 899	58 013	62 343	57 435
Reconciliation of Leave Provisions:				
Annual leave	6 699	4 285	6 484	4 036
Annual leave on-costs	1 957	1 261	1 927	1 222
Total Annual Leave Provision	8 656	5 546	8 411	5 258
Long service leave	19 596	18 693	19 314	18 428
Long service leave on-costs	5 465	4 661	5 436	4 636
Total Long Service Leave Provision	25 061	23 354	24 750	23 064
Total Leave Provisions	33 717	28 900	33 161	28 322

Movements in Provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Consolidated - 2007

	Workers Compensation
	\$'000
Current:	
Carrying amount at 1 January	343
Additional provisions recognised	181
Unused amounts reversed	-
Carrying Amount at 31 December	524
Non-Current:	
Carrying amount at 1 January	959
Additional provisions recognised	347
Unused amounts reversed	-
Carrying Amount at 31 December	1 306

25. Other Liabilities

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current:				
Income in Advance:				
Fees and charges	3 394	3 754	3 320	3 581
Other	4 512	4 054	3 298	946
	7 906	7 808	6 618	4 527
Australian Government unspent financial assistance	-	159	-	159
Funds held on behalf of external entities	625	1 413	625	1 413
Total Current Other Liabilities	8 531	9 380	7 243	6 099

25. Other Liabilities (continued)

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Interest-bearing funds held on behalf of external entities:				
Student entities	-	-	2 066	2 173
Other entities	1 255	3 067	1 255	3 067
Deposits from subsidiaries	-	-	1 673	3 594
Total Current Unsecured Interest Bearing Liabilities	1 255	3 067	4 994	8 834

Interest bearing liabilities consist of funds held on behalf of related entities. The University invests these funds and provides an investment return to those entities. Funds held are at call. The University has no assets pledged as security for interest bearing liabilities.

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Total Other Liabilities	9 786	12 447	12 237	14 933

Note

26. Reserves and Retained Surpluses**(a) Reserves**

Asset Revaluation Reserve:

Property, plant and equipment revaluation reserve

123 396 19 254 123 218 18 556

Available-for-sale investments revaluation reserve

1 020 377 8 311 8 716

Total Asset Revaluation Reserve

124 416 19 631 131 529 27 272

Capital reserve

8 582 8 582 8 582 8 582

Endowment reserve

14 037 8 710 14 037 8 710

Grant reserve

15 085 18 947 15 085 18 947

Student loan reserve

535 518 535 518

Total Reserves

162 655 56 388 169 768 64 029

Movements in Revaluation Reserves:

Property, plant and equipment

revaluation reserve:

Balance 1 January

19 254 17 115 18 556 16 417

Increment (Decrement) on revaluation of:

Land

21

11 803 1 239 11 803 1 239

Buildings and Infrastructure

21

88 185 - 88 185 -

Library

21

4 125 - 4 125 -

Artwork

21

700 900 700 900

Reversal of 2004 building decrement

(671) - (151) -

Balance 31 December

123 396 19 254 123 218 18 556

Available-for-sale investments

revaluation reserve:

Balance 1 January

377 - 8 716 5 518

Increment (Decrement) on revaluation

643 377 (405) 3 198

Balance 31 December

1 020 377 8 311 8 716

Endowment reserve:

Balance 1 January

8 710 7 867 8 710 7 867

Allocation from current year operating surplus

5 327 843 5 327 843

Balance 31 December

14 037 8 710 14 037 8 710

Grant reserve:

Balance 1 January

18 947 17 484 18 947 17 484

Current year usage of funds

(3 862) 1 463 (3 862) 1 463

Balance 31 December

15 085 18 947 15 085 18 947

Student loan reserve:

Balance 1 January

518 497 518 497

Allocation from current year operating surplus

17 21 17 21

Balance 31 December

535 518 535 518

(b) Retained Surplus

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Movements in retained surplus were as follows:				
Retained surplus at 1 January	183 380	165 851	173 268	158 800
Operating result for the period	26 887	19 965	28 731	16 904
Movements in Super Scheme No. 1 surplus	(109)	(109)	(109)	(109)
Transfers (to) from reserves	(1 482)	(2 327)	(1 482)	(2 327)
Retained Surplus at 31 December	208 676	183 380	200 408	173 268

(c) Nature and Purpose of Reserves

The asset revaluation reserve is used to record increases and decreases in the value of non-current assets.

The capital reserve is used to record funds dedicated to capital projects.

The endowment reserve is used to record the value of unspent gifts, prizes and bequests provided to the University.

The grant reserve is used to record the accumulated balance of funds restricted to grant research.

The student loan reserve is funds reserved for the purpose of providing loans to students.

27. Minority Interest

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Interest in:				
Share capital	-	3	-	-
Retained surplus	2	12	-	-
Total Minority Interest	2	15	-	-

28. Financial Risk Management

The Economic entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk, cash flow interest risk and price risk), credit risk and liquidity risk. The University has a comprehensive suite of policies that deal with risk management including financial instrument risk.

The nature of the University's activities are generally lower risk. Investments tend to be largely held in term deposits with banking institutions and debtors are spread across a large number of customers. Derivative instruments are not used. The University holds funds behalf of other entities associated with the University and these funds are invested with University investments with the entities receiving a share of the investment returns. Due to the nature of the financial instruments held by the University, no sensitivity analysis has been provided.

The following is the Economic entity's accounting policies and terms and conditions for each class of financial asset, financial liability and equity instruments:

Recognised Financial Instruments	Note	Accounting Policies	Terms and Conditions
<i>(i) Financial Assets</i>			
Cash at Bank	1(d), 15	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the period it is earned.
Deposits within three days	15	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the period it is earned.
Term Deposits	15	Recognised at nominal amounts.	Interest accrued credited to revenue as it is earned.
Government Securities (excluding Indexed Bonds)	18	Recognised at nominal amounts.	Interest accrued credited to revenue as it is earned.
Indexed Bonds	18	Recognised at market value.	Interest accrued credited to revenue as it is earned. Indexation factor credited to revenue as at year end.
Equities	18	Recognised at market value.	Carrying amount of investments adjusted to market value in June and December.
Managed Funds	18	Recognised at market value.	Accrued distributions credited to revenue in June and December. Capital increments/decrements also recognised in June and December.
Interest in Business Undertakings	18	Recognised at fair value.	Carrying amount of investments reviewed annually to ensure that it is not in excess of the recoverable amount of these investments.
Investment Properties	20	Recognised at fair value.	Independently valued every three years - refer Note 1(e) for details of most recent valuation.
Receivables	16	Shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (Provision for Doubtful Debts).	Credit is allowed for a 30 day term.

28. Financial Risk Management (continued)

Recognised Financial Instruments	Note	Accounting Policies	Terms and Conditions
(ii) Financial Liabilities			
Trade Creditors and Accruals	23	Liabilities are recognised for amounts to be paid in future for goods and services received, whether or not billed to the Economic entity.	Trade Liabilities are normally settled within 30 days of statement.
Interest Bearing Liabilities	25	Carried at their principal amounts.	Interest is credited monthly at the University's (weighted) interest earning rate on short-term investments.

The Economic entity's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at balance date are shown below.

Interest Rate Risk Exposure 2007

	Floating Interest Rate \$'000	1 Year or Less \$'000	Over 1 to 2 Years \$'000	Over 2 to 3 Years \$'000	Over 3 to 4 Years \$'000	Over 4 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	2007 Total \$'000
Financial Assets:									
Current Assets:									
Cash and cash equivalents	33 711	45 466	-	-	-	-	-	-	79 177
Receivables	-	-	-	-	-	-	-	18 359	18 359
Other financial assets	-	500	-	-	-	-	-	19 655	20 155
Total Current Assets	33 711	45 966	-	-	-	-	-	38 014	117 691
Non-Current Assets:									
Receivables	-	-	-	-	-	-	-	28 047	28 047
Other financial assets	-	-	-	2 688	-	-	-	5 464	8 152
Total Non-Current Assets	-	-	-	2 688	-	-	-	33 511	36 199
Total Financial Assets	33 711	45 966	-	2 688	-	-	-	71 525	153 890
Weighted average interest rate - percent	6.16	6.99	-	4.00	-	-	-	-	
Financial Liabilities:									
Current Liabilities:									
Payables	-	-	-	-	-	-	-	19 159	19 159
Other liabilities	1 255	-	-	-	-	-	-	8 531	9 786
Total Current Liabilities	1 255	-	-	-	-	-	-	27 690	28 945
Non-Current Liabilities:									
Payables	-	-	-	-	-	-	-	3 814	3 814
Total Non-Current Liabilities	-	-	-	-	-	-	-	3 814	3 814
Total Financial Liabilities	1 255	-	-	-	-	-	-	31 504	32 759
Weighted Average Interest rate - percent	6.48	-	-	-	-	-	-	-	
Net Financial Assets/ (Liabilities)	32 456	45 966	-	2 688	-	-	-	40 021	121 131

Interest Rate Risk Exposure 2006

	Floating Interest Rate \$'000	1 Year or Less \$'000	Over 1 to 2 Years \$'000	Over 2 to 3 Years \$'000	Over 3 to 4 Years \$'000	Over 4 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	2006 Total \$'000
Financial Assets:									
Current Assets:									
Cash and cash equivalents	29 715	50 521	-	-	-	-	-	-	80 236
Receivables	-	-	-	-	-	-	-	11 243	11 243
Other financial assets	-	513	-	-	-	-	-	19 014	19 527
Total Current Assets	29 715	51 034	-	-	-	-	-	30 257	111 006
Non-Current Assets:									
Receivables	-	-	-	-	-	-	-	27 080	27 080
Other financial assets	415	-	-	-	2 687	-	-	4 329	7 431
Total Non-Current Assets	415	-	-	-	2 687	-	-	31 409	34 511
Total Financial Assets	30 130	51 034	-	-	2 687	-	-	61 666	145 517
Weighted average interest rate - percent	6.12	6.23	-	-	4.00	-	-	-	

Interest Rate Risk Exposure 2006 (continued)

	Floating Interest Rate \$'000	1 Year or Less \$'000	Over 1 to 2 Years \$'000	Over 2 to 3 Years \$'000	Over 3 to 4 Years \$'000	Over 4 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	2006 Total \$'000
Financial Liabilities:									
Current Liabilities:									
Payables	-	-	-	-	-	-	-	16 726	16 726
Other liabilities	4 480	-	-	-	-	-	-	7 967	12 447
Total Current Liabilities	4 480	-	-	-	-	-	-	24 693	29 173
Non-Current Liabilities:									
Payables	-	-	-	-	-	-	-	3 814	3 814
Total Non-Current Liabilities	-	-	-	-	-	-	-	3 814	3 814
Total Financial Liabilities	4 480	-	-	-	-	-	-	28 507	32 987
Weighted Average Interest rate - percent	6.22	-	-	-	-	-	-	-	-
Net Financial Assets/ (Liabilities)	25 650	51 034	-	-	2 687	-	-	33 159	112 530

The main risks the Economic entity is exposed to through its financial instruments are interest rate risk, foreign currency risk and credit risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The University has no borrowings and therefore its interest rate risk exposure is on the income side only. As at 31 December 2007 the University held \$76.7 million (\$78.8 million) in term deposits and short-term deposits earning interest at market rates. Refer Note 15.

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Economic entity's exposure to foreign exchange risk is limited to its investments in international equities of \$450 000 (\$501 000) and a component of its managed funds that are invested in international equities/international fixed interest.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Balance Sheet and Notes to the financial statements. Except for the following concentration of credit risk, the Economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Economic entity:

- Superannuation receivable from DEEWR of \$28.7 million (\$28.7 million).

Net Fair Value

At reporting date the carrying amount of financial assets and liabilities approximates their net fair values.

29. Disaggregated Information

The University operates in the field of higher education in Australia and provides teaching and research services. It has no material offshore operations.

30. Key Management Personnel Disclosures

30.1 Responsible Persons

The principal governing body of the University is its Council. All members of the University Council were appointed or elected under the provisions of *The Flinders University of South Australia Act 1966*. Council members include University employees who may be ex-officio members or elected staff members.

No members of Council received any remuneration from the University other than by way of salary and related benefits arising from a normal employment relationship.

(a) Names of Responsible Persons

Council Members in 2007

Persons listed were all Council members for the full year unless otherwise indicated. An asterisk indicates University employees.

Members ex-officio

Chancellor

Sir Eric J Neal, AC, CVO

Vice-Chancellor

Professor Anne R Edwards, AO*

Presiding member of the Academic Senate

Professor Andrew W Parkin*

Council Members in 2007 (continued)

Members appointed by the Council

Nicholas Begakis, AM
Leonie J Clyne
John G Hood
The Hon Dr Diana Laidlaw, AM
Peggy Lau Flux
Mary P Mitchell
Judith M Roberts, AO
Michael S Shanahan, AM
Austin R Taylor
Ian G Yates, AM

Member co-opted and appointed by the Council

Thomas R Phillips, AM

Members elected by the academic staff

Professor Gary Davis*
Associate Professor Tracey A Bunda*

Members elected by the general staff

Jane Bromley (from July 2007)*
Jan Schmorte*
Christine A Steele (to June 2007)*

Student members appointed by Council

Danny R Carroll
Timothy J House
Clare A Mullen

Directors of University Subsidiaries in 2007

Persons listed were Directors for the full year unless otherwise indicated.

Airborne Research Australia Pty Ltd (liquidated on 12 October 2007)

Mr Austin Taylor (Chair)
Professor John Browett
Associate Professor Jorg Hacker
Dr Robert Lewis
Mr David Twiss

Flinders Bioremediation Pty Ltd

Mr Tony Read (Chair)
Professor Andrew Ball
Ms Denise Martin (until May 2007)
Ms Rhonda Domin (from May 2007)
Mr John Phillips

Flinders Campus Community Services

Professor Suzanne Corcoran (Chair) (Jan - Sep 07)
Mr Tony D'Aloia (Jan - Feb 07)
Ms Jennifer Duncan (Jan - June 07)
Ms Samantha Battams (Jan - June 07)
Ms Lois Whittall (Jan - Oct 07)
Ms Lejla Sarcevic (Jan - Oct 07)
Mr Robert Simms (Jan - Oct 07)
Mr John Hood (Acting Chair, Oct - Dec 07)
Mr Mark King
Mr Joey Mazanek
Ms Michelle Tatyzo
Mr Peter Hogan (Aug - Dec 07)
Mr Kim Roberts (Oct - Dec 07)
Mr Andrew McHugh (Oct - Dec 07)
Mr Andrew Nairn (Oct - Dec 07)
Mr Evan Wastell (Nov - Dec 07)
Mr Michael Simms (Nov - Dec 07)
Mr Matthew Kilgariff (Nov - Dec 07)

Flinders Consulting Pty Ltd

Ms Leonie Clyne (Chair)
Associate Professor Colin Carati
Professor Dean Forbes
Ms Sally MacDonald-Taylor
Ms Elaine Melhuish
Emeritus Professor Lindon Wing, OAM

Directors of University Subsidiaries in 2007 (continued)

Flinders Reproductive Medicine Pty Ltd ¹

Ms Sally MacDonald-Taylor (Chair)
 Ms Heather Denholm
 Professor Marc Keirse
 Dr Enzo Lombardi (Acting Medical Director)
 Mr Nick Swann
 Mr Michael Szwarcbord

Flinders Partners Pty Ltd

Mr John Branson (Chair)
 Mr Anthony Francis (Managing Director) (from July 2007)
 Mrs Janet Grieve
 Professor Christopher Marlin
 Mr Geoffrey Pitt

Flinders MediTech Pty Ltd ²

Mr John Branson (Chair)
 Mrs Janet Grieve
 Professor Christopher Marlin
 Mr Geoffrey Pitt

MediMolecular Pty Ltd ³

Mr John Branson (Chair)
 Mr Rahmon Coupe (to November 2007)
 Dr John Turner (to November 2007)

Re-Time Pty Ltd ²

Mr John Branson (Chair)
 Mrs Janet Grieve
 Professor Christopher Marlin
 Mr Geoffrey Pitt
 Dr John Turner (to October 2007)

Lung Health Diagnostics Pty Ltd

Professor Christopher Marlin (Chair)

National Institute of Labour Studies Inc

Mr Mike Terlet, AO (Chair)
 Ms Jan Andrews
 Professor John Browett
 Mr John Lesses, AM
 Associate Professor Bill Martin
 Professor Sue Richardson

National Institute of Labour Studies Foundation Inc ⁴

Mr Bruce Sheldrick (Chair)
 Mr Hedley Bachmann
 Professor John Browett
 Mr Peter Dewhurst
 Professor Jonathon Pincus

Remuneration of Board Members

The table comprises total remuneration that falls within the prescribed bandwidths for Board members. Remuneration for Executive Officers who are also Directors is shown as zero in this table, with their total remuneration shown under 'Remuneration of Executive Officers'.

	Consolidated		University	
	2007	2006	2007	2006
	Number	Number	Number	Number
\$nil	87	81	22	23
\$1 - \$9 999	4	5	-	-
\$10 000 - \$19 999	2	1	-	-
\$20 000 - \$29 999	3	3	-	-
\$30 000 - \$39 999	1	1	-	-
	97	91	22	23
	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Aggregate Remuneration of Board Members	143	145	-	-

1 100 percent owned by Flinders Consulting Pty Ltd.
 2 100 percent owned by Flinders Partners Pty Ltd.
 3 75 percent owned by Flinders Partners Pty Ltd.
 4 National Institute of Labour Studies Inc Subsidiary.

30.2 Key Management Personnel*Remuneration of Key Management Personnel*

The table comprises total remuneration that falls within the prescribed bandwidths for executives whose total remuneration is over \$100 000:

	Consolidated		University	
	2007	2006	2007	2006
	Number	Number	Number	Number
\$110 000 - \$119 999	1	1	1	-
\$120 000 - \$129 999	2	-	-	-
\$130 000 - \$139 999	-	2	-	1
\$140 000 - \$149 999	1	-	1	-
\$170 000 - \$179 999	-	1	-	1
\$180 000 - \$189 999	1	-	1	-
\$190 000 - \$199 999	-	1	-	1
\$200 000 - \$209 999	2	1	1	1
\$210 000 - \$219 999	1	1	1	1
\$220 000 - \$229 999	2	1	2	-
\$230 000 - \$239 999	-	-	-	-
\$240 000 - \$249 999	-	3	-	3
\$250 000 - \$259 999	2	1	2	1
\$260 000 - \$269 999	2	-	1	-
\$370 000 - \$379 999	-	-	-	-
\$380 000 - \$389 999	-	1	-	1
\$420 000 - \$429 999	1	-	1	-
\$470 000 - \$479 999	-	1	-	-
	15	14	11	10

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Aggregate Remuneration of Executives	3 233	3 248	2 513	2 303

The DEEWR Guidelines specify that executives are defined 'as the CEO and/or any person in a senior management position considered to be part of the University's executive group who is directly accountable and responsible for the strategic direction and operational management of the entity'.¹

30.3 Related Party Transactions

The remuneration includes salary, employer's superannuation costs and other benefits, including the associated FBT. No loans have been provided to key management personnel.

From time to time University Council members have interests in entities with which the University conducts business. In all cases, transactions are undertaken on a normal commercial basis.

31. Remuneration of Auditors

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Auditing the financial report:				
South Australian Auditor-General	203	218	203	218
Other auditors	30	43	2	2
Total Remuneration for Audit Services	233	261	205	220

No other services were provided by the auditors who audited the financial reports.

32. Contingencies*Contingent Liabilities*

The University is an exempt employer for WorkCover SA purposes. The University is required by WorkCover SA to have a bank guarantee in place for the purposes of covering workers compensation liabilities in the event that the University was unable to pay them. As at 31 December 2007 the University had a bank guarantee facility of \$2.165 million in place (total facility limit of \$2.965 million).

Contingent Assets

There are no material contingent assets.

¹ Financial Statement Guidelines for Australian Higher Education Providers for the 2007 Reporting Period.

33. Commitments

(a) Capital Commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Buildings Works:				
Within one year	32 713	1 050	32 713	1 040
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	32 713	1 050	32 713	1 040
Plant and Equipment:				
Within one year	75	1 494	-	1 466
Later than one year but not later than five years	-	215	-	185
Later than five years	-	-	-	-
	75	1 709	-	1 651
Intangible Assets:				
Within one year	-	-	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	-	-	-	-
Joint Ventures:				
Within one year	-	-	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	-	-	-	-
Total Capital Commitments	32 788	2 759	32 713	2 691

(b) Lease Commitments

The University has various operating leases of property and equipment. Lease amounts have only been included in the table where there is a non-cancellable commitment.

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<i>University as Lessee</i>				
Total Lease Payments recognised as an Expense during the Reporting Period	1 490	1 326	1 495	1 451

Commitments

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

Within one year	749	453	749	453
Later than one year but not later than five years	1 152	845	1 152	845
Later than five years	350	462	350	462
Total Lease Commitments as Lessee	2 251	1 760	2 251	1 760

University as Lessor

Lease receivables contracted but not included in the financial statements and receivable as follows:

Within one year	796	593	835	612
Later than one year but not later than five years	2 547	1 669	2 622	1 669
Later than five years	962	789	962	789
Total Lease Commitments as Lessor	4 305	3 051	4 419	3 070

In 2000 the University purchased the Mark Oliphant building in Science Park as an investment property. As at 31 December 2007 61 percent (57 percent) of the building is leased or available for lease to entities outside the Economic entity. A further 10 percent (9 percent) is leased to entities outside the University but within the Economic entity.

A portion of the Remote Health Precinct property is treated as an investment property and as at 31 December 2007 81 percent (81 percent) of this investment property is leased or available for lease to entities outside the Economic entity.

The University has accommodation for 551 students available on campus that are leased on a yearly basis. As leases are not entered into until February and are completed before the end of the year, they are not included in the above figures.

The University leases a small amount of space on its main campus to commercial entities that provide services to students and staff. It also leases space to other research entities in the Port Lincoln Marine Science Centre.

(c) Other Expenditure Commitments

Commitments in existence at the reporting date but not recognised as liabilities, payable:

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Within one year	1 915	4 774	1 915	4 774
Later than one year but not later than five years	194	3 449	194	3 449
Later than five years	100	463	100	463
Total Other Expenditure Commitments	2 209	8 686	2 209	8 686

34. Superannuation Commitments

The University contributes to the following employee superannuation funds:

(i) UniSuper**(a) UniSuper Defined Benefit Plan or Investment Choice Plan**

UniSuper is classified as a multi-employer fund for the purposes of accounting and disclosure requirements contained in AASB 119.

UniSuper Management Pty Ltd administers the Scheme and UniSuper Ltd is the Trustee. The University contributes at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The fund provides the option of defined benefits based on years of service and final average salary or an accumulation fund. The defined benefits scheme is fully funded. For accounting purposes the defined benefits scheme is treated as a defined contribution scheme under the multi-employer provisions of AASB 119 since UniSuper are unable to provide segregated information by university.

UniSuper reports its results on a financial year ending 30 June.

As at 30 June 2007 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Benefit Plan.

Whilst still technically a defined benefit plan, in 2006 the UniSuper Trust Deed was amended so that in the event that UniSuper assets are insufficient to provide benefits payable the Trustee must reduce member benefits on a fair and equitable basis instead of requesting additional payments from employers. The change in the UniSuper Trust Deed effectively alters the nature of the fund to a defined contribution fund.

(b) UniSuper Award Plus Plan

UniSuper Management Pty Ltd administers the fund and TESS Superannuation Ltd is the Trustee. The University contributes to the fund at a rate determined by the trust deed. The Scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University also makes contributions into the fund for employee benefits arising under the Superannuation Guarantee Legislation.

(ii) South Australian Superannuation Scheme

The University has 71 (82) present and former employees who are members of closed State Government superannuation schemes. Under the schemes, defined benefits are paid as a lump sum or continuing pension on the termination of the employees' service, based on contributions made by the employee and the employees' final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for administering the schemes. Under current arrangements, the Board pays the benefits and is reimbursed by the University. The Commonwealth Government funds the University on an emerging cost basis and recovers the State's share of the cost directly from the State government.

The unfunded superannuation liability for future benefits for current employees and pensioners was assessed as at 31 December 2007 by the Director Superannuation, South Australian Department of Treasury and Finance, at \$28.7 million (\$28.7 million). The net unfunded amount has been recognised in the accounts of the University as a liability with a corresponding receivable from the Commonwealth government (refer Note 16). Recognition of the receivable from the Commonwealth is in accordance with DEEWR Guidelines and reflects an assessment that while there is no legislated requirement, the Commonwealth has committed to fund the University's emerging costs.

Assumptions adopted by the Director Superannuation (State Superannuation Office), South Australian Department of Treasury and Finance in determining the University's liability were:

- Rate of increase in the Consumer Price Index (CPI) 3.0 percent per annum
- Rate of salary increases 4.5 percent per annum
- Investment earnings 8.0 percent per annum

(ii) **South Australian Superannuation Scheme (continued)**

These assumptions have each been revised upwards by 0.5 percent since the previous year, however the gaps between CPI, salary increases and investment earnings have remained the same.

These rates provide for a 1.5 percent real gap between CPI and salary increases and a further 3.5 percent real gap between salary increases and investment earnings.

The liability and asset have been classified as current and non-current according to the cash flow projections of the assessment.

	University	
	2007	2006
	\$'000	\$'000
University's gross liability	31 300	30 900
Less: Funded component	2 600	2 200
Unfunded Liability	28 700	28 700

(iii) **Superannuation Scheme No. 1**

Superannuation Scheme

Prior to the inception of UniSuper, the University operated its own schemes. Employees were given the option of transferring to UniSuper or remaining with the University's own scheme. As at 30 June 2007 there were 12 members of the Scheme (13 members). The Scheme, managed by a Board of Trustees, is similar to that of UniSuper with the University contributing, as a minimum, twice that of employees.

The administrator of the Scheme has calculated the value of members' accrued benefits at 30 June each year. As at 30 June, the financial position of the fund was:

	University	
	2007	2006
	\$'000	\$'000
Net Market Value	6 150	7 311
Less: Accrued Benefits	5 895	6 947
Surplus	255	364
Vested Benefits	5 895	6 947

The surplus in the fund is 4 percent (surplus of 5 percent).

Portfolio Planning Solutions Ltd undertook the last actuarial review as at 31 December 2006, the results of which were discussed in a report dated 13 June 2007. At that time the Scheme had a surplus of \$326 000, which was 5 percent of members' accrued benefits. As a result of that review, the actuary concluded that the suspension of employer's contributions should cease and the University should resume contributions in 2008. The only employer contributions that were made in 2007 related to salary packaged member contributions, being \$44 000 (\$41 500).

The Scheme has both a defined benefit and an accumulation aspect with members being entitled to the higher calculated benefits of the two. Currently the accumulation fund aspect is dominant and consequently disclosure of the assumptions relevant to the defined benefit aspect is not relevant.

Invalidity Scheme

Certain members of Superannuation Scheme No. 1 and a small number of other staff are members of the Invalidity Scheme. Total membership is 9 (9). The Scheme was established to provide benefits to members who suffered disablement or temporary incapacity and the benefits are identical to those provided under the UniSuper defined benefit fund.

The University is directly responsible for the financial administration of the Scheme and for ensuring that the future liabilities of the Scheme are adequately funded. The University has taken out insurance to protect the majority of the risk and has set funds aside to cover the remaining risk.

The University has recognised a liability of \$153 000 (\$153 000) for the Scheme. This is equal to the estimated present value of future insurance premiums and future disablement benefits above that provided by the insurance cover, as at 31 December 2007.

35. Related Parties

Responsible Persons and Specified Executives

Disclosures relating to Council members, Directors of subsidiaries and specified executives are set out in Note 30.

Wholly-Owned Economic Entity

Ownership interests in subsidiaries are set out in Note 36.

36. Subsidiaries

Flinders University is the Parent entity or ultimate Parent entity of the following entities, all of which are incorporated in Australia. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

Name of Entity	Principal Activities	Ownership Interest	
		2007 Percent	2006 Percent
Airborne Research Australia Pty Ltd *	Undertakes atmospheric research.	-	100
Flinders Bioremediation Pty Ltd	Develop and extend commercial activities of the University in the areas of soil bioremediation, organic waste management and related technologies.	100	100
Flinders Campus Community Services Pty Ltd	Provides on-campus services and support for students.	100	100
Flinders Consulting Pty Ltd #	Arranges the conduct of commercial consultancies.	100	100
Flinders Reproductive Medicine Pty Ltd (subsidiary of Flinders Consulting Pty Ltd)	Provides a high quality comprehensive infertility investigatory and treatment service.	100	100
Flinders Partners Pty Ltd #	Commercialisation of University sourced intellectual property.	100	100
Flinders MediTech Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Medical device company.	100	100
MediMolecular Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Biotech company.	75	75
Re-time Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Specialist eye-wear company.	100	100
Heaslip Trust ^	Supports medical education activities in the School of Medicine.	-	NA
Lung Health Diagnostics Pty Ltd	Biotech development company.	60	60
National Institute of Labour Studies Inc (NILS Inc)	Undertakes independent research and consultancy services in labour studies.	100	100
National Institute of Labour Studies Foundation Inc (100 percent owned by NILS Inc)	Supports the activities of NILS Inc.	100	100

* In 2005 the University substantively transferred the operations, assets and liabilities of Airborne Research Australia Pty Ltd (ARA) into the University, effective from 24 August 2005. The corporate structure of ARA was voluntarily liquidated on 12 October 2007.

From 12 December Flinders Technologies Pty Ltd changed its name to Flinders Partners Pty Ltd. From 1 January 2008 Flinders Consulting merged its operations with Flinders Partners Pty Ltd.

^ The University is the sole beneficiary of this Trust but does not control it for the purposes of consolidation. Accordingly it has been derecognised as a subsidiary in 2007.

37. Investments in Associates

Name of Entity	Principal Activity	Ownership Interest		Consolidated Carrying Amount		Parent Entity Carrying Amount	
		2007 Percent	2006 Percent	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Unisure Pty Ltd	Provision of workers compensation services and investment of funds set aside for workers compensation	33.3	33.3	-	-	-	-
SABRENet Ltd	Delivers high capacity broadband network services to the education and research sector	20	20	-	-	-	-

Each of the above associates is incorporated in Australia.

(a) Movements in Carrying Amounts		Consolidated	
		2007 \$'000	2006 \$'000
Carrying amount at 1 January		-	1 117
University investment		-	91
Share of profit (loss) before income tax		-	391
Write-down of investment		-	(1 599)
Carrying Amount at 31 December		-	-

	Consolidated	
	2007 \$'000	2006 \$'000
(b) <i>Share of Associate's Operating Result</i>		
Net operating result before income tax	-	391
Net Operating Result after Income Tax	-	391
(c) <i>Share of Associates' Expenditure Commitments, Other than for the Supply of Inventories</i>		
Capital commitments	-	-
Lease commitments	-	-
Total Commitments	-	-
(d) <i>Contingent Liabilities of Associates</i>		
There are no material contingent liabilities.		

Unisure Pty Ltd

The University is an exempt employer under the WRCA, and is a shareholder along with the University of Adelaide and the University of South Australia in Unisure Pty Ltd, which manages workers compensation claims on behalf of the three institutions. Unisure Pty Ltd is the trustee of the Unisure Unit Trust, which holds the University's workers compensation liability and the associated investment funds. All transactions for the period flow through the Unit Trust and the University's share is included in the University financial results. Consequently the investment in the Associate has not been accounted for using the equity method as per AASB 128.

The University has incorporated its share of the financial transactions of the Unisure Unit Trust into the University column of the financial statements.

	University	
	2007 \$'000	2006 \$'000
Current Assets:		
Cash	100	39
Unisure managed funds	6 361	6 274
Total Assets	6 461	6 313
Current Liabilities:		
Workers compensation	524	343
Non-Current Liabilities:		
Workers compensation	1 306	959
Total Liabilities	1 830	1 302
Net Assets	4 631	5 011

38. Interests in Joint Ventures

(a) <i>Joint Venture Operations</i>		Output Interest	
		2007 Percent	2006 Percent
<i>Name of Entity</i>	<i>Principal Activity</i>		
Centre for Remote Health	Provision of health education and research to remote areas.	50	50
Greater Green Triangle University Department of Rural Health	Creation of a network of excellence in health professional education, population health, research and clinical service, in the Greater Green Triangle region.	50	50

The Economic entity's interest in assets employed in the above joint venture operations is detailed below. The amounts are included in the University financial reports and consolidated financial reports under their respective asset categories:

Centre for Remote Health

	Consolidated		University	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current Assets:				
Receivables	805	685	805	685
Prepayments	-	-	-	-
Total Current Assets	805	685	805	685
Non-Current Assets:				
Property, plant and equipment	2 530	2 077	2 530	2 077
Total Assets	3 335	2 762	3 335	2 762

Centre for Remote Health (continued)

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current Liabilities:				
Payables	-	4	-	4
Annual leave	26	24	26	24
Long service leave	3	3	3	3
Total Current Liabilities	29	31	29	31
Non-Current Liabilities:				
Annual leave	14	17	14	17
Long service leave	61	25	61	25
Total Non-Current Liabilities	75	42	75	42
Total Liabilities	104	73	104	73
Share of Assets Employed in Joint Venture	3 231	2 689	3 231	2 689

Greater Green Triangle

Current Assets:				
Receivables	799	652	799	652
Non-Current Assets:				
Property, plant and equipment	114	83	114	83
Total Assets	913	735	913	735

Current Liabilities:				
Payables	-	10	-	10
Annual leave	26	16	26	16
Total Current Liabilities	26	26	26	26
Non-Current Liabilities:				
Annual Leave	10	7	10	7
Long service leave	36	27	36	27
Total Non-Current Liabilities	46	34	46	34
Total Liabilities	72	60	72	60
Share of Assets Employed in Joint Venture	841	675	841	675

Joint Venture

The University's joint venture operations have no contingent liabilities as at 31 December 2007 (\$nil).

Other

The University has collaborative arrangements in place with a number of overseas institutions for joint teaching of students. Revenue is shared between the University and collaborating institutions. The University's share of revenue and expense is included in the Income Statement.

(b) Joint Venture Entities

The University participates in a number of joint venture entities, however as the University's interest is not considered to be material, they have not been taken up in the accounts on an equity basis as per AASB 131.

Relevant disclosures are as follows:

				Ownership Interest	
Name of Entity		Reporting Date	Principal Activity	2007 Percent	2006 Percent
Cooperative Research					
Cooperative Research Centre for Aboriginal Health (CRCAH)	(U)	30 June	Provides a cross cultural framework for strategic research leading to evidence based improvements in education and health practice.	14	15
Cooperative Research Centre for Sustainable Aquaculture of Finfish (Aquafin CRC)	(U)	30 June	Provides research and education for the sustainable aquaculture of finfish in Australia.	6	6
Other Joint Venture Entities					
Australian Housing and Urban Research Institute (AHURI) – Southern Research Centre	(U)	30 June	A cooperative venture between five universities to carry out research into housing and related issues with emphasis on economic, social and policy aspects.	8	7
Centre for Groundwater Studies (CGS)	(U)	31 December	A cooperative research and education venture focused on processes affecting recharge, discharge, contamination and remediation of groundwater.	13	15
Helpmann Academy for the Visual and Performing Arts Inc (Helpmann Academy)	(I)	30 June	Offers award courses for people seeking professional careers in the arts.	- *	- *

(b) *Joint Venture Entities (continued)*

							Ownership Interest	
							2007	2006
Name of Entity					Reporting Date	Principal Activity	Percent	Percent
Other Joint Venture Entities (continued)								
South Australian Centre for Economic Studies (SACES)				(U)	31 December	Conducts research on economic issues for government and private sector bodies with particular application to South Australia.	50	50
South Australian Consortium of Information Technology and Telecommunications Inc (SACITT)				(I)	31 December	Explores collaborative IT&T research and development issues.	33	33
South Australian Partnership for Advanced Computing (SAPAC)				(U)	31 December	Supports and promote the use of advanced and high-performance computing and communications in South Australia.	33	40
South Australian Tertiary Admissions Centre (SATAC)				(U)	30 June	Agent for tertiary institutions in Adelaide for receiving and processing applications for admission to tertiary level courses.	25	25
The Centre for Innovation Inc (TCII)				(I)	30 June	To promote, encourage and facilitate continuing economic development.	33	33
The Ethics Centre of South Australia (ECSA)				(U)	31 December	Facilitates ethics research and teaching in South Australia.	33	33
(I) Incorporated								
(U) Unincorporated								

* Partner but no right to residual assets

(c) *Other Information*

- (1) *Capital Expenditure Commitments*
No material capital expenditure commitments.
- (2) *Contingent Liabilities*
No material contingent liabilities.
- (3) *After Balance Date Events*
No material after balance date events.

39. **Discontinuing Operations**

Neither the University nor the Economic entity had discontinuing operations.

40. **Events Occurring after the Balance Sheet Date**

There were no events that took place after reporting date that have a material impact on the financial statements of the University or the Economic entity.

41. **Reconciliation of Operating Result to Net Cash Flows from Operating Activities**

	Consolidated		University	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Operating result for the period	26 874	19 965	28 731	16 904
Non-Cash Items:				
Depreciation and amortisation	10 636	10 933	10 465	10 899
Asset impairment	1 686	2 099	137	1 811
Loss on asset derecognition	1 301	-	-	-
Net (gain) loss on sale of assets	(128)	(151)	(128)	(145)
Reversal of revaluation decrement	(671)	-	(151)	-
Net contribution of assets	(1 040)	(2 881)	(1 040)	(1 410)
Unrealised investment gains	(6 300)	(1 551)	(5 299)	(1 233)
Dividend reinvestment	(1 541)	-	(1 414)	-
Share of net result using equity method	-	(391)	-	-
Total of Non-Cash Items	3 943	8 058	2 570	9 922
Change in Assets and Liabilities:				
(Increase) Decrease in receivables	(8 084)	536	(8 192)	1 849
(Increase) Decrease in inventories	21	(150)	(3)	152
(Increase) Decrease in other assets	958	21	947	429
Increase (Decrease) in payables	2 433	1 956	2 845	361
Increase (Decrease) in provisions	3 386	1 790	3 403	1 675
Increase (Decrease) in other liabilities	1 648	(993)	3 223	(10)
Net Cash provided by Operating Activities	31 179	31 183	33 524	31 282

41. Reconciliation of Operating Result to Net Cash Flows from Operating Activities (continued)

The cash and cash equivalents figures in Note 15 are reconciled to cash and cash equivalents at the end of the year in the Cash Flow Statement as follows:

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	2 346	1 557	1 448	359
Cash deposits at call within three days:	31 831	27 260	31 015	27 260
Term deposits maturing within 90 days	45 000	51 419	45 000	50 499
Cash and cash equivalents balance per Balance Sheet	79 177	80 236	77 463	78 118
Bank overdraft	-	-	-	-
Balance per Cash Flow Statement	79 177	80 236	77 463	78 118

Financing Facilities

Flinders University has the following arrangements with the NAB Bank:

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Overdraft facility ⁽¹⁾	500	500	500	500
Amount used	-	-	-	-
Unused Overdraft Facility	500	500	500	500
Visa credit cards facility ⁽¹⁾	3 049	2 323	3 000	2 050
Amount used	(360)	(301)	(358)	(298)
Unused Credit Cards Facility	2 689	2 022	2 642	1 752

(1) These facilities are unsecured.

Cash Balances not Available for Use

All cash balances are available for use (all available).

Tax Status

The activities of the University are exempt from income tax as are all but two of its wholly-owned controlled entities. Flinders Reproductive Medicine Pty Ltd, operating through the Flinders ART Clinic Trust is subject to income tax but fully distributes all net earnings, so no tax is payable.

42. Non-Cash Financing and Investing Activities

During the reporting period the University acquired works of art and library materials with an aggregate fair value of \$1.040 million (\$1.410 million) by means of donations. These acquisitions are not reflected in the Cash Flow Statement.

43. Assets and Liabilities of Trusts for which the University is Trustee

The University is the trustee of the following trusts:

<i>Trust Name</i>	<i>Purpose</i>
ADS Students	Payment of stipends to AUSAid students
Sir Ewen Waterman	Promotion and encouragement of biomedical science education

ADS Students Trust Assets and Liabilities

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current Assets:				
Cash at bank	798	589	798	589
Total Current Assets	798	589	798	589
Non-Current Assets:				
Total Non-Current Assets	-	-	-	-
Total Assets	798	589	798	589
Current Liabilities:				
Trade and other payables	706	488	706	488
Total Current Liabilities	706	488	706	488
Non-Current Liabilities:				
Total Non-Current Liabilities	-	-	-	-
Total Liabilities	706	488	706	488
Net Assets	92	101	92	101

The funds held in trust for AUSAid are not included in the University's Income Statement and Balance Sheet.

Sir Ewen Waterman Trust

The amount held in the Sir Ewen Waterman Trust is immaterial.

Flinders Charitable Trust

A subsidiary of the University, Flinders Reproductive Medicine Pty Ltd is the trustee of the Flinders Charitable Trust. The assets and liabilities of the trust are brought to account in the Economic entity's Income Statement and Balance Sheet.

44. Entity Information

Flinders University is a body corporate established by an Act of the South Australian Parliament, *The Flinders University of South Australia Act 1966*. It is domiciled in Australia and its address is Sturt Road, Bedford Park, South Australia, 5042. The University's Australian Business Number (ABN) is 65 542 596 200.

45. Acronyms and Abbreviations

AASB	Australian Accounting Standards Board
AIFRS	Australian equivalents to International Financial Reporting Standards
APS	Accounting Policy Statement
ARC	Australian Research Council
CGS	Commonwealth Grants Scheme
DEEWR	Department of Education, Employment and Workplace Relations
FEE-HELP	Fee Higher Education Loan Programme (financial support for full-fee paying domestic students)
HECS-HELP	Higher Education Contribution Scheme - Higher Education Loan Programme
HEFA	Higher Education Funding Agreement
IFRS	International Financial Reporting Standards
NH&MRC	National Health & Medical Research Council
OS-HELP	Overseas - Higher Education Loan Programme
VSU	Voluntary Student Unionism

46. Acquittal of Australian Government Financial Assistance

		University Only			
		Commonwealth Grants Scheme ¹		Indigenous Support Fund	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
46.1 DEEWR - CGS and Other DEEWR Grants					
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)	Note	67 642	62 725	507	426
Net accrual adjustments		674	-	-	-
Revenue for the period	2(a)	68 316	62 725	507	426
Surplus (Deficit) from the previous year		-	-	-	-
Total Revenue including Accrued Revenue		68 316	62 725	507	426
Less: Expenses including accrued expenses		(68 316)	(62 725)	(507)	(426)
Surplus (Deficit) for Reporting Period		-	-	-	-
		University Only			
		Equity Support Programme		Disability Support Programme	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		252	222	125	134
Net accrual adjustments		-	-	-	-
Revenue for the period	2(a)	252	222	125	134
Surplus (Deficit) from the previous year		-	13	-	-
Total Revenue including Accrued Revenue		252	235	125	134
Less: Expenses including accrued expenses		(226)	(235)	(125)	(134)
Surplus (Deficit) for Reporting Period		26	-	-	-
		University Only			
		Workplace Reform Programme		Workplace Productivity Programme	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		899	845	52	363
Net accrual adjustments		-	-	-	-
Revenue for the period	2(a)	899	845	52	363
Surplus (Deficit) from the previous year		-	-	241	-
Total Revenue including Accrued Revenue		899	845	293	363
Less: Expenses including accrued expenses		(878)	(845)	(286)	(122)
Surplus (Deficit) for Reporting Period		21	-	7	241

1 Includes the basic CGS grant amount, CGS-Regional loading and CGS-Enabling loading.

46.1 DEEWR - CGS and Other DEEWR Grants
(continued)

		University Only			
		Learning and Teaching Performance Fund		Capital Development Pool	
	Note	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		1 926	-	1 061	-
Net accrual adjustments		-	-	-	-
Revenue for the period	2(a)	1 926	-	1 061	-
Surplus (Deficit) from the previous year		-	-	2 068	3 094
Total Revenue including Accrued Revenue		1 926	-	3 129	3 094
Less: Expenses including accrued expenses		(1 031)	-	(160)	(1 026)
Surplus (Deficit) for Reporting Period		895	-	2 969	2 068

		University Only			
		Superannuation Programme		Collaboration and Structural Reform Programme	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		1 926	1 077	99	-
Net accrual adjustments		(904)	668	-	-
Revenue for the period	2(a)	1 022	1 745	99	-
Surplus (Deficit) from the previous year		-	-	-	-
Total Revenue including Accrued Revenue		1 022	1 745	99	-
Less: Expenses including accrued expenses		(1 022)	(1 745)	-	-
Surplus (Deficit) for Reporting Period		-	-	99	-

		University Only Total	
		2007 \$'000	2006 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		74 489	65 792
Net accrual adjustments		(230)	668
Revenue for the period	2(a)	74 259	66 460
Surplus (Deficit) from the previous year		2 309	3 107
Total Revenue including Accrued Revenue		76 568	69 567
Less: Expenses including accrued expenses		(72 551)	(67 258)
Surplus (Deficit) for Reporting Period		4 017	2 309

46.2 Higher Education Loan Programmes

		University Only			
		HECS-HELP (Australian Government Payments Only)		FEE-HELP	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		37 650	33 381	1 917	2 573
Net accrual adjustments		2 240	1 933	606	(134)
Revenue for the period	2(b)	39 890	35 314	2 523	2 439
Surplus (Deficit) from the previous year		-	-	-	-
Total Revenue including Accrued Revenue		39 890	35 314	2 523	2 439
Less: Expenses including accrued expenses		(39 890)	(35 314)	(2 523)	(2 439)
Surplus (Deficit) for Reporting Period		-	-	-	-

		University Only Total	
		2007 \$'000	2006 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		39 567	35 954
Net accrual adjustments		2 846	1 799
Revenue for the period	2(b)	42 413	37 753
Surplus (Deficit) from the previous year		-	-
Total Revenue including Accrued Revenue		42 413	37 753
Less: Expenses including accrued expenses		(42 413)	(37 753)
Surplus (Deficit) for Reporting Period		-	-

46.2 Higher Education Loan Programmes
(continued)

		University Only OS-HELP [^]	
		2007	2006
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)	Note	\$'000	\$'000
Net accrual adjustments		224	19
Revenue for the period	2(h)	(224)	(19)
Liability incurred in current year		-	-
Liability carried forward from the previous year		224	19
Total Liability Brought Forward		31	185
Less: Funds remitted		255	204
Total Liability at end of Reporting Period		(178)	(173)
		77	31

[^] OS-HELP is not included in income. The University effectively acts as a transfer agency with regard to the OS-HELP monies received from the Australian Government.

46.3 Scholarships

		University Only			
		Australian Postgraduate Awards		International Postgraduate Research Scholarships	
		2007	2006	2007	2006
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		\$'000	\$'000	\$'000	\$'000
Net accrual adjustments		1 693	1 696	336	203
Revenue for the period	2(c)	-	-	(135)	40
Surplus (Deficit) from the previous year		1 693	1 696	201	243
Total Revenue including Accrued Revenue		(11)	33	-	-
Less: Expenses including accrued expenses		1 682	1 729	201	243
Surplus (Deficit) for Reporting Period		(1 787)	(1 740)	(329)	(243)
		(105)	(11)	(128)	-

		University Only			
		Commonwealth Education Cost Scholarships		Commonwealth Accommodation Scholarships	
		2007	2006	2007	2006
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		\$'000	\$'000	\$'000	\$'000
Net accrual adjustments		723	493	1 149	828
Revenue for the period	2(c)	-	-	-	-
Surplus (Deficit) from the previous year		723	493	1 149	828
Total Revenue including Accrued Revenue		92	30	183	75
Less: Expenses including accrued expenses		815	523	1 332	903
Surplus (Deficit) for Reporting Period		(560)	(431)	(869)	(720)
		255	92	463	183

		University Only Total	
		2007	2006
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		\$'000	\$'000
Net accrual adjustments		3 901	3 220
Revenue for the period	2(c)	(135)	40
Surplus (Deficit) from the previous year		3 766	3 260
Total Revenue including Accrued Revenue		264	138
Less: Expenses including accrued expenses		4 030	3 398
Surplus (Deficit) for Reporting Period		(3 545)	(3 134)
		485	264

46.4 DEEWR Research

		University Only			
		Institutional Grants Scheme		Research Training Scheme	
		2007	2006	2007	2006
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		\$'000	\$'000	\$'000	\$'000
Net accrual adjustments		6 167	6 364	10 588	10 823
Revenue taken up as a liability		-	-	-	-
Revenue for the period	2(d)	-	-	-	-
Surplus (Deficit) from the previous year		6 167	6 364	10 588	10 823
Plus: Funds held as a liability		1 030	990	192	265
Total Revenue including Accrued Revenue		-	-	-	-
Less: Expenses including accrued expenses		7 197	7 354	10 780	11 088
Surplus (Deficit) for Reporting Period		(6 196)	(6 324)	(10 576)	(10 896)
		1 001	1 030	204	192

46.4 DEEWR Research (continued)

		University Only			
		Systemic Infrastructure Initiative		Research Infrastructure Block Grants	
	Note	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		-	-	2 881	2 964
Net accrual adjustments		-	-	-	-
Revenue taken up as a liability ³	2(d)	-	-	-	-
Revenue for the period		-	-	2 881	2 964
Surplus (Deficit) from the previous year		-	4 085	644	1 006
Plus: Funds held as a liability		-	-	-	-
Total Revenue including Accrued Revenue		-	4 085	3 525	3 970
Less: Expenses including accrued expenses		-	(4 085)	(2 845)	(3 326)
Surplus (Deficit) for Reporting Period		-	-	680	644

		University Only			
		Commercialisation Training Scheme		Australian Scheme for Higher Education Repositories	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		93	-	106	-
Net accrual adjustments		-	-	-	-
Revenue taken up as a liability		-	-	-	-
Revenue for the period	2(d)	93	-	106	-
Surplus (Deficit) from the previous year		-	-	-	-
Plus: Funds held as a liability		-	-	-	-
Total Revenue including Accrued Revenue		93	-	106	-
Less: Expenses including accrued expenses		-	-	(11)	-
Surplus (Deficit) for Reporting Period		93	-	95	-

		University Only			
		Implementation Assistance Programme		Total	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		50	-	19 885	20 151
Net accrual adjustments		-	-	-	-
Revenue taken up as a liability		-	-	-	-
Revenue for the period	2(d)	50	-	19 885	20 151
Surplus (Deficit) from the previous year		-	-	1 866	6 346
Plus: Funds held as a liability		-	-	-	-
Total Revenue including Accrued Revenue		50	-	21 751	26 497
Less: Expenses including accrued expenses		(50)	-	(19 678)	(24 631)
Surplus (Deficit) for Reporting Period		-	-	2 073	1 866

46.5 Voluntary Student Unionism

		University Only			
		VSU Transition Fund		Total	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		933	-	933	-
Net accrual adjustments		-	-	-	-
Revenue for the period	2(e)	933	-	933	-
Surplus (Deficit) from the previous year		-	-	-	-
Total Revenue including Accrued Revenue		933	-	933	-
Less: Expenses including accrued expenses		(36)	-	(36)	-
Surplus (Deficit) for Reporting Period		897	-	897	-

³ Funds received from DEEWR were held by the University on behalf of others. As a result they are not revenue under Australian Accounting Standards. As they need to be acquitted under DEEWR funding requirements, they are shown as funds available for expenditure.

46.6 Australian Research Council Grants

(a) Discovery

		University Only		Indigenous Researchers Development	
		Projects			
	Note	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		2 602	3 075	-	32
Net accrual adjustments		300	141	-	-
Revenue for the period	2(f)(i)	2 902	3 216	-	32
Surplus (Deficit) from the previous year		922	625	24	45
Total Revenue including Accrued Revenue		3 824	3 841	24	77
Less: Expenses including accrued expenses		(2 461)	(2 919)	(24)	(53)
Surplus (Deficit) for Reporting Period		1 363	922	-	24

		University Only Total	
		2007 \$'000	2006 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		2 602	3 107
Net accrual adjustments		300	141
Revenue for the period	2(f)(i)	2 902	3 248
Surplus (Deficit) from the previous year		946	670
Total Revenue including Accrued Revenue		3 848	3 918
Less: Expenses including accrued expenses		(2 485)	(2 972)
Surplus (Deficit) for Reporting Period		1 363	946

(b) Linkages

		University Only		Special Research Initiatives		Infrastructure	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		-	-	300	800		
Net accrual adjustments		170	-	(163)	(17)		
Revenue for the period	2(f)(ii)	170	-	137	783		
Surplus (Deficit) from the previous year		-	9	246	392		
Total Revenue including Accrued Revenue		170	9	383	1 175		
Less: Expenses including accrued expenses		(16)	(9)	(167)	(929)		
Surplus (Deficit) for Reporting Period		154	-	216	246		

		University Only		International		Projects	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		-	7	1 541	1 153		
Net accrual adjustments		6	11	14	(157)		
Revenue for the period	2(f)(ii)	6	18	1 555	996		
Surplus (Deficit) from the previous year		23	17	487	558		
Total Revenue including Accrued Revenue		29	35	2 042	1 554		
Less: Expenses including accrued expenses		(25)	(12)	(1 292)	(1 067)		
Surplus (Deficit) for Reporting Period		4	23	750	487		

		University Only Total	
		2007 \$'000	2006 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		1 841	1 960
Net accrual adjustments		27	(163)
Revenue for the period	2(f)(ii)	1 868	1 797
Surplus (Deficit) from the previous year		756	976
Total Revenue including Accrued Revenue		2 624	2 773
Less: Expenses including accrued expenses		(1 500)	(2 017)
Surplus (Deficit) for Reporting Period		1 124	756

(c) *Networks and Centres*

		University Only			
		Research Networks		Research Centres	
		2007	2006	2007	2006
	Note	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		-	-	-	-
Net accrual adjustments		6	62	164	201
Revenue for the period	2(f)(iii)	6	62	164	201
Surplus (Deficit) from the previous year		78	44	26	-
Total Revenue including Accrued Revenue		84	106	190	201
Less: Expenses including accrued expenses		(35)	(28)	(186)	(175)
Surplus (Deficit) for Reporting Period		49	78	4	26

		University Only	
		Total	
		2007	2006
		\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		-	-
Net accrual adjustments		170	263
Revenue for the period	2(f)(iii)	170	263
Surplus (Deficit) from the previous year		104	44
Total Revenue including Accrued Revenue		274	307
Less: Expenses including accrued expenses		(221)	(203)
Surplus (Deficit) for Reporting Period		53	104

DEPARTMENT OF FURTHER EDUCATION, EMPLOYMENT, SCIENCE AND TECHNOLOGY

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of Further Education, Employment, Science and Technology (the Department) is established as an administrative unit pursuant to the PSM Act. The Department's Chief Executive is responsible to the Minister for Employment, Training and Further Education, the Minister for Science and Information Economy and the Minister for Youth.

Functions

The Department's main function is to provide vocational education and training through Training and Further Education (TAFE) institutes and other providers outside the schooling sector. For details of the Department's functions refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the Department for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2007-08, specific areas of audit attention included:

- budgetary control
- expenditure, including grants and accounts payable
- employee benefits
- revenue, including student fees
- cash management, including bank reconciliations
- fixed assets
- general ledger
- risk management
- procurement.

The work of internal audit was considered in planning the audit programs.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Department of Further Education, Employment, Science and Technology as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Department of Further Education, Employment, Science and Technology in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to financial management reporting, risk management, expenditure, payroll and human resources, and contract management framework, as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Further Education, Employment, Science and Technology have been conducted properly and in accordance with law.

Communication of Audit Matters

Audit matters were detailed in a management letter to the Chief Executive. Responses to the audit matters were generally considered to be satisfactory. Major matters raised with the Department and the related responses are considered herein.

Financial Management Reporting

In 2005-06 Audit raised the need for the Department to develop an effective management reporting process to manage its significant financial resources. Over the past two years the Department has focused on implementing a budget methodology and refining its budget monitoring and reporting mechanisms. This includes the development of business rules supporting the Cost, Volume and Price Budget Methodology.

In 2007-08 Audit made a number of recommendations to the Department to further improve reporting processes and controls. These were:

- finalise and implement the budget unit's policies and procedures
- update the Delegations of Authority to include authorisations for budget changes
- monthly budget reconciliations between various records be independently reviewed and explanations for variances supported by adequate documentation
- reconcile the original and revised budgets and identified variances be explained and supported by adequate documentation
- produce financial management reports by individual campus.

The Department advised that policies and procedures will be finalised during 2008-09, and monthly reconciliations will be independently reviewed and variations appropriately documented. While the Department acknowledges the issue on campus reporting, the Department manages TAFE business on a program basis that transcends individual campuses. The Department responded that it will continue to explore options to better report and manage its total resource base.

Risk Management

Last year's Report included comment on developments taken by the Department to introduce a formal risk management process. The Audit and Risk Management Committee (Committee) was established and it was intended to implement the formal process in 2008.

The Risk Management Framework has yet to be launched and communicated to all employees. As a consequence, the Department does not have a risk management plan in place which is monitored and reported on regularly. In the absence of a plan, the Department is not in a position to respond timely and appropriately to risks which may have an adverse effect on the Department's operations. Further, the timing, nature and extent of risk information to be reported to the Department's Executive group and the Committee is unclear.

Audit recommended the preparation of an implementation plan outlining the steps and timeframes to ensure the timely preparation of a department risk management plan and regular risk reporting.

The Department advised work is continuing on finalising a risk register, the use of risk assessment and reporting tools, and an implementation plan.

Expenditure

A number of matters identified in the audit of the expenditure function and raised with the Department are outlined below.

Review of Payment Delegations

A payment delegation confirms that goods/services are received and the invoice is approved for payment. Prior to payment, accounts payable officers do not ensure invoices are approved in accordance with payment delegations. There is an increased risk of unauthorised payments.

Accuracy of Accounts Payable

Invoices and credit notes processed are not checked for accuracy prior to disbursement. A system generated report listing all payment details processed can allow an independent officer to review and agree to supporting documentation.

Timeliness of Payments

Invoices were being paid more than 30 days after the invoice date.

Purchase Cards – Unauthorised Transactions

The Department's policy requires individual purchase card transactions must not exceed \$2 200 unless previously authorised. Audit found instances where transactions were split to ensure they were within this limit.

Purchase Orders

Consistent with last year, there were instances where purchase orders were raised after the goods/services and invoice had been received. There is an increased risk of invalid/unauthorised incurring of expenditure.

The Department advised that, post-Audit's review, the Scanning Workflow Accounts Payment (SWAP) system was implemented and has significantly reduced the risk of unauthorised invoices being processed for payment. Further SWAP has improved the timeliness of payments. The Department has agreed with all other audit recommendations and advised remedial action taken.

Payroll and Human Resources

The following matters were noted and raised with the Department as a result of the payroll function audit.

Bona Fide Certificates

The Department distributes Bona Fide Certificates (BFCs) to all areas fortnightly. Managers are required to review and return the BFCs to payroll within a specific period for correction of any errors prior to pay being disbursed. This control provides assurance that transactions are completely and accurately processed to the payroll system.

BFCs are not reviewed and returned to payroll on a timely basis. There were instances where BFCs were not returned at all.

Further, the review of the BFCs was being performed to varying degrees. Some managers are not reviewing the BFCs in accordance with procedures. For example, leave details on the BFCs are not reviewed against a leave report to ensure completeness and accuracy of leave taken.

The Department has reminded managers of their responsibilities. It also advised that it will be undertaking a review of requirements to ensure they are appropriate and will investigate the automation of the bona fide review process.

Hourly Paid Instructors

Issues identified and reported to the Department were:

- there is a lack of documented policies and procedures covering employment of Hourly Paid Instructors (HPIs). Policies and procedures should be developed to ensure there are appropriate controls over HPI employment arrangements
- BFCs for HPIs are distributed to areas within the TAFE SA Institutes. There is lack of evidence that managers are reviewing and returning these BFCs to payroll
- HPIs are required to submit timesheets detailing the hours worked for the fortnight. An appropriate delegate is required to authorise the timesheet prior to processing. Audit found instances where HPI timesheets are not being authorised

The Department agreed with audit recommendations and intends to review the HPI policies and procedures and investigate the most efficient and effective control mechanisms.

Accuracy of Payroll Transactions

After the pay has been processed and prior to disbursement, a series of reports are generated which detail potential errors. While payroll officers amend any identified errors, there is no evidence of an independent check to ensure all errors have been addressed appropriately.

In 2006-07 Audit recommended the use of a Pay Variation Report which identifies all employees who received a fortnightly pay which differed from the previous fortnight. An independent officer would agree the variance to supporting documentation.

The Department advised the independent check will be formalised and investigate the development of a Pay Variation Report.

Contract Management Framework

In 2006-07 Audit raised the need for the Department to develop a Contract Management Framework and implement appropriate processes to ensure compliance. The current contract management database is used for procurement purposes only and not intended for contract management. A business case was being prepared for the implementation of a new contract management system.

The Department advised that an implementation plan will be developed once the contract management system business case is approved in 2008-09.

Student Revenue

The following matters arising from the audit of the revenue function were brought to the attention of the Department:

- Some student refunds were not authorised in accordance with delegations.
- Lack of segregation of duties between the debt recovery process and authorisation of bad debt write-off.
- The bad debts register was incomplete and did not reconcile to the general ledger.

The Department responded that:

- student refunds policy and procedures have been revised to ensure appropriate approval processes are implemented
- the debt write-off processes and authorities will be reviewed
- the bad debts register is now up-to-date and reconciles to the general ledger.

Other Matters

Other matters were raised with the Department within the context of improving the standard of internal control procedures. These included:

Policies and Procedures

Suggestions were made to improve procedures for operating and grant expenditure, payroll, bank reconciliations and budgetary control.

Expenditure

Ensuring system purchasing delegations are consistent with the approved Delegations of Authority.

Student Revenue

Generating student revenue reports for review to ensure the completeness and accuracy of student data and revenue and improving approval processes over fee instalment applications.

Bank Reconciliation

Performing an independent review of all bank reconciliations for accuracy and ensuring reconciling items are appropriately addressed.

Business Continuity

The Department establish a whole of department business continuity plan reflecting the current business environment.

The Department has advised of the actions to address the above audit matters.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT**Highlights of the Financial Report**

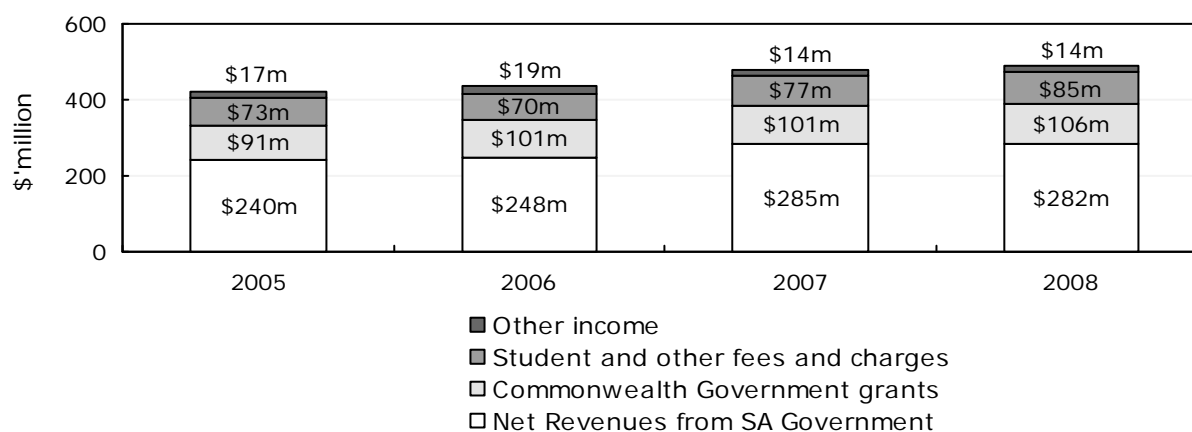
	2008 \$'million	2007 \$'million	Percentage Change
INCOME			
Commonwealth Government grants	106	101	5
Student and other fees and charges	85	77	10
Other income	14	14	-
Total Income	205	192	7
EXPENSES			
Employee benefits	268	257	4
Supplies and services	134	134	-
Grants and subsidies	82	57	44
Other expenses	21	22	(5)
Total Expenses	505	470	7
Net Cost of Providing Services	300	278	8
Net Revenues from SA Government	282	285	(1)
Net Result	(18)	7	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	24	28	(14)
ASSETS			
Current assets	93	80	16
Non-current assets	480	493	(3)
Total Assets	573	573	-
LIABILITIES			
Current liabilities	75	57	32
Non-current liabilities	55	53	4
Total Liabilities	130	110	18
EQUITY	443	463	(4)

Income Statement**Income**

Income totalled \$205 million, an increase of \$13 million. This is due mainly to an increase in:

- student and other fees and charges of \$8 million, totalling \$85 million
- Commonwealth grants of \$5 million, totalling \$106 million.

A structural analysis of the Department's income, including net revenues from SA Government, for the four years to 2008 is presented in the following chart.



The chart shows the principal source of funding for the Department is the Net Revenues from SA Government which totalled \$282 million in 2008. Further, student and other fees and charges is increasing. This increase is due mainly to increases in overseas student enrolments, fee for service revenue and indexation of student fees.

Expenses

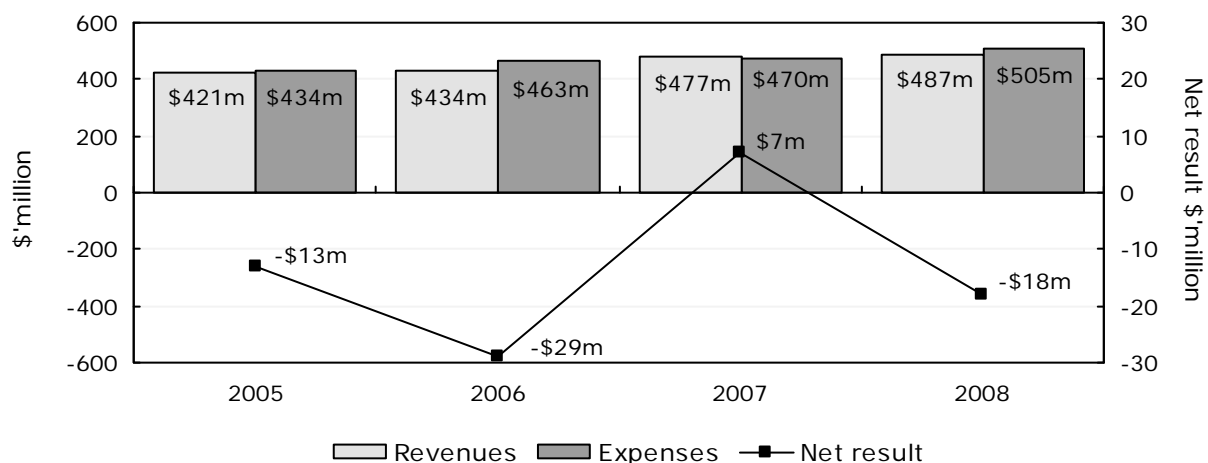
Expenses increased by \$35 million, totalling \$505 million (\$407 million). This is due mainly to an increase in:

- grants and subsidies of \$25 million due to an increase in grants for science and technology programs and grants provided for capital purposes. The timing of grant payments is dependent on the project milestones reached and new government strategies
- employee benefits of \$11 million. The increase is due mainly to enterprise bargaining pay increases in October 2007 and increases in long service leave expenses due to the change in the long service benchmark from 8.5 to 7.5 years.

The main expense of the Department is employee benefits. Employee benefits of \$268 million constituted 53 percent of total expenses. Other major expenses included \$134 million in supplies and services and \$82 million in grants and subsidies.

Net Result

The following chart shows the movement in income, expenses and the net result for the four years to 2008.



The net result for 2007-08 year was a deficit of \$18 million compared to a surplus of \$7 million in 2006-07. The deficit can be attributable mainly to increases in grants and subsidies expenditure of \$25 million. This increase was partly offset by an increase in student and other fees and charges of \$8 million and Commonwealth grants of \$5 million.

Balance Sheet

The Balance Sheet shows that the material items controlled by the Department are:

	2008 \$'million	2007 \$'million	Percentage Change
ASSETS			
Cash and cash equivalents	74	59	25
Property, plant and equipment	478	491	(3)
LIABILITIES			
Employee benefits	68	62	10

Property, plant and equipment is the most dominant balance in the Balance Sheet representing 83 percent of total assets. This item has decreased by \$13 million due mainly to a revaluation decrement of \$2 million in the library valuation and annual depreciation of \$20 million. The decrease has been partly offset by additions of \$16 million.

Cash Flow Statement

The following table summarises the net cash flows for the four years to 2008.

	2008 \$'million	2007 \$'million	2006 \$'million	2005 \$'million
Net Cash Flows				
Operating	24.1	28.3	5.6	(0.8)
Investing	(9.5)	(16.6)	(10.9)	(1.3)
Change in Cash	14.6	11.7	(5.3)	(2.1)
Cash at 30 June	73.6	59.0	47.3	52.6

In 2007-08 the Department generated \$24.1 million cash flow from operations and \$9.6 million of this was used to finance the purchase of property, plant and equipment.

While cash as at 30 June 2008 is \$73.6 million, the Department has current liabilities of \$50.2 million (excluding provisions and employee entitlements).

Income Statement for the year ended 30 June 2008

		2008	2007
	Note	\$'000	\$'000
EXPENSES:			
Employee benefits	5	267 814	257 238
Supplies and services	6	133 978	134 400
Grants and subsidies	7	81 695	57 313
Depreciation	8	20 020	18 062
Net loss from the disposal of non-current assets	15	673	367
Other expenses	9	574	2 209
Total Expenses		504 754	469 589
INCOME:			
Commonwealth grants	11	106 323	100 858
Student and other fees and charges	12	85 039	76 575
Other grants and contributions	13	8 615	7 101
Interest	14	28	77
Other income	16	4 861	6 502
Total Income		204 866	191 113
NET COST OF PROVIDING SERVICES		299 888	278 476
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	17	286 764	285 372
Less: Payments to SA Government	17	5 370	-
Total Revenues from (Payments to) SA Government		281 394	285 372
NET RESULT		(18 494)	6 896

Net result is attributable to the SA Government as owner

Balance Sheet as at 30 June 2008

		2008	2007
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	18	73 602	58 960
Receivables	19	17 307	19 724
Inventories	23	923	928
Non-current assets held-for-sale	21	788	-
Total Current Assets		92 620	79 612
NON-CURRENT ASSETS:			
Receivables	19	223	262
Investments	20	2 574	1 849
Property, plant and equipment	22	477 767	491 204
Total Non-Current Assets		480 564	493 315
Total Assets		573 184	572 927
CURRENT LIABILITIES:			
Payables	24	37 783	25 493
Employee benefits	25	22 808	17 321
Provisions	26	2 568	2 325
Other current liabilities	27	12 416	11 505
Total Current Liabilities		75 575	56 644
NON-CURRENT LIABILITIES:			
Payables	24	1 979	1 711
Employee benefits	25	45 558	44 845
Provisions	26	6 691	6 356
Other non-current liabilities	27	499	499
Total Non-Current Liabilities		54 727	53 411
Total Liabilities		130 302	110 055
NET ASSETS		442 882	462 872
EQUITY:			
Retained earnings	29	367 964	386 459
Asset revaluation reserve	29	74 918	76 413
TOTAL EQUITY		442 882	462 872
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	30		
Contingent assets and liabilities	31		

Statement of Changes in Equity for the year ended 30 June 2008

		Asset		
		Revaluation	Retained	
		Reserve	Earnings	Total
	Note	\$'000	\$'000	\$'000
Balance at 30 June 2006		24 023	396 681	420 704
Library adjustments	28	(2 439)	(12 886)	(15 325)
Non-current asset adjustments	28	-	(4 202)	(4 202)
Restated Balance at 30 June 2006		21 584	379 593	401 177
Gain on revaluation of land during 2006-07		9 059	-	9 059
Gain on revaluation of buildings during 2006-07		45 770	-	45 770
Net result for 2006-07		-	7 328	7 328
Balance at 30 June 2007		76 413	386 921	463 334
Library adjustments	28	-	(2 476)	(2 476)
Employee on-cost adjustment	28	-	2 301	2 301
Non-current asset adjustments	28	-	(288)	(288)
Restated Balance at 30 June 2007		76 413	386 458	462 871
Gain on buildings during 2007-08		520	-	520
Loss on revaluation of library during 2007-08		(2 015)	-	(2 015)
Net result for 2007-08		-	(18 494)	(18 494)
Balance at 30 June 2008		74 918	367 964	442 882

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

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		(Outflows)	(Outflows)
CASH OUTFLOWS:	Note	\$'000	\$'000
Employee benefits		(258 785)	(251 267)
Supplies and services		(141 419)	(152 589)
Grants and subsidies		(81 695)	(57 313)
GST paid to the ATO		(3 998)	(6 454)
Other		(275)	(279)
Cash used in Operations		(486 171)	(467 902)
CASH INFLOWS:			
Commonwealth grants		106 323	100 858
Student and other fees and charges		91 458	82 547
Other grants and contributions		8 615	4 239
Interest received		28	77
GST recovered from the ATO		17 440	14 109
Other		5 095	8 990
Cash generated from Operating Activities		228 959	210 820
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		286 764	285 372
Payments to SA Government		(5 370)	-
Cash generated from SA Government		281 394	285 372
Net Cash provided by Operating Activities	33	24 182	28 290
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(9 647)	(16 618)
CASH INFLOWS:			
Proceeds from property, plant and equipment		107	18
Net Cash used in Investing Activities		(9 540)	(16 600)
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		14 642	11 690
CASH AND CASH EQUIVALENTS AT 1 JULY		58 960	47 270
CASH AND CASH EQUIVALENTS AT 30 JUNE	18	73 602	58 960

Program Schedule - Expenses and Income for the year ended 30 June 2008

	Employment and Skills Formation					
	VET		International and Higher Education		Regulatory Services	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
EXPENSES:						
Employee benefits	247 485	240 942	1 032	483	2 946	5 140
Supplies and services	124 879	127 497	637	88	637	974
Grants and subsidies	19 853	23 813	5 014	3	22	1
Depreciation	20 020	18 062	-	-	-	-
Net loss on disposal of assets	673	367	-	-	-	-
Other expenses	531	2 082	2	3	9	33
Total Expenses	413 441	412 763	6 685	577	3 614	6 148
INCOME:						
Commonwealth grants	104 382	100 060	-	-	-	-
Student and other fees and charges	85 039	76 575	-	-	-	-
Other grants and contributions	7 646	5 670	-	-	-	-
Interest income	28	77	-	-	-	-
Other income	3 670	5 298	-	15	425	391
Total Income	200 765	187 680	-	15	425	391
Net Cost of Providing Services	212 676	225 083	6 685	562	3 189	5 757
REVENUES FROM (PAYMENTS TO)						
SA GOVERNMENT:						
Revenues from SA Government	200 836	231 260	6 804	616	3 129	5 019
Payments to SA Government	(5 370)	-	-	-	-	-
NET RESULT	(17 210)	6 177	119	54	(60)	(738)

	Employment and Skills Formation		Science, Technology and Innovation			
	Learning Workforce Dev and Employment		Science and Innovation		Information Economy	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
EXPENSES:						
Employee benefits	10 898	5 535	1 487	1 256	1 829	1 794
Supplies and services	5 592	3 265	406	673	919	869
Grants and subsidies	25 666	15 178	19 632	15 434	944	1 280
Depreciation	-	-	-	-	-	-
Net loss on disposal of assets	-	-	-	-	-	-
Other expenses	22	48	2	11	4	15
Total Expenses	42 178	24 026	21 527	17 374	3 696	3 958
INCOME:						
Commonwealth grants	1 808	470	-	206	133	122
Student and other fees and charges	-	-	-	-	-	-
Other grants and contributions	856	1 326	66	66	-	-
Interest income	-	-	-	-	-	-
Other income	324	112	145	82	109	224
Total Income	2 988	1 908	211	354	242	346
Net Cost of Providing Services	39 190	22 118	21 316	17 020	3 454	3 612
REVENUES FROM (PAYMENTS TO)						
SA GOVERNMENT:						
Revenues from SA Government	38 163	22 650	21 282	17 877	3 104	3 871
Payments to SA Government	-	-	-	-	-	-
NET RESULT	(1 027)	532	(34)	857	(350)	259

Program Schedule - Expenses and Income for the year ended 30 June 2008 (continued)

	Science, Technology and Innovation				Office for Youth	
	Bioscience Industry Development		Technology Investment		Strengthened Partnerships	
	2008	2007	2008	2007	2008	2007
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits	-	-	-	-	881	863
Supplies and services	-	-	-	-	413	452
Grants and subsidies	7 450	-	1 778	-	163	328
Depreciation	-	-	-	-	-	-
Net loss on disposal of assets	-	-	-	-	-	-
Other expenses	-	-	-	-	2	7
Total Expenses	7 450	-	1 778	-	1 459	1 650
INCOME:						
Commonwealth grants	-	-	-	-	-	-
Student and other fees and charges	-	-	-	-	-	-
Other grants and contributions	-	-	-	-	30	20
Interest income	-	-	-	-	-	-
Other income	-	-	-	-	128	249
Total Income	-	-	-	-	158	269
Net Cost of Providing Services	7 450	-	1 778	-	1 301	1 381
REVENUES FROM (PAYMENTS TO)						
SA GOVERNMENT:						
Revenues from SA Government	7 450	-	1 778	-	1 294	1 182
Payments to SA Government	-	-	-	-	-	-
NET RESULT	-	-	-	-	(7)	(199)

	Office for Youth					
	Young People's Engagement		Creative Leadership		Total	Total
	2008	2007	2008	2007	2008	2007
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits	628	621	628	604	267 814	257 238
Supplies and services	283	328	212	254	133 978	134 400
Grants and subsidies	893	938	280	338	81 695	57 313
Depreciation	-	-	-	-	20 020	18 062
Net loss on disposal of assets	-	-	-	-	673	367
Other expenses	1	5	1	5	574	2 209
Total Expenses	1 805	1 892	1 121	1 201	504 754	469 589
INCOME:						
Commonwealth grants	-	-	-	-	106 323	100 858
Student and other fees and charges	-	-	-	-	85 039	76 575
Other grants and contributions	17	19	-	-	8 615	7 101
Interest income	-	-	-	-	28	77
Other income	40	93	19	38	4 861	6 502
Total Income	57	112	19	38	204 866	191 113
Net Cost of Providing Services	1 748	1 780	1 102	1 163	299 888	278 476
REVENUES FROM (PAYMENTS TO)						
SA GOVERNMENT:						
Revenues from SA Government	1 807	1 791	1 117	1 106	286 764	285 372
Payments to SA Government	-	-	-	-	(5 370)	-
NET RESULT	59	11	15	(57)	(18 494)	6 896

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Agency Objectives and Funding****(a) Objective**

To build the breadth and depth of workforce skills in South Australia, complemented by leading science and technology development, and building community education and capacity, social inclusion and continuous learning into the culture of the State.

The portfolio plays a central role in achieving South Australia's Strategic Plan objectives Growing Prosperity, Fostering Creativity, and Expanding Opportunity; and makes a substantial contribution to Improving Wellbeing, Attaining Sustainability and Building Communities.

The Department of Further Education, Employment, Science and Technology (the Department) undertakes a range of functions in order to meet its objectives and contribute to the achievement of South Australia's Strategic Plan objectives and targets:

- Provision of strategic policy advice for developing the State's workforce.
- Provision of strategic advice for science, technology, information economy and innovation policy that links government with business, industry and education sectors.
- Ensuring high quality vocational education and training (VET) delivered by TAFE institutes, private registered training organisations and adult community education providers.
- Regulation of VET organisations, university and non-university higher education providers, and providers of English language intensive courses for overseas students.
- Regulation, administration and funding of apprenticeships and traineeships.
- Managing State funded employment and community development programs.
- Supporting the Government's strategic direction in the higher education sector.
- Initiating, advocating and facilitating policies and strategies, including appropriate programs and grants, that create opportunities for positive outcomes for all young people in South Australia.
- Raising the profile of South Australia in the international education market place.

(b) Funding

The Department is predominantly funded by State Government appropriations supplemented by Commonwealth grants. In addition income is generated from sales and/or a fee for service basis. These include:

- student fees and charges;
- training for various organisations;
- sale of curriculum material;
- hire of facilities and equipment.

The financial activities of the Department are primarily conducted through a Special Deposit Account with the Department of Treasury and Finance pursuant to Section 8 of the PFAA. The Special Deposit Account is used for funds provided by State Government appropriation, Commonwealth grants and revenues from fees and charges.

2. **Summary of Significant Accounting Policies****(a) Statement of Compliance**

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, TIs and APSs issued pursuant to the PFAA.

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2008 (refer Note 3).

(b) Basis of Preparation

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial reports are outlined in the applicable Notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported;
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following Note disclosures, that have been included in this financial report:

(b) Basis of Preparation (continued)

- (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, and greater than \$100 000 are separately identified and classified according to their nature;
- (b) expenses incurred as a result of engaging consultants;
- (c) employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees;
- (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

The Cash Flow Statement has been prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

(c) Reporting Entity

The Department is a government department of the State of South Australia, established pursuant to the PSM Act. The Department is an administrative unit acting on behalf of the Crown.

The financial report reflects the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. Transactions and balances relating to administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are insignificant in relation to the department's overall financial performance and position, they are disclosed in summary in Note 35.

Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

(d) Comparative Figures

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS has required a change. Where presentation or classification of items in the financial report has been amended comparative amounts have been reclassified unless reclassification is impracticable.

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

(e) Income and Expenses

Income and expenses are recognised in the Income Statement when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

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

Income

The following are specific recognition criteria:

- Income from fees and charges is derived from the provision of goods and services to other SA Government agencies and to other clients and is recognised when invoices are raised.
- Income from disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount.
- Income from grants is recognised upon receipt of funding.
- Contribution income is recognised when control of the contribution or the right to receive the contribution and the income recognition criteria are met.
- Appropriations for program funding are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon their receipt and are accounted for in accordance with TI 3. Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy and taxation revenues received on behalf of the Government and paid directly to the Consolidated Account.

Expenses

- Employee benefit expense includes all cost related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

In regards to superannuation expenses, the amount charged to the Income Statement represents the contributions made by the Department to the superannuation plan in respect of current services of current departmental staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government financial statements.

- Grants are amounts provided by the Department to entities for general assistance or for a particular purpose. Grants may be for capital, specific or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. The grants are paid when the conditions set out in the contract or correspondence are met.

(f) Current and Non-Current Classification

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

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(g) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet includes cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash at bank and other deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

Cash is measured at nominal value.

(h) Receivables

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

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

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

(i) Inventory

Inventories held for sale and/or distribution are measured at the lower of cost (as determined by the latest purchase price) or their net realisable value.

Inventories comprise of learning modules, food and wine, wine making equipment, books, stationery, hair and beauty products and timber supplies.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

Bases used in assessing loss of service potential for inventory held for distribution at no or minimal cost include current replacement cost and technological or functional obsolescence.

(j) Investments

Investments are carried in the Balance Sheet at the lower of cost or recoverable amount.

(k) Property, Plant and Equipment

Non-Current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-Current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired for no consideration, or minimal value, they are recorded at their fair value in the Balance Sheet.

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

Revaluation of Non-Current Assets

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

Every three years, the Department revalues its land, buildings, improvements and libraries. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrement of the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

Any revaluation decrement is recognised in the Income Statement, except to the extent that it offsets a previous revaluation increment for the same asset class, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset class.

The valuation methodology applied to specific classes of non-current assets under revaluations is as follows:

Land

Land is recorded on the basis of best use market value obtained from the South Australian Valuer-General. The most recent valuation was conducted as at 30 June 2007.

Buildings and Improvements

Information was obtained from the Strategic Asset Management Information System (SAMIS), maintained by the Department for Transport, Energy and Infrastructure. Buildings and improvements are valued at current replacement cost. Replacement costs have been established by reference to Quantity Surveyors estimates. The building data provided in the statements relates specifically to buildings and paved areas. The most recent valuations for buildings and paved areas were conducted as at 30 June 2007.

Buildings under construction are recorded as work in progress and are valued at cost.

Library Collection

The library collection is recorded at replacement value. The most recent valuation was carried out as at 30 June 2008 by Rushton Valuers Pty Ltd, an independent valuer, on the basis of replacement value.

Plant and Equipment

Items of plant and equipment are recorded at fair value less accumulated depreciation.

All plant and equipment assets with a value of \$10 000 or greater are capitalised.

Items under \$10 000 are recorded in the Income Statement as an expense in the accounting period in which they are acquired.

(l) Impairment

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

For revalued assets an impairment loss is offset against the asset revaluation reserve.

(m) Depreciation of Non-Current Assets

Non-current assets are systematically depreciated using the straight-line method of depreciation over their useful lives. This method is considered to reflect the consumption of their service potential. The Department reviews useful lives of assets annually.

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

	<i>Useful Life (Years)</i>
Transportable buildings	40-60
Fixed construction buildings	10-130
Improvements	10-40
Paved areas	10-48
Computing and communication equipment	1-20
Other plant and equipment	1-47
Library collection	12-15

(n) Payables

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

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

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

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

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

Payroll tax is a State tax levied on total gross salary paid plus (non-cash) benefits and employer superannuation contributions. The estimated amount of payroll tax payable in respect of employee benefits liabilities is also shown as a payable in the Balance Sheet. Any increase or decrease in the level of required payroll tax provision is charged as an increase or decrease in the payroll tax expense in the Income Statement. The payroll tax liability is only payable when employee benefits are paid.

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

(o) Employee Benefit and Employment Related Liabilities

Liabilities have been established for various employee benefits arising from services rendered by employees to balance date. Employee benefits include entitlements to wages and salaries, long service leave, annual leave and non-attendance days.

Non-attendance days are accrued annually for employees engaged under the *Technical and Further Education Act 1975* but are non-cumulative.

Employment related expenses include on-costs such as employer superannuation and payroll tax on employee entitlements together with the workers' compensation insurance premium. These are reported under Payables as on-costs on employee benefits (refer Note 24).

Salaries, Wages, Annual Leave and Non-Attendance Days

Liabilities for salaries, wages, annual leave, non-attendance days and leave loading are measured and recognised at their nominal amount in respect of employees' services up to the reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

Long Service Leave

The liability for long service leave is recognised after an employee has completed seven and a half years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

Sick Leave

Sick leave is not provided for in the financial report, as it is non-vesting. However, entitlements are accumulated and any sick leave is considered to be taken from the employees' current entitlement.

(p) Provisions

Provisions are recognised when the Department has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Department expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

(p) Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

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

(q) Leases

The Department has entered into a number of operating lease agreements, as lessee, for buildings and other facilities where the lessors effectively retain all risks and benefits incidental to ownership of the items held under the operating leases.

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

Details of commitments of current non-cancellable operating leases are disclosed at Note 30.

(r) Accounting for Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

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

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

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

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

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

(s) Financial Guarantees

At the time a financial guarantee contract is issued, it is recognised as a liability initially measured at fair value. If there is a material increase in the likelihood that the guarantee may have to be exercised, the financial guarantee is measured at the higher of the amount determined in accordance with AASB 137 and the amount initially recognised less cumulative amortisation, where appropriate.

In the determination of fair value, consideration is given to the following factors:

- the overall capital management/prudential supervision framework in operation;
- the protection provided by the State Government by way of funding should the probability of default increase;
- the probability of default by the guaranteed party;
- the likely loss to the Department in the event of default.

The Department has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2008 (there was no material liability recognised for financial guarantee contracts in 2007).

Whilst no liability has been recognised for financial guarantee contracts, further Note disclosures relating to financial guarantees are contained at Note 31.

(t) Unrecognised Contractual Commitments and Contingent Assets and Liabilities

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

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a Note and, if quantifiable, are measured at nominal value

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

(u) Rounding

All amounts are rounded to the nearest thousand dollars (\$'000).

3. Changes in Accounting Policies

The AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the reporting period ending 30 June 2008. The Department has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial report of the Department.

4. Programs and Sub-programs

The programs and sub-programs presented in this report are:

Program - Employment and Skills Formation

Description/Objective: To strengthen the economic prosperity and social well-being of South Australia through strategic employment, skills formation and further education activities.

Sub-program - Vocational Education and Training

Provision of vocational education and training by TAFE institutes and other providers, outside the school sector (including publicly funded Adult Community Education), including contestable and non-contestable sources of funding; policy advice and support for post-secondary education.

Sub-program - Learning, Workforce Development and Employment

Addressing the State's economic development and social inclusion objectives by providing opportunities for people to participate in employment, training, skills development, and adult community education; meeting the current and future labour and skill needs of industry; and providing state and national policy advice.

Sub-program - International and Higher Education

Supporting the development of Adelaide as a centre for education, international education and South Australian education exports including the provision of marketing services, analysis and student and community support, and provision of advice to the Minister on higher education policy and planning.

Sub-program - Regulatory Services

Provision of registration, accreditation and approval services for registered training organisations, quality oversight of the state vocational education system and the regulation and administration of apprenticeships and traineeships.

Program - Science, Technology and Innovation

Description/Objective: Provides the Government's principal strategic focus for science, technology, information economy and innovation policy development and program delivery in South Australia that links the Government with business, industry and education sectors.

Sub-program - Science and Innovation

Provision of high level strategic advice to the Minister on maximising economic, environmental and social benefits from the State's scientific research and innovation by:

- identifying strategic priorities for State Government investment;
- raising awareness and understanding of the importance and benefits of science and innovation amongst government, business and the community;
- facilitating coordinated and strategic bids for Commonwealth grants;
- facilitating coordination of education and research activity with end-user (industry) requirements to maximise the benefits of South Australia.

Sub-program - Information Economy

Provision of high level strategic policy advice to the Minister and Government on the information economy and the ICT sector that:

- raises awareness and greater understanding of the information economy among government, business, industry and education providers;
- develops strategy and facilitates programs and projects relevant to promoting the information economy;
- facilitate bids for significant Commonwealth grants.

Sub-program - Bioscience Industry Development

Development of the bioscience industry through providing assistance in business development, finance, infrastructure and marketing.

Sub-program - Technology Investment

Provision of seed capital and business guidance to start-up and early stage technology companies.

Program – Office of Youth

Description/Objective: To support the Government's vision that South Australia is a place where people from all walks of life choose to live, the Office for Youth provides a range of programs, policy initiatives and grants that enable young people to contribute to decisions that impact on their lives and access opportunities that enable them to reach their full potential while making a positive contribution to their communities.

Sub-program - Strengthened Partnerships

Strengthen partnerships across government, the Department and the youth sector to support young people's engagement within their community.

Sub-program - Young People's Engagement

Support for all young people to be actively engaged in their communities in learning and decision-making and specific support to engage disadvantaged young people.

Sub-program - Creative Leadership

Promotion of creative leadership opportunities for young people, celebration of young leaders' achievement, encouragement of innovative community leadership and support for equity and diversity amongst emerging leaders.

5. Employee Benefits

	2008	2007
	\$'000	\$'000
Salaries and wages (including annual leave)	215 137	208 656
Superannuation	23 728	23 451
Payroll tax	12 887	11 490
Long service leave	11 046	10 154
Workers compensation	3 584	2 132
Other employee related costs	1 432	1 355
Total Employee Benefits	267 814	257 238

Remuneration of Employees

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

	2008	2007
	Number of Employees	Number of Employees
\$100 000 - \$109 999	86	67
\$110 000 - \$119 999	30	33
\$120 000 - \$129 999	13	12
\$130 000 - \$139 999	6	5
\$140 000 - \$149 999	9	6
\$150 000 - \$159 999	2	3
\$160 000 - \$169 999	2	4
\$170 000 - \$179 999	2	3
\$180 000 - \$189 999	3	1
\$190 000 - \$199 999	-	1
\$200 000 - \$209 999	1	1
\$210 000 - \$219 999	1	-
\$220 000 - \$229 999	1	2
\$230 000 - \$239 999	1	2
\$260 000 - \$269 999	2	-
\$280 000 - \$289 999	1	-
\$290 000 - \$299 999	-	1
\$320 000 - \$329 999	1	-
	161	141

The table above reflects all employees who received remuneration of \$100 000 or more during the year. For 2008, it includes 4 employees (1 employee) who resigned or retired during the year.

Remuneration of employees includes salaries, salary sacrifice amounts, superannuation contributions and FBT. The total remuneration received or receivable by the employees included in the above table for 2008 was \$19.7 million (included in employee benefits), (\$17.2 million).

6. Supplies and Services

	2008	2007
	\$'000	\$'000
Funding to non-TAFE providers for VET	19 813	19 194
Printing and consumables	14 570	14 959
Minor works, maintenance and equipment	16 421	17 982
Information technology infrastructure and communication	18 712	23 673
Fees - Contracted services (including consultants)	19 182	14 937
Trainee and apprenticeship reimbursements	504	1 543
Utilities	6 414	6 634
Cleaning	8 728	7 529
Vehicle and travelling expenses	7 259	6 562
Rentals and leases	5 570	5 226
Other	16 805	16 161
Total Supplies and Services	133 978	134 400

6. Supplies and Services (continued)	2008	2007
Supplies and Services provided by Entities within the SA Government:	\$'000	\$'000
Minor works, maintenance and equipment	12 304	13 398
Information technology infrastructure and communication	3 431	8 852
Fees - contracted services (including consultants)	6 774	4 347
Utilities	1 201	1 009
Cleaning	7 521	6 459
Vehicle and travelling expenses	2 772	2 708
Rentals and leases	4 028	3 630
Other	472	516
Total Supplies and Services - SA Government Entities	38 503	40 919

The total supplies and services amount disclosed includes GST amounts not-recoverable from the ATO due to the Department not holding a valid tax invoice or payments relating to third party arrangements.

Consultancy	2008	2007
The number and dollar amount of consultancies paid/payable (included in Supplies and Services) that fell within the following bands:	Number of Consultancies	Number of Consultancies
	\$'000	\$'000
\$0 - \$10 000	4	7
\$10 000 - \$50 000	6	5
Above \$50 000	1	-
Total Paid/Payable to the Consultants Engaged (GST exclusive)	347	102

7. Grants and Subsidies	2008	2007
	\$'000	\$'000
Employment programs	19 151	16 980
Vocational education and training programs	12 782	11 331
Science and technology programs	29 683	16 710
Tertiary student transport concessions	9 175	7 834
Skill centre programs	3 259	2 497
Other specific grants	7 645	1 961
Total Grants and Subsidies	81 695	57 313

Grants and Subsidies paid/payable to Entities within the SA Government:

Employment programs	3 445	3 835
Vocational education and training programs	3 385	1 751
Science and technology programs	13 747	8 605
Tertiary student transport concessions	9 175	7 834
Skill centre programs	440	283
Other specific grants	5 766	572
Total Grants and Subsidies - SA Government Entities	35 958	22 880

8. Depreciation		
Buildings and improvements	15 347	13 247
Plant and equipment	2 197	2 339
Library	2 476	2 476
Total Depreciation	20 020	18 062

9. Other Expenses		
Audit fees	275	237
Allowance for doubtful debts and debt write-offs	299	1 763
Asset revaluation decrement	-	209
Total Other Expenses	574	2 209

10. Auditors' Remuneration		
Audit fees paid/payable to the Auditor-General's Department	240	223
Other audit fees	35	14
Total Auditors' Remuneration	275	237

No other services were provided by the Auditor-General's Department.

11. Commonwealth Grants		
Recurrent Grants:		
VET funding	81 086	77 850
Specific purpose	8 638	7 641
	89 724	85 491
Capital Grants:		
VET funding	13 600	13 600
Specific purpose	2 999	1 767
	16 599	15 367
Total Commonwealth Grants	106 323	100 858

12. Student and Other Fees and Charges	2008	2007
	\$'000	\$'000
Sales/fee for service revenue	52 562	44 670
Student enrolment fees and charges	29 836	29 769
Other user fees and charges	2 641	2 136
Total Fees and Charges	85 039	76 575
Fees and Charges received/receivable from Entities within the SA Government:		
Sales/fee for service revenue	1 139	1 436
Student enrolment fees and charges	529	956
Other user fees and charges	132	116
Total Fees and Charges - SA Government Entities	1 800	2 508
13. Other Grants and Contributions		
Grants and subsidies revenue	3 416	2 795
Miscellaneous contributions	474	1 330
Donations	98	114
Grants from entities within the SA Government	4 627	2 862
Total Other Grants and Contributions	8 615	7 101
14. Interest		
Interest from entities within the SA Government	-	43
Interest from entities external to the SA Government	28	34
Total Interest	28	77
15. Net (Loss) Gain on Disposal of Non-Current Assets		
Land and Buildings:		
Proceeds from disposals	23	-
Less: Net book value of assets disposed	34	82
Net Loss on Disposals	(11)	(82)
Plant and Equipment:		
Proceeds from disposals	84	18
Less: Net book value of assets disposed	746	303
Net Loss on Disposals	(662)	(285)
Total Assets:		
Proceeds from disposals	107	18
Less: Net book value of assets disposed	780	385
Total Net Loss on Disposals	(673)	(367)
16. Other Income		
Share of net gains from investments	725	407
Sundry income	4 136	6 095
Total Other Income	4 861	6 502
17. Revenues from (Payments to) SA Government		
Revenues from the SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	271 864	268 802
Accrual appropriation	4 772	1 137
Appropriation transfers from contingency	10 128	15 433
Total Revenues from SA Government	286 764	285 372
Payments to the SA Government:		
Return of surplus cash pursuant to cash alignment policy	5 370	-
Total Revenues from (Payments to) SA Government	281 394	285 372
18. Cash and Cash Equivalents		
Deposits with the Treasurer	36 814	32 042
Special Deposit Account with the Department of Treasury and Finance	36 213	25 902
Imprest account/cash on hand	555	554
External bank account	20	462
Total Cash and Cash Equivalents	73 602	58 960

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of this fund is not available for general use (ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval).

External Bank Account

Interest is calculated based on the average daily balances. The account earned a floating interest rate of 3.0 percent.

Interest Rate Risk

Interest is not earned on the special deposit account, deposits with the Treasurer and the imprest account. Cash on hand is non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

Credit Stand-by Arrangements

The Department has a \$3.8 million (\$3.3 million) credit card facility with the ANZ Bank. The unused portion of this facility at 30 June 2008 was \$2.8 million (\$2.7 million).

19. Receivables	2008	2007
Current:	\$'000	\$'000
Fees and charges receivable	13 923	16 727
Less: Allowance for doubtful debts	2 264	2 112
Prepayments	1 353	2 009
GST recoverable from the ATO	4 174	2 971
Other receivables	121	129
Total Current Receivables	17 307	19 724
Non-Current:		
Workers compensation receivable	223	262
Total Non-Current Receivables	223	262
Total Receivables	17 530	19 986
Receivables from SA Government Entities:		
Receivables	1 211	630
Workers compensation receivable	223	262
Other receivables	51	-
Total Receivables from SA Government Entities	1 485	892
Receivables from Non-SA Government Entities:		
Receivables	10 448	13 985
Prepayments	1 302	2 009
GST recoverable from the ATO	4 174	2 971
Other	121	129
Total Receivables from Non-SA Government Entities	16 045	19 094
Total Receivables	17 530	19 986

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

- (a) Maturity analysis of receivables - refer to Note 34.
- (b) Categorisation of financial instruments and risk exposure information - refer to Note 34

Movement in the Allowance for Doubtful Debts

The allowance for doubtful debts is recognised when there is objective evidence that a receivable is impaired.

An allowance for doubtful debts has been recognised in 'other expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movement in the Allowance for Doubtful Debts	2008	2007
	\$'000	\$'000
Carrying amount at 1 July	2 112	474
Increase in the allowance	299	1 762
Amounts written off	(147)	(124)
Carrying Amount at 30 June	2 264	2 112

20. Investments	2008	2007
Non-Current:	\$'000	\$'000
Shares in associated company	2 574	1 849

20. Investments (continued)

	Austraining International Pty Ltd	
	2008	2007
	\$'000	\$'000
Associated Company:		
Interest in associated company	400	400
Share of retained profit	2 174	1 449
Equity Accounted Amount of Investment in Associated Company	2 574	1 849
Retained profits attributable to associated company:		
Balance at 1 July	1 449	1 042
Share of operating profit (loss) after income tax	725	407
Balance at 30 June	2 174	1 449

Austraining International Pty Ltd

Austraining International Pty Ltd, which has a reporting date of 30 June, is controlled by the Minister for Employment, Training and Further Education. Its principal activity is to secure international contracts for work in vocational education and training. The current investment value is based on unaudited financial statements as at 30 June 2008.

21. Non-Current Assets Held-for-Sale

	2008	2007
	\$'000	\$'000
Land at fair value	56	-
Buildings and improvements at fair value/cost	732	-
Balance at 30 June	788	-

During 2007-08 land and buildings at Loxton were identified as surplus to requirements. It is anticipated that the land and buildings at Loxton will be sold by 30 June 2009.

22. Property, Plant and Equipment

Land and Buildings:		
Land at fair value	58 738	58 794
Buildings and improvements at fair value/cost	745 663	741 002
Accumulated depreciation	(358 433)	(343 944)
Construction work in progress	2 485	1 206
	448 453	457 058
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	31 024	33 690
Accumulated depreciation	(15 790)	(18 115)
	15 234	15 575
Libraries:		
Libraries at valuation	28 603	46 873
Accumulated depreciation	(14 523)	(28 302)
	14 080	18 571
Total Property, Plant and Equipment at Fair Value	866 513	881 565
Total Accumulated Depreciation at 30 June	(388 746)	(390 361)
Total Property, Plant and Equipment	477 767	491 204

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2008.

Reconciliations

Reconciliations of the carrying amount of each class of non-current assets at the beginning and end of the current financial year are set out below:

	Carrying Amount	Additions	Disposals	Net Revaluation Increment (Decrement)	Other Movements	Depreciation	Carrying Amount
	01.07.07	\$'000	\$'000	\$'000	\$'000	\$'000	30.06.08
2008							\$'000
Land at fair value	58 794	-	-	-	(56)	-	58 738
Buildings and improvements	397 058	5 731	-	520	(732)	(15 347)	387 230
Plant and equipment	15 575	2 602	(746)	-	-	(2 197)	15 234
Construction work in progress	1 206	7 548	(34)	-	(6 235)	-	2 485
Libraries at valuation	18 571	-	-	(2 015)	-	(2 476)	14 080
Total	491 204	15 881	(780)	(1 495)	(7 023)	(20 020)	477 767
	Carrying Amount	Additions	Disposals	Net Revaluation Increment (Decrement)	Other Movements	Depreciation	Carrying Amount
	01.07.06	\$'000	\$'000	\$'000	\$'000	\$'000	30.06.07
2007							\$'000
Land at fair value	49 735	-	-	9 059	-	-	58 794
Buildings and improvements	342 597	22 230	(82)	45 560	-	(13 247)	397 058
Plant and equipment	14 601	3 616	(303)	-	-	(2 339)	15 575
Construction work in progress	10 307	350	-	-	(9 451)	-	1 206
Libraries at valuation	21 047	-	-	-	-	(2 476)	18 571
Total	438 287	26 196	(385)	54 619	(9 451)	(18 062)	491 204

23. Inventories	2008	2007
	\$'000	\$'000
Inventories held-for-sale	562	680
Inventories held-for-distribution	361	248
Total Inventories	923	928
24. Payables		
Current:		
Creditors	25 981	16 882
Accrued expenses	5 636	5 126
Employment on-costs	6 111	3 424
Other	55	61
Total Current Payables	37 783	25 493
Non-Current:		
Employment on-costs	1 979	1 711
Total Non-Current Payables	1 979	1 711
Total Payables	39 762	27 204
Payables to SA Government Entities:		
Creditors	6 055	3 511
Accrued expenses	2 871	2 223
Employment on-costs	8 090	5 135
Total Payables to SA Government Entities	17 016	10 869
Payables to Non-SA Government Entities:		
Creditors	19 926	13 371
Accrued expenses	2 765	2 903
Other	55	61
Total Payables to Non-SA Government Entities	22 746	16 335
Total Payables	39 762	27 204

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

(a) *Maturity analysis of payables - refer to Note 34.*

(b) *Categorisation of financial instruments and risk exposure information - refer to Note 34.*

25. Employee Benefits	2008	2007
Current:	\$'000	\$'000
Annual leave	9 219	8 313
Long service leave	6 570	3 064
Accrued salaries and wages	2 369	1 479
Non-attendance days	4 650	4 465
Total Current Employee Benefits	22 808	17 321
Non-Current:		
Long service leave	45 558	44 845
Total Non-Current Employee Benefits	45 558	44 845
Total Employee Benefits	68 366	62 166

The current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2007-08 is \$28.9 million and \$47.5 million respectively.

In the 2007-08 financial year, the long service leave benchmark has been revised from 8.5 years to 7.5 years based on an actuarial assessment performed by the Department of Treasury and Finance.

26. Provisions	2008	2007
Current:	\$'000	\$'000
Workers compensation	2 568	2 325
Total Current Provisions	2 568	2 325
Non-Current:		
Workers compensation	6 691	6 356
Total Non-Current Provisions	6 691	6 356
Total Provisions	9 259	8 681

26. Provisions (continued)	2008	2007
	\$'000	\$'000
Carrying amount at 1 July	8 681	9 012
Additional provisions recognised	578	(331)
Carrying Amount at 30 June	9 259	8 681

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

27. Other Liabilities	2008	2007
	\$'000	\$'000
Current:		
Deposits	4 034	2 754
Unearned revenue	6 593	7 952
Other liabilities	1 789	799
Total Current Other Liabilities	12 416	11 505
Non-Current:		
Advances	499	499
Total Non-Current Other Liabilities	499	499
Total Other Liabilities	12 915	12 004

28. Adjustments to Equity	Asset	Retained	2007
	Revaluation	Earnings	Total
	Reserve		
	\$'000	\$'000	\$'000
Balance at 1 July 2006	78 852	404 009	482 861
Buildings	-	(2 948)	(2 948)
Improvements	-	(501)	(501)
Plant and equipment	-	(1 040)	(1 040)
Library - Adjustments	(2 439)	(15 362)	(17 801)
Payroll on-cost adjustments	-	2 248	2 248
Leave liability adjustments	-	53	53
Total Equity as at 30 June 2007	76 413	386 459	462 872

Non-Current Asset Adjustments

These adjustments reflect buildings, improvements and plant and Equipment that have been recognised in the 2007-08 financial year, where errors have been previously reported in association with addition, disposal or valuations. The adjustments are a result of more accurate and complete information being recorded in subsidiary asset systems, which better reflects the Department's asset base.

Libraries Adjustments

These adjustments reflect the derecognition of library assets that occurred in previous years, the correction of previous year's asset revaluations and the recognition of depreciation expenses that relate to previous years.

Employee On-Cost Adjustments

This adjustment reflects the overstatement of the 30 June 2007 employment on-cost liabilities.

29. Equity	2008	2007
	\$'000	\$'000
Retained earnings	367 964	386 459
Asset revaluation reserve	74 918	76 413
Total Equity	442 882	462 872

The asset revaluation reserve is used to record increments and decrements in the fair value of land, buildings and libraries to the extent that they offset one another.

30. Unrecognised Contractual Commitments

Remuneration Commitments

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

Within one year	5 086	4 150
Payable later than one year and not later than five years	11 814	9 015
Total	16 900	13 165

Amounts disclosed include commitments arising from executives contracts. The Department does not offer remuneration contracts greater than five years.

Capital Commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial reports are payable as follows:

Within one year

Total

2008	2007
\$'000	\$'000
846	1 077
846	1 077

The Department's capital commitments relate to the construction of an atrium at a TAFE campus.

Other Commitments

These amounts are due for payments:

Within one year

Later than one year and not later than five years

Later than five years

Total

2008	2007
\$'000	\$'000
851	216
992	954
853	1 116
2 696	2 286

The Department's other commitments relate to agreements for cleaning contracts and other procurement commitments. There are no purchase options available to the Department.

Operating Leases Commitments

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

Within one year

Payable later than one year and not later than five years

Payable later than five years

Total

2008	2007
\$'000	\$'000
4 936	5 169
20 114	16 673
19 899	18 396
44 949	40 238

The Department's operating leases are for office accommodation and equipment. Office accommodation is leased from the Department for Transport, Energy and Infrastructure. The leases are non-cancellable with some leases having the right of renewal. Rent is payable in arrears.

31. Contingent Assets and Liabilities

The Department is not aware of any items which meet the definition of contingent assets. There are, however, a number of outstanding personal injury and common law claims not settled as at 30 June 2008 with an estimated settlement value of \$91 350. In addition, the Minister for Employment, Training and Further Education has provided a \$3 million guarantee to Austraining International Pty Ltd which has not been invoked as at 30 June 2008.

32. Remuneration of Board and Committee Members

Members that were entitled to receive remuneration during the 2007-08 financial year were:

Training and Skills Commission

P Wright
H Winchester
A Smith
B Mowbray
I Curry
D Frith
T Phillips
K Thiele
G Peak
S MacDonald-Taylor (resigned 31 December 2007)
C Hudson (appointed 1 January 2007)

Grievances Dispute Mediation Committee

B Mowbray
S Frazer
D Jeffries (appointed 1 July 2007)
P Johns
E Thornton
K Thiele
I Curry
G Peak
P Wright

Adult Community Education Reference Group

P Wright
M Smith
S Schrapel
K Daniel (appointed 1 July 2007)

Quality Reference Group

P Wright
D Frith
I Curry
K Thiele
G Peak

Information Economy Advisory Board

Prof S Richardson (appointed August 2007)
A Cannon (appointed 1 July 2007)
S Ayer (appointed 1 July 2007)
T Whiting
Prof C Marlin

Premier's Science Research Council

Prof T Munro
M Davis
Dr L Read
Prof C Marlin
Dr R Head
Dr P Crook
Prof J Ralston

Budget and Finance Committee

I McLachlan

Audit and Risk Management Committee

I McLachlan

32. Remuneration of Board and Committee Members (continued)**Minister's Youth Council**

R Barry
 K Gbla
 L DeBoer
 T Swanson
 S Scott
 A Solomon-Bridge
 M Deane (appointed October 2007)
 M R Thompson (appointed October 2007)
 E Moulds (appointed October 2007)
 D Wilkins (resigned 30 January 2008)
 H McEwen (resigned 31 October 2007)
 J McCafferty (resigned 30 June 2008)
 K Klein (resigned 30 June 2008)
 S Lee (resigned 30 June 2008)
 D Daw (resigned 28 November 2007)
 S Ireland (appointed 31 October 2007)
 I Mawa (resigned 31 August 2007)
 J McKenzie (resigned 27 August 2007)
 R Dixon (resigned 30 July 2007)

The number of members whose income from the entity falls within the following band is:

\$1 - \$9 999
 \$10 000 - \$19 999
 \$20 000 - \$29 999
 \$30 000 - \$39 999

2008	2007
Number of	Number of
Members	Members
41	45
4	2
1	1
-	1
46	49

Remuneration of board members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$168 000 (\$164 000).

Amounts paid to a superannuation plan for board/committee members was \$9000.

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

33. Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents disclosed in the Balance Sheet

Balance as per the Cash Flow Statement

2008	2007
\$'000	\$'000
73 602	58 960
73 602	58 960

Reconciliation of Net Cash provided by Operating Activities to
Net Cost of Providing Services

Net Cash provided by Operating Activities	24 182	28 290
Depreciation	(20 020)	(18 062)
Investments - share of operating gains	725	407
Loss on sale of assets	(673)	(367)
Asset revaluation decrement	-	(209)
Increase in employee benefits	(6 200)	(6 677)
(Decrease) Increase in receivables	(2 456)	5 309
Decrease in inventories	(5)	(1 024)
(Increase) Decrease in payables	(12 558)	4 282
Increase in other liabilities	(911)	(5 383)
(Increase) Decrease in provisions	(578)	331
Revenues from Government	(286 764)	(285 372)
Payments to Government	5 370	-
Net Cost of Providing Services	(299 888)	(278 476)

34. Financial instruments**Categorisation of Financial Instruments**

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

Categorisation of Financial Instruments (continued)

		2008	2007
		Carrying	Carrying
		Amount	Amount
Financial Assets	Note	\$'000	\$'000
Cash and cash equivalents	18	73 602	58 960
Receivables	19	17 530	19 986
Investments:			
Held to maturity investments	20	2 574	1 849
Financial Liabilities			
Financial Liabilities			
Payables	24	39 762	27 204
Other liabilities	27	12 915	12 004
Total Net Financial Assets		41 029	41 587

All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on-cost which are determined via reference to the employee benefit liability to which they relate.

Credit Risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department. The Department measures credit risk on a fair value basis and monitors risk on a regular basis.

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Department does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer to Note 19 for information on the allowance for impairment in relation to receivables.

The following table discloses the ageing of financial assets, past due, including impaired assets past due.

Ageing Analysis of Financial Assets

	Past Due By			
	Overdue for less than 30 Days	Overdue for 30-60 Days	Overdue for more than 60 Days	Total
	\$'000	\$'000	\$'000	\$'000
2008				
Not Impaired:				
Receivables	12 780	940	3 810	17 530
Other financial assets	-	-	2 574	2 574
Impaired:				
Receivables	-	-	-	-
Other financial assets	-	-	-	-
2007				
Not Impaired:				
Receivables	15 338	1 361	3 287	19 986
Other financial assets	-	-	1 849	1 849
Impaired:				
Receivables	-	-	-	-
Other financial assets	-	-	-	-

The following table discloses the maturity analysis of financial assets and financial liabilities.

Maturity Analysis of Financial Assets and Liabilities

	Contractual Maturity			
	Carrying Amount	Less than 1 Year	1-5 Years	More than 5 Years
	\$'000	\$'000	\$'000	\$'000
2008				
Financial Assets:				
Cash and cash equivalent	73 602	73 602	-	-
Receivables	17 530	17 307	223	-
Other financial assets	2 574	-	-	2 574
Total Financial Assets	93 706	90 909	223	2 574
Financial Liabilities:				
Payables	39 762	37 783	1 979	-
Other financial liabilities	12 915	12 416	499	-
Total Financial Liabilities	52 677	50 199	2 478	-

Maturity Analysis of Financial Assets and Liabilities (continued)

	Contractual Maturity			
	Carrying Amount \$'000	Less than 1 Year \$'000	1-5 Years \$'000	More than 5 Years \$'000
2007				
Financial Assets:				
Cash and cash equivalent	58 960	58 960	-	-
Receivables	19 986	19 724	262	-
Other financial assets	1 849	-	-	1 849
Total Financial Assets	80 795	78 684	262	1 849
Financial Liabilities:				
Payables	27 204	25 493	1 711	-
Other financial liabilities	12 004	11 505	499	-
Total Financial Liabilities	39 208	36 998	2 210	-

Liquidity Risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The Department is funded principally from appropriations from the SA Government. The Department works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet expected cash flows. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Department's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded above represents the Department's maximum exposure to financial liabilities.

35. Administered Items

	Minister's Salary and Allowances	
	2008 \$'000	2007 \$'000
Administered Expenses:		
Employee benefits	240	241
Total Administered Expenses	240	241
Administered Income:		
Revenues from SA Government	240	241
Total Administered Income	240	241
Net Result	-	-
Current Assets:		
Receivables	18	-
Total Current Assets	18	-
Current Liabilities:		
Other liabilities	18	-
Total Current Liabilities	18	-
Total Net Assets	-	-
Equity:		
Retained earnings	-	-
Total Equity	-	-
	NCVER Funding	
	2008 \$'000	2007 \$'000
Administered Expenses:		
Grants and subsidies	9 271	2 670
Total Administered Expenses	9 271	2 670
Administered Income:		
Commonwealth grants	9 271	2 670
Total Administered Income	9 271	2 670
Net Result	-	-

At 30 June there are no assets and liabilities for this administered item.

	Australian Quality Framework Council	
	2008	2007
	\$'000	\$'000
Administered Expenses:		
Employee benefits	35	-
Supplies and services	1	-
Total Administered Expenses	36	-
Administered Income:		
Grants and subsidies	36	-
Total Administered Income	36	-
Net Result	-	-
Current Assets:		
Receivables	14	-
Total Current Assets	14	-
Current Liabilities:		
Other liabilities	14	-
Total Current Liabilities	14	-
Total Net Assets	-	-
Equity:		
Retained earnings	-	-
Total Equity	-	-

Minister's Salary and Allowances

Minister's salary and allowances represents the amount pursuant to *Parliamentary Remuneration Act 1990*.

NCVER Funding

NCVER funding represents the receipt and disbursement of Commonwealth funding to the National Centre for Vocational Education Research Ltd.

Australian Quality Framework Council

This funding represents costs associated with hosting the AQF Council secretariat function within DFEEST including support for human resources and payroll, financial, information and communication technology, records management and limited legal and procurement services.

DEPARTMENT OF HEALTH

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of Health (the Department) is an administrative unit established pursuant to the PSM Act.

The Department is responsible to the Minister for Health and the Minister for Mental Health and Substance Abuse.

Functions

The Department is charged with broad ranging policy and administrative responsibilities associated with health. One of the functions delegated to the Chief Executive of the Department under the *South Australian Health Commission Act 1976* (SAHC Act) is to ensure that there is proper allocation and use of resources between Hospitals, Health Centres and Health Services incorporated under the SAHC Act.

The Department's role includes that as funder or service purchaser, policy setter and strategic planner and provider of services.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the Department for each financial year.

A discussion of the arrangements for the preparation and audit of financial statements for Incorporated Health Services is provided in the section of this Report titled 'Commentary on Health Services Activities' following presentation of the Department's financial statements.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2007-08, specific areas of audit attention included:

- risk management
- legal compliance
- insurance services
- payroll
- accounts payable
- overseas travel
- accounts receivable
- funding to health services
- interstate patient transfers
- non-current assets
- revenues received from the Commonwealth

- grants to non-government organisations (NGOs)
- shared services arrangements
- disengagement of Modbury Hospital from private sector management
- health unit special purpose funds.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Department of Health as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Department of Health in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to funding to non-government organisations, payroll, accounts payable and accounts receivable as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Health have been conducted properly and in accordance with law.

Audit Committee and Internal Audit

The Department's Audit Committee has continued in operation throughout the 2007-08 financial year. Internal audit and risk management services are provided to the Department by the Department for Families and Communities (DFC) under a shared service arrangement.

Internal Audit continued to conduct audits within the Department. In addition to using DFC staff, assignments have been undertaken by private sector firms as contractors. Work undertaken by Internal Audit for the Department was considered in designing the audit programs. Reliance was placed on the work of Internal Audit in assessing the effectiveness of the Department's internal controls. Specific areas in which reliance was placed on internal audit work included:

- ICT security assurance
- data warehouse integrity audit.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Department. Responses to the management letters were generally considered to be satisfactory. The following is a summary of headings in this section that contain audit commentary relating to the operations of the Department:

- risk management
- legal compliance framework
- recurrent funding to health services
- capital funding to health services
- funding to NGOs
- Commonwealth Government grants
- payroll
- accounts payable
- overseas travel
- accounts receivable
- shared services arrangements
- disengagement of Modbury Hospital from private sector management.

Risk Management

Good governance constitutes a number of generally accepted and practised elements, including corporate and operational policy and planning; development and operation of risk and control systems and practices; and the development and operation of internal and external reporting processes.

Effective governance at whatever level it is applied, will facilitate and support the achievement of strategic and operational goals/objectives, whether they be at the whole-of-government, agency or project levels. One of the important elements of effective governance relates to risk management.

Since 1997, TIs and/or the FMF have placed requirements on agencies and their Chief Executives in relation to the elements of good governance, including risk management practices.

Risk Management and Audit Committee

The Department has a Risk Management and Audit Committee (the Committee). The terms of reference of the Committee state that the 'Committee is responsible for overseeing risk management, internal controls, financial reporting, auditing and monitoring compliance with laws, policies and relevant codes of conduct, and reports to the Chief Executive'.

Further, the terms of reference states that government policy in South Australia requires the Chief Executive to develop risk management standards and practices to protect and enhance their resources and enable the achievement of corporate objectives. The purpose of the Committee is to assist the Chief Executive in the identification of risks, determining priorities for action, developing and implementing strategies for effective risk management and in ensuring accountabilities are met.

The Department's 'Risk Management Policy and Framework' (RMPF) states that the 'Department is committed to protecting itself from situations or events that would prevent it from achieving its strategic goals and objectives, and that Risk Management is regarded as an integral part of good management practice and the adoption of an agency-wide approach to risk management is a key strategy towards the achievement of the Department's corporate objectives'.

An important element of the RMPF is the identification, analysis, evaluation, treatment and monitoring of risks on a consistent basis across the Department. To facilitate this process the Risk Management and Internal Audit Division have been involved in assisting Divisions across the Department in preparing their risk registers and treatment plans.

Progress during 2007-08

During 2006-07, the Department released the 'SA Health Strategic Plan 2007-2009' (the Strategic Plan). The Strategic Plan outlines the four key strategic directions over the next three years within the overarching context of South Australia's Strategic Plan.

In addition, the Committee endorsed a revised Risk Management Policy. The policy and framework sets out the fundamental principles, tools and responsibilities for the risk management process.

A 'Risk Management – Governance & Reporting Framework' was endorsed by the Committee in April 2007. The purpose of the framework is to document and inform senior executives and management regarding the requirements to ensure the development of an accountable and effective risk management and reporting system. To facilitate this, a web-based application to record risks, ratings, controls and treatments has been implemented.

The Committee reviews quarterly strategic risk reports which cover all material risks and controls (including financial, operational and compliance controls).

Audit will continue to monitor these activities during 2008-09.

Legal Compliance Framework

The Department, in carrying out its functions, is required to comply with various Acts and regulations. The Department also ensures that those responsible for legislation committed to the Minister for Health and the Minister for Mental Health and Substance Abuse or relevant to the health portfolio are appropriately advised about the discharge of their duties.

Audit considers that a formal, structured and robust compliance framework would include the following:

- A central corporate role in identifying relevant legislation, documenting the requirements of key provisions and assigning responsibility to identified officers.
- Formal processes for confirming that all key provisions of legislation are assigned to officers and confirmation that this remains current.

- Documented policies and procedures which record the action required to be taken with respect to specific provisions of legislation, including reporting to the Chief Executive on action taken.

Information Sought in 2006-07

During 2006-07 Audit gained an understanding of the arrangements implemented by the Department to ensure compliance with the requirements of legislation applicable to the Department.

The Department had established a central process for monitoring changes to legislation, instituted a process of ensuring compliance with relevant legislation, and assigned responsibility to delegated officers for confirming that key provisional legislation remains current.

The Department advised that it was also undertaking a Delegations Project to identify powers and functions assigned to health portfolio Ministers and the Department under all legislation committed to the Health Ministers. This project included preparing a chart for each relevant Director for each piece of legislation committed to Ministers and administered by their division/branch; the establishment of a central legislative management system with Health Units that participate in the Australian Council on Healthcare Standards, Evaluation and Quality Improvement Program would include a legislative compliance register.

2007-08 Status of Initiatives

Audit noted that the Department has completed a Corporate Governance Manual dated April 2008 and it is available on the Department's Intranet site. It was also noted that all delegations including legal delegations are on the Department's Intranet site. These legal delegations included those relevant to the repealed SAHC Act but did not include the *Health Care Act 2008* (HC Act). Audit raised with the Department the matter of updating the manual to reflect the changed governance arrangements arising out of the proclamation of the *Health Care Act 2008* (and the repeal of the SAHC Act).

The Department advised that the projects commenced in 2006-07 are well progressed and that the Corporate Governance Manual has been updated to reflect the impact of the HC Act.

Recurrent Funding to Health Services

The Department has a key responsibility in managing and monitoring funding provided to health services within the State as the 'Funder Provider' of health sector funds. In 2007-08 \$2.6 billion of recurrent funding was provided to health services, representing a significant proportion of departmental expenditure. The control framework implemented by the Department to support this function is significant in the context of the monetary amounts involved as well as the impact on the achievement of Departmental objectives and the Government's Strategic Plan objectives. The framework centres around the execution and performance obligations of Health Service Agreements.

The 2007-08 audit was consistent in coverage to that undertaken last year. It included the following matters:

- Performance Agreements with Health Services are appropriately executed on a timely basis
- Processes are in place to monitor compliance requirements of the Performance Agreements
- Cash Call Payments are appropriately approved and are accurately processed into accounts payable
- Budget variations are appropriately approved and supported
- Key reconciliations of funding are regularly performed and independently reviewed
- Progress status of the performance of Casemix Audits.

Last year's audit indicated that the Department had implemented a uniform format of Health Service Agreements and put in place a framework for monitoring the compliance requirements of Agreements.

This year's audit indicated that the measures introduced and progressed during 2006-07 were operating satisfactorily.

Capital Funding to Health Services

In 2007-08 \$121.3 million of capital funding was provided to health services. The scope of the audit included an assessment of controls covering the following:

- Purchasing/Initiating Projects – All projects have the appropriate approval.
- Project Management – All projects are monitored on an ongoing basis.
- Update to General Ledger – Job Cost System is reconciled to the General Ledger.

The results of the audit identified matters relating to the classification of project costs.

Costs associated with major projects undertaken across the health portfolio are funded and paid by the Department. The Department then advises the relevant health unit monthly of all costs incurred. Each health unit recognises costs incurred on its behalf as capital funding (revenue) received from the Department, and, depending on the nature of the payment, a corresponding expense or asset (work in progress) in its ledger. Audit analysis of a sample of payments revealed instances where payments had been capitalised to projects when the nature of the payment did not adequately support capitalisation.

Audit considers that expenditure incurred and paid by the Department on behalf of health units that relates to specific projects needs to be analysed to ensure that it qualifies for capitalisation based on its nature.

In response the Department indicated that health units have been advised that an assessment of payments, in accordance with established policies should be made to determine the appropriate accounting treatment.

Funding to Non-Government Organisations (NGO)

This significant area of funding has been subject to review by Audit and Internal Audit over recent years. The reviews have identified a number of control deficiencies.

Some of these include:

- funding agreements were not appropriately executed
- the lack of a central Contracts Register
- lack of documentation to support performance monitoring
- lack of formal evaluation of service providers to assess the effectiveness and accountability of funded programs
- lack of documented policies and procedures for a number of key areas of operation.

Audit Review and Findings for 2007-08

Funding and Planning Framework

Important progress has been made to improve the administration over grant funding to NGOs. The Department's Portfolio Executive approved the implementation of the 'Funding and Planning Framework for Non-Government Services'. This framework sets out the model proposed for adoption by the Department in the planning of funding for NGOs.

This framework will be rolled out in 2008-09 and training will be provided to the appropriate staff. Audit will review its implementation in 2008-09.

Authorisation of Payments

NGO payments are made pursuant to Agreements that have been entered into between the Department and the NGO. For most NGO payments the Department uses the DFC Funding and Grants Management System (FGMS) to generate the payment according to the payment schedule embodied in the respective agreements.

In accordance with TI 8, a payment or disbursement can only be made if it is approved by an employee with the appropriate expenditure delegation. Audit review of the FGMS users with the ability to release grant payments from FGMS to Masterpiece revealed that many of these users do not have the appropriate expenditure delegation. As a result a number of NGO payments have been made during 2007-08 without the appropriate authority. Accordingly, the Department's Controls Opinion for 2007-08 has been qualified in relation to grant funding to NGOs.

This issue was raised in the 2006-07 audit of Grant Funding to NGOs and the Department's response indicated that 'delegation instruments and policies and procedures were being revised in order that the appropriate authority to authorise and release payments would be followed in 2007-08'.

This matter was again communicated to the Department and a positive response was received.

Commonwealth Government Grants

Commonwealth Government grants represent a major source of revenue for the Department. In 2007-08 the Department received \$995 million in Commonwealth Government grants.

During the 2007-08 audit, Audit noted that there are a number of outstanding issues with respect to the Agreement with the Department of Veteran's Affairs. These issues principally relate to the levels of activity and the resultant funding for that activity.

In addition, Audit identified some opportunities for improvement regarding the preparation and subsequent review of a number of key reconciliations.

In response the Department has advised that resolution of the issues with respect to the Agreement with the Department of Veteran's Affairs are progressing. A positive response was received in relation to the reconciliation issues.

Payroll

Salaries and Wages expenditure processed through the Payroll system represents a significant expenditure item for the Department amounting to \$68 million in 2007-08.

As was the case in 2006-07 a Service Level Agreement (SLA) was entered into by the Department for the 2007-08 year with Southern Adelaide Health Service (SAHS). Audit assessed the control environment of SAHS to determine whether reliance could be placed on controls relating to the processing and recording of payroll. Although the SLA has resulted in SAHS being responsible for a number of key payroll processes, other key controls are still the responsibility of the Department. For example, the Department is responsible for the bona fide review process which is considered a key control in the Department's payroll environment.

This year's audit revealed similar issues to those raised with the Department in 2006-07.

There remains significant control weaknesses in relation to the bona fide reports.

In summary the control weaknesses noted during the 2007-08 audit included:

- absence of return of all bona fide certificates from departmental managers exposing the Department to risks
- absence of evidence of performance and review over the reconciliation to ensure the Payroll System data is completely and accurately updated to the General Ledger
- absence of a formalised Departmental policy over all key control areas.

As a consequence of these control weaknesses, the Department's controls opinion has continued to be qualified in relation to the payroll control environment.

Bona Fide Certificates

The bona fide certification process represents a key element of the Department's internal control environment and is relied on to provide the Department with assurance that payroll payments are made to bona fide employees, for work actually performed and at the correct classification.

A significant number of bona fide certificates relating to the Department were not returned to the payroll area on time or at all. While the number represented a decrease on the unreturned rate last year the lack of return of bona fide certificates by the relevant managers exposes the Department to unauthorised or incorrect payments.

As stated in the previous Report for this important control to be effective, the Payroll Services division as well as each Departmental cost centre must work together to achieve, as close as possible, full compliance on an ongoing and timely basis with the bona fide Policy. This is required to effectively address the control weakness.

Audit again raised this matter with the Department with a number of recommendations.

In response the Department indicated that the recommendations made by Audit would be implemented.

Accounts Payable

DFC had responsibility for processing accounts payable transactions for the Department under a Shared Service Arrangement. In addition, DFC provide services to the Department in relation to the online purchase order system.

Health

A number of control weaknesses relating to the Accounts Payable control environment in recent years has resulted in the controls opinion for this area to be qualified. One notable matter is that Audit has been unable to place any reliance over the application of financial delegations in place.

The results of the 2007-08 audit revealed a similar position of control weaknesses as noted in previous years including the matter of delegations which has again resulted in the controls opinion being qualified.

In summary the control weaknesses noted during the 2007-08 audit included:

- delegations for Masterpiece and for the Basware expenditure system are not aligned with the approved delegations instrument
- instances of either credit cards on issue to persons without appropriate delegated authority or persons that have left the Department, and non-compliance with transaction limits or appropriate supporting documentation to meet fringe benefits tax compliance requirements
- instances where requisitions had been approved based on the line amount rather than the total value of the requisition
- vendor masterfile changes not appropriately authorised.

These matters were raised with the Department and a positive response advising specific remedial action was received.

Overseas Travel

The audit assessed processes in operation to ensure that overseas travel accorded with certain requirements of the Commissioner for Public Employment standards for overseas travel. In particular the requirements relating to:

- maintenance of a register of overseas travel
- approval for business class travel
- preparation of a report on the overseas travel visitation.

The review noted the following matters which were raised with the Department in August 2008.

- The Department maintains two registers, a register to meet FBT compliance obligations and the other to facilitate travel report obligations. There was a difference between the registers in the numbers of officers that were recorded as having travelled overseas.
- Documented approvals for two officers that travelled business class could not be provided at the time of audit.
- Two instances where overseas travel reports were not completed.

At the time of preparation of this Report a response had not been received from the Department.

Accounts Receivable

The results of the audit revealed a number of control weaknesses in the accounts receivable control environment. Audit considers that there has been deterioration in the control environment since 2006-07 particularly in the area of debtor management. As a result of the control weaknesses noted, the Controls Opinion in relation to the Accounts Receivable control environment has been qualified for 2007-08.

The control weaknesses noted and raised with the Department during the 2007-08 audit included:

- debtor follow up procedures - non-adherence to departmental policy
- inadequate review over information entered into the accounts receivable ledger
- policies and procedures - a number require update to reflect current practice.

The Department responded positively to the audit findings advising actions to address the weaknesses.

Shared Services Arrangements

Shared services arrangements are in place between the Department and the DFC to facilitate the delivery of certain business services to both agencies. For 2007-08, under these arrangements, the services provided to DFC by the Department include Taxation Services and Data Management Services. Services provided to the Department by DFC include Financial Services; Purchasing and Supply; Risk Management and Internal Audit Services; Fleet Management; Information and Communication Technology for Masterpiece; and Information and Knowledge Management.

From 1 July 2007, DFC has assumed the lead role in the provision of a range of financial and accounting services to the Department. Services such as accounts payable, accounts receivable and financial reporting which had previously been provided by the Department to DFC were in 2007-08 provided to the Department by DFC. As a result of these changed arrangements 37 employees transferred from the Department to DFC effective 1 July 2007. An SLA for these new arrangements was developed.

The Shared Service Agreements between the Department and DFC represent an important element of the control framework as they document accountability obligations of both agencies regarding the roles, rights and responsibilities that have been agreed upon by each party.

Both Agreements provide for a six monthly Performance Review to be undertaken covering:

- services being delivered and their appropriateness
- feedback from the client on services received
- roles and responsibilities
- assessment of services against Key Performance Indicators
- issues relating to current services
- amendments to the Agreement as appropriate.

Audit requested a copy of the Performance Reviews for each Agreement. In addition, Audit sought comment from the Department on the achievement of the Key Performance Indicators as outlined in the respective Agreements.

In response the Department indicated that there had not been formally documented six monthly Performance Reviews undertaken. Rather, the approach taken focussed on the resolution of outstanding issues, day to day management of the services and the transition of some of these services to the Government's Shared Services agency.

Modbury Hospital

In April 2007, the Government announced that they were taking back the operation of Modbury Hospital (the Hospital) from 1 July 2007. As a result a Termination Agreement between Central Northern Adelaide Health Service (CNAHS) and Healthscope Limited (Healthscope) was executed by the Minister for Health and Healthscope.

Audit reviewed aspects of the disengagement process resulting from the return of Modbury Hospital to government management. Some issues were raised with the Department concerning the settlement of financial matters between the State and Healthscope.

Unresolved Settlement

In July 2007, Healthscope forwarded an invoice claim to CNAHS for \$2.4 million. This claim described a number of items with assigned dollar amounts for settlement as provided for in the Termination Agreement.

At the time of preparation of this Report, the claim has not been settled. Its settlement is being considered in relation to the settlement of a separate significant matter regarding the value of employee entitlements transferred from Healthscope. See further discussion below on this matter.

CNAHS is also being assisted by Crown Law in dealing with these unresolved matters.

Stock on Hand

As at 30 June 2007 a stocktake of inventory was performed by Healthscope to determine the value of inventory for transfer to the State for payment reimbursement to Healthscope. The inventory value was determined at \$926 808 and is one of the items described in the Healthscope invoice claim on CNAHS.

The exercise of appropriate due diligence should have resulted in the attendance of a representative(s) from CNAHS at the stocktake for confirmation of stocktake integrity and stock value verification purposes. This did not occur. Also Audit review of the stock sheets indicated limitations in the stocktake processes and records.

On this matter, the Department advised that in retrospect the presence of a government officer at the stocktake would have been preferable.

Employee Entitlements

Healthscope employees that took up an employment offer with CNAHS (Modbury Hospital) on transfer of the hospital back to the State had annual leave and long service leave entitlements. Many of the transferred employees elected to transfer their leave entitlements from Healthscope to CNAHS. CNAHS are claiming reimbursement from Healthscope for the value of annual leave and long service leave liabilities transferred to CNAHS of \$1.9 million and \$1.4 million respectively.

Audit made inquiry of the Department concerning verification of the amounts claimed and the status of the claim on Healthscope.

The Department advised that CNAHS had requested but had not been able to obtain documentation (employee records) to validate an electronic file (spreadsheet) of transferred employee entitlement balances initially provided by Healthscope to CNAHS.

As mentioned previously, this unresolved matter is being addressed by CNAHS with Crown Law advice.

Fixed Assets

The Termination Agreement provided for CNAHS to resume control from Healthscope of the fixed assets at Modbury Hospital. A stocktake of fixed assets undertaken by CNAHS officers identified that some assets were unable to be located and others were found to be in poor condition.

Audit inquired of the Department as to the actions to be taken in respect of the assets that could not be located and those that were found to be in poor condition, given that Healthscope were required to keep the equipment in good working order.

The Department advised that it would be difficult for CNAHS to assess and substantiate what was considered to be an appropriate range and standard of equipment, particularly given that there was not a record of the 'average condition' of the equipment that was provided for use by Healthscope in 1995. Furthermore, in view that the management agreement had been terminated early at the Government's request, no further action was going to be taken in respect of this matter.

Health Unit Special Purpose Funds

Health Regions and health units administer significant monies in special purpose funds. These funds are generally non-operating funds and include private practice funds, specific research grants, and funds received through fund raising activities undertaken by hospitals or voluntary organisations closely affiliated with the hospitals.

These funds need to be subject to good administration and accountability practices.

As part of the audit process of CNAHS, in December 2007 and June 2008, a number of matters regarding the need for improved accountability for special purpose funds were raised with the Chief Executive Officer of that health service.

The Chief Executive Officer's detailed response of June 2008 advised that the need for a comprehensive review of these funds has been recognised, including management procedures, processes and internal controls. The response indicated that a review had commenced at the Royal Adelaide Hospital and that a key outcome of the review will be the development of consistent CNAHS wide policies and procedures.

This review strategy and outcome will be closely monitored by Audit, not only for its importance for CNAHS but for the health sector generally.

The Chief Executive of the Department also advised that the Department is monitoring health unit special purpose funds.

The Chief Executive of the Department also advised that the Department is monitoring health unit special purpose funds.

Further Audit Commentary

Health Care Act 2008

The HC Act was proclaimed on 1 July 2008 and repealed the SAHC Act and the *Hospitals Act 1934*. The HC Act aims to create a unified, single public health system, with improved state-wide coordination and integration of public health services. The HC Act gives the Department direct responsibility and accountability for managing South Australia's public health system, not just responsibility for funding it.

While the metropolitan health regions will continue to exist, Chief Executive Officers report directly to the Chief Executive of the Department, rather than to individual/separate Boards. In addition, the South Australian Ambulance Service has been transferred to the Department as an identifiable agency with its own Chief Executive Officer.

Country Health SA is incorporated as a hospital under the HC Act. All of the country hospitals which were previously separately incorporated are now part of the Country Health SA Incorporated Hospital. Consistent with the metropolitan regions, Country Health SA does not have a board of management. Instead it has a Chief Executive Officer who reports directly to the Chief Executive of the Department.

The Act also establishes an independent Health Performance Council that will review the performance of the health system and report on the health outcomes of South Australians.

In addition, The HC Act provides for the establishment of local Health Advisory Councils (HACs). HACs are incorporated or unincorporated advisory bodies, advising the Minister on health issues related to specific groups or regions.

Incorporated HACs in country South Australia will hold assets, manage bequests and provide advice on local health service needs and priorities.

Unincorporated HACs have also been established, including for SA Ambulance Service (SAAS) volunteers and for veterans, to advise the Minister on particular issues related to these groups.

South Australian Metropolitan Hospital Efficiency and Performance Review

The South Australian Metropolitan Efficiency and Performance Review was commissioned by the Department in 2007 to identify factors that affect the ability of hospitals to deliver efficient health services, and to look at their financial viability and sustainability.

An external consultant undertook the external review of the Royal Adelaide Hospital, The Queen Elizabeth Hospital, Lyell McEwin Hospital and the Repatriation General Hospital, as well as the Department of Health. The report of April 2008 made 16 system wide recommendations related to improving structuring, accounting and management practices, and to improve staff safety, patient care and the financial viability of services. There are also a number of recommendations specific to each hospital.

Some recommendations are in the process of implementation in line with the Health Care Plan and other recommendations are being considered by the health services and implementation plans being developed.

In 2007-08 the Departmental expenditure for this review amounted to \$796 000.

Health Care Plan

South Australia's Health Care Plan was released by the State Government in June 2007. The Health Care Plan outlines some key changes to the way in which hospital services are currently provided. These include the consolidation of services at some hospital sites. In addition, the Health Care Plan outlines a focus on illness prevention through investment in establishing GP Plus Health Care Centres.

As part of the implementation of the Health Care Plan, a Major Projects Office has been established to lead the delivery of the capital component of the Plan. The Office will be responsible for the delivery of the Marjorie Jackson-Nelson Hospital project and will also provide advice on other major infrastructure projects.

Public Private Partnership – Marjorie Jackson-Nelson Hospital Project

In December 2007, Cabinet approved that the construction of a new hospital to be known as the Marjorie Jackson-Nelson Hospital (MJNH), be delivered as a Public Private Partnership (PPP) procurement arrangement.

The MJNH Project involves the construction of a new, state of the art, purpose built hospital on the existing rail yards next to the Adelaide Railway Station.

It is envisaged that an approach to the market place will occur in early 2009. The new hospital is expected to be opened in 2016.

Project expenditure incurred by the Department during 2007-08 totalled \$3.8 million. This comprised \$1.9 million relating to consultants and other government agency assistance, and \$1.9 million associated with Departmental project management and administration.

The project expenditure is reflected in the Department's financial report as a component of the capital funding provided to CNAHS.

Further commentary on PPP developments is contained in Part A 'Audit Overview' of this Report.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 \$'million	2007 \$'million	Percentage Change
INCOME			
Rent, fees and charges	102	110	(7)
SA Government appropriations	1 811	1 687	7
Grants from SA Government agencies	55	31	8
Commonwealth Government grants	995	898	11
Other	12	11	9
Total Income	2 975	2 737	9
EXPENSES			
Employee benefits expenses	68	64	6
Supplies, services and other expenses	193	174	11
Grants, subsidies and client payments	2 793	2 559	9
Total Expenses	3 054	2 797	9
Net Result before Restructure	(79)	(60)	32
NET CASH USED IN OPERATING ACTIVITIES	(41)	(67)	(39)
ASSETS			
Current assets	93	85	9
Non-current assets	75	74	1
Total Assets	168	159	6
LIABILITIES			
Current liabilities	92	65	42
Non-current liabilities	122	129	(5)
Total Liabilities	214	194	10
EQUITY	(46)	(35)	31

Income Statement

Income for 2007-08 amounted to \$3 billion (\$2.7 billion), and principally comprised SA Government Appropriations of \$1.8 billion (\$1.7 billion) and Commonwealth Government Grants of \$995 million (\$898 million).

Expenses were \$3.1 billion (\$2.8 billion), principally comprising grants, subsidies and client payments of \$2.8 billion (\$2.6 billion). grants, subsidies and client payments includes funding to Incorporated Health Services of \$2.7 billion (\$2.5 billion) and funding to NGOs of \$63 million (\$55 million). The increase in the funding provided to the incorporated Health Services results from increased activity in the public health system.

Balance Sheet

As at 30 June 2008, the Department has a net asset deficiency of \$46.2 million compared to a deficiency in 2006-07 of \$35.5 million. While the Department recorded a deficit (Net Result) for the year ending 30 June 2008 of \$78.3 million, this was offset by an equity contribution by the SA Government of \$67.6 million. This contribution of \$67.6 million, received in June 2008, has significantly improved the net asset deficiency of the Department.

Despite that deficiency the total current assets of the Department exceeds the current liabilities by \$837 000.

Current Assets

A significant proportion of the Department's current assets comprises cash and cash equivalents that increased from \$14 million to \$34 million as at 30 June 2008. The increase resulted principally from the equity contribution in June 2008 of \$67.6 million.

In relation to cash and cash equivalents, the Department has Unexpended Funding Commitments involving programs sourced from monies provided by the State and Commonwealth Governments (refer Note 18).

Cash Flow Statement

In 2008 the Department recorded a net cash inflow of \$20.5 million compared with a net cash outflow of \$42.6 million during 2006-07. The \$63 million increase in cash inflows is directly attributable to the equity contribution outlined above.

Income Statement **for the year ended 30 June 2008**

		2008	2007
EXPENSES:	Note	\$'000	\$'000
Employee benefit expenses	6	67 972	63 798
Supplies and services	7	188 382	169 264
Depreciation and amortisation	8	2 151	1 685
Grants, subsidies and client payments	9	2 792 804	2 559 171
Borrowing costs	10	2 722	2 929
Other expenses	11	16	40
Total Expenses		3 054 047	2 796 887
INCOME:			
Revenues from rent, fees and charges	12	101 609	109 668
Commonwealth Government grants	13	995 193	898 003
Interest revenue	14	3 314	3 369
Net (loss) gain from the disposal of assets	15	(429)	199
Other income	16	9 241	7 002
Total Income		1 108 928	1 018 241
NET COST OF PROVIDING SERVICES		(1 945 119)	(1 778 646)
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	17.1	1 811 046	1 687 458
Grants from SA Government agencies	17.2	55 187	30 725
		1 866 233	1 718 183
NET RESULT BEFORE RESTRUCTURE		(78 886)	(60 463)
Net revenues (expenses) from administrative restructures	31	557	(1 064)
NET RESULT AFTER RESTRUCTURE		(78 329)	(61 527)

Net result after restructure is attributable to the SA Government as owner

Balance Sheet as at 30 June 2008

		2008	2007
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	19	34 153	13 662
Receivables	20	55 717	68 314
Inventories	21	2 827	3 181
Total Current Assets		92 697	85 157
NON-CURRENT ASSETS:			
Receivables	20	32 765	35 031
Property, plant and equipment	22	36 148	35 559
Capital works in progress	22.1	6 628	2 867
Total Non-Current Assets		75 541	73 457
Total Assets		168 238	158 614
CURRENT LIABILITIES:			
Payables	23	47 565	20 929
Employee benefits	24	8 960	8 263
Borrowings	25	1 695	1 236
Provisions	26	11 215	12 485
Other current liabilities	27	22 425	21 866
Total Current Liabilities		91 860	64 779
NON-CURRENT LIABILITIES:			
Payables	23	17 350	19 983
Employee benefits	24	9 667	8 549
Borrowings	25	25 453	27 148
Provisions	26	69 791	73 279
Other non-current liabilities	27	327	362
Total Non-Current Liabilities		122 588	129 321
Total Liabilities		214 448	194 100
NET ASSETS		(46 210)	(35 486)
EQUITY:			
Contributed capital	28	272 873	205 268
Asset revaluation reserve	28	18 789	18 789
Retained earnings	28	(337 872)	(259 543)
TOTAL EQUITY		(46 210)	(35 486)
Total equity is attributable to the SA Government as owner			
Unexpended funding commitments	18		
Commitments	30		
Contingent assets and liabilities	33		

Statement of Changes in Equity for the year ended 30 June 2008

		Contributed	Asset Revaluation	Retained	
	Note	Capital	Reserve	Earnings	Total
		\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2006		177 749	19 301	(198 378)	(1 328)
Changes in accounting policy		-	-	(150)	(150)
Adjusted balance at 30 June 2006		177 749	19 301	(198 528)	(1 478)
Equity contribution from the Department of Treasury and Finance		42 751	-	-	42 751
Repayment of equity contribution to the Department of Treasury and Finance		(15 232)	-	-	(15 232)
Transfers from asset revaluation reserve		-	(512)	512	-
Net income (expense) recognised directly in equity for 2006-07		27 519	(512)	512	27 519
Net result after restructure for 2006-07		-	-	(61 527)	(61 527)
Total Recognised Income and Expense for 2006-07		-	-	(61 527)	(61 527)
Balance at 30 June 2007	28	205 268	18 789	(259 543)	(35 486)
Equity contribution from the Department of Treasury and Finance		67 605	-	-	67 605
Net income (expense) recognised directly in equity for 2007-08		67 605	-	-	67 605
Net result after restructure for 2007-08		-	-	(78 329)	(78 329)
Total Recognised Income and Expense for 2007-08		-	-	(78 329)	(78 329)
Balance at 30 June 2008	28	272 873	18 789	(337 872)	(46 210)

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

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:	Note	\$'000	\$'000
Employee payments		(65 394)	(62 580)
Supplies and services		(162 955)	(165 791)
Grants, subsidies and client payments		(2 785 174)	(2 509 971)
Interest paid		(2 770)	(2 860)
Borrowing costs		-	(107)
GST payments on purchases		(32 202)	(28 574)
Other payments		(16)	-
Cash used in Operations		(3 048 511)	(2 769 883)
CASH INFLOWS:			
Fees and charges		100 413	55 262
Receipts from Commonwealth		995 193	898 003
Interest received		2 788	3 813
GST receipts on receivables		7 630	1 478
GST refund from the ATO		25 594	20 683
Other receipts		9 248	5 024
Cash generated from Operations		1 140 866	984 263
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		1 811 046	1 687 458
Receipts from SA Government agencies		55 187	30 725
Total Cash Flows from SA Government		1 866 233	1 718 183
Net Cash used in Operating Activities	34	(41 412)	(67 437)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(6 932)	(2 561)
Loans provided		-	(1 300)
Cash used in Investing Activities		(6 932)	(3 861)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		2	838
Repayment of loans		2 464	1 892
Cash generated from Investing Activities		2 466	2 730
Net Cash used in Investing Activities		(4 466)	(1 131)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of capital to government		-	(15 232)
Repayment of borrowings		(1 236)	(842)
Payments due to restructuring activities		-	(720)
Cash used in Financing Activities		(1 236)	(16 794)
CASH INFLOWS:			
Capital contributions from government (not operations)		67 605	42 751
Cash generated from Financing Activities		67 605	42 751
Net Cash provided by Financing Activities		66 369	25 957
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		20 491	(42 611)
CASH AND CASH EQUIVALENTS AT 1 JULY		13 662	56 273
CASH AND CASH EQUIVALENTS AT 30 JUNE	19	34 153	13 662

Program Schedule of Expenses and Income for the year ended 30 June 2008

	Programs (refer Note 5)	S1	S2	S3	2008 Total
		\$'000	\$'000	\$'000	\$'000
EXPENSES:					
Employee benefit expenses		40 765	9 842	17 365	67 972
Supplies and services		36 260	39 264	112 858	188 382
Depreciation and amortisation		381	23	1 747	2 151
Grants, subsidies and client payments		59 864	7 273	2 725 667	2 792 804
Borrowing costs		2 722	-	-	2 722
Other expenses		16	-	-	16
Total Expenses		140 008	56 402	2 857 637	3 054 047
INCOME:					
Revenue from rent, fees and charges		6 497	1 478	93 634	101 609
Commonwealth Government grants		17 231	34 208	943 754	995 193
Interest revenue		3 314	-	-	3 314
Net (loss) gain from disposal of assets		(38)	(14)	(377)	(429)
Other		5 096	365	3 780	9 241
Total Income		32 100	36 037	1 040 791	1 108 928
NET COST OF PROVIDING SERVICES		(107 908)	(20 365)	(1 816 846)	(1 945 119)
REVENUES FROM SA GOVERNMENT:					
Revenues from SA Government		1 811 046	-	-	1 811 046
Grants from SA Government agencies		46 301	4	8 882	55 187
		1 857 347	4	8 882	1 866 233
NET RESULT BEFORE RESTRUCTURE		1 749 439	(20 361)	(1 807 964)	(78 886)
Net revenue from administrative restructure		557	-	-	557
NET RESULT AFTER RESTRUCTURE		1 749 996	(20 361)	(1 807 964)	(78 329)

Program Schedule of Expenses and Income for the year ended 30 June 2007

	Programs (refer Note 5)	S1	S2	S3	S4	2007 Total
		\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:						
Employee benefit expenses		13 349	12 610	35 690	2 149	63 798
Supplies and services		32 704	8 346	127 568	646	169 264
Depreciation and amortisation		76	22	1 570	17	1 685
Grants, subsidies and client payments		27 497	4 659	2 520 569	6 446	2 559 171
Borrowing costs		-	-	2 929	-	2 929
Other expenses		-	-	40	-	40
Total Expenses		73 626	25 637	2 688 366	9 258	2 796 887
INCOME:						
Revenue from rent, fees and charges		1 262	3 679	104 723	4	109 668
Commonwealth government grants		46 846	583	850 465	109	898 003
Interest revenue		-	-	3 369	-	3 369
Net (loss) gain from disposal of assets		-	(7)	212	(6)	199
Other		2 433	7	4 365	197	7 002
Total Income		50 541	4 262	963 134	304	1 018 241
NET COST OF PROVIDING SERVICES		(23 085)	(21 375)	(1 725 232)	(8 954)	(1 778 646)
REVENUES FROM SA GOVERNMENT:						
Revenues from SA Government		-	190	1 687 268	-	1 687 458
Grants from SA Government agencies		335	7	30 127	256	30 725
		335	197	1 717 395	256	1 718 183
NET RESULT BEFORE RESTRUCTURE		(22 750)	(21 178)	(7 837)	(8 698)	(60 463)
Net expenses from administrative restructure		-	-	(1 064)	-	(1 064)
NET RESULT AFTER RESTRUCTURE		(22 750)	(21 178)	(8 901)	(8 698)	(61 527)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Health

The Department of Health (the Department) is committed to protecting and improving the health of all South Australians by providing leadership in health reform, policy development and planning. The vision of the Department of Health (the Department) is the best health for South Australians.

To achieve this vision the Department is:

- strengthening primary health care;
- enhancing hospital care;
- reforming mental health care;
- improving the health of Aboriginal people.

The Department is committed to a health system that produces positive health outcomes by focusing on health promotion, illness prevention and early intervention.

The Department has responsibility for delivery of specific programs to the public with respect to activities assigned to the Department and the powers and functions performed under the *South Australian Health Commission Act 1976* (the Act), and other legislation as delegated by the Minister for Health, Minister Assisting the Premier for Social Inclusion (the Minister) and the Minister for Health and Substance Abuse to the Chief Executive of the Department.

1.1 Departmental Functions

One of the functions delegated to the Chief Executive of the Department under the Act is to ensure that there is proper allocation and use of resources between Health Regions, Health Centres and Health Services incorporated under the Act.

The financial affairs of incorporated Health Services do not form part of the Department's financial report. Under the Act these bodies are required to maintain separate accounts of their respective financial affairs and to have them separately audited by the Auditor-General or an auditor approved by the Auditor-General.

1.2 Administered Items

The Department administered certain revenues, expenses, assets and liabilities on behalf of other government agencies and non-government entities. They are not controlled by the Department and are consequently not recognised in the Department's financial statements. They are regarded as insignificant and disclosed in Note 36.

1.3 Administrative Restructures 2007-08

Prior to 1 July 2007, the Department provided general accounting, financial accounting, financial systems and accounting policy advice to the Department for Families and Communities (DFC). The provision of these services was covered by a Service Level Agreement. Effective 1 July 2007, DFC became the provider of these services to the Department. A revised Service Level Agreement reflects that the DFC is now the provider. The liabilities transferred are employee liabilities.

2006-07

Effective 1 July 2006, the assets and liabilities of the former Country Health Division within the Department, were transferred to Country Health South Australia Inc. (CHSA). Assets and liabilities of the former Environmental Health Division within the Department were also transferred to CHSA.

1.4 Funding for the Department

Funding for the Department comes from two main sources:

- Appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities.
- Payment and recoveries from portfolio agencies for Business Service functions performed on behalf of the agencies, with fees for these services being determined on a cost recovery basis.

In addition to the main funding sources, the Department receives amounts from other sources.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting Preparation

Statement of Compliance

The financial report is a general purpose financial report. The accounts have been prepared in accordance with:

- applicable AASs
- TIs and APSs promulgated under the provision of the PFAA
- other mandatory professional reporting requirements in Australia.

AASs include AIFRS and AAS 29. The Department has early-adopted the amendments to AASB 101. This is further outlined in Note 4.

Statement of Compliance (continued)

The preparation of the financial report requires the use of certain accounting estimates, where management is required to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgments or where assumptions and estimates are significant to the financial statements are outlined in the applicable Notes.

The preparation of the financial report also requires compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following Note disclosures, that have been included in this financial report:

- revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;
- expenses incurred as a result of engaging consultants;
- employees whose normal remuneration is greater than \$100 000 or more (within \$10 000 bandwidths) and aggregate remuneration paid or payable or otherwise made available, directly or indirectly by the Department to those employees;
- board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than direct out of pocket reimbursement.

The Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared in accordance with historic cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a 12 month operating cycle.

The existence of the Department and the ongoing delivery of current programs and services is dependent on Government policy and on continuing appropriations by Parliament.

2.2 Reporting Entity

The Department's financial statements include both departmental and administered items. The Department's financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. As administered items are insignificant to the Department's overall financial performance and position, they have been disclosed in a schedule of administered items as Notes to the accounts.

2.3 Comparative Figures

The presentation and classification of items in the Financial Statements are consistent with prior periods except where a specific APS or applicable AAS has required change.

2.4 Rounding

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

2.5 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST and emergency services levy. Income, 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 ATO is recognised as part of the cost of acquisition of an asset or is part of an item of expenses;
- where appropriate, receivables and payables are stated with the amount of GST included.

2.6 Income and Expenses

Income and Expenses are recognised in the Department's Income Statement when and only when the flow or consumption or loss of future economic benefits has occurred and can be reliably measured.

Income and Expenses have been classified according to their nature in accordance with APF II and have not been offset unless required or permitted by another accounting standard.

Revenue from fees and charges is derived from the provision of services to other SA Government agencies and to the public.

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

Resources received/provided free of charge are recorded as income/expenditure in the Income Statement at their fair value. Goods and Services received free of charge are recorded as such with revenue being separately disclosed. Resources provided free of charge are recorded at their fair value in the expense line items to which they relate.

Grants that are received from other entities by the Department for general assistance or a particular purpose may be for capital, current or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, Commonwealth Government or non-government organisations. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

2.6 Income and Expenses (continued)

Grants that are paid to other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, non-government organisations or the public. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

2.7 Revenues from SA Government

Appropriations from program funding are recognised as revenues when the Department obtains control over the assets. Control over the appropriations is normally obtained upon their receipt and are accounted for in accordance with TI 3.

Where money has been appropriated in the form of a loan, the Department has recorded a loan receivable.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department and the contribution is recorded as contributed equity.

2.8 Dividends

The Department did not receive any dividends.

2.9 Current and Non-Current Items

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

2.10 Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash at bank and deposits at call that are readily converted into cash and are used in the management function on a day-to-day basis. Cash is measured at nominal value.

The Government has a policy to align agency cash balances with the appropriation and expenditure authority. During the 2007-08 financial year the Department did not transfer any of its cash balance (\$15.2 million) to the Department of Treasury and Finance as a repayment of capital.

2.11 Receivables

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

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

Health Service Receivables

Health Service deficits are recognised in the Department's financial statements as a receivable from Health Services. At each balance date the likelihood that the Health Services may not be able to repay the amounts is assessed by the Department.

Doubtful Debts

Receivables are recognised and carried at the original invoiced amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. The Department determines the provision for doubtful debts based on a review of the balances within receivables that are unlikely to be collected.

Bad debts are written off only after all reasonable effort has been made to collect the debt.

2.12 Inventories

The Department deems inventory to be held for distribution and to be measured at lower of cost and current replacement cost (where current replacement cost is the cost the entity would incur to acquire the asset on the reporting date). Inventories held for use by the Department are measured at cost, with cost being allocated in accordance with the first-in/first-out method. Cost is the aggregation of the costs of purchase (eg purchase price, import duties, transportation and handling costs) net of trade discounts and rebates, the costs of conversion into finished products (eg labour and production overhead costs) and other costs in bringing the inventories to their present location and condition excluding the cost of abnormal wastage, storage, administration and selling.

2.13 Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. Where assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

Where the payment for an asset is deferred, and when material, the Department measures the asset at the present value of the future outflows, discounted using the interest rate of a similar interest rate borrowing.

2.13 *Non-Current Asset Acquisition and Recognition (continued)*

The Department capitalises all non-current physical assets with a value of \$10 000 or greater in accordance with APF III.

The Department's non-current assets include property, plant and equipment controlled by the Department.

Works in progress are projects physically incomplete as at reporting date.

2.14 *Revaluation of Non-Current Assets*

In accordance with APF III:

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

Every three years the Department revalues its land and buildings. However, if at any time management considers that the carrying amount of the asset materially differs from the fair value then the asset will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Asset classes that satisfied the criteria and are revalued include:

- vacant land
- site land
- vacant buildings
- building and improvements.

The Department's land and buildings were revalued using the fair value methodology, as at 30 June 2006, based on independent valuations performed by:

- Andrew Lucas - MBA, BAppSc (Val), DipAcc, Associate Australian Property Institute (AAPI), Certified Practising Valuer (CPV), Valcorp Aust Pty Limited.

Assets Deemed to be at Fair Value

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APF III have not been met, these classes of non-current assets are deemed to be at fair value as determined by APF III as issued by the Department of Treasury and Finance.

Asset classes that did not satisfy the criteria and are therefore deemed to be at fair value include:

- leasehold improvements
- buildings and improvements in progress
- computing equipment
- other plant and equipment
- plant and equipment in progress.

2.15 *Depreciation and Amortisation of Non-Current Assets*

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

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

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

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

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Buildings and improvements	Straight Line	25-50
Leasehold improvements	Straight Line	Life of lease
Computer equipment/Systems development	Straight Line	3
Other plant and equipment	Straight Line	3-15

2.16 *Intangibles*

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset and when the amount of the expenditure is greater than or equal to \$10 000, in accordance with Departmental policies.

Capitalised software is amortised over the useful life of the asset, with a maximum time limit of three years.

2.17 Payables

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

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

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

All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with TI 8 after the Department receives an invoice.

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

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 the South Australian Superannuation Board has assumed these. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

The Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

2.18 Employee Benefits

These benefits accrue for employees as a result of services provided up to the reporting date, that remain unpaid.

Sick Leave

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

Annual Leave

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2008 and is measured at the nominal amount.

Long Service Leave

The liability for long service leave was determined through an actuarial assessment undertaken by Mercer Human Resource Consulting Pty Ltd, in accordance with AASB 119. The following assumptions were made by the actuary when performing the assessment:

- Salary increases of 3.5 percent per annum based on the current enterprise bargaining agreement and short-term forecasts;
- Discounting of 6.4 percent per annum based on the gross 10 year Commonwealth Bond rate prevailing at 30 June 2008.

Accrued Salaries and Wages

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

2.19 Provisions

Insurance

The Department is a participant in the State Government's Insurance Program. The Department pays a premium to SAICORP for professional indemnity insurance and general public liability insurance, and is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible. For Professional Indemnity claims after 1 July 1994 and General Public Liability and Property claims after 1 July 1999 the deductible per claim is \$1 million. For claims incurred prior to these dates the deductible per claim is \$50 000.

The determination of professional indemnity insurance provision was carried out through an actuarial assessment in accordance with AASB 1023 conducted by Brett & Watson Pty Ltd. Current and non-current liabilities of the Department are determined by taking into account prudential margins, inflation, taxes, claims incurred but not reported and claims incurred but not enough reported.

The provision for claims for general public liability insurance and property is a management assessment.

Workers Compensation

The Department is an exempt employer under the WRCA. Under a scheme arrangement the Department and participating exempt Health Services are responsible for the management of workers rehabilitation and compensation.

Workers Compensation (continued)

The workers compensation liability recognised for the employees of the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 31 May data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June. For the 2007-08 financial year the Department has reflected a workers compensation provision of \$1.4 million (\$1.5 million). (Refer Note 26)

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the Payment Per Claim Incurred valuation method. The assessment has been conducted in accordance with AASB 137 and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

Health Services participating in the scheme continue to be directly responsible for the cost of workers compensation claims and the implementation and funding of preventative programs.

The Department has agreed to specifically fund safety net funded Health Services for workers compensation expenditure and for lump sum settlements and for redemption payments. The Department also specifically funds non-safety net funded Health Services for workers compensation lump sum settlements and for redemption payments. Accordingly, the Department recognises a payable to Health Services equivalent to the liability for these specifically funded items which Health Services recognise as a provision in their financial statements. The workers compensation liability to Health Services as at 30 June 2008 is \$24.3 million (\$26.3 million). (Refer Note 23).

2.20 Leases

The Department has entered into finance leases that are immaterial and are classified as plant and equipment, and has also entered into operating leases.

Operating Leases

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to the ownership of the leased items. Operating lease payments are charged to the Income Statement on a basis which is representative of the pattern of benefits derived from the leased assets.

2.21 SA Government/Non-SA Government Disclosures

The Department has adopted the requirements of APF II where the Department must disclose by way of Note whether transactions are with entities that are within or external to the SA Government. These transactions are classified by their nature and relate to revenues, expenses, financial assets and financial liabilities.

2.22 Continuity of Operations

As at 30 June 2008, the Department had a net asset deficiency of \$46.2 million (\$35.5 million). The Government is committed to the ongoing funding of the Department to enable it to perform its functions.

3. Financial Risk Management

The Department has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (held to maturity investments) and liabilities (borrowings from the SA Government). The Department's exposure to market risk and cash flow interest risk is minimal.

The Department has no significant concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Department's administration and programs.

4. Change in Accounting Policy

4.1 Early Adoption of Accounting Standards

Except for the amendments to AASB 101, which the Department has early adopted, the AASs and Interpretations that have been recently issued or amended but are not yet effective, have not been adopted for the reporting period ending 30 June 2008. The Department has assessed the impact of new and amended Standards and Interpretations and considers that there will be no impact on the accounting policies or financial report of the Department.

4.2 2006-07 Change in Asset Threshold

Effective 1 July 2006, the asset capitalisation threshold for the Department was increased to \$10 000. The previous asset capitalisation threshold was \$5000. The increase in the asset capitalisation threshold will ensure that there is consistency in the asset capitalisation threshold across various entities within the portfolio. The increase is in accordance with APF III issued by the Department of Treasury and Finance where assets with a fair value at time of acquisition of less than \$10 000 need not be recognised (capitalised) as an asset.

The change in accounting policy is accounted for retrospectively by reducing the balance of retained earnings for 2006 by \$150 000 and where practicable restating comparative information.

5. Programs of the Department

In achieving its objective the Department provides a range of services classified into the following programs:

2007-08 Programs reported:

Program S1: Central Office

Central Office is responsible for health policy and administration associated with the provision of health services across country and metropolitan South Australia.

Program S2: Public Health

Public Health is responsible for the development and delivery of policy and programs in relation to health protection and promotion and illness prevention as well as the provision of high level clinical advice to enhance departmental decision making.

Program S3: Health Services

Health Services is responsible for hospital based tertiary care and other acute services as well as rehabilitation, mental health and other community health services within the metropolitan and country areas, the provision of grants to non-government organisations for the provision of health services, and Aboriginal controlled primary health services provided to Aboriginal communities in Ceduna and Port Augusta and surrounding areas.

2006-07 Programs reported:

Program S1: Public Health and Clinical Coordination

Development and implementation of policy and programs in relation to health protection and promotion and illness prevention as well as provision of high level clinical advice to enhance Department decision making.

Program S2: Health System Improvement and Reform

Provision of health intelligence, innovation, leadership, health reform, policy and planning for the health system.

Program S3: Health System Management

Management of the health system including funding, service level agreements, ongoing performance management and monitoring, statewide service planning and coordination and the provision of support services.

Program S4: Aboriginal Health Services

Aboriginal Health Services is responsible for policy advice, programs and services, community development, funding, monitoring and workforce development, support and advice on Aboriginal health related matters to the Department, Minister and the Aboriginal community.

6. Employee Benefit Expenses

	2008 \$'000	2007 \$'000
Salaries and wages	49 949	46 513
Long service leave	2 405	1 696
Annual leave	4 833	4 784
Employment on-costs (superannuation)	6 586	5 936
Workers compensation	273	824
Other	3 926	4 045
Total Employee Benefit Expenses	67 972	63 798

Remuneration of Employees

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

	Executive Number	Admini- strative Number	Other Medical/ Professional Number	2008 Total Number	2007 Total Number
\$100 000 - \$109 999*	2	15	16	33	15
\$110 000 - \$119 999	2	8	2	12	7
\$120 000 - \$129 999	1	2	-	3	-
\$130 000 - \$139 999	3	-	-	3	10
\$140 000 - \$149 999*	5	1	-	6	4
\$150 000 - \$159 999	3	-	1	4	5
\$160 000 - \$169 999	7	-	-	7	3
\$170 000 - \$179 999	1	-	1	2	3
\$180 000 - \$189 999	2	-	-	2	2
\$190 000 - \$199 999	1	-	1	2	3
\$200 000 - \$209 999	3	-	1	4	1
\$210 000 - \$219 999	1	-	1	2	3
\$220 000 - \$229 999	2	-	-	2	2
\$240 000 - \$249 999	1	-	-	1	-
\$250 000 - \$259 999	-	-	1	1	-
\$260 000 - \$269 999	1	-	-	1	-
\$270 000 - \$279 999	1	-	-	1	-
\$280 000 - \$289 999*	-	-	1	1	1

Remuneration of Employees (continued)

	Executive Number	Admini- strative Number	Other Medical/ Professional Number	2008 Total Number	2007 Total Number
\$290 000 - \$299 999	-	-	1	1	1
\$300 000 - \$309 999*	2	-	-	2	2
\$370 000 - \$379 999	2	-	-	2	-
\$380 000 - \$389 999*	1	-	-	1	1
\$440 000 - \$449 999*	-	-	-	-	1
\$600 000 - \$609 999*	-	-	-	-	1
Total Number of Employees	41	26	26	93	65

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and other salary sacrifice benefits.

* Where employees have left the Department, the remuneration reflects lump sum long service, annual leave and termination benefits.

The total remuneration received by these employees for the year was \$14.4 million (\$11 million).

For the purpose of this Note remuneration does not include amounts in payment or reimbursement of out of pocket expenses incurred for the benefit of the entity or a controlled entity.

7. Supplies and Services

	2008 \$'000	2007 \$'000
Total Supplies and Services provided:	7 713	8 710
Accommodation and property related	2 398	1 926
Advertising and promotions	55 545	47 390
Communication and computing	18 618	15 605
Contractors and agency staff	2 024	-
Corporate services	1 952	1 272
Consultants	41 993	28 245
Drugs and medical supplies	658	540
Internal Audit	19 569	16 347
Insurance	29	17
Interpreter and translator fees	20 088	34 147
Interstate patient transfers	3	16
Managed payments	372	830
Minor equipment	762	762
Motor vehicles	1 959	1 846
Printing, stationery, postage and periodicals	2 487	1 804
Seminars, courses and training	1 933	1 635
Travel and accommodation	10 018	7 938
Other administration	188 121	169 030
Supplies and Services	261	234
Audit fees paid/payable to the Auditor-General's Department	261	234
Total Audit Fees	188 382	169 264
Total Supplies and Services		

No other services were provided by the Auditor-General's Department.

Supplies and Services provided by Entities within the SA Government:

Accommodation and property related	6 925	7 379
Advertising and promotions	25	17
Communication and computing	5 659	13 028
Contractors and agency staff	4 348	4 456
Corporate services	2 024	-
Consultants	5	-
Drugs and medical supplies	1 707	378
Internal audit	658	540
Insurance	18 093	19 819
Interpreter and translator fees	-	3
Managed payments	3	16
Minor equipment	26	17
Motor vehicles	704	690
Printing, stationery, postage and periodicals	70	43
Seminars, courses and training	255	190
Travel and accommodation	15	21
Other administration	3 954	1 655
Supplies and Services - SA Government Entities	44 471	48 252
Audit fees paid/payable to the Auditor-General's Department	261	234
Audit Fees - SA Government Entities	261	234
Total Supplies and Services provided by entities within the SA Government	44 732	48 486

7. Other Services (continued)

The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:

	2008		2007	
	Number	\$'000	Number	\$'000
Below \$10 000	12	71	17	39
Between \$10 000 and \$50 000	11	290	20	475
Above \$50 000	7	1 591	6	758
Total Paid/Payable to the Consultants Engaged	30	1 952	43	1 272

8. Depreciation and Amortisation

	Note	2008 \$'000	2007 \$'000
Depreciation:			
Buildings and improvements		95	161
Medical, surgical, dental and biomedical equipment		6	-
Other plant and equipment		58	71
Computing equipment		1 731	1 419
Total Depreciation		1 890	1 651
Amortisation:			
Leasehold improvements		261	34
Total Amortisation		261	34
Total Depreciation and Amortisation		2 151	1 685

9. Grants, Subsidies and Client Payments

Recurrent funding to Incorporated Health Services	9.1	2 570 220	2 373 296
Capital funding to Incorporated Health Services	9.2	121 283	96 322
Funding to non-government organisations	9.3	62 554	54 955
National Blood Authority		21 593	18 868
Other		17 154	15 730
Total Grant, Subsidies and Client Payments		2 792 804	2 559 171

Grants, subsidies and client payments to entities within the SA Government:

Recurrent funding to Incorporated Health Services	9.1	2 570 220	2 373 296
Capital funding to Incorporated Health Services	9.2	121 283	96 322
Other		7 969	5 946
Total Grant, Subsidies and Client Payments to Entities within the SA Government		2 699 472	2 475 564

9.1 Recurrent Funding to Incorporated Health Services

Central Northern Adelaide Health Service	1 203 491	1 110 024
Southern Adelaide Health Service	449 193	405 228
Children's Youth and Women's Health Service	274 270	246 541
Country Health South Australia	431 748	395 313
Repatriation General Hospital	117 730	108 313
Institute of Medical and Veterinary Science	34 270	38 281
Metropolitan Domiciliary Care	(642)	21 005
SA Ambulance	58 682	47 325
Other	1 478	1 266
Total Recurrent Funding to Incorporated Health Services	2 570 220	2 373 296

9.2 Capital Funding to Incorporated Health Services

Central Northern Adelaide Health Service	58 064	56 503
Southern Adelaide Health Service	37 841	16 879
Children's Youth and Women's Health Service	3 737	4 513
Country Health South Australia	12 574	8 754
Repatriation General Hospital	1 422	2 118
Institute of Medical and Veterinary Science	1 292	885
SA Ambulance Service	6 206	6 212
Other	147	458
Total Capital Funding to Incorporated Health Services	121 283	96 322

9.3 Funding to Non-Government Organisations

Australian Red Cross	1 412	1 329
Royal District Nursing Service of SA Inc	10 001	9 549
Uniting Care Wesley	2 001	1 635
Centacare	825	460
Neami Limited	1 953	1 236
SHINE SA	4 580	6 459
Life Without Barriers	2 058	927
The Richmond Fellowship of Victoria	1 149	927
The Richmond Fellowship of South Australia	757	-

9.3 Funding to Non-Government Organisations (continued)		2008	2007
		\$'000	\$'000
Aboriginal Health Council		1 893	1 972
SA Amputee Service		-	867
South Australian Division of General Practice Inc		3 300	433
Southern Cross Care (SA) Inc		1 099	880
Relationships Australia		1 321	1 151
Nganampa Health Council		1 204	1 289
Southern District War Memorial Hospital		-	321
Mental Illness Fellowship of SA		569	392
Beyond Blue		278	556
Aged Care and Housing Group Inc		6 572	6 511
The Flinders University		2 178	1 328
The Aids Council of SA		1 258	1 254
Aboriginal Sobriety Group Inc		581	632
Adelaide Diocesan Aids Council		598	572
Baptist Community Services		526	94
Hepatitis-C Council		622	639
Anangu Pitjantjatjara Yankunytjatjara Lands		3 034	1 335
National Health Call Centre		1 634	-
People living with HIV/Aids		507	456
University of Adelaide		989	2 657
University of South Australia		618	359
Other		9 037	8 735
Total Funding to Non-Government Organisations		62 554	54 955
10. Borrowing Costs			
Borrowing costs Paid/Payable to Entities within the SA Government:			
Interest on borrowings		2 680	2 823
Other		42	106
Total Borrowing Costs - SA Government Entities		2 722	2 929
Total Borrowing Costs		2 722	2 929
11. Other Expenses			
Other Expenses Paid/Payable:			
Bad and doubtful debts		16	(141)
Assets donated free of charge		-	181
Total Other Expenses		16	40
Other Expenses Paid/Payable to Entities within the SA Government:			
Bad and doubtful debts		16	(141)
Assets donated free of charge		-	181
Total Other Expenses - SA Government		16	40
12. Revenue from Rent, Fees and Charges			
Rent, Fees and Charges Received/Receivable:			
Interstate patient transfers		40 704	52 445
Insurance recoveries from health services		26 946	26 105
Recoveries		27 478	26 416
Business services		3 260	3 519
Fees, fines and penalties		3 186	1 148
Rent		35	35
Total Rent, Fees and Charges		101 609	109 668
Rent, Fees and Charges Received/Receivable from Entities within the SA Government:			
Insurance recoveries from health services		25 555	25 660
Recoveries		24 907	20 942
Business services		2 193	3 063
Fees, fines and penalties		18	131
Total Rent, Fees and Charges - SA Government		52 673	49 796

13.	Commonwealth Government Grants	Note	2008	2007
			\$'000	\$'000
	Australian Health Care Agreement - Base Funding Arrangement		804 014	724 989
	COAG Patient Initiative		5 650	5 650
	Department of Veteran Affairs		71 363	70 546
	Highly Specialised Drugs		42 168	37 953
	Public Health Outcome Funding Agreement		12 766	12 504
	Essential Vaccines		29 333	22 573
	Police Diversion		3 255	3 661
	Woomera Hospital		1 192	1 167
	Red Cross		-	460
	Other		25 452	18 500
	Total Commonwealth Government Grants		995 193	898 003
14.	Interest Revenue			
	Interest from Entities within SA Government:			
	Interest on funds held		3	(20)
	Interest on loans		3 311	3 389
	Total Interest Revenue		3 314	3 369
15.	Net Gain from Disposal of Assets			
	Land and Buildings:			
	Proceeds from disposal		-	849
	Less: Net book value of assets disposed		-	610
	Less: Other costs of disposal		-	11
	Net Gain from Disposal of Land and Buildings		-	228
	General Plant and Equipment:			
	Proceeds from disposal		2	-
	Less: Net book value of assets disposed		431	29
	Net Loss from Disposal of General Plant and Equipment		(429)	(29)
	Total Assets:			
	Total proceeds from disposal		2	849
	Less: Total value of assets disposed		431	639
	Less: Total other costs of disposal		-	11
	Total Net (Loss) Gain from Disposal of Assets		(429)	199
16.	Other Income			
	Capital contributions		3 005	2 649
	Assets received for nil consideration	16.1	-	2 046
	SA Health and Medical Research Fund		2 666	879
	Other		3 570	1 428
	Total Other Income		9 241	7 002
	Other Income from entities within SA Government:			
	Capital contributions		3 005	2 649
	Assets received for nil consideration	16.1	-	2 046
	SA Health and Medical Research Fund		2 666	879
	Other		1 383	1 428
	Total Other Income from Entities within SA Government		7 054	7 002
	16.1 Assets Received for Nil Consideration			
	During the reporting period the Department received the following assets free of charge or for nominal consideration:			
	Inventory		-	2 046
	Total Assets Received for Nil Consideration		-	2 046
17.	Revenues from SA Government			
	17.1 Revenues from SA Government			
	Appropriations from Consolidated Account pursuant to the Appropriation Act:			
	General appropriation		1 811 046	1 687 458
	Total SA Government Appropriations		1 811 046	1 687 458
	17.2 Grants from SA Government Agencies			
	Community Development Fund		6 600	6 600
	Department of Treasury and Finance - Contingency Funds		45 737	20 689
	Other		2 850	3 436
	Total Grants from SA Government Agencies		55 187	30 725
	Total Revenue from SA Government		1 866 233	1 718 183

18. Unexpended Funding Commitments

The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the program. The Department had outstanding funding commitments to the following programs:

	2008	2007
	\$'000	\$'000
Australian Immunisation Agreement	7 515	8 562
Public Health Outcome Funding Agreement	1 134	898
Police Drug Diversion	462	896
ACHA Quality Development Funding	1 158	2 146
Healthconnect Project	783	1 269
Australian Better Health Initiative	760	2 402
Strategic Health Research Program	-	530
Country Drought Funding	569	326
Infection Control (surveillance)	-	209
Quality through Outcomes in Mental Health Care	358	200
Cannet Program	295	-
Clinical Networks	290	-
'Do it for Life' Program	390	-
Safety and Quality (inc Hand Hygiene, Safe TECH)	1 161	-
COAG - Improving Care for Older Patients in Public Hospitals	861	-
Commonwealth Elective Surgery Strategy	5 853	-
Health and Medical Research Fund	317	-
Other	1 113	3 508
Total Unexpended Funding Commitments	23 019	20 946

19. Cash and Cash Equivalents

Special Deposit Account with the Treasurer	* 34 073	13 582
Advance Account	80	80
Total Cash and Cash Equivalents	34 153	13 662

* Included in the Special Deposit Account with the Treasurer is \$2.7 million relating to the Health and Medical Research Fund which was established to support health and medical research activities in South Australia.

20. Receivables

		2008	2007
		\$'000	\$'000
Current:	Note		
Debtors		10 768	11 332
Less: Allowance for doubtful debts		728	1 054
Health service budget over-runs		-	9 368
Grants		2 061	1 999
Interstate patient transfers		32 927	32 064
Loans	20.1	1 935	1 561
Prepayments		3 584	7 180
Interest		144	192
Overpaid salaries		32	33
Sundry receivables and accrued revenue		1 370	993
GST receivable		3 624	4 646
Total Current Receivables		55 717	68 314
Non-Current:			
Loans	20.1	32 747	35 011
Sundry receivables and accrued revenue		18	20
Total Non-Current Receivables		32 765	35 031
Total Receivables		88 482	103 345
Current and Non-current Receivables from SA Government Entities:			
Debtors		8 120	9 154
Less: Allowance for doubtful debts		717	89
Health service budget over-runs		-	9 368
Loans		34 682	36 572
Interest		144	192
Sundry receivables		1 277	930
Total Receivable from Entities within SA Government		43 506	56 127

Movement in the Allowance for Doubtful Debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Bad and Doubtful Debts

The Department has recognised a bad and doubtful debt expense of \$16 000 in the Income Statement.

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing.

Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Maturity and analysis of receivables - refer to Note 29.

Categorisation of financial instruments and risk exposure information - refer to Note 29.

20.1 Reconciliation of Inter-Health Loans

As at 30 June 2008 the balance of loans to Health Services and related movements is as follows:

	2008 \$'000	2007 \$'000
Balance at 1 July	36 572	42 641
Add: Advances to health services	-	1 300
Capitalised interest charges	574	539
Total Repayable	37 146	44 480
Less: Principal repayments received	2 412	1 892
Interest rebated	52	-
Loans written-off	-	6 016
Balance at 30 June	34 682	36 572

The Department to 30 June 2008 has financed the Health Services with loans amounting to \$7.6 million (\$8.2 million) from Departmental funds and \$27.1 million (\$28.4 million) from back to back loan arrangements with the Department of Treasury and Finance.

The movements and status of the back-to-back loan arrangements are as follows:

	2008 \$'000	2007 \$'000
Balance at 1 July	28 384	29 226
Less: Principal Repayments	1 236	842
Balance at 30 June	27 148	28 384

21. Inventories

Drug supplies
Other

Total Inventories

	2 640	3 181
	187	-
Total Inventories	2 827	3 181

22. Property, Plant and Equipment

Land and Buildings:

Vacant land at fair value	21 812	21 812
Site land at fair value	4 811	4 811
Vacant buildings at fair value	735	735
Buildings and improvements at fair value	3 523	3 523
Less: Accumulated depreciation - Buildings and improvements at fair value	245	149
Total Land and Buildings	30 636	30 732

Leasehold Improvements:

Leasehold improvements at cost (Deemed fair value)	2 891	3 363
Less: Accumulated amortisation	923	1 134
Total Leasehold Improvements	1 968	2 229

Plant and Equipment:

Medical, surgical, dental and biomedical equipment at cost (deemed fair value)	28	-
Less: Accumulated depreciation - Medical, surgical, dental and biomedical equipment	6	-
Computing equipment at cost (Deemed fair value)	6 752	5 160
Less: Accumulated depreciation - Computing equipment at cost	3 866	2 949
Other plant and equipment at cost (Deemed fair value)	809	613
Less: Accumulated depreciation - Other plant and equipment	173	226
Total Plant and Equipment	3 544	2 598

Total property, plant and equipment at fair value	41 361	40 017
Less: Total accumulated depreciation	4 290	3 324
Less: Total amortisation	923	1 134
Total Property, Plant and Equipment	36 148	35 559

Impairment

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets at 30 June 2008.

	2008 \$'000	2007 \$'000
22.1 Capital Works in Progress		
Buildings and improvements in progress at cost (deemed fair value)	-	2 867
Computer systems development in progress at cost (deemed fair value)	6 628	-
Total Capital Works in Progress	6 628	2 867

Reconciliation of Property and Leasehold Improvements

The following table shows the movement of land, buildings and improvements, and leasehold improvements during 2007-08:

	Vacant Land \$'000	Site Land \$'000	Vacant Buildings \$'000	Buildings & Improvements \$'000	Leasehold Improvements \$'000	2008 Total Property & Leasehold Improvements \$'000
Carrying amount at 1 July	21 812	4 811	735	3 374	2 229	32 961
Depreciation and amortisation	-	-	-	(95)	(261)	(356)
Other movements	-	-	-	(1)	-	(1)
Carrying Amount at 30 June	21 812	4 811	735	3 278	1 968	32 604

Reconciliation of Plant and Equipment

The following table shows the movement of plant and equipment during 2007-08:

	Medical, Surgical, Biomedical Equipment \$'000	Computing Equipment \$'000	Other Plant and Equipment \$'000	2008 Total Plant and Equipment \$'000
Carrying amount at 1 July	-	2 211	387	2 598
Purchases	28	50	314	392
Disposals	-	(374)	(57)	(431)
Depreciation and amortisation	(6)	(1 731)	(58)	(1 795)
Acquisition (Disposal) from transfers from other classes	-	(50)	50	-
Transfers from works in progress	-	2 780	-	2 780
Carrying Amount at 30 June	22	2 886	636	3 544

Valuation of Land and Buildings

The valuation of land and buildings was performed by Andrew Lucas, an independent valuer from Valcorp as at 30 June 2006. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

Impairment

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets at 30 June 2008.

23. Payables	2008 \$'000	2007 \$'000
Current:		
Creditors	35 584	10 090
Health service workers compensation	8 010	7 258
Health service budget under-runs	-	374
Grants	2 471	1 808
Interest	144	192
Employee benefit on-costs	1 356	1 207
Total Current Payables	47 565	20 929
Non-Current:		
Health service workers compensation	16 307	18 991
Grants	171	204
Employee benefit on-costs	872	788
Total Non-Current Payables	17 350	19 983
Total Payables	64 915	40 912
Payables to Entities within SA Government:		
Creditors	17 999	9 805
Health service workers compensation	24 317	26 249
Health service budget under-runs	-	374
Interest	144	192
Employee benefit on-costs	2 228	1 995
Total Payables to Entities within SA Government	44 688	38 615

Interest Rate and Credit Risk

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

Maturity analysis of payables - refer to Note 29.

Categorisation of financial instruments and risk exposure information - refer to Note 29.

24. Employee Benefits		2008	2007
Current:	Note	\$'000	\$'000
Annual leave		5 593	4 654
Long service leave		2 132	2 441
Accrued salaries and wages		1 363	1 072
Other		(128)	96
Total Current Employee Benefits		8 960	8 263
Non-Current:			
Long service leave		9 667	8 549
Total Non-Current Employee Benefits		9 667	8 549
Total Employee Benefits		18 627	16 812

The total current and non-current employee benefit (ie aggregate employee benefit plus related on-costs) is \$10.3 million (\$9.5 million) and \$10.5 million (\$9.3 million) respectively.

25. Borrowings			
Current:			
Department of Treasury and Finance - Loans		1 695	1 236
Total Current Borrowings		1 695	1 236
Non-Current:			
Department of Treasury and Finance - Loans		25 453	27 148
Total Non-Current Borrowings		25 453	27 148
Total Borrowings		27 148	28 384
Repayable:			
Not later than one year		1 695	1 236
Later than one year but not later than five years		5 891	6 064
Later than five years		19 562	21 084
		27 148	28 384

26. Provisions			
Current:			
Insurance	26.1	10 522	11 844
Workers compensation	26.2	453	429
Other		240	212
Total Current Provisions		11 215	12 485
Non-Current:			
Insurance	26.1	68 806	72 242
Workers compensation	26.2	985	1 037
Total Non-Current Provisions		69 791	73 279
Total Provisions		81 006	85 764

26.1 Reconciliation of Insurance

The following table shows the movement of insurance during 2007-08:

	Medical Malpractice \$'000	Public Liability \$'000	Property \$'000	2008 Total \$'000
Carrying amount at 1 July	80 160	2 107	1 819	84 086
Increase to provision due to new claims	4 873	248	1 038	6 159
Reduction due to payments	(4 175)	(494)	(2 453)	(7 122)
Net revision of estimates	(4 479)	276	408	(3 795)
Carrying Amount at 30 June	76 379	2 137	812	79 328

The following table shows the movement of insurance during 2006-07:

	Medical Malpractice \$'000	Public Liability \$'000	Property \$'000	2007 Total \$'000
Carrying amount at 1 July	88 970	2 292	737	91 999
Increase to provision due to new claims	3 422	81	3 472	6 975
Reduction due to payments	(5 987)	(740)	(648)	(7 375)
Net revision of estimates	(6 245)	474	(1 742)	(7 513)
Carrying Amount at 30 June	80 160	2 107	1 819	84 086

26.2 Reconciliation of Workers Compensation

The following table shows the movement of workers compensation during 2007-08:

	2008 \$'000
Carrying amount at 1 July	1 466
Increase to provision due to revision of estimates	274
Reduction due to payments	(302)
Carrying Amount at 30 June	1 438

The following table shows the movement of workers compensation during 2006-07:

	2007 \$'000
Carrying amount at 1 July	1 433
Increase to provision due to revision of estimates	796
Reduction due to payments	(763)
Carrying Amount at 30 June	1 466

27. Other Liabilities

Current:

	2008 \$'000	2007 \$'000
Unclaimed monies	1 087	1 080
Interstate patient transfers	20 716	20 003
Unearned revenue	532	692
Other	90	91
Total Current Other Liabilities	22 425	21 866

Non-Current:

Unearned revenue	327	362
Total Non-Current Other Liabilities	327	362
Total Other Liabilities	22 752	22 228

Other liabilities within SA Government:

Unclaimed monies	140	94
Unearned revenue	348	507
Total Other Liabilities within SA Government	488	601

28. Equity

Contributed capital

Retained earnings

Asset revaluation reserve

Total Equity	(46 210)	(35 486)
---------------------	-----------------	-----------------

Contributed Capital

Balance at 1 July

Receipt of equity contribution from the Department of Treasury and Finance

Repayment of equity contribution to the Department of Treasury and Finance

Balance at 30 June	272 873	205 268
---------------------------	----------------	----------------

29. Financial Instruments**29.1 Categorisation of Financial Instruments**

	Note	2008 Carrying Amount \$'000	2008 Fair Value \$'000	2007 Carrying Amount \$'000	2007 Fair Value \$'000
Financial Assets:					
Cash and cash equivalents	19	34 153	34 153	13 662	13 662
Loans and receivables	20	84 858	84 858	98 699	98 699
Financial Liabilities:					
Payables	23	64 915	64 915	40 912	40 912
Interest bearing liabilities	25	27 148	27 148	28 384	28 384

The amount of receivables and payables disclosed above, excludes statutory receivables and payables such as GST input tax credit payable and recoverable.

29.2 Credit Risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department.

The Department has minimal concentration of credit risk. The Department does not engage in high risk hedging for its financial assets.

29.2 Credit Risk (continued)

In accordance with TI 23 the Department entered into six forward exchange contracts through the South Australian Government Financing Authority, to cover the acquisition of hospital equipment. The objective of these hedging contracts is to manage the likelihood of any foreign currency exposures that could arise during the period between approval for the acquisition and payment for delivery. The Department is not exposed to any movements in foreign exchange.

29.3 Ageing Analysis of Financial Assets

The following table discloses the ageing of financial assets, past due including impaired assets past due.

	Past Due By			Total \$'000
	Overdue for less than 30 Days \$'000	Overdue for 30-60 Days \$'000	Overdue for more than 60 Days \$'000	
2008				
Not Impaired:				
Receivables	280	55	972	1 307
Impaired:				
Receivables	-	-	(728)	(728)
	280	55	244	579
2007				
Not Impaired:				
Receivables	1 393	2 361	1 577	5 331
Impaired:				
Receivables	-	-	(1 054)	(1 054)
	1 393	2 361	523	4 277

The amount of receivables and payables disclosed above, excludes statutory receivables and payables such as GST input tax credit payable and recoverable.

29.4 Maturity Analysis of Financial Assets and Liabilities

	Contractual Maturity			
	Carrying Amount \$'000	Less than 1 Year \$'000	1-5 Years \$'000	More than 5 Years \$'000
2008				
Financial Assets:				
Cash and cash equivalents	34 153	34 153	-	-
Receivables	88 482	55 717	32 765	-
Total Financial Assets	122 635	89 870	32 765	-
Financial Liabilities:				
Payables	64 915	47 565	17 350	-
Borrowings	27 148	1 695	25 453	-
Total Financial Liabilities	92 063	49 260	42 803	-
2007				
Financial Assets:				
Cash and cash equivalents	13 662	13 662	-	-
Receivables	103 345	68 314	35 031	-
Total Financial Assets	117 007	81 976	35 031	-
Financial Liabilities:				
Payables	40 912	20 929	19 983	-
Borrowings	28 384	1 236	27 148	-
Total Financial Liabilities	69 296	22 165	47 131	-

Maturity analysis of receivables and payables excludes statutory receivables and payables such as GST receivables and payables.

29.5 Liquidity Risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continued appropriations by Parliament for the Department's administration and programs delivery. The Department settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received.

30. Unrecognised Contractual Commitments**30.1 Capital Commitments**

Capital expenditure contracted for by the Department at the reporting date, but not recognised as liabilities in the financial report, are payable as follows:

	2008 \$'000	2007 \$'000
Not later than one year	12 007	11 818
Later than one year but not later than five years	550	-
Later than five years	-	-
Total Capital Commitments (including GST)	12 557	11 818

30.1 Capital Commitments (continued)

Included in Capital expenditure commitments above is \$1.1 million (\$1.1 million) which is the GST component of the Capital expenditure commitments.

30.2 Other Commitments

Capital expenditure contracted for by the Department on behalf of Health Units, at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2008 \$'000	2007 \$'000
Not later than one year	54 640	56 757
Later than one year but not later than five years	64 340	83 465
Later than five years	-	-
Total Other Commitments (including GST)	118 980	140 222

Included in the Other commitments above is \$11.3 million (\$12.7 million) which is the GST component of the Other expenditure commitments. The Department also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements. The value of these commitments as at 30 June 2008 has not been quantified.

30.3 Operating Lease Commitments

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

	2008 \$'000	2007 \$'000
Not later than one year	6 153	5 904
Later than one year but not later than five years	11 409	11 886
Later than five years	-	-
Total Operating Lease Commitments (including GST)	17 562	17 790

Included in the operating lease commitments above is \$1.8 million (\$1.6 million) which is the GST component of the operating lease payments.

The Department has a number of lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominately paid in advance. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee. Contingent rental payments are determined using a set rate. In most cases this is either CPI or current market rate.

30.4 Operating Lease Revenue Commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as assets, are receivables:

	2008 \$'000	2007 \$'000
Not later than one year	11 737	-
Later than one year but not later than five years	25 264	-
Later than five years	-	-
Total Operating Lease Revenue Commitments (including GST)	37 001	-

Included in the operating lease Revenue Commitments above is \$3.4 million GST.

The operating lease relates to desk-top PC's owned by Department of Health and leased to hospitals, Health Units and allied agencies. The lease is non-cancellable with a replacement of desk-top PC's in a four year cycle.

31. Net Revenues (Expenses) from Administrative Restructures

The net revenues (expenses) relating to the restructure of administrative arrangements recognised in the Income Statement are the following:

	2008 \$'000	2007 \$'000
Accounting Services - DFC	557	-
CHSA	-	(28)
Environmental Health	-	(1 036)
	557	(1 064)

Transfers from the Department during 2007-08

Prior to 1 July 2007, the Department provided general accounting, financial accounting, financial systems and accounting policy advice to DFC. The provision of these services was covered by a Service Level Agreement. Effective 1 July 2007, DFC became the provider of these services to the Department. A revised Service Level Agreement reflects that the DFC is now the provider. The liabilities transferred are employee liabilities.

Transfers from the Department during 2007-08 (continued)

In respect of the activities relinquished, the following assets and liabilities were transferred out of the Department in 2007-08:

	DFC	2008 Total
Liabilities:	\$'000	\$'000
Current liabilities	(170)	(170)
Non-current liabilities	(387)	(387)
Total Liabilities	(557)	(557)
NET ASSETS	(557)	(557)

Transfers from the Department during 2006-07

Effective 1 July 2006, the assets and liabilities of the former Country Health Division within the Department, were transferred to the newly incorporated entity CHSA. Assets and liabilities of the former Environmental Health Division (EH) within the Department were also transferred to CHSA. All the assets and liabilities transferred from the Department have been transferred at the value recorded by the Department.

In respect of the activities relinquished, the following assets and liabilities were transferred out of the Department in 2006-07:

	CHSA	EH	2007 Total
Assets:	\$'000	\$'000	\$'000
Current assets	720	-	720
Non-current assets	35	1 240	1 275
Total Assets	755	1 240	1 995
Liabilities:			
Current liabilities	256	72	328
Non-current liabilities	471	132	603
Total Liabilities	727	204	931
NET ASSETS	28	1 036	1 064

32. Remuneration of Board and Committee Members

There are various committees, forums, groups, panels and councils that have been formed to assist the Department in meeting its objectives. In addition, there are committees that have been created by the Minister. Where any of the members are remunerated, certain disclosures are required under the APFs issued by the Department of Treasury and Finance.

Members of the Board/Committee during the financial year were:

Advanced Directives Review Departmental Committee

Margaret Brown
Dr Lloyd Evans
Martyn Evans
John Harley
Dr Roger Hunt
Deb Muller
April Lawrie-Smith
Karla McCulloch
Graham Nerlich
Marion Seal
Judith Worrall

Clinical Networks - Orthopaedic

Matthew Beard
Chris Butcher
Dr Christopher Cain
Mellick Chehade
Nancy Cullen
Peter Cundy
Karen Dixon
Pat Graske
Cheryl Kimber
Joe Levy
Graham Mercer
George Potter
Pauline Zanet

DH Risk Management and Audit Committee

Carlo D'Ortenzio
Jamie Dreckow
David Johnston
John O'Connor
Robyn Pak-Poy
Kym Piper
Dr Tony Sherbon
David Swan
Dr Richenda Webb
Jane Yuile

Clinical Networks - Rehabilitation

Jenny Bennett
Phillipa Both
Sharyn Broer
Frida Cheok
Dr Maria Crotty
Dr Graham Fleming
Wendy Forster
Dr Miranda Jelbart
Josie Kennett
Josie Owens
Sandra Parr
Dr James Rice
Judy Smith
Sally Sobels
Kevin Webb
Beccy Witkowski

Public and Environmental Health Council

Kevin Buckett
John Coombe
Nancy Cromar
John Cugley
Ian Hawkins
Felicity-Ann Lewis
Kaye Arnold (D)
David Blaikie (D)
Robert Dunstone (D)
Fiona Harvey (D)
Deborah Hemmes (D)
Christopher Lease (D)
Angela McLean (D)
Kerin Montgomerie (D)
Stephen Saffin (D)
Helen Wright (D)

SA Council on Reproductive Technology

Sheryl de Lacey
Terence Donald
Martyn Evans
Geraldine Hannon (D'Assumpcao)
Enzo Lombardi
Oswald Petrucco
Robert Pollnitz
Bernadette Richards
Jodie Semmler
Anusha Visvanathan
Peter Woolcock
John Chandler (D)
Carlo D'Ortenzio (D)
Cate Howell (D)
Catherine Jeffries (D)
Mark Keirse (D)
Christine Kirby (D)
Ngaire Naffine (D)
Robert Norman (D)
Gregory Pike (D)
Margaret Ripper (D)
Jacqueline Street (D)

SA Safety and Quality Clinical Governance Committee

Julie Bignall
Peter Chapman
Chris Farmer
Jeanette Kelly
Damien Lloyd
Kae Martin
Peter Mason
Michele McKinnon
Alan McLean
Christy Pirone
Meg Phythian
Richard Reed
Philip Robinson
Judy Smith

Clinical Networks - Renal

Dr Kym Bannister
Dr Jeff Barbara
Chris Doecke
Fiona Donnelly
Amy Foote
Dr Paul Henning
Gay Martin
Dr Stephen McDonald
Dr Don McQuiston
Anthony Meade
Dr Caroline Milton
Betty Nobes
Prof Graeme Russ
Peter Uppington

Reproductive Technology Eligibility Review Panel

Sheryl de Lacey
Diana Dibden
Karen Fitzgerald
Alan Jenkins
Dr Robert Pollnitz
Annie Braendler-Phillips (D)
Dr Donna Chung (D)
Karla McCulloch (D)
Patricia Ryan (D)

Clinical Senate

Elaine Ashworth
Dr Phil Aylward
Marissa Barbarioli
Professor Justin Beilby
Dr Taryn Bessen
Elizabeth Birchmore
Dr Phil Brock
Dr Christopher Cain
Cate Curry
A/Professor Chris Doecke
Professor Karen Grimmer-Somers
Christine Holliday
Professor Norman James
Dr Sue Johanson
Dr Peter Joyner
Debbie Law
Dr Sharon Liberali
Dr Leslye Long
Professor Guy Ludbrook
Professor Guy Maddern
Dr Ruth Marshall
Michele McKinnon
Professor Paddy Phillips
Dr Rob Padbury
Dr David Panter
Dr Michael Rice
Professor Jeffrey Robinson
Dianne Rogowski
Acting Professor Graeme Russ
Dr Cathy Sanders
Dr Tony Sherbon
Judy Smith
David Swan
Dr Jo Thomas
Debra Walker
Dr Lucie Walters
Dr David Watson
Acting Professor Craig Whitehead
Acting Professor Brenda Wilson

Clinical Networks - Maternal and Neonatal

Dr Chad Anderson
Dianne Beveridge
Cheryl Boles
Judy Coffey
Carolyn Donaghey-Harris
Karen Glover
Noeline Hudson
Julie Pratt
Dr Peter Rischbieth
Prof Jeffrey Robinson
Dr Steven Scroggs
Dr Jeff Taylor
Janet Vermeeren
Vashti Wood
Dr Nuhzat Zia

South Australian Council for Safety and Quality

Dr David Ben-Tovim
 Professor Ross Kalucy
 Professor Villis Marshall
 Michele McKinnon
 Kathy Nagle
 Stephanie Newell
 Hans J Ohff
 Susan O'Neill
 Dr Rod Padbury
 Debra Petrys
 Philip Robinson
 Diane Rogowski (D)
 Dr David Rosenthal
 Dr Tony Sherbon
 Ann Smith
 Rachel Strauss
 Stephen Walker
 Barbara Wieland

Clinical Networks - Cancer

Assoc Prof Peter Bardy
 Dr Peter Chapman
 Dr Greg Crawford
 Tracey Doherty
 Juli Ferguson
 Meryl Horsell
 Prof Dorothy Keefe
 Ngara Keeler
 Assoc Prof Bogda Koczwara
 Jude Lees
 Kristin Linke
 Ashleigh Moore
 Dr James Moxham
 Dr Michael Penniment
 Pamela Rachootin
 Assoc Prof Tom Revesz
 Prof David Roder
 Megan Sataneek
 Assoc Prof Tracey Wade
 Prof David Watson
 Assoc Prof Brenda Wilson
 Prof Graeme Young

Clinical Networks - Cardiology

Dr Margaret Arstall
 Prof Phil Aylward
 Rachel Bishop
 Deborah Brooking
 Alwin Chong
 Dr Marion Eckert
 Prof Janet Hiller
 Prof John Horowitz
 Dr Peter Joyner
 Dr Leo Mahar
 Karen Mugford
 Prof Paddy Phillips
 Colin Purvis
 Deb Rowett

Health and Medical Research Advisory Council

Fran Baum
 Justin Beilby
 Alwin Chong
 Roy Goldie
 Dr Leslye Long
 Guy Maddern
 Robyn McDermott
 Caroline McMillen
 Jurgen Michaelis
 Kim O'Donnell
 Karen Richardson
 David Roder
 Dr Tony Sherbon

Clinical Networks - Child Health

Dr Peter Baghurst
 Di Beveridge
 Dr Phil Brock
 Chris Caudle
 Glenise Coulthard
 Dr David Everett
 Kirsty Gilmour
 Dr Di Hetzel
 Ann Lindschau
 Gail Mondy
 Skye Oldfield
 Ed Pikusa
 Dr Michael Rice
 Dr Cathy Sanders
 Dr Nigel Stewart
 Pauline Seaman
 Dr Michael Taylor
 Dr Gavin Wheaton

Clinical Networks - Mental Health

Helen Abbott
 Michael Baigent
 Dr Mike Beckoff
 Melissa Brockenbrow
 Ken Fielke
 Margaret Hartstone
 Maureen Healey
 A/Prof Norman James
 Zhila Javidi
 Pam Limbert
 Prue McEvoy
 May McNicol
 Bernadette Mitchell
 Narain Nambiar
 Dianne Norris
 Heather Nowak
 Wayne Oldfield
 Sharon Olsson
 Sasha Padgham
 Ute Rozenbils
 John Strachan
 Darryl Watson

Gay and Lesbian Health Ministerial Advisory Council

Jane Edwards
 Mark Fuller
 Josephine Harrison
 Lindsay Osborn
 Ian Purcell
 Jennifer Scott
 Georgie Swift
 Jan Thompson

South Australian Council for Safety and Quality in Health Care - Community Advisory Committee

Carolyn Donaghey-Harris
 Juli Ferguson
 Carolyn Gray
 Ashleigh Moore
 Jeanette Mossop
 Stephanie Newell
 Debra Petrys
 Ann Smith
 Jill Wishart

(D) Denotes Deputy Member. Deputies listed may or may not have attended a committee meeting during the year.

32. Remuneration of Board and Committee Members (continued)

Total income received, or due and receivable, by Board Members was \$225 000.

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

	2008 Number of Members
\$0	199
\$1 - \$9 999	60
\$10 000 - \$19 999	1
\$20 000 - \$29 999	-
\$30 000 - \$39 999	-
\$40 000 - \$49 999	1
\$50 000 - \$59 999	1
Total Number of Members	262

In accordance with Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board, committee or forum duties during the financial year.

Benefits given by the Department to superannuation funds or otherwise in connection with the retirement of members were \$4000.

During the financial year, no loans were made to members. At the reporting date, no outstanding loans exist with members.

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

33. Contingent Assets and Liabilities

The Department does not have any contingent assets or liabilities.

34. Cash Flow Reconciliations

Reconciliation of Cash - At 30 June as per:

	2008 \$'000	2007 \$'000
Cash Flow Statement	34 153	13 662
Cash and cash equivalents disclosed in the Balance Sheet	34 153	13 662

Reconciliation of Net Cash used in Operating Activities to Net Cost of Providing Services

Net cash used in operating activities	(41 412)	(67 437)
South Australian Government Appropriations	(1 811 046)	(1 687 458)
Grants from South Australian Government agencies	(55 187)	(30 725)
	(1 907 645)	(1 785 620)
Add (Less): Non-Cash Items:		
Depreciation and amortisation expense of non-current assets	(2 151)	(1 685)
(Loss) Gain on sale or disposal of non-current assets	(429)	199
Assets received for nil consideration	-	2 046
Bad and doubtful debts	-	141
Asset donated free of charge	-	(181)
Capitalised interest on loans	574	539
Changes in Assets and Liabilities:		
(Decrease) Increase in receivables	(12 972)	7 619
Decrease in inventories	(354)	(1 045)
(Increase) Decrease in payables	(24 003)	3 554
Increase in employee benefits	(2 372)	(1 008)
Decrease in provisions	4 758	7 880
Increase in other liabilities	(525)	(11 085)
Net Cost of Providing Services	(1 945 119)	(1 778 646)

35. Events After Balance Date**Health Care Act 2008**

The *Health Care Act 2008* (the Act) was proclaimed on 1 July 2008 and repealed the *South Australian Health Commission Act 1976* and the *Hospitals Act 1934*. The Act aims to create a unified, single public health system, with improved state-wide coordination and integration of public health services. The Act gives the Department direct responsibility and accountability for managing South Australia's public health system not just responsibility for funding it.

While the metropolitan health regions will continue to exist, Chief Executive Officers report directly to the Chief Executive of the Department, rather than to individual/separate Boards. In addition, the South Australian Ambulance Service has been transferred to the Department as an identifiable agency with its own Chief Executive Officer.

Country Health SA is incorporated as a hospital under the Act. All of the country hospitals which were previously separately incorporated are now part of the Country Health SA Incorporated Hospital. Consistent with the metropolitan regions, Country Health SA does not have a board of management, instead it has a Chief Executive Officer who reports directly to the Chief Executive of the Department.

Supply SA Distribution Centre within the Department of Treasury and Finance

Effective 1 July 2008, control of the former Department of Treasury and Finance (Supply SA Distribution Centre) was transferred to the Department. The acquisition is strategically important to providing a capacity to optimise the management of the supply chain for health services, in particular the distribution of medical consumables to health services. Employees were transferred to the Department effective 1 July 2008.

36. Schedules of Administered Funds

The following Income, Expenditures, Assets and Liabilities were administered but not controlled by the Department and have not been included in the financial statements. In accordance with the Department of Treasury and Finance Model Financial Statements, these items are regarded as insignificant to the Department's overall performance and are disclosed in the following schedules.

Schedule of Administered Income and Expenses for the year ended 30 June 2008

	HCDSMC	Minister's Salary	2008 Total
	\$'000	\$'000	\$'000
Administered Expenses:			
Employee benefits	408	244	652
Supplies and services	309	-	309
Grants, subsidies and client payments	14 184	-	14 184
Depreciation and amortisation	3	-	3
Total Administered Expenses	14 904	244	15 148
Administered Income:			
Revenues from SA Government	1 400	241	1 641
Grants and contributions	8 241	-	8 241
User charges and fees	11 205	-	11 205
Interest	1 712	-	1 712
Total Administered Income	22 558	241	22 799
Administered Income Less Expenses	7 654	(3)	7 651

	HCDSMC	Minister's Salary	2007 Total
	\$'000	\$'000	\$'000
Administered Expenses:			
Employee benefits	403	227	630
Supplies and services	286	-	286
Grants, subsidies and client payments	11 837	-	11 837
Depreciation and amortisation	4	-	4
Total Administered Expenses	12 530	227	12 757
Administered Income:			
Revenues from SA Government	1 170	227	1 397
Grants and contributions	5 917	-	5 917
User charges and fees	9 333	-	9 333
Interest	835	-	835
Total Administered Income	17 255	227	17 482
Administered Income Less Expenses	4 725	-	4 725

Schedule of Administered Assets and Liabilities as at 30 June 2008

	HCDSMC	Minister's Salary	2008 Total
	\$'000	\$'000	\$'000
Administered Current Assets:			
Cash	22 331	-	22 331
Receivables	-	40	40
Total Administered Current Assets	22 331	40	22 371
Administered Non-Current Assets:			
Plant and equipment	10	-	10
Total Administered Non-Current Assets	10	-	10
Total Administered Assets	22 341	40	22 381
Administered Current Liabilities:			
Payables	1 280	-	1 280
Borrowings	-	40	40
Employee benefits	173	12	185
Other current provisions	13	-	13
Total Administered Current Liabilities	1 466	52	1 518
NET ADMINISTERED ASSETS	20 875	(12)	20 863

Schedule of Administered Assets and Liabilities as at 30 June 2008 (continued)

	HCDSMC \$'000	Minister's Salary \$'000	2007 Total \$'000
Administered Current Assets:			
Cash	13 932	-	13 932
Receivables	-	19	19
Total Administered Current Assets	13 932	19	13 951
Administered Non-Current Assets:			
Plant and equipment	12	-	12
Total Administered Non-Current Assets	12	-	12
Total Administered Assets	13 944	19	13 963
Administered Current Liabilities:			
Payables	538	-	538
Borrowings	-	19	19
Employee benefits	170	9	179
Other current provisions	15	-	15
Total Administered Current Liabilities	723	28	751
NET ADMINISTERED ASSETS	13 221	(9)	13 212

Schedule of Administered Changes in Equity for the year ended 30 June 2008

	HCDSMC \$'000	Minister's Salary \$'000	2008 Total \$'000
Balance at 1 July	13 221	(9)	13 212
Net operating result (deficit)	7 654	(3)	7 651
Total Recognised Income and Expense for the Period	7 654	(3)	7 651
Balance at 30 June	20 875	(12)	20 863

	HCDSMC \$'000	Minister's Salary \$'000	2007 Total \$'000
Balance at 1 July	8 496	(9)	8 487
Net operating result	4 725	-	4 725
Total Recognised Income and Expense for the Period	4 725	-	4 725
Balance at 30 June	13 221	(9)	13 212

Schedule of Administered Cash Flows for the year ended 30 June 2008

	HCDSMC Inflows (Outflows) \$'000	Minister's Salary Inflows (Outflows) \$'000	2008 Total Inflows (Outflows) \$'000
Cash Flows from Operating Activities:			
Cash Inflows:			
Receipts from Government	9 641	220	9 861
Interest revenue	1 712	-	1 712
Other revenue	11 205	-	11 205
Total Cash Inflows	22 558	220	22 778
Cash Outflows:			
Employee payments	(406)	(241)	(647)
Grants and subsidies	(13 442)	-	(13 442)
Goods and services	(311)	-	(311)
Total Cash Outflows	(14 159)	(241)	(14 400)
Net Cash Inflows from Operating Activities	8 399	(21)	8 378
Cash Flows from Financing Activities:			
Cash Inflows:			
Cash overdraft	-	21	21
Total Cash Inflows	-	21	21
Net Cash Inflows from Financing Activities	-	21	21
Net Increase in Cash Held	8 399	-	8 399
Cash at 1 July	13 932	-	13 932
Cash at 30 June	22 331	-	22 331

Schedule of Administered Cash Flows for the year ended 30 June 2008 (continued)

	HCDSMC Inflows (Outflows) \$'000	Minister's Salary Inflows (Outflows) \$'000	2007 Total Inflows (Outflows) \$'000
Cash Flows from Operating Activities:			
Cash Inflows:			
Receipts from SA Government	7 067	226	7 293
Interest revenue	835	-	835
Other revenue	9 412	-	9 412
Total Cash Inflows	17 314	226	17 540
Cash Outflows:			
Employee payments	(366)	(227)	(593)
Grants and subsidies	(11 321)	-	(11 321)
Goods and services	(550)	-	(550)
Other	(1)	-	(1)
Total Cash Outflows	(12 238)	(227)	(12 465)
Net Cash Inflows (Outflows) from Operating Activities	5 076	(1)	5 075
Cash Flows from Financing Activities:			
Cash Inflows			
Cash Overdraft	-	1	1
Total Cash Inflows	-	1	1
Net Cash Inflows from Financing Activities	-	1	1
Net Increase in Cash Held	5 076	-	5 076
Cash at 1 July	8 856	-	8 856
Cash at 30 June	13 932	-	13 932

Administered Expenses and Administered Cash Outflows

The Department makes various transfer payments to eligible beneficiaries in the capacity of an agent responsible for the administration of the transfer process. Amounts relating to these transfer payments are not controlled by the Department, since they are made at the discretion of government in accordance with government policy. These transfers are disclosed as administered expenses and administered cash outflows.

Administered Income and Administered Cash Inflows

The Department collects various revenues and Grants on behalf of government. The amounts are not controlled by the Department and are not recognised by the Department. These amounts are disclosed as administered revenues and administered cash inflows.

Administered Contingent Assets and Liabilities

The Department has no administered contingent assets and liabilities.

COMMENTARY ON HEALTH SERVICES ACTIVITIES

Health Sector Staffing Statistics

In past years the Department has provided Audit with details of staffing levels as at 30 June in the health sector. This information was sourced from the Department's Monthly Management Summary System and was not audited.

In 2006-07, the Department made a decision to source workforce data from its Human Resources Data Warehouse to ensure consistency with the data provided to the Department of Treasury and Finance. In providing Audit with the workforce data for 2006-07, the Department also provided comparable data for the previous two years. As a result workforce data relating to prior years will differ from that published in previous Auditor-General's Reports. It is important to note that this data is unaudited.

The following table details the staffing levels, as at 30 June, in the health sector, excluding staff of the Department and South Australian Ambulance Service, over the past three years. For 2008 the Health Sector FTE mix includes Modbury Public Hospital which was transferred to the Government from private sector management on 1 July 2007 and excludes Metropolitan Domiciliary Care which was transferred to the Department for Families and Communities on 1 July 2007.

Health Sector FTE Mix (Unaudited)

	2008	2007	2006
Staff Categories:	Number	Number	Number
Nurses	10 753	10 066	9 616
Medical Staff	2 359	2 149	1 954
Scientific and Technical	1 198	1 174	1 161
Administrative and Clerical	5 066	5 050	4 888
Allied Health, Hotel, and other staff	6 495	6 661	6 435
Total Staff	25 871	25 100	24 054
Increase	771	1 046	n/a
Percentage Increase	3	4	n/a

Department Staffing Statistics

The following table details the staffing levels, as at 30 June, of the Department over the past three years.

Department of Health FTE (Unaudited)

	2008	2007	2006
	Number	Number	Number
Total Staff	819	759	786

South Australian Ambulance Service Staffing Statistics

The following table details the staffing levels, as at 30 June, of the South Australian Ambulance Service over the past three years.

South Australian Ambulance Service FTE (Unaudited)

	2008	2007	2006
	Number	Number	Number
Total Staff	1 065	983	958

Hospital Activity Statistics

The tables below indicate the trends over past years in respect of inpatient activity (unweighted), length of hospital stay, and casualty and outpatient activity (unweighted). The data in the tables below has been sourced from the reporting systems of the Department and has not been audited.

Inpatient Activity (Unaudited)

	2008	2007	2006
	Number	Number	Number
Metropolitan Hospitals:			
Overnight stay	151 626	145 845	140 646
Same day	129 671	154 619	146 517
Total	281 297	300 464	287 163
Country Hospitals:			
Overnight stay	52 748	52 537	52 996
Same day	34 113	37 648	37 438
Total	86 861	90 185	90 434

Average Length of Overnight Hospital Stay (Unaudited)

	2008	2007	2006
	Days	Days	Days
Metropolitan Hospitals	7.2	7.2	7.4
Country Hospitals	6.8	6.7	6.5

Outpatient Activity (Unaudited)

	2008	2007	2006
	Number	Number	Number
Metropolitan Hospitals:			
Emergency Department attendances	362 901	355 289	335 539
Outpatient occasions of service	1 431 747	1 406 118	1 385 995
Country Hospitals:			
Emergency Department attendances	181 411	170 976	167 275
Outpatient occasions of service	118 070	126 673	148 245

Audit Mandate and Coverage - Health Services

Sections 34 and 55 of the SAHC Act require incorporated hospitals and health centres to maintain proper accounts of their respective financial affairs and require those accounts to be audited in respect of each financial year. The accounts of the metropolitan regions and Country Health South Australia are subject to audit by the Auditor-General. Other hospitals and health centres are audited by auditors approved by the Auditor-General.

In general, the audit of Health Services would include coverage of the following areas:

- patient billing and receipts
- cash holdings
- salaries and wages
- trade accounts
- general ledger
- inventory
- pharmacy
- asset register
- building services
- specific purpose funds
- financial statements

Issues arising from the reviews are referred to Health Service management for consideration and comment regarding action proposed or taken.

In respect of the audit verification of financial statements of Health Services, audits are generally in progress, at the time of finalising this Report to Parliament.

HOMESTART FINANCE

FUNCTIONAL RESPONSIBILITY

Establishment

HomeStart Finance (HomeStart) is a statutory corporation established by regulation pursuant to the *Housing and Urban Development (Administrative Arrangements) Act 1995*. It has a board of management appointed by the Minister for Housing and is subject to the control and direction of the Minister.

Functions

HomeStart's functions include the:

- lending of monies or provision of other financial assistance to facilitate home ownership to persons of low to moderate income
- provision, marketing and management of home finance products
- provision, management or facilitation of finance for housing schemes or housing associations and of mortgage relief schemes within South Australia
- provision, management or facilitation of finance for the development, ownership or operation of aged care residential accommodation or facilities.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and sub-section 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of HomeStart for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2007-08, specific areas of audit attention included:

- lending activities including loan approvals, monitoring of arrears and loss write-off procedures
- raising and receipting of loan repayments
- loan loss provisioning
- completeness and accuracy of the Loan Management System including general IT controls
- funding including treasury risk management and accruals
- other expenditure.

The scope of performance of the audit included consideration of the review coverage and work undertaken by HomeStart's internal audit function.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of HomeStart Finance as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

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

Communication of Audit Matters

Some matters of a minor control nature will be raised with HomeStart after completion of the financial statement audit.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 \$'million	2007 \$'million	Percentage Change
Interest income	102.0	91.7	11
Interest expense	75.3	66.0	14
Net Interest Income	26.7	25.7	4
Other income	15.8	13.3	19
Other expenses	(35.7)	(27.1)	32
Profit before income tax equivalent expense	6.8	11.9	(43)
Income tax equivalent expense	(2.0)	(3.6)	(44)
Profit after income tax equivalent expense	4.8	8.3	(42)
ASSETS			
Loans and advances	1 229.1	1 198.4	3
Other assets	70.9	56.5	25
Total Assets	1 300.0	1 254.9	4
LIABILITIES			
Borrowings	1 134.1	1 094.9	4
Other liabilities	12.4	10.4	19
Total Liabilities	1 146.5	1 105.3	4
EQUITY	153.5	149.6	3

Income Statement

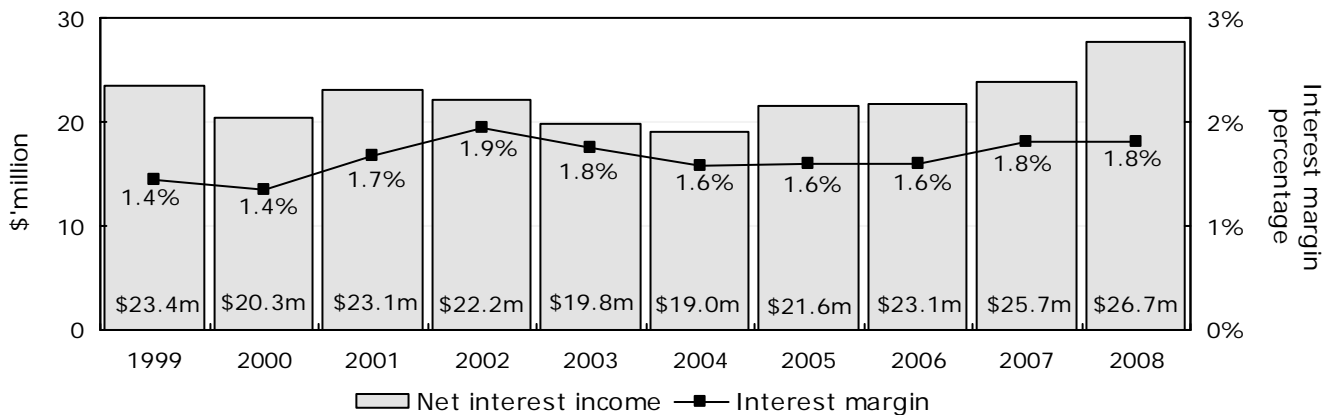
Profit for the Year

Profit after income tax equivalents decreased to \$4.8 million from \$8.3 million. Primary factors contributing to this decrease are outlined hereunder.

Net Interest Income

Net interest income increased by \$963 000 to \$26.7 million. The interest rate margin between loans and cost of funds remained at 1.8 percent as demonstrated in the following chart.

Net Interest Income and Interest Margin



Other Income

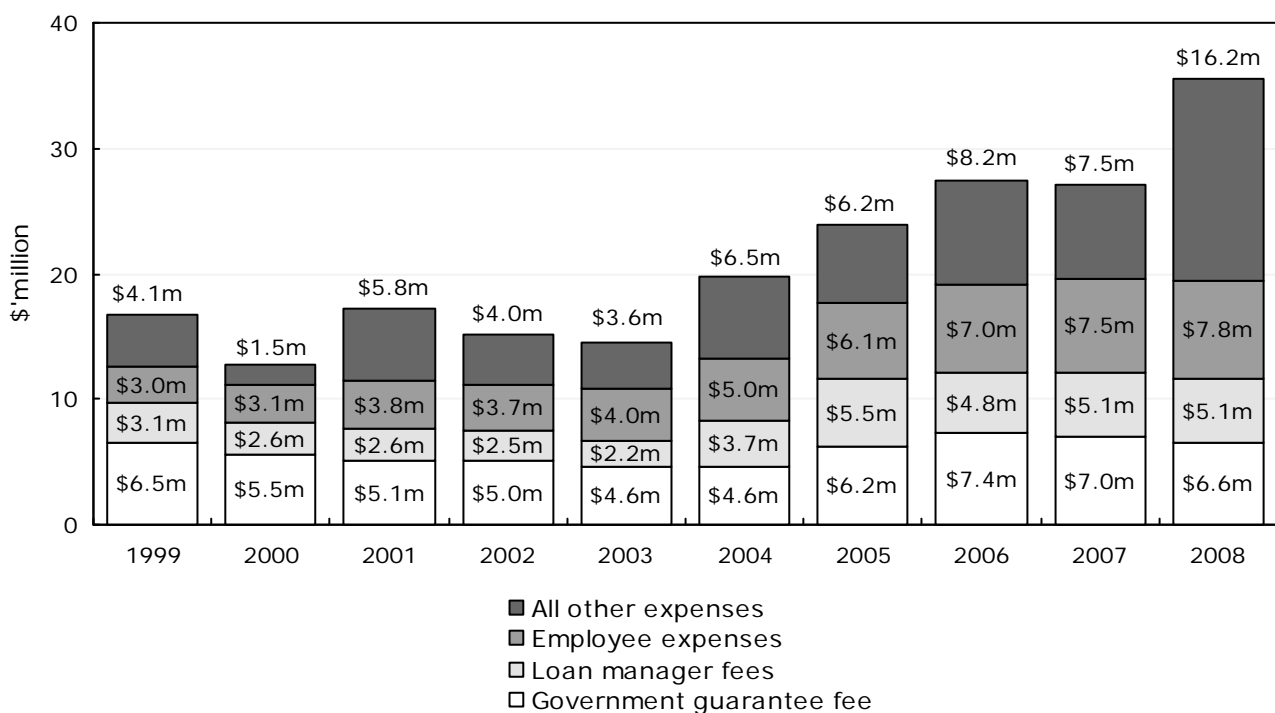
Other income increased by \$2.5 million to \$15.8 million. The change resulted mainly from:

- \$4 million community service obligation subsidy received for the first time in 2008
- \$1.1 million increase in unrealised change in the fair value of the shared appreciation component of the Breakthrough Loan product
- other income in 2007 included a \$1.9 million gain in unrealised changes in the market value of investments, whereas in 2008 there was a \$8 million loss in unrealised changes in the market value of investments. The negative turn-around in market values of investments is reflective of the unfavourable state of the equities and financial markets during 2007-08
- managed fund distribution income decreasing by \$760 000 also reflecting the unfavourable state in the equities and financial markets experienced in 2007-08.

Expenses Other than Interest

The movement in expenses other than interest is demonstrated in the following chart.

Expenses Other than Interest



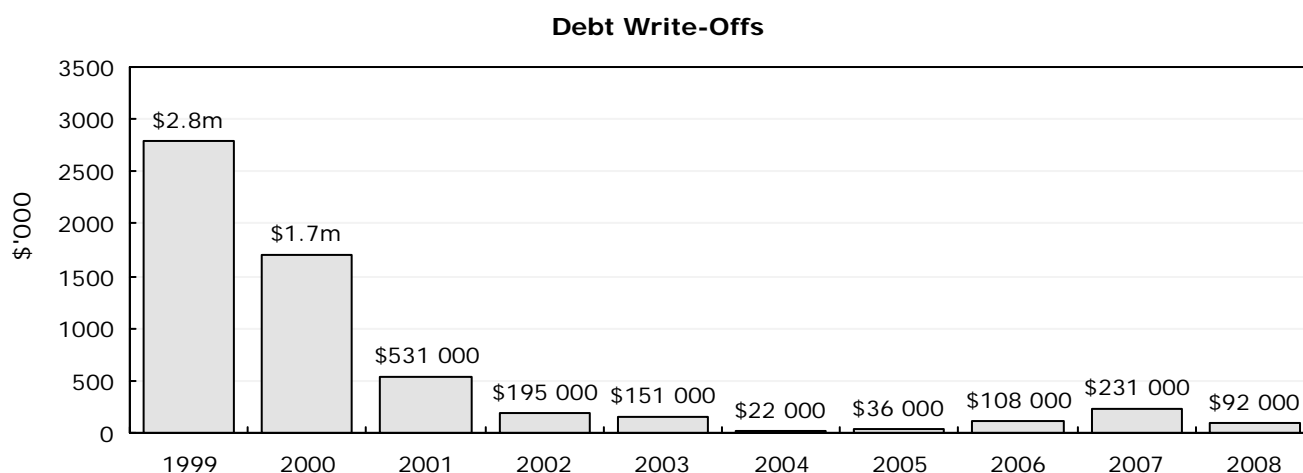
Expenses other than interest increased by \$8.6 million to \$35.7 million. The increase resulted mainly from a:

- \$8 million loss in unrealised changes in the market value of investments discussed previously under other income
- \$759 000 increase in bad and doubtful debts expense and reflects the movement in the level of impairment provisions over the year
- \$269 000 increase in employee expenses
- \$367 000 decrease in government guarantee expense.

Bad and Impaired Loans Expense

The Bad and impaired loans expense for the year was \$2.6 million, an increase of \$759 000 over the previous year. The increase reflects mainly the movement in the level of impairment provisions over the year (refer to Notes 8 and 18 of the financial report).

While HomeStart has maintained the level of provisioning, actual debt write offs have been at low levels for a number of years due to positive economic conditions, particularly the strong property market. The low level of actual debt write-offs can be seen in the following chart. Further comments on the impairment of loans is provided under the Balance Sheet below.

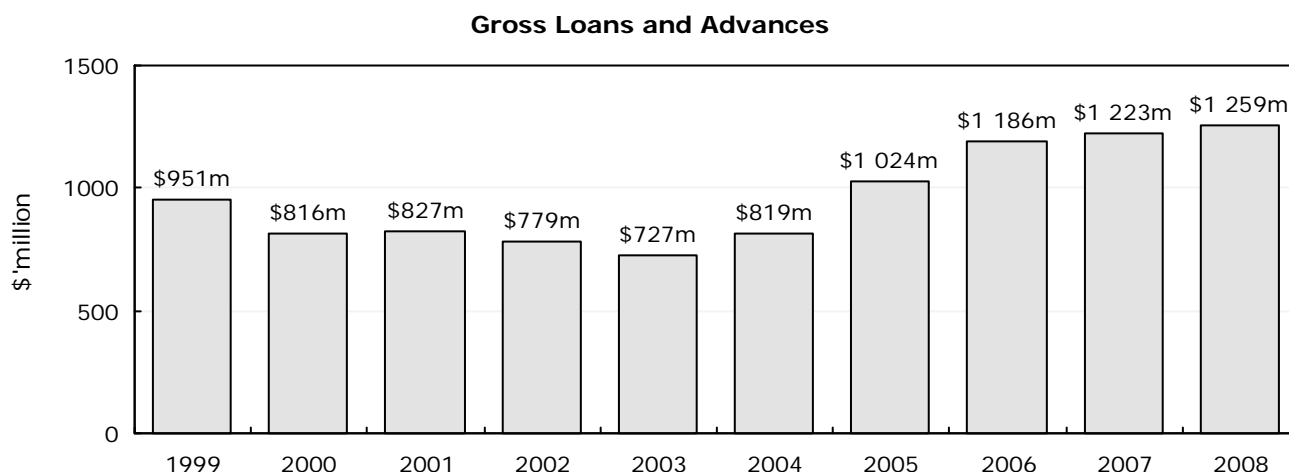


Balance Sheet

Loans and Advances

Gross loans and advances increased by \$35.5 million to \$1259 million.

The extent of the increase in lending is demonstrated in the following chart.



The increase in lending reflects a range of factors including the:

- approval of the State Government for HomeStart to grow its asset base
- market acceptance of new products
- increase in the average value of loans settled.

As noted below in liabilities, HomeStart is restricted by a current approved borrowing limit of \$1350 million, which in turn limits the extent to which HomeStart can provide loans.

Breakthrough Loans

In 2006-07 HomeStart introduced the Breakthrough Loan facility. The facility is different from other products in that it includes two loan components:

- A standard loan component with standard interest rates and repayments. This portion of the Breakthrough Loan is recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses.
- A shared appreciation component where repayment of the loan balance is generally deferred until sale of the property upon which time the loan balance is repaid along with a scheduled percentage of the appreciated value of the property. The shared appreciation component is measured on the value of the property pledged as collateral. Gains or losses arising from changes in fair value are recognised in the Income Statement in the period in which they arise.

The value of the shared appreciation component for this product was \$16 million (\$1.5 million) at 30 June 2008. HomeStart has classified this component in the Balance Sheet as an investment at fair value through the profit and loss account (refer to Note 17 of the financial report). In 2008 unrealised gains for this product of \$1.1 million (\$19 000) was recognised in the Income Statement.

Financial Risks

Note 30 to the financial report provides information on HomeStart's financial risk management activities including detailed information on credit, liquidity and market risk exposures.

The nature of HomeStart's business is such that it carries a high inherent risk in its loan portfolio. Some of the elements that create this risk are:

- HomeStart's customers have lower incomes and on average, they borrow a greater percentage of the value of their home.
- HomeStart's lending has a significant concentration in regional South Australia.
- HomeStart does not require its customers to take out mortgage insurance, due to the very high cost, as such HomeStart effectively self insures losses incurred.

In recognition of these circumstances, HomeStart:

- makes a provision for impairment where there is doubt about the recoverability of loans
- retains capital in the event of significant losses arising from loan defaults.

Provisions for Impairment

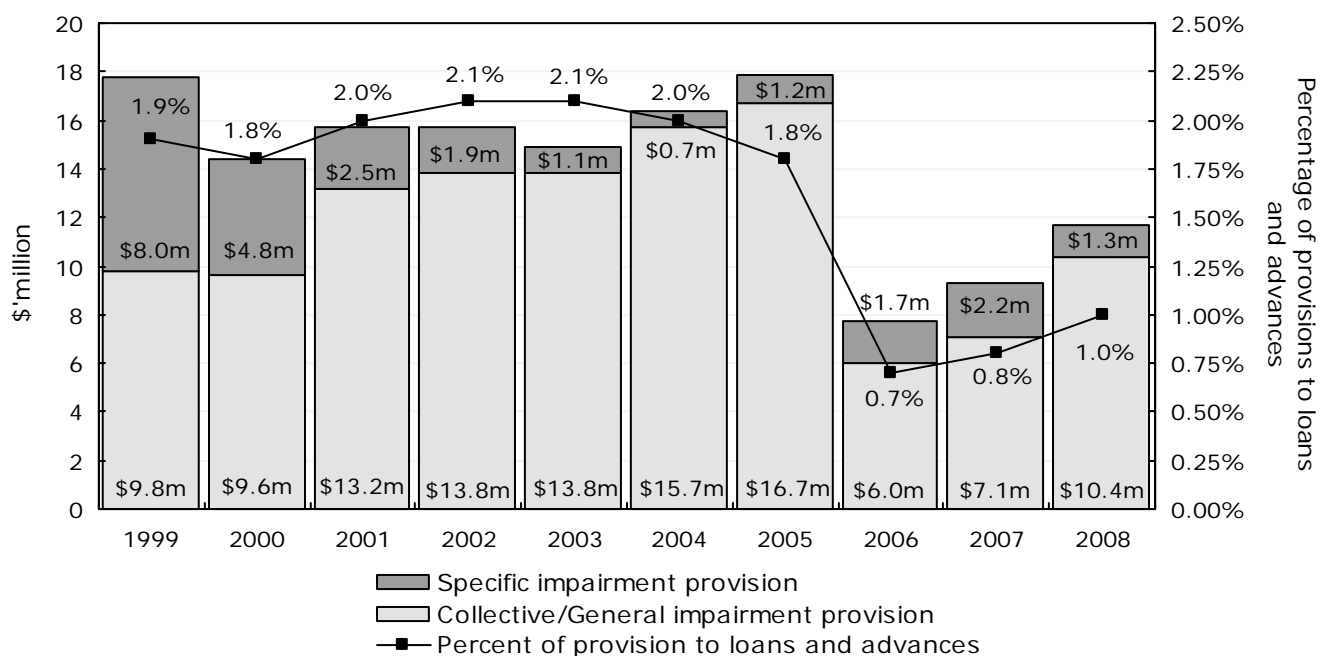
HomeStart assesses at each balance date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. Note 2.11 of the financial report details HomeStart's policies for determining the provision for impairment.

The total provision for impairment has increased by \$2.5 million to \$11.8 million. The total provision for impairment comprises two components being the specific and collective provisions.

- The specific provision (loans and advances that are individually assessed as impaired) as at 30 June 2008 was \$1.3 million (\$2.2 million).

- The collective provision as at 30 June 2008 was \$10.4 million (\$7.1 million). This provision arises where HomeStart determines that no objective evidence of impairment exists for an individually assessed financial asset. Assets are included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

The following chart shows the level of the total provisions and their composition over the past 10 years and highlights the effect of the change in accounting standards to AIFRS effective from 2006. The chart does not include the general reserve for credit losses from 2006.



General Reserve for Credit Losses

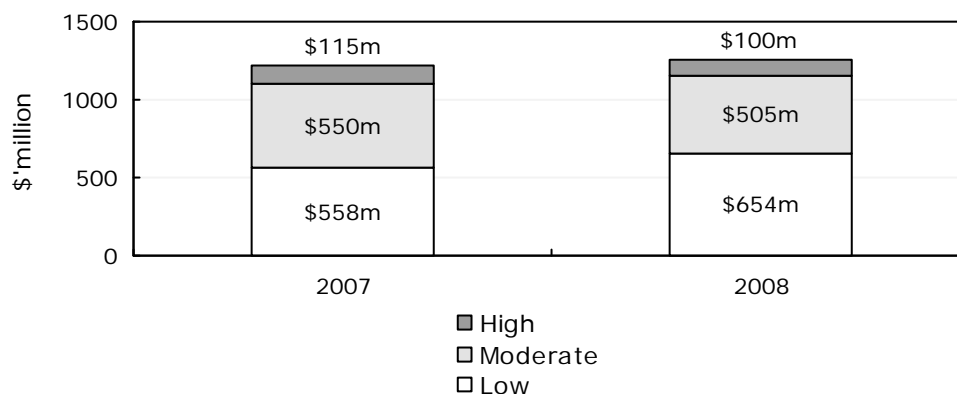
As stated in Note 29 to the financial report, the general reserve for credit losses is used to set aside retained earnings to the equivalent of the loans impairment provision determined under former AGAAP in excess of the specific and collective provisions determined under AASB 139.

The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority (APRA) prudential risk management requirement of retaining sufficient retained earnings for capital adequacy purposes.

The balance of the reserve at 30 June 2008 was \$11.3 million (\$10.5 million).

Loan Quality

HomeStart has assessed the gross value of loans and advances to customers by credit risk grading. The following chart summarises that assessment and shows that the high risk category has remained similar. For further detail refer to Note 30.2.1 of the financial report.



Investments

As at 30 June 2008, HomeStart's investments increased by \$10.7 million to \$57.5 million. This increase is due to a combination of:

- an increase of \$14.5 million in the shared appreciation component of the Breakthrough Loan product (that has been classified as an investment), commented on previously under Breakthrough Loans
- additional investments of \$1.2 million and reinvestment of investment income of \$3 million
- an \$8 million loss in unrealised changes in the market value of investments also discussed above under other income.

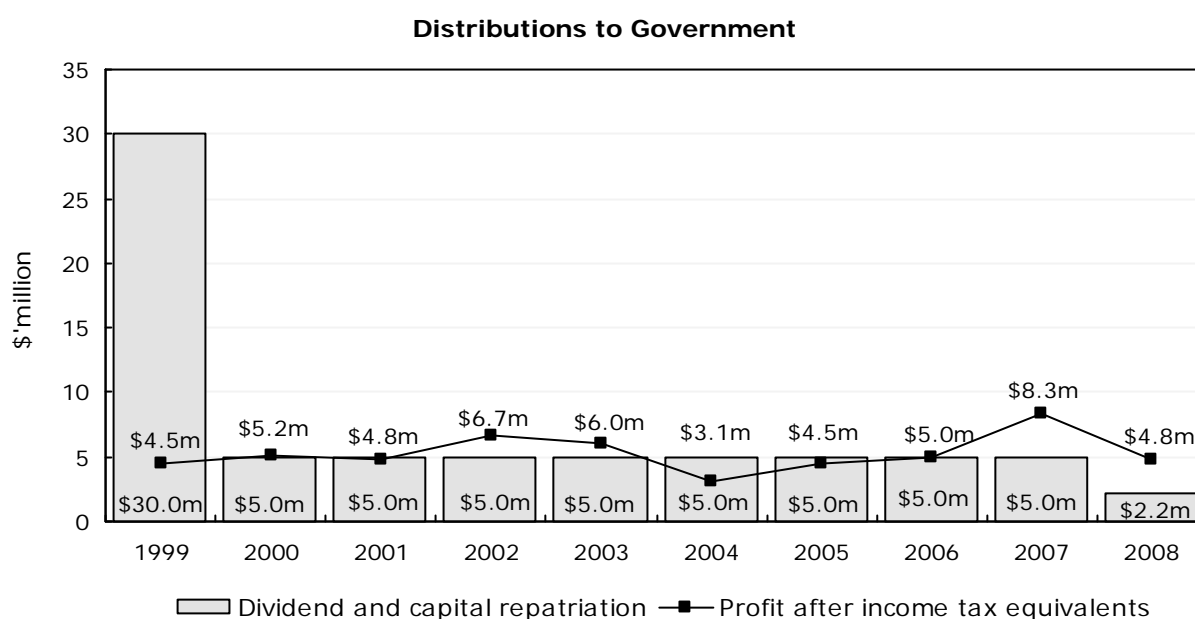
Liabilities

Borrowings at 30 June 2008 were \$1134 million (\$1095 million) and represent 99 percent of HomeStart's liabilities. HomeStart is required to use SAFA as its sole counterparty for all funding transactions. HomeStart is restricted by a current approved borrowing limit of \$1350 million (\$1350 million). Note 30 of the financial report provides information on the HomeStart's exposure to liquidity risk.

Cash Flow Statement

Distributions to Government

The following chart shows profit after income tax equivalents and distributions made for the past 10 years and highlights the sustained profit performance of HomeStart over the period.



In 2008 HomeStart made a \$2.2 million (\$2.7 million) dividend payment. In each of the years 2000 to 2007 HomeStart was required to pay \$5 million to the Government which comprised dividend and capital repatriation payments. The payment of dividends and the capital repatriation reduces the level of interest free capital available to HomeStart. It is noted, however, that the level of retained earnings at 30 June 2008 was maintained at \$136.9 million (\$136.8 million).

In addition to these distributions, HomeStart pays a guarantee fee of 0.60 percent (0.65 percent) to the Government based on the outstanding funding balance at the end of each quarter of the financial year. The amount expensed in 2007-08 was \$6.6 million (\$7 million).

HomeStart is also subject to an income tax equivalent regime. The income tax equivalent expense in 2007-08 was \$2 million (\$3.6 million).

Net Cash Flows

The following table summarises the net cash flows for the four years to 2008.

	2008	2007	2006	2005
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	11.0	8.0	6.5	0.5
Investing	(47.1)	(37.0)	(160.9)	(204.9)
Financing	37.0	32.0	153.1	203.8
Change in Cash	0.9	3.0	(1.3)	(0.6)
Cash at 30 June	3.9	3.0	-	1.3

The table shows that the 2008 net cash inflows used in investing activities increased by \$10.1 million. The increase in investing activities was funded from surpluses from financing activities of \$5 million and operating activities of \$3 million.

Income Statement **for the year ended 30 June 2008**

		2008	2007
	Note	\$'000	\$'000
Interest income	5	102 047	91 761
Interest expense	5	(75 339)	(66 016)
NET INTEREST INCOME	5	26 708	25 745
Other income	6	15 750	13 275
Net gain (loss) from disposal of assets	7	1	(12)
Bad and impaired loans expense	8	(2 588)	(1 829)
Government guarantee fee	9	(6 640)	(7 007)
Loan manager fees		(5 140)	(5 129)
Employee expenses	10	(7 813)	(7 544)
Depreciation and amortisation expense	14	(526)	(465)
Other expenses	15	(12 965)	(5 155)
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX EQUIVALENTS EXPENSE		6 787	11 879
INCOME TAX EQUIVALENT EXPENSE	2.5	(2 036)	(3 563)
PROFIT FOR THE YEAR	29	4 751	8 316
PROFIT ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER		4 751	8 316

Balance Sheet as at 30 June 2008

		2008	2007
	Note	\$'000	\$'000
ASSETS:			
Cash and cash equivalents	34	3 940	2 968
Investments	17	57 481	46 762
Derivative financial instruments	30.2.2	5 204	2 330
Loans and advances	18	1 229 083	1 198 362
Other financial assets	19	1 523	1 784
Property, plant and equipment	20	2 229	2 418
Intangible assets	21	313	163
Other assets	22	200	111
Total Assets		1 299 973	1 254 898
LIABILITIES:			
Payables	23	5 276	4 579
Short-term borrowings	24	40 634	81 384
Long-term borrowings	24	1 093 500	1 013 500
Employee benefits	25	1 080	1 011
Income tax payable	26	1 655	1 946
Provision for dividend	27	1 561	-
Other liabilities	28	2 810	2 845
Total Liabilities		1 146 516	1 105 265
NET ASSETS		153 457	149 633
EQUITY:			
Reserves	29	16 526	12 862
Retained earnings	29	136 931	136 771
TOTAL EQUITY		153 457	149 633

Total equity is attributable to the SA Government as owner

Statement of Changes in Equity for the year ended 30 June 2008

		2008	2007
	Note	\$'000	\$'000
Total Equity at 1 July		149 633	144 922
Derivative income recognised directly in equity	29	2 874	1 395
Profit for the year		4 751	8 316
Transactions with State Government as owner:			
Dividend paid/payable		(3 801)	(2 744)
Capital distribution		-	(2 256)
Total Equity at 30 June		153 457	149 633
Total Net Movement in Equity for the Year		3 824	4 711

Cash Flow Statement for the year ended 30 June 2008

	2008 Inflows (Outflows) \$'000	2007 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH INFLOWS:		
Interest received on:		
Cash	124	88
Loans and advances	102 178	93 705
Fees and commissions received	1 058	1 855
Bad debts recovered	148	158
EquityStart Grant received	3 840	5 024
Community Service Obligation subsidy received	3 970	-
Other	1 122	395
Total Cash Inflows from Operating Activities	112 440	101 225
CASH OUTFLOWS:		
Payments to employees	(7 723)	(7 354)
Payments to suppliers	(5 283)	(5 116)
Payments to loan managers	(4 981)	(5 254)
Borrowing costs paid	(74 429)	(65 622)
Government guarantee fee paid	(6 665)	(7 071)
Income tax equivalents paid	(2 328)	(2 856)
Total Cash Outflows from Operating Activities	(101 409)	(93 273)
Net Cash provided by Operating Activities	11 031	7 952
	34.2	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH INFLOWS:		
Proceeds from sale of office and computer equipment	6	-
Customer loans repaid	230 350	240 093
Total Cash Inflows from Investing Activities	230 356	240 093
CASH OUTFLOWS:		
Payments for property, plant and equipment	(288)	(232)
Payments for software	(223)	(161)
Payments for investments	(1 124)	(1 237)
Customer loans settled	(275 790)	(275 417)
Total Cash Outflows from Investing Activities	(277 425)	(277 047)
Net Cash used in Investing Activities	(47 069)	(36 954)
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH INFLOWS:		
Proceeds from borrowings	293 750	310 000
Total Cash Inflows from Financing Activities	293 750	310 000
CASH OUTFLOWS:		
Dividends paid	(2 240)	(2 744)
Repayment of borrowings	(254 500)	(272 998)
Repayment of capital	-	(2 256)
Total Cash Outflows from Financing Activities	(256 740)	(277 998)
Net Cash provided by Financing Activities	37 010	32 002
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	972	3 000
CASH AND CASH EQUIVALENTS AT 1 JULY	2 968	(32)
CASH AND CASH EQUIVALENTS AT 30 JUNE	3 940	2 968
	34.1	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of HomeStart Finance

HomeStart's mission is to be the leading provider of affordable home finance and housing solutions for South Australians.

HomeStart's vision is a future where all South Australians have the opportunity to access affordable, sustainable housing and where HomeStart leads the market in delivering innovative and affordable home finance and housing solutions.

HomeStart Loan

HomeStart provides home loans to lower income households and other needs groups with repayments linked to income and the Consumer Price Index (CPI). The HomeStart Loan is the principal loan product. The outstanding value of HomeStart Loans at 30 June 2008 was \$1182.2 million (\$1153.6 million).

Subsidies

HomeStart provides subsidised Advantage Loans of up to \$28 000 to lower income earners. The Advantage Loan is interest free if it is repaid within five years. The Advantage Loan interest is calculated by reference to the CPI but this interest is waived if the Advantage Loan is repaid in full prior to its fifth anniversary. As at 30 June 2008 the interest rate applying to Advantage Loans was 3.29 percent (1.55 percent). The outstanding value of Advantage Loans at 30 June 2008 was \$39.8 million (\$41.6 million).

In providing these loans, HomeStart incurred a direct cost of subsidy estimated to be \$2.69 million on the funds lent (\$2.46 million). Taking account of the net impact of accounting for Advantage Loans at fair value results in a cost to HomeStart of \$2.68 million (\$2.64 million).

Until 30 June 2007, HomeStart did not receive any funding with respect to this subsidy. For the year ended 30 June 2008 HomeStart received a Community Service Obligation (CSO) subsidy payment of \$2.17 million from the Department of Treasury and Finance for the Advantage Loan subsidy provided.

HomeStart also provides subsidised EquityStart Loans of up to \$50 000 to current public housing tenants. Regular repayments on the EquityStart Loan are optional, and payment can be deferred and paid at the end of the loan period. The outstanding value of EquityStart Loans at 30 June 2008 was \$34.5 million (\$26.5 million).

The EquityStart Loan incurs interest at a subsidised rate, which is linked to the CPI.

HomeStart received grant funding from the Department for Families and Communities, to compensate HomeStart for fair value losses incurred on subsidised EquityStart Loans, in addition to reimbursing HomeStart for the administration expenses incurred by administering the EquityStart Loan program.

HomeStart also has loans at concessional interest rates through the City Living Access Loan, H.O.M.E and Rental Purchase schemes.

Funding

HomeStart funds its mortgage activities from capital and by borrowing from the South Australian Government Financing Authority (SAFA).

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation

This financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, TIs, and APSS promulgated under the provisions of the PFAA.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments; financial assets at fair value through profit or loss; financial instruments classified as available-for-sale; and subsidised loans and advances.

Income and expenses have been classified according to their nature in accordance with APF II APS 3.5 and have not been offset unless required or permitted by a specific accounting standard.

2.1.1 Changes in Accounting Policies

The AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by HomeStart for the period ended 30 June 2008. HomeStart has assessed the impact of the new and amended Standards and Interpretations and considers there will not be a material impact on the accounting policies or the financial report of HomeStart.

2.1.2 Estimates and Assumptions

The preparation of a financial report in conformity with AASs requires HomeStart to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2.1.2 Estimates and Assumptions (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.2 Statement of Compliance

AASs include AIFRS. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by HomeStart for the reporting period ended 30 June 2008.

2.3 Comparative Figures

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS has required a change. Where permitted by a specific APS or AAS comparative information has been reclassified and disclosed where required.

Where it has been impractical to reclassify comparative amounts, the reason for not reclassifying the amount and the nature of the adjustment has been disclosed.

2.4 Rounding

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

2.5 Taxation

In accordance with TIs issued under the PFAA, HomeStart is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate of 30 percent (30 percent) be applied to profit from continuing operations before income tax equivalents.

HomeStart is liable for payroll tax, FBT and GST.

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

- the amount of GST incurred by HomeStart as a purchaser is not recoverable from the ATO;
- receivables and payables are stated with the amount of GST included.

HomeStart, being a provider of financial services, is classified as an input taxed entity for GST purposes and consequently absorbs GST costs passed on by suppliers. Reduced input tax credits can only be claimed on a very limited number of input costs.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Balance Sheet.

Cash flows are included in the Cash Flow Statement 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 Income

Income is recognised in HomeStart's Income Statement when and only when it is probable that the flow of economic benefits to the entity will occur and can be reliably measured.

2.6.1 Interest Income – Non-Subsidised Loans

Interest income is recognised as it accrues, except for impaired loans where interest income is recognised as it is recovered (as described in Note 2.6.3).

2.6.2 Interest Income – Subsidised Loans

Where HomeStart provides subsidised loans, such as Advantage Loans and EquityStart Loans, at rates other than market interest rates, the initial recognition of these loans at fair value will result in an initial loss being generated in the Income Statement, being the difference between the amount disbursed and the fair value. Fair value is measured by discounting the expected cash flows using a market interest rate.

Interest income on these subsidised loans is brought to account using the effective interest method at a risk-free rate of interest, based on four year (for Advantage Loans) and 10 year (for EquityStart Loans) SAFA Bonds.

2.6.3 Interest Income – Both Non-Subsidised and Subsidised Non-Accrual Loans

HomeStart ceases accruing interest income on loans when it is considered that HomeStart would be unable to recover that interest income from either the customer or from the sale of the security.

Interest on these loans is only brought to account when realised or when loans are returned to accrual status.

Loans are assessed as non-accrual where they are contractually more than 90 days overdue with security insufficient to cover principal and arrears of interest, or where there is doubt as to the full recovery of principal and interest.

A non-accrual item may be restored to accrual status only if all arrears have been eliminated by payments from the customer, and HomeStart judges that the customer is capable of servicing their future obligations under the facility, or when it otherwise becomes well secured.

2.6.4 Loan Origination Fees Received or Receivable

Income directly attributable to the origination of loans is deferred and recognised in the Income Statement as part of the effective interest rate calculation. This method results in origination income being recognised over the five year average life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed annually to ensure the amortisation methodology is appropriate.

2.6.5 Government Grants

Grants from the Government of South Australia are recognised at their fair value where there is a reasonable assurance that the grant will be received and HomeStart will comply with all attached conditions.

In the 2008 financial year, the Department of Treasury and Finance commenced making a CSO subsidy payment to HomeStart as compensation for the provision of Advantage Loan and credit quality subsidies as well as administering the Nunga Loan program.

HomeStart also receives grant funds from the Department for Families and Communities, to compensate HomeStart for fair value losses incurred on subsidised EquityStart Loans, in addition to reimbursing HomeStart for the administration expenses incurred by administering the EquityStart Loan program.

Government grants relating to costs are deferred and recognised in the Income Statement over the period necessary to match them with the costs that they are intended to compensate.

2.6.6 Investment Income

Changes in fair value of investments (both realised and unrealised) are recognised in the Income Statement as they occur.

2.6.7 Disposal of Non-Financial Assets

Income from disposal of non-financial assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. The gains or losses arising from disposal of non-financial assets are recognised on a net basis as income or an expense.

2.6.8 Other Income

Other income is recognised when earned or recovered and is measured at the fair value of the consideration received or receivable.

2.7 Expenses

Expenses are recognised in HomeStart's Income Statement when and only when it is probable that the flow of economic benefits from the entity will occur and can be reliably measured.

2.7.1 Interest Expense

Interest payable is expensed in accordance with the accounting policy described at Note 2.14.

2.7.2 Government Guarantee Fee

The Government Guarantee Fee is expensed as it becomes due at the rate imposed by the Department of Treasury and Finance.

2.7.3 Bad and Impaired Loans Expense

Bad and impaired loans are expensed in accordance with the accounting policy described in Note 2.11.

2.7.4 Loan Origination Fees Paid or Payable

Fees directly attributable to the origination of loans are deferred and recognised in the Income Statement as part of the effective interest rate calculation. This method results in origination fees being expensed over the five year average life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed annually to ensure the amortisation methodology is appropriate.

2.7.5 Employee Expenses

Employee expenses are recognised in accordance with the accounting policy described at Note 2.17.

2.7.6 Depreciation and Amortisation Expense

Depreciation and amortisation expense is recognised in accordance with the accounting policy described at Note 2.15.4.

2.7.7 Operating Lease Expense

Operating lease payments are charged to the Income Statement on a basis which is representative of the pattern of benefits derived from the leased assets.

The aggregate benefit of lease incentives received by HomeStart in respect of operating leases has been recorded as a reduction of rental expense over the lease term, on a straight line basis.

2.7.8 Tax Equivalents Expense

The tax equivalents expense is recognised in accordance with the accounting policy described at Note 2.5.

2.8 Assets and Liabilities

Assets and liabilities are classified in the Balance Sheet by their nature and in an order that reflects their relative liquidity. Current and non-current classes are not presented separately.

2.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

Cash is measured at its nominal value.

2.10 Financial Instruments

During the current and comparative financial years HomeStart had the following types of financial instruments:

- Cash and cash equivalents (refer to accounting policy Note 2.9).
- Loans and advances (refer to accounting policy Note 2.11).
- Investments (including listed equities and properties funds, SAFA Cash Enhanced Fund, SAFA composite bond index investment and the shared appreciation component of Breakthrough Loans (refer to accounting policy Note 2.12)).
- Derivative financial instruments (refer to accounting policy Note 2.13).
- Financial liabilities (refer to accounting policy Note 2.14).

Under AASB 139, financial instruments are required to be classified into one of five categories which will, in turn, determine the accounting treatment of the financial instrument. The classifications are:

- loans and receivables – initially measured at fair value and then at amortised cost using the effective interest rate method.
- held-to-maturity financial assets – measured at amortised cost.
- financial instruments designated as at fair value through profit or loss – measured at fair value.
- available-for-sale financial assets – measured at fair value.
- financial liabilities (not at fair value through profit or loss) - measured at amortised cost.

The classification depends on the purpose for which the financial instruments were acquired.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that HomeStart has the positive intention and ability to hold to maturity.

HomeStart did not hold any held-to-maturity financial assets as at 30 June 2007 and 2008.

Financial Assets at Fair Value Through Profit or Loss

A financial asset is classified in this category if so designated by HomeStart. HomeStart's policy is to designate a financial asset at fair value through profit or loss if it is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investments strategy, and information about the financial asset is provided internally on that basis to HomeStart's key management personnel.

Derivatives are also categorised as financial assets at fair value through profit or loss unless they are designated as hedges.

HomeStart has designated the shared appreciation component of the Breakthrough Loan as well as its investments in listed equities and properties funds, SAFA Cash Enhanced Fund and SAFA composite bond index investment as financial assets at fair value through profit or loss.

Available-for-Sale Financial Assets

Available-for-sale financial assets, are non-derivatives that are either designated in this category or not classified in any of the other categories.

HomeStart does not have any available-for-sale financial assets.

Financial Liabilities

HomeStart's short-term and long-term borrowings are financial liabilities.

Impairment

HomeStart assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

The recoverable amount of HomeStart's investments in held-to-maturity securities and loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (ie the effective interest rate computed at initial recognition of these financial assets).

An impairment loss in respect of held-to-maturity securities or loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Reference should be made to accounting policy Note 2.11 for additional information in relation to the assessment of impairment of loans and receivables.

2.11 Loans and Advances*Loans Measured at Amortised Cost*

Loans and advances are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses.

For subsidised loans, fair value is less than their face value. On settlement of subsidised loans an initial loss is recognised as an expense, being the difference between the face and fair value, which is then recognised as income over the expected life of the loan, using the effective interest rate method.

Effective Interest Rate

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows, HomeStart considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

Provision for Impairment

HomeStart assesses at each Balance Sheet date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Balance Sheet date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

Loans and advances are individually assessed for impairment. If HomeStart determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, geographical location, collateral type, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. In addition, HomeStart uses its experienced judgment to estimate the amount of an impairment loss.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to take into consideration HomeStart's actual loss experience.

For loans and receivables, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using an allowance account and the amount of the loss is included in the Income Statement.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Provision for Impairment (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Income Statement.

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. This reserve represents the difference between the impairment provisions calculated under AIFRS and that determined under the former AGAAP, net of income tax equivalents. Movements in the general reserve for credit losses are recognised as a transfer of retained earnings.

Bad Debts

All bad debts are written off in the period in which they are classified as not recoverable. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Income Statement.

2.12 Investments

Held-to-maturity Investments

HomeStart did not have any held-to-maturity financial assets as at 30 June 2007 and 2008.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity where HomeStart has the positive intention and ability to hold to maturity.

Investments that are intended to be held-to-maturity are stated at amortised cost using the effective interest rate method less impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in the Income Statement when the investments are derecognised or impaired.

Investments at Fair Value through Profit or Loss

HomeStart has designated its investments in listed equities and properties funds, SAFA Cash Enhanced Fund, SAFA composite bond index investment and shared appreciation component of the Breakthrough Loan as financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in fair value are presented in the Income Statement in the period in which they arise.

Shared Appreciation Component of the Breakthrough Loan

The Breakthrough Loan facility includes two loan components:

- A standard loan component with standard interest rates and repayments which operates under identical terms as HomeStart's current standard loan products. This portion of the Breakthrough Loan is recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses.
- A shared appreciation component where repayment of the loan balance is generally deferred until sale of the property upon which time the loan balance is repaid along with a scheduled percentage of the appreciated value of the property.

The shared appreciation component is measured at fair value through profit or loss. The fair value of this loan component is based on independent valuation of the properties pledged as collateral. Gains or losses arising from changes in fair value are presented in the Income Statement in the period in which they arise.

2.13 Derivative Financial Instruments

HomeStart is exposed to changes in interest rates arising from financing activities, and it uses derivatives to hedge this risk. Derivative financial instruments are not held for speculative purposes.

HomeStart does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at cost and subsequent to initial recognition are stated at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year end.

HomeStart designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or hedges of highly probable forecast transactions (cash flow hedges). For the current reporting and comparative periods HomeStart has only cash flow hedges.

2.13 *Derivative Financial Instruments (continued)*

HomeStart documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. HomeStart also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 30.2.2. Movements in the derivatives valuation reserve in equity are shown in Note 29.

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in equity in the derivatives valuation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Effectiveness tests are performed on all derivative financial instruments to determine if they are still providing the protection originally intended when entered into by HomeStart. Where a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, any gain or loss on the instrument previously recognised in equity is reversed through the Income Statement with all subsequent gains or losses recognised through the Income Statement.

2.14 *Interest-Bearing Borrowings*

Interest-bearing borrowings are initially recognised at fair value, net of transaction costs incurred. Interest-bearing borrowings are subsequently stated at amortised cost with any difference between the interest-bearing cost and the redemption value being recognised in the Income Statement over the period of the borrowings on the effective interest rate basis.

2.15 *Non-Financial Assets*

2.15.1 *Property, Plant and Equipment*

Assets are recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition, less accumulated depreciation (see Note 2.15.4) and impairment losses. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements, then the assets are recorded at the value recorded by the transferor prior to transfer.

At the expiration of the lease of its office accommodation, HomeStart is required by the lease agreement to return the premises to its original condition ('make good'). The costs involved in doing so have been included in the cost of HomeStart's leasehold improvements. This amount has been calculated as an estimate of future costs and discounted to a present value.

HomeStart capitalises all non-current tangible assets with a value of \$500 or greater.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

2.15.2 *Intangible Assets*

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are recorded at cost less accumulated amortisation (refer to Note 2.15.4).

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138, and when the amount of expenditure is greater than or equal to \$500.

Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Capitalised software is amortised over the finite life of the asset, with a maximum time limit for amortisation of four years.

Costs in relation to web site development are charged as expenses in the period in which they are incurred, unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over the period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs involved in building or enhancing a web site to the extent they represent probable future economic benefits controlled by HomeStart that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits.

2.15.3 *Impairment and Revaluation*

In accordance with APF III:

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

2.15.3 Impairment and Revaluation (continued)

If at any time HomeStart considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

All tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated.

An impairment loss is recognised whenever the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the Income Statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Reversals of Impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.15.4 Depreciation and Amortisation of Non-Financial Assets

All non-financial assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to physical assets such as office and computer equipment.

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

The value of leasehold improvements is amortised over the estimated useful life of each improvement.

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

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Leasehold improvements	Straight line	10
Other office and computer equipment	Straight line	5-10

2.16 Payables

Payables include creditors, accrued expenses, interest, guarantee fee and loan manager fees.

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

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

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

All payables are measured at their nominal amount and are normally settled within 30 days from the date the invoice is first received in accordance with TI 11.

2.17 Employee Benefits**2.17.1 Long-Term Service Benefits**

Long-term employee benefits are measured at present value. HomeStart's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The liability for long service leave is recognised after an employee has completed 6.5 years (6.5 years) of service in accordance with APF IV. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with HomeStart's experience of employee retention and leave taken.

2.17.2 Wages, Salaries, Annual Leave and Sick Leave

Liabilities for employee benefits for salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date and represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration salary rates that HomeStart expects to pay as at reporting date.

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

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

2.18 Insurance

HomeStart has arranged, through SAFA, SAICORP Division, to insure all major risks of HomeStart. The excess payable under this arrangement varies depending on each class of insurance held.

2.19 Accounting Judgments, Estimates and Assumptions

The preparation of the financial report requires the use of certain accounting estimates and requires HomeStart to exercise its judgment in the process of applying HomeStart's accounting policies. No judgments have been determined to be individually significant.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The areas involving a higher degree of estimate and judgment that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual financial reporting period are outlined below:

2.19.1 Impairment of Loans and Advances

HomeStart determines whether loans are impaired on an ongoing basis. This requires an estimation of the value of the future cash flows. HomeStart's policy for calculation of loan impairment is disclosed in Note 2.11.

2.19.2 Fair Value of Subsidised Loans and Advances

When HomeStart provides subsidised loans, such as the Advantage Loans and EquityStart Loans, at rates lower than market interest rates, the initial recognition of these loans at fair value results in an initial loss being generated in the Income Statement. Fair value is measured by discounting the expected cash flows using a market interest rate. This requires an estimation of the value of the future cash flows. HomeStart's policy for calculation of the fair value of subsidised loans is disclosed in Note 2.6.

3. Government/Non-Government Disclosures

In accordance with APF II, APS 4.1, HomeStart has included details of income, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the State Government in the Notes to the accounts.

4. Segment Reporting

HomeStart operates in one geographical segment (South Australia) and its principal activity is the provision of home finance to lower income groups.

5. Net Interest Income

	2008	2007
Interest received/receivable from Entities external to the SA Government:	\$'000	\$'000
Loans and advances	100 662	91 549
Subsidised loans effective interest income	3 330	2 894
Subsidised loans fair value expense	(4 163)	(4 650)
Loan origination income amortisation	2 093	1 874
Deposits with banks	125	94
Total Interest Received/Receivable from Entities external to the SA Government	102 047	91 761
Interest paid/payable to Entities within the SA Government:		
Borrowings from SAFA	(75 339)	(66 016)
Total Interest Paid/Payable to Entities within the SA Government	(75 339)	(66 016)
Net Interest Income	26 708	25 745

6. Other Income	2008	2007
Other Income received/receivable from Entities external to the SA Government:	\$'000	\$'000
Fees and charges	2 805	2 988
Bad debts recovered	182	334
Unrealised change in fair value of loans	1 097	19
Realised change in fair value of loans	2	-
Unrealised change in market value of investments	-	1 856
Managed funds distribution	1 507	2 267
Other	43	99
Total Other Income Received/Receivable from Entities external to the SA Government	5 636	7 563
Other Income received/receivable from Entities within the SA Government:		
EquityStart grant ⁽¹⁾	3 596	3 881
Community Service Obligation (CSO) subsidy ⁽¹⁾	3 970	-
Realised change in market value of investments	1 555	1 306
Other	993	525
Total Other Income Received/Receivable from Entities within the SA Government	10 114	5 712
Total Other Income	15 750	13 275

(1) *EquityStart Grant Funds and CSO Subsidy Received*

During the financial year, HomeStart received \$3.84 million (\$5.02 million) in grant funds from the Department for Families and Communities, to compensate HomeStart for fair value losses incurred on subsidised EquityStart loans, in addition to reimbursing HomeStart for the administration expenses incurred by administering the EquityStart loan program.

In the 2008 financial year, the Department of Treasury and Finance commenced making a CSO subsidy payment to HomeStart as compensation for the provision of Advantage Loan and credit quality subsidies as well as administering the Nunga Loan program.

Government grants relating to costs are deferred and recognised in the Income Statement over the period necessary to match them with the costs that they are intended to compensate - refer to accounting policy Note 2.6.5.

7. Net Gain (Loss) from Disposal of Assets	2008	2007
	\$'000	\$'000
Proceeds from disposal of assets	6	-
Net book value of assets disposed	(5)	(12)
Total Net Gain (Loss) from Disposal of Assets	1	(12)
8. Bad and Impaired Loans Expense		
Bad and impaired loans expensed	15	17
Increase (Decrease) in provision for impairment	2 573	1 812
Total Bad and Impaired Loans Expense	2 588	1 829
9. Government Guarantee Fee		
Government guarantee fee paid or payable to entity within the SA Government	6 640	7 007
Total Government Guarantee Fee Paid or Payable to Entity within the SA Government	6 640	7 007

HomeStart paid a guarantee fee of 0.60 percent of outstanding borrowings to the Department of Treasury and Finance in 2007-08 (0.65 percent).

10. Employee Expenses, Remuneration and Number of Employees	2008	2007
	\$'000	\$'000
Salaries and wages	6 637	6 312
Long service leave	18	(7)
Annual leave	39	109
Employment on-costs - Superannuation	600	595
Employment on-costs - Other	365	368
Board fees	154	167
Total Employee Expenses	7 813	7 544

Remuneration of Employees

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

	2008 Number of Employees	2007 Number of Employees
\$100 000 - \$109 999	4	5
\$110 000 - \$119 999	4	1
\$120 000 - \$129 999	1	-
\$130 000 - \$139 999	1	-
\$140 000 - \$149 999	1	-
\$170 000 - \$179 999	-	1
\$180 000 - \$189 999	-	1
\$190 000 - \$199 999	1	1
\$210 000 - \$219 999	1	1
\$290 000 - \$300 000	-	1
\$320 000 - \$330 000	1	-
Total Number of Employees	14	11

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$2 million (\$1.75 million).

Number of Employees at 30 June

HomeStart employed 98 (102) people at 30 June.

11. Key Management Personnel Disclosures

The following employees held authority and responsibility for planning, directing and controlling the activities of HomeStart for the entire financial year:

- Gary Storkey (Chief Executive Officer)
- John Comley (General Manager Corporate Services and CFO)
- Ian Wheaton (General Manager Treasury and Risk)

Jay Walker (General Manager Community Finance) and Kathryn Murray (General Manager Retail Services) held authority and responsibility for planning, directing and controlling the activities of HomeStart from the start of the financial year until their resignations on 9 November 2007 and 31 March 2008 respectively.

Key Management Personnel Compensation

The compensation of the above key management personnel included in 'employee expenses' (refer Note 10) is as follows:

	2008 \$	2007 \$
Short-term employee benefits	869 450	1 050 769
Long-term employee benefits (long service leave)	15 955	14 422
Long-term employee benefits (amounts paid to superannuation plans)	75 956	86 989
Termination benefits	52 223	-
Total Key Management Personnel Compensation	1 013 584	1 152 180

12. Related Parties

All transactions between HomeStart and related parties are on arm's length terms and conditions.

During the financial year HomeStart undertook transactions with the following related parties. The nature and amounts of these transactions have been disclosed throughout the financial report:

- Employees who are key management personnel
- Board Members
- Department for Families and Communities
- Department of Treasury and Finance
- SAFA.

Board Members

The following persons were members of the Board of HomeStart during the whole of the financial year:

- | | |
|----------------------------|---------------------|
| — Claude Long (Chair) | — Paula Capaldo |
| — Jim Kouts (Deputy Chair) | — Sandra De Poi |
| — Estelle Bowman | — Lindsay Nicholson |

David Garrard was appointed to the Board of HomeStart on 14 March 2008 and continued as a member up to the date of this report.

Jay Hogan was a member of the Board of HomeStart from the start of the financial year until his term expired on 14 December 2007.

Board Members' Remuneration

The remuneration of the Board of HomeStart included in 'employee expenses' (refer Note 10) is as follows:

Short-term benefits

Long-term benefits (amounts paid to superannuation plans)

Total Board Members' Remuneration

Note	2008	2007
	\$	\$
10	154 352	166 791
	13 932	15 638
	168 284	182 429

The number of HomeStart Board members whose remuneration received or receivable falls within the following bands:

\$0 - \$9 999

\$10 000 - \$19 999

\$20 000 - \$29 999

\$30 000 - \$39 999

Total Number of Board Members

2008	2007
Number of Members	Number of Members
1	-
1	-
6	6
-	1
8	7

Apart from the details disclosed in this Note, no Board member has entered into a material contract with HomeStart since the end of the previous financial year and there were no material contracts involving Board members' interests existing at year end.

13. Economic Dependency

HomeStart has an economic dependency on the following suppliers of services:

Financing Services

SAFA is the sole provider of funds to HomeStart.

Loan Management Services

HomeStart contracts a significant proportion of its loan management services to BankSA, The Home Loan Centre, HomeLoans Plus and Bernie Lewis Home Loans.

14. Depreciation and Amortisation Expense

Depreciation:

Other office and computer equipment

Total Depreciation

2008	2007
\$'000	\$'000
230	223
230	223

Amortisation:

Leasehold improvements

Intangible assets

Total Amortisation**Total Depreciation and Amortisation**

2008	2007
223	209
73	33
296	242
526	465

15. Other Expenses

Other Expenses arising from transactions with Entities within the SA Government:

External auditor's remuneration

Insurance

Total Other Expenses arising from transactions with Entities within the SA Government

2008	2007
103	123
57	61
160	184

Other Expenses arising from transactions with Entities external to the SA Government:

Unrealised change in market value of investments

Office accommodation (minimum lease payments)

Marketing, product development and advertising

Internal audit fees

Loan administration

Information technology

Consultant's fees

Human resources and staff development

Other

Total Other Expenses arising from transactions with Entities external to the SA Government**Total Other Expenses**

2008	2007
7 977	-
723	698
1 199	1 363
244	215
168	155
362	493
419	175
434	420
1 279	1 452
12 805	4 971
12 965	5 155

The number and dollar amount of consultancies paid/payable that fell within the following bands:

Below \$10 000

Between \$10 000 and \$50 000

Above \$50 000

Total Paid/Payable to the Consultants Engaged

2008	2007
Number	Number
\$'000	\$'000
3	9
7	28
2	51
51	147
2	-
361	-
7	17
419	175

16. Auditor's Remuneration

Audit fees paid/payable to the Auditor-General's Department

Total Audit Fees - SA Government Entities

2008	2007
\$'000	\$'000
103	123
103	123

Other Services

No other services were provided by the Auditor-General's Department.

17. Investments	2008	2007
17.1 Investments at Fair Value through Profit or Loss	\$'000	\$'000
Investments at Fair Value through Profit or Loss with Entity within the SA Government:		
SAFA Composite Bond Index investment	9 040	8 503
SAFA Cash Enhanced Fund	17 748	18 167
Total Investments at Fair Value through Profit or Loss with Entity within the SA Government	26 788	26 670
Investments at Fair Value through Profit or Loss with Entities external to the SA Government:		
Listed equities and properties funds	14 679	18 587
Breakthrough loan (shared appreciation component)	16 014	1 505
Total Investments at Fair Value through Profit or Loss with Entities external to the SA Government	30 693	20 092
Total Investments at Fair Value through Profit or Loss	57 481	46 762
17.2 Maturity Profile of HomeStart's Investments		
At call	17 748	18 167
Not longer than three months	14 679	18 587
Longer than three months and not longer than 12 months	9 040	8 503
Longer than five years	16 014	1 505
Total Investments	57 481	46 762
17.3 Risk Exposure		
Information in relation to HomeStart's exposure to investment price risk is provided in Note 30.4.3.		
18. Loans and Advances		
18.1 Loans and Advances		
Primary loans	1 184 330	1 155 108
Subsidised loans	74 324	68 060
Gross loans and advances	1 258 654	1 223 168
Fair value adjustment	(14 681)	(12 602)
Deferred loan fee income	(4 380)	(4 610)
Deferred loan fee expense	2 335	2 505
Specific provisions for impairment	(1 332)	(2 214)
Unearned income	(1 073)	(822)
Collective provision for impairment	(10 440)	(7 063)
Net Loans and Advances	1 229 083	1 198 362
Specific Provision for Impaired Loans:		
Opening balance	2 214	1 726
Bad debts written off	(77)	(214)
Impairment expense	(805)	702
Closing Balance	1 332	2 214
Collective Impairment Provision:		
Opening balance	7 063	5 952
Impairment expense	3 377	1 111
Closing Balance	10 440	7 063
Total Provision for Impairment	11 772	9 277
18.2 Risk Exposures		
Information in relation to HomeStart's exposure to credit risk for loans and advances is provided in Note 30.2.1.		
19 Other Financial Assets		
Other Financial Assets - Entities Within the SA Government:		
Accrued interest on derivatives (SAFA)	-	11
EquityStart grant receivable	811	1 038
Other	337	430
Total Other Financial Assets - Entities Within the SA Government	1 148	1 479
Other Financial Assets - Entities External to the SA Government:		
Accrued interest on housing loans and advances	303	260
Accrued interest on cash at bank	10	9
GST recoverable	34	36
Other	28	-
Total Other Financial Assets - Entities External to the SA Government	375	305
Total Other Financial Assets	1 523	1 784

20. Property, Plant and Equipment	2008	2007
Leasehold Improvements:	\$'000	\$'000
Leasehold improvements at cost	2 027	1 989
Accumulated amortisation	(557)	(335)
Total Leasehold Improvements	1 470	1 654
Other Office and Computer Equipment:		
Other office and computer equipment at cost	2 895	2 755
Accumulated depreciation	(2 136)	(1 991)
Total Other Office and Computer Equipment	759	764
Total Property, Plant and Equipment	2 229	2 418
	Leasehold	Other
	Improve-	Office and
	ments	Computer
	\$'000	\$'000
Carrying amount at 1 July	1 654	764
Additions	39	230
Disposals - At cost	-	(90)
Disposals - Accumulated depreciation	-	85
Depreciation and amortisation	(223)	(230)
Carrying Amount at 30 June	1 470	759
		2 229
21. Intangible Assets	2008	2007
	\$'000	\$'000
Software at cost	1 020	797
Accumulated amortisation	(707)	(634)
Total Software	313	163
Carrying amount at 1 July	163	35
Additions	223	161
Disposals	-	-
Amortisation	(73)	(33)
Carrying Amount at 30 June	313	163
22. Other Assets		
Other Assets - Entities external to the SA Government:		
Prepayments	200	91
Other	-	20
Total Other Assets - Entities external to the SA Government	200	111
23. Payables		
23.1 Payables		
Payables to Entities within the SA Government:		
Creditors	5	2
Accrued administration expenses	134	151
Employment on-costs	213	192
Accrued interest payable on borrowings	3 472	2 874
Accrued interest payable on derivatives	301	-
Accrued guarantee fee payable	556	581
Total Payables to Entities within the SA Government	4 681	3 800
Payables to Entities external to the SA Government:		
Creditors	187	302
Accrued administration expenses	93	113
Accrued loan manager fees	307	318
Accrued capital acquisition	8	46
Total Payables to Entities external to the SA Government	595	779
Total Payables	5 276	4 579
23.2 Settlement Profile of HomeStart's Payables		
All payables will be settled within 12 months of the reporting date.		
24. Borrowings		
24.1 Interest Bearing Liabilities		
Short-term Borrowings payable to Entity within the SA Government:		
Short-term borrowings	40 634	81 384
Total Short-term Borrowings payable to entity within the SA Government	40 634	81 384

24.1 Interest Bearing Liabilities (continued)	2008	2007
Long-term Borrowings payable to Entity within the SA Government:	\$'000	\$'000
Long-term borrowings	1 093 500	1 013 500
Total Long-term Borrowings payable to entity within the SA Government	1 093 500	1 013 500
Total Interest Bearing Liabilities	1 134 134	1 094 884

24.2 Security
All HomeStart borrowings are unsecured.

24.3 Risk Exposure
Information in relation to HomeStart's exposure to liquidity and interest rate risks is provided in Notes 30.3 and 30.4 respectively.

25. Employee Benefits	2008	2007
25.1 Employee Benefits	\$'000	\$'000
Accrued salaries	153	141
Annual leave	439	400
Long service leave	488	470
Total Employee Benefits	1 080	1 011
25.2 Aggregate Employee Benefits		
Accrued Salaries:		
On-costs	84	66
Provision for employee benefits	153	141
Total Accrued Salaries	237	207
Annual Leave:		
On-costs	61	58
Provision for employee benefits	439	400
Total Annual Leave	500	458
Long Service Leave:		
On-costs	68	68
Provision for employee benefits	488	470
Total Long Service Leave	556	538
Aggregate Employee Benefits and Related On-Costs	1 293	1 203

25.3 Settlement Period of Long Service Leave
The liability for long service leave is recognised after an employee has completed 6.5 years (6.5 years) of service in accordance with APF IV.

HomeStart policy allows any employee who has completed seven years of continuous service to:

- have their long service leave entitlements paid to them on leaving HomeStart, as part of their termination payment;
- take pro-rata long service leave;
- 'cash out' a proportion of their long service leave, in lieu of taking the leave.

HomeStart therefore does not have an unconditional right to defer settlements of the long service leave liability for at least 12 months after the reporting date.

26. Income Tax Payable	2008	2007
	\$'000	\$'000
Income tax payable to Entity within the SA Government	1 655	1 946
Total Tax Liability Payable to Entity within the SA Government	1 655	1 946
27. Provision for Dividend		
Dividend payable to Entity within the SA Government	1 561	-
Total Dividend Payable to Entity within the SA Government	1 561	-

Pursuant to section 26 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart must recommend to the Minister for Housing, that it pay a specified dividend or not pay a dividend, for the financial year, as it considers appropriate. The Act further provides for the Minister, in consultation with the Treasurer, to approve the recommendation of HomeStart, or to determine that another dividend, or no dividend, should be paid.

For the year ended 30 June 2008, the HomeStart Board recommended the payment of a dividend to the Treasurer of 80 percent of after tax profit.

During 2006-07, HomeStart recommended and paid a dividend of \$5 million which was allocated between dividend and capital repatriation in accordance with an established dividend policy based on commercial principles.

28. Other Liabilities	2008	2007
Other Liabilities payable to or arising from transactions with Entities within the SA Government:	\$'000	\$'000
Aboriginal loan security deposit	40	74
Unearned income (EquityStart grant)	2 523	2 508
Total Other Liabilities payable to or arising from transactions with Entities within the SA Government	2 563	2 582
Other Liabilities payable to or arising from transactions with Entities external to the SA Government:		
Make good provision	177	158
Operating lease incentive	70	105
Total Other Liabilities payable to or arising from transactions with Entities external to the SA Government	247	263
Total Other Liabilities	2 810	2 845
29. Equity		
Reserves:		
General reserve for credit losses	11 322	10 532
Derivatives valuation reserve	5 204	2 330
Total Reserves	16 526	12 862
Retained earnings	136 931	136 771
Total Equity at 30 June	153 457	149 633
Movements in equity were as follows:		
General reserve for credit losses:		
General reserve for credit losses at 1 July	10 532	11 732
Transfer (to) from retained earnings	790	(1 200)
General Reserve for Credit Losses at 30 June	11 322	10 532
Derivatives valuation reserve:		
Derivatives valuation reserve at 1 July	2 330	935
Changes in the fair value of cash flow hedges	2 874	1 395
Balance at 30 June	5 204	2 330
Retained earnings:		
Retained earnings at 1 July	136 771	132 255
Transfer (to) from credit losses reserve	(790)	1 200
Profit for the year	4 751	8 316
Dividend paid/payable	(3 801)	(2 744)
Capital distribution	-	(2 256)
Total Retained Earnings at 30 June	136 931	136 771

General Reserve for Credit Losses

A general reserve for credit losses was created as at 1 July 2005 to set aside retained earnings being the equivalent of the loans impairment provision determined under former AGAAP in excess of the specific and collective loss provisions determined under AASB 139. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority (APRA) prudential risk management requirements of retaining sufficient retained earnings for capital adequacy purposes.

Derivatives Valuation Reserve

The derivatives valuation reserve was created at 1 July 2005 on adoption of AASB 139 to recognise the effective gain or loss on derivatives that are designated hedging instruments.

30. Financial Risk Management**30.1 Overview**

HomeStart's activities expose it to a variety of financial risks, primarily:

- credit risk
- liquidity risk
- market risk (including interest rate risk and price risk).

This Note presents information about HomeStart's exposure to each of the above risks as well as HomeStart's objectives, policies and processes for measuring and managing risk.

Taking risk is core to HomeStart's business. HomeStart aims to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

30.1 Overview (continued)

HomeStart's Board of Management has overall responsibility for the establishment and oversight of HomeStart's risk management framework. The Board has established the Asset and Liability Committee (ALCO) and Audit Committee to develop and monitor HomeStart's risk management policies.

HomeStart's risk management policies are designed to identify and analyse financial risks, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up to date information systems. HomeStart regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Financial risk management is the responsibility of HomeStart's central treasury department which identifies, evaluates and, when feasible and appropriate, hedges financial risks. It operates in accordance with policies approved by the Board and its sub-committees. These written policies cover overall risk management as well as specific areas, such as interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of funds.

HomeStart's Audit Committee is responsible for monitoring compliance with HomeStart's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by HomeStart. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. HomeStart's ALCO is also directly involved in the risk management process, in particular as it relates to the management of market risk and credit risk.

HomeStart's exposures to financial risk and how they arise as well as its objectives, policies and processes for managing the risk and the methods used to measure the risk have not changed materially from the previous period.

30.2 Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause HomeStart to incur a financial loss by failing to discharge an obligation.

HomeStart's exposure to credit risk arises primarily from loans and advances to customers and, to a lesser extent, derivative financial instruments.

As described below, HomeStart manages its credit risk by dealing with credit worthy customers and counterparties, setting credit limits on its exposures and obtaining collateral.

30.2.1 Loans and Advances

(a) Credit Risk Management

Credit risk is inherent in HomeStart's core function of lending.

HomeStart's credit risk management processes are overseen by Board and its Audit and ALCO sub-committees.

The Board and its sub-committees are responsible for approving new lending and arrears management policies. The authority to make credit decisions in accordance with these approved policies is delegated by the Board to executive management.

The Board and its sub-committees are responsible for monitoring payment and loss performance and regularly consider trends in the number of loans more than 30 days past due, expected loss analysis performed by both management and an independent actuary and actual losses realised.

The effectiveness of HomeStart's credit risk management framework is monitored via compliance and reporting processes. The Audit Committee is responsible for overseeing the internal audit of adherence to approved lending and arrears management policies.

(b) Risk Control and Mitigation Policies

HomeStart manages, limits and controls credit risks wherever they are identified. Some specific control and mitigation measures are outlined below.

Lending Policies

HomeStart's approved lending policies require verification of the customer's income and an assessment of credit worthiness based on credit checks with independent agencies and statistical analysis of the factors most likely to lead to credit default. HomeStart has at no time undertaken lending on a reduced documentation basis or in a way which relies in any way on borrowers' self verification of income.

Collateral

HomeStart holds collateral against loans and advances to customers in the form of registered mortgages over security properties.

HomeStart credit principles specify that loans may only be made where the customer has the capacity and ability to repay. Obtaining collateral is used to mitigate credit risk.

Collateral (continued)

Procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured at the time of settlement. It is an ongoing condition of the loan contract that this insurance be kept current. Following settlement HomeStart has other insurance arrangements to mitigate the risks arising from uninsured properties.

In the event of a loan default, any loan security is held as mortgage in possession. Any property thus held does not meet the recognition criteria of other AASs and is not recognised in the Balance Sheet.

The estimated fair value of collateral held is based on the Valuer-General annual property data or a current formal valuation. As at year end the fair value of collateral for past due and impaired loans was:

	2008 \$'000	2007 \$'000
Past due but not impaired		
Gross carrying value	62 805	62 860
Fair value of collateral	119 939	114 159
Impaired		
Gross carrying value, before specific impairment provisions	11 909	13 479
Specific provision for impairment	1 332	2 214
Net impaired loans and advances	10 577	11 265
Fair value of collateral	14 111	14 830

Concentration of Counterparty and Geographic Risk

HomeStart is not materially exposed to any individual customer. HomeStart only lends in South Australia and is therefore exposed to the property market in this State.

Approximately 34 percent (33 percent) of HomeStart's loans by value were secured against properties outside the Adelaide metropolitan area. This represents a risk as the limited market liquidity in country regions as well as the less diversified nature of rural economies can lead to greater volatility in property values. HomeStart currently manages this risk by imposing stricter loan to valuation ratio (LVR) limits when lending in some country locations, and excluding others completely.

At reporting date 30 percent (29 percent) of HomeStart's loans by value were secured against properties in the City of Salisbury and the City of Playford. HomeStart's exposure to risk in this geographic area is managed through lending policies as well as obtaining and managing collateral, as described above.

Higher LVR Loans

HomeStart has several product categories where the initial loan to valuation ratio (LVR) is permitted to exceed 95 percent (higher LVR loans). To mitigate and control associated risks the total dollar value of higher LVR loans is not permitted to exceed internal limits. In order to control volumes of higher LVR lending, HomeStart limits both the geographic range of higher LVR lending and imposes further credit assessment requirements.

Loan Provision Charge

HomeStart does not require its customers to pay for lenders mortgage insurance. It does, however, require its customers to pay a loan provision charge at the time of advancing a loan.

(c) Credit Risk Measurement

Significant portfolio analysis is performed by management on a regular basis to measure and report credit risk. This work is supplemented by an independent actuarial review performed each year, the outcomes of which include the expected future amounts to be written off. This amount reflects probability of default, exposure at default and loss given default.

This operational measurement can be contrasted with the impairment allowances required by AASB 139, which are based on the existence of objective evidence of impairment at the reporting date losses rather than expected losses (Note 2.11 and Note 18).

Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management, as set out below.

	2008 \$'000	2007 \$'000
Expected losses used for internal operational management	13 353	11 426
Provision for impairment in the financial statements	(11 772)	(9 277)
Unearned income	(1 073)	(822)
Difference	508	1 327

(c) *Credit Risk Measurement (continued)*

HomeStart has designated its Breakthrough Loans as being at fair value through profit or loss. The credit risk attaching to the shared appreciation component of the Breakthrough Loan is not material.

(d) *Credit Quality and Maximum Exposure to Credit Risk*

HomeStart's maximum exposure to credit risk has been recognised in the Balance Sheet as the carrying amount, net of any provisions for impairment of \$1229.08 million (\$1198.36 million).

The credit quality of loans and advances can be assessed by reference to the expected loss amount used for internal operational management (as described above) and the Behaviour Risk Grading (BRG) system adopted by HomeStart.

The BRG system is a statistical tool used to monitor the credit behaviour of loans over time and assign a risk grading to each. Outcomes are monitored regularly to test the validity of assumptions and parameters used.

The following tables set out the carrying value of loans and advances to customers. Further analysis by risk grading is also provided.

	2008 \$'000	2007 \$'000
<i>Not Impaired</i>		
Neither renegotiated nor past due:		
Low risk	633 980	540 382
Moderate risk	467 152	512 908
High risk	69 182	81 453
Gross Loans and Advances Neither Renegotiated Nor Past Due	1 170 314	1 134 743
<i>Renegotiated:</i> ⁽¹⁾		
Low risk	4 809	4 057
Moderate risk	5 843	4 666
High risk	2 974	3 363
Gross Loans and Advances Renegotiated	13 626	12 086
<i>Past Due but not Impaired:</i> ⁽²⁾		
Low risk	14 222	13 112
Moderate risk	26 916	28 515
High risk	21 667	21 233
Gross Loans and Advances Past Due But Not Impaired	62 805	62 860
<i>Total Not Impaired:</i>		
Low risk	653 011	557 551
Moderate risk	499 911	546 089
High risk	93 823	106 049
Gross Loans and Advances Not Impaired	1 246 745	1 209 689
<i>Impaired:</i> ⁽³⁾		
Low risk	518	918
Moderate risk	4 815	4 127
High risk	6 576	8 434
Gross impaired loans and advances	11 909	13 479
Specific provision for impairment	(1 332)	(2 214)
Impaired Loans and Advances After Provisions	10 577	11 265
<i>Total</i>		
Low risk	653 529	558 469
Moderate risk	504 726	550 216
High risk	100 399	114 483
Gross loans and advances	1 258 654	1 223 168
Fair value adjustment	(14 681)	(12 602)
Deferred loan fee income	(4 380)	(4 610)
Deferred loan fee expense	2 335	2 505
Specific provision for impairment	(1 332)	(2 214)
Unearned income	(1 073)	(822)
Collective provision for impairment	(10 440)	(7 063)
Net Loans and Advances	1 229 083	1 198 362

(d) *Credit Quality and Maximum Exposure to Credit Risk (continued)*

The following table provides an analysis of the age of financial assets that are past due as at the reporting date but not impaired.

	2008	2007
	\$'000	\$'000
Less than 30 days	45 523	44 546
30 to 59 days	12 781	12 577
60 to 89 days	2 487	3 462
90 to 179 days	1 505	1 542
More than 179 days	509	733
Total	62 805	62 860

(1) *Loans and Advances Renegotiated*

HomeStart policy permits certain customers to increase the balance of their loan by the amount of their arrears (arrears capitalisation). Following arrears capitalisation, a previously overdue customer account is reset to normal status.

HomeStart assesses arrears capitalisation on a case by case basis and decisions are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

Renegotiated loans that would otherwise be past due or impaired totalled \$13.6 million as at 30 June 2008 (\$12.4 million).

(2) *Past due but not Impaired*

As per AASB 7, past due but not impaired loans are those where a counterparty has failed to make a payment when contractually due, however, are not considered impaired due to collateral available and other loan performance and customer characteristics.

(3) *Impaired Loans*

Impaired loans and advances are those where HomeStart has determined that it is probable that it will be unable to collect all principal and interest due in accordance with the contractual terms of the loan agreement.

30.2.2 *Derivative Financial Assets*(a) *Credit Risk Management and Risk Control and Mitigation Policies*

HomeStart is permitted by the Department of Treasury and Finance to transact in derivatives only with SAFA.

(b) *Maximum Exposure to Credit Risk*

HomeStart's maximum exposure to credit risk has been recognised as the carrying amount at reporting date as shown in the table below:

		2008	2007
	Note	\$'000	\$'000
Derivative financial instruments		5 204	2 330
Swap income receivable		1 081	466
Swap expense payable		(1 382)	(455)
Net (payable) receivable	23,19	(301)	11
Maximum exposure to credit risk		4 903	2 341

Further information in relation to derivatives is disclosed in Notes 30.3.3 and 30.4.2.

30.3 *Liquidity Risk*

Liquidity risk is the risk that HomeStart may, at some stage, be unable to meet its financial obligations when they fall due. The consequence may be failure to meet obligations to repay SAFA and fulfil commitments to lend money to customers.

30.3.1 *Liquidity Risk Management*

Risks relating to liquidity are governed by a range of treasury management policies, which are subject to oversight by the Board's ALCO sub-committee.

HomeStart's liquidity management process is carried out and monitored by the treasury and risk management department and includes:

- day-to-day management of funding by monitoring cash flows to ensure excess funds are repaid, funds are replenished as they mature, and funds are borrowed when needed to meet lending and other financial commitments
- monitoring internal Balance Sheet liquidity ratios and limits.

30.3.1 Liquidity Risk Management (continued)

Monitoring and reporting takes the form of cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Whole of government policy requires that HomeStart hold a positive balance in its operating bank account. HomeStart's internal policy requires maintaining daily cash at an agreed target balance.

30.3.2 Funding Approach

HomeStart is required by the Department of Treasury and Finance to use SAFA as its sole counterparty for all funding transactions. The arrangement gives HomeStart access to a significant volume of liquidity, restricted by an approved borrowing limit of \$1350 million (\$1350 million).

30.3.3 Exposure to Liquidity Risk**(a) Non-derivative Cash Flows**

HomeStart's exposure to liquidity risk is managed by adherence to ALCO approved ratios and requirements, which include a requirement that HomeStart's debt subject to refinancing in the next 12 month period is to be limited to 40 percent of total debt outstanding.

Percent of Debts Subject to Refinancing in the next 12 Month Period	2008 Percent	2007 Percent
At 30 June	3.58	7.43
Average for the period	6.53	20.56
Maximum for the period	8.85	37.00
Minimum for the period	2.17	5.91

The table below presents the cash flows payable by HomeStart under non-derivative financial liabilities by remaining contractual maturities at the reporting date.

	Up to 1 Month \$'000	1-3 Months \$'000	3-12 Months \$'000	1-5 Years \$'000	Over 5 Years \$'000	Total \$'000	Carrying Value \$'000
2008							
Liabilities:							
Payables	4 720	556	-	-	-	5 276	5 276
Borrowings	47 525	13 764	65 153	1 239 129	-	1 365 571	1 134 134
Other financial liabilities	-	2 389	827	-	-	3 216	3 216
Total Liabilities (contractual maturity dates)	52 245	16 709	65 980	1 239 129	-	1 374 063	1 142 626
2007							
Liabilities:							
Payables	3 998	581	-	-	-	4 579	4 579
Borrowings	69 907	27 153	47 276	904 298	297 446	1 346 080	1 094 888
Other financial liabilities	-	973	973	-	-	1 946	1 946
Total Liabilities (contractual maturity dates)	73 905	28 707	48 249	904 298	297 446	1 352 605	1 101 413

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, cash equivalents, loans and advances to individuals and liquid investments.

(b) Derivative Cash Flows

Derivatives used by HomeStart to hedge risk include interest rate swaps, forward rate agreements and bank bill futures.

The table below analyses HomeStart's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the Balance Sheet to the contractual maturity date.

	Up to 1 Month \$'000	1-3 Months \$'000	3-12 Months \$'000	1-5 Years \$'000	Over 5 Years \$'000	Total \$'000
2008	141	540	1 954	2 807	3	5 445
2007	35	78	361	810	-	1 284

Further information in relation to derivatives is disclosed in Notes 30.2.2 and 30.4.2

(c) Off Balance Sheet

The periods of payment of unrecognised contractual commitments are disclosed in Note 32.

30.4 Market Risk

Market risk is the risk of changes in market prices such as interest rates, equities prices, credit spreads and property prices affecting HomeStart's income and returns.

The objective of market risk management is to monitor, control and mitigate exposure to this risk, all within acceptable parameters while at the same time optimising return.

30.4.1 Market Risk Management

HomeStart's market risk management processes are overseen by the Board and its ALCO sub-committee.

A comprehensive treasury master document sets out the policies which govern HomeStart's management of market risk. Adherence to these policies is monitored by ALCO at its monthly meetings, by the Finance Sub-Committee at its weekly meetings and by the treasury department on a daily basis.

ALCO is responsible for approving these policies. The authority to make decisions in accordance with these approved policies is delegated by the Board to executive management.

The effectiveness of HomeStart's market risk management framework is monitored via compliance and reporting processes and independent review by internal audit.

30.4.2 Interest Rate Risk - Derivative Financial Instruments**(a) Risk Control and Mitigation Policies**

HomeStart manages, limits and controls market risks wherever they are identified. The following outlines some specific control and mitigation measures.

HomeStart engages in derivative financial instruments to hedge interest rate risk within its portfolio. These derivatives include interest rate swaps, forward rate agreements and bank bill futures.

HomeStart receives a fixed rate of interest on a portion of its loans to customers and pays floating interest on borrowings from SAFA. To protect it from an increase in interest rates payable on its borrowings, HomeStart enters into interest rate swap contracts in order to hedge this mismatch of cash flows.

As at 30 June 2008, HomeStart had floating/fixed swaps with a notional value of \$313 million (\$225 million) and a floating/floating swap with a notional value of \$30.0 million (\$0 million), with fixed rates varying between 5.35 percent and 7.85 percent (4.92 percent and 6.10 percent).

Periods to maturity of the interest rate swap contracts are disclosed at Note 30.3.3(b).

(b) Market Risk Measurement and Maximum Exposure to Interest Rate Risk

The three major risk measurement processes used by HomeStart to measure and control interest rate risk are the Present Value per Basis Point (PVBP), Value at Risk (VaR) methodology and stress testing. These processes are applied to all of HomeStart's financial asset, liability and derivatives positions, with the exception of investments held through the Risk Transfer Vehicle which are monitored separately (refer section 30.4.3 below).

Present Value per Basis Point

HomeStart measures the PVBP of financial asset, liability and derivative positions. PVBP analysis identifies the extent of interest rate risk within different maturity buckets and for the portfolio overall. Limits for portfolio PVBP are set by ALCO and monitored monthly. The treasury department reviews PVBP statistics daily.

Internally approved limits for the PVBP are set at \$10 000 to -\$10 000 and these were not exceeded at any time in the years ended 30 June 2008 and 30 June 2007.

	2008	2007
	\$'000	\$'000
Limit	+/-10	+/-10
Average for the period	-	-
Maximum for the period	3	4
Minimum for the period	(2)	(2)

Value at Risk

HomeStart applies a VaR methodology to estimate the market risk of all positions held and the maximum losses expected, based upon a number of assumptions for changes in market conditions. ALCO sets limits on the value at risk that may be accepted by HomeStart, which are monitored on a daily basis by the treasury and risk department and monthly by the Board and ALCO.

HomeStart's VaR methodology models non-parallel shifts in the yield curve using the last 250 days of historical interest rate data to predict within a 99 percent confidence interval the likely outcome for the market value of a position or portfolio assuming it takes five days to unwind the open positions that give rise to the exposure. Actual outcomes are monitored regularly to test the validity of assumptions and parameters/factors used in the VaR calculation.

Value at Risk (continued)

Although VaR represents a good estimate of potential losses under normal market conditions, the assumptions on which the model is based give rise to some limitations, including the following:

- A five day period to unwind open positions assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence interval means there is a 1 percent statistical probability that actual loss could be greater than the VaR estimate. The use of this approach does not prevent losses outside set limits in the event of more significant market movements.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions held during the day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon HomeStart's position and the volatility of interest rates. The VaR of an unchanged position reduces if interest rate volatility declines and vice versa.

The table below summarises the approved maximum loss limits, which HomeStart did not exceed at any time, for the years ended 30 June 2008 and 30 June 2007:

	2008	2007
	\$'000	\$'000
Maximum loss limit	800	800
Average for the period	49	30
Maximum for the period	159	256
Minimum for the period	12	9

Stress Testing

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures. In addition, HomeStart uses stress tests to provide an indication of the potential size of losses that could arise in extreme conditions.

HomeStart's treasury system undertakes daily worst case interest rate tests on the entire asset and liabilities portfolio (including derivatives). Six different scenarios are used to test the impact of movements in interest rates on the market value of the entire portfolio. The average worst case outcome is reported monthly to the Board and ALCO.

The table below summarises the approved maximum loss limits, which HomeStart did not exceed at any time, for the years ended 30 June 2007 and 2008.

	2008	2007
	\$'000	\$'000
Maximum loss limit	2 500	2 500
Average for the period	383	295
Maximum for the period	990	958
Minimum for the period	31	32

(c) Hedge Accounting

Fixed interest rate loan assets have been valued at fair value, being face value plus net transaction costs, and are hedged by interest rate swaps, which have been designated as cash flow hedges, to enable the portion of the effective gain or loss to be recognised in equity.

Fluctuations in the fair value of these transactions are not recognised in the Income Statement when HomeStart satisfies the 'hedge accounting' requirements contained in AASB 139.

The gain or loss from remeasuring the instruments at fair value is deferred in equity in the derivatives valuation reserve, to the extent that the hedge is effective. The ineffective portion is recognised in the Income Statement immediately. In the year ended 30 June 2008, \$2.88 million (\$1.35 million), was recognised in equity during the period. There was no hedge ineffectiveness in the current or prior year and no amounts were removed from equity and included in the Income Statement.

Further information in relation to derivatives is disclosed in Notes 30.2.2 and 30.3.3.

30.4.3 Investments Price Risk

(a) Risk Control and Mitigation Policies

HomeStart is exposed to investment price risk arising from investments held by HomeStart and classified on the Balance Sheet at fair value through profit or loss.

To manage its price risk arising from investments in equity securities and listed property trusts, HomeStart diversifies its portfolio in accordance with limits set by ALCO. The investments are held on a passive investment basis. Adherence to approved limits is monitored on a weekly basis by the treasury department and monthly by the Board and ALCO.

(b) Maximum Exposure to Investments Price Risk

HomeStart's maximum exposure to investments price risk has been recognised as the carrying amount at reporting date (Note 17).

(c) Sensitivity Analysis

The following tables summarise the sensitivity of HomeStart's profit to investment price risk. The analysis is based on the assumption of a 10 percent increase or decrease in market value at year end, with all other variables being held constant.

	Carrying Amount \$'000	-10% \$'000	+10% \$'000
2008			
Listed equities and properties funds	14 679	(1 468)	1 468
SAFA Composite Bond Index investment	9 040	(904)	904
SAFA Cash Enhanced Fund	17 747	(1 775)	1 775
Total Increase (Decrease) in Profit before Tax and Equity		(4 147)	4 147
2007			
Listed equities and properties funds	18 587	(1 859)	1 859
SAFA Composite Bond Index investment	8 503	(850)	850
SAFA Cash Enhanced Fund	18 167	(1 817)	1 817
Total Increase (Decrease) in Profit before Tax and Equity		(4 526)	4 526

30.4.4 Breakthrough Loan Property Price Risk

(a) Risk Control and Mitigation Policies

HomeStart is exposed to property price risk arising from the shared appreciation component of Breakthrough Loans made to customers that are measured at fair value through profit and loss. The fair value of this loan is based on the value of the property pledged as collateral (Note 2.12).

To manage its price risk arising from Breakthrough Loans, HomeStart limits the total size of the Breakthrough Loan portfolio, the dollar value of loans settled each month and the geographic locations where lending is undertaken.

(b) Maximum Exposure to Property Price Risk

HomeStart's maximum exposure to property price risk has been recognised as the carrying amount at balance date (Note 17).

(c) Sensitivity Analysis

The following table summarises the sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough Loan. The analysis is based on the assumption of a 5 percent increase or decrease in property market value at year end, with all other variables being held constant.

		2008			2007	
	Carrying Amount \$'000	-5% \$'000	+5% \$'000	Carrying Amount \$'000	-5% \$'000	+5% \$'000
Breakthrough Loan	16 014	(967)	1 022	1 505	(83)	108
Total increase (decrease) in profit before tax and equity		(967)	1 022		(83)	108

30.4.5 Currency Risk

Changes in foreign exchange rates will not directly cause the fair value or future cash flows of any financial instruments held by HomeStart to fluctuate.

31. Fair Value and Categorisation of Financial Instruments

31.1 Fair Value and Categorisation of Financial Instruments

The table below summarises the categorisation, carrying amounts and fair values of HomeStart's financial assets and liabilities.

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect of each class of financial asset and financial liability are disclosed in Note 2.

	2008		2007	
	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000
Financial Assets				
Cash and cash equivalents:				
N/A	3 940	3 940	2 968	2 968
Investments:				
Fair value through profit or loss	57 481	57 481	46 762	46 762
Derivative financial instruments:				
Hedge accounting - fair value through equity	5 204	5 204	2 330	2 330
Loans and advances:				
Amortised cost	1 229 083	1 308 330	1 198 362	1 224 715
Other financial assets:				
Financial assets (At cost)	1 523	1 523	1 784	1 784
Total Financial Assets	1 297 231	1 376 478	1 252 206	1 278 559
Financial Liabilities				
Borrowings:				
Financial liabilities (Amortised cost)	1 134 134	1 146 044	1 094 884	1 098 493
Payables:				
Financial liabilities (At cost)	5 276	5 276	4 579	4 579
Total Financial Liabilities	1 139 311	1 151 320	1 099 463	1 103 072
Net Financial Assets	157 920	225 158	152 743	175 487

31.2 Fair Value Estimation

(a) Derivatives

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year end.

(b) Loans and Advances to Customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows of non-subsidised loans are discounted using the interest rate payable by the customer, which is market rate. Subsidised loans are discounted using a risk free rate of interest, based on 4 year (for Advantage Loans) and 10 year (for EquityStart loans) SAFA bonds.

(c) Investments

The fair value of investments in the SAFA Composite Bond Index, SAFA Cash Enhanced Fund and listed equities and properties funds are determined using exit prices supplied by the fund managers at reporting date.

(d) Shared Appreciation Component of the Breakthrough Loan

The fair value of the shared appreciation component of the Breakthrough Loan is estimated by management based on information provided by independent property valuers.

32. Unrecognised Contractual Commitments

32.1 Capital Commitments

HomeStart has no capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report as at 30 June 2008 (nil).

32.2 Operating Lease Commitments

HomeStart's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to five years with some leases having the right of renewal. Rent is payable monthly in advance.

The total amount of rental expense for minimum lease payments in the financial year is disclosed in Note 15.

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

	2008 \$'000	2007 \$'000
Not later than one year	772	721
Later than one year but not later than five years	799	1 507
Total Operating Lease Commitments	1 571	2 228

32.3 Remuneration Commitments

The majority of HomeStart staff members are employed under fixed term contracts that expire on varying dates within the next five years. Commitments for the payment of salaries and other remuneration under fixed term employment contracts in existence at the reporting date are not recognised as liabilities.

Notes 10 and 11 set out remuneration costs for the years ended 30 June 2007 and 2008. HomeStart estimates that commitments from existing employment positions within one year, and annually for not longer than five years, will be consistent with salaries and wages expenses in Note 10.

HomeStart does not offer fixed term remuneration contracts greater than 5 years.

32.4 Commitments to Extend Credit to Customers

Contractual commitments for loans either approved but not settled, or settled but not fully drawn at the balance date amounted to \$36.3 million (\$21.9 million). These commitments are expected to be paid in the coming year.

33. Contingent Liabilities

HomeStart has no material contingent liabilities as at 30 June 2008 (nil).

34. Cash Flow Reconciliation**34.1 Reconciliation of Cash**

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and at bank.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

Cash and cash equivalents as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the items in the Balance Sheet as follows:

	2008 \$'000	2007 \$'000
Deposits at call	3 524	2 679
Money market deposits	416	289
Cash as Recorded in the Balance Sheet	3 940	2 968

34.2 Reconciliation of Profit for the year to Net Cash provided by Operating Activities

Profit for the year	4 751	8 316
Gain (loss) on sale of fixed assets	(1)	12
Depreciation and amortisation expense	526	465
Unrealised change in fair value of loans	(1 097)	(19)
Unrealised change in market value of investments	7 977	(1 856)
Reinvestment of investment income	(3 062)	(3 573)
Bad debts written off against profit	15	16
Bad debts written off against provision	77	214
Unearned income on loans written off	62	106
Grant monies transferred to loans and advances	-	6
Fees applied directly to loan accounts	(3 610)	(3 438)
Changes in assets and liabilities:		
Increase in provision for impairment	2 495	1 599
(Decrease) Increase in deferred loan fee income	(230)	431
Increase (Decrease) in deferred loan fee expense	170	(128)
Increase in fair value adjustment	2 079	3 493
Increase in payables	731	473
Increase in provision for employee benefits	69	130
(Decrease) Increase in other liabilities	(53)	572
Increase in unearned interest income	251	334
(Decrease) Increase in income tax payable	(291)	707
Decrease in financial assets	261	-
(Increase) decrease in other assets	(89)	92
Net Cash provided by Operating Activities	11 031	7 952

35. Events After Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of HomeStart, the results of those operations, or the state of affairs of HomeStart in subsequent years.

General Index to Part B

of the

Report

of the

Auditor-General

for the

Year ended 30 June 2008

A

Adelaide Convention Centre Corporation, 3
 Adelaide Entertainments Corporation, 19
 Adelaide Festival Centre Trust, 38
 Administrative Restructure, 41
 Charter and Performance Statement, 39
 Expenditure, 39
 Financial Accounting Reconciliations, 39
 Financial Restructure, 38
 ICT Management and Control, 39
 Policies and Procedures, 39
 Revenue, 39
 Adelaide Festival Corporation, 58
 Adelaide Festival of Arts, 59
 Biennial Operating Result, 59
 Adelaide Festival of Arts
 Adelaide Festival Corporation, 59
 Adelaide to Darwin Railway Project
 South Australian Government Financing
 Authority, 1004
 Air Warfare Destroyers Commercial Campus, 271
 Air Warfare Destroyers Project, 270
 Ambulance Cover Scheme
 SA Ambulance Service Inc, 850
 Art Gallery Board, 69
 Attorney-General's Department, 89
 Expenditure – Certification of Invoices, 90
 Gaming Machine Administration, 95
 Independent Gaming Corporation Limited, 96
 Office of Consumer and Business Affairs, 90
 Recoveries from Offenders, 96
 Residential Tenancies Fund, 90, 131
 Victims of Crime Fund, 96
 Auditor-General's Department, 193

C

Catastrophe Reinsurance Program
 South Australian Government Financing
 Authority, 1008
 Common Public Sector Interest Rate
 South Australian Government Financing
 Authority, 1006
 Community Emergency Services Fund
 South Australian Country Fire Service, 919
 South Australian Metropolitan Fire Service, 1070
 South Australian State Emergency
 Services, 1110
 Correctional Services, Department for, 208
 Expenditure, 209
 Revenue, 209
 Service Contracts, 211
 Home Detention Monitoring, 212
 Management of the Mount Gambier Prison, 212
 Prisoner Movement and In-Court
 Management, 212
 Public Private Partnership - New Prisons and
 Secure Facilities Project, 212
 Courts Administration Authority, 233
 Cash at Bank, 234
 Contracts Register, 234
 Delegations of Authority, 234
 Fines and Court Fees, 237
 Fines Policy, 235
 Fines, Fees and Levies, 238
 Public Private Partnership, 238

Courts Administration Authority (*continued*)

Risk Management, 234
 Victims of Crime Levy, 237

D

Defence SA, 266
 Air Warfare Destroyers Commercial Campus, 271
 Air Warfare Destroyers Project, 270
 Commercial and Education Precinct and
 Supplier's Precinct, 270
 Common User Facility, 270
 Contract Management, 267
 Documenting Policies and Procedures, 267
 Life to Date Project Reporting, 268
 Maritime Skills Centre, 270
 Northern Le Fevre Peninsula Master Plan, 271
 Payment and Disbursement Authority, 267
 Port Adelaide Maritime Corporation, 266
 Review of Risk Assessment, 268
 Secure Electronic Common User Facility, 271
 Techport Australia, 270
 Trade and Economic Development, Department
 of, 1291
 Department for Correctional Services *see*
 Correctional Services, Department for
 Department for Environment and Heritage *see*
 Environment and Heritage, Department for
 Department for Families and Communities *see*
 Families and Communities, Department for
 Department for Transport, Energy and
 Infrastructure *see* Transport, Energy and
 Infrastructure, Department for
 Department of Education and Children's Services
 see Education and Children's Services,
 Department of
 Department of Further Education, Employment,
 Science And Technology *see* Further Education,
 Employment, Science and Technology,
 Department of
 Department of Health *see* Health, Department of
 Department of Primary Industries and Resources
 see Primary Industries and Resources,
 Department of
 Department of the Premier and Cabinet *see*
 Premier and Cabinet, Department of the
 Department of Trade and Economic Development
 see Trade and Economic Development,
 Department of
 Department of Treasury and Finance *see* Treasury
 and Finance, Department of
 Department of Water, Land and Biodiversity
 Conservation *see* Water, Land and Biodiversity
 Conservation, Department of

E

Education and Children's Services, Department
 of, 287
 Administered Grants to Non-Government
 Schools, 295
 Completeness of School Financial
 Information, 291
 Controls over Processing Expenditure, 291
 Fee-Paying Overseas Students - Financial
 Performance, 290
 Grants to Non-Government Organisations, 290

Education and Children's Services, Department of, (*continued*)
 Grants to non-Government Preschools, 291
 Outstanding Acquittals and Expired Grant Agreements, 290
 Maintenance, 292
 Audit of Maintenance Charges, 292
 Backlog of Maintenance, 292
 Monitoring of School Finances, 291
 Payroll, 288
 Authentication of Input Forms, 288
 Input Validation Checks, 289
 Monitoring of Controls, 288
 Procurement, 292
 Procurement of Transport Services under the New Arrivals Program, 292
 Student Enrolments, 295
 Education Precinct
 Defence SA, 270
 Environment and Heritage, Department for, 337
 Accounts Payable, 339
 Adelaide's Living Beaches Project, 343
 Auditor's Report on the Financial Report, 337
 Budgetary Control, 339
 Cash, 339
 Crown Land Perpetual Leases, 343
 Fixed Assets - Accounting for Crown Land, 338
 Modified Independent Auditor's Reports, 2
 Payroll, 339
 Qualified Auditor's Opinion, 338
 Environment Protection Authority, 384
 Environment Protection Fund, 384
 Risk Management, 385
 Waste Depot Levies, 385
 Zero Waste SA, 386
 Environment Protection Fund
 Environment Protection Authority, 384

F

Families and Communities, Department for, 409
 Administration of Concessions, 412
 Changes to Functions and Structure, 409
 Expenditure, 411
 Funding to Non-Government Organisations, 410
 Home for Incurables Trust, 412
 Julia Farr Services, 409
 Metropolitan Domiciliary Care, 409
 Payroll, 411
 Shared Service Arrangements, 409
 South Australian Housing Trust, 409
 Fleet SA
 Treasury and Finance, Department of, 1352
 Flinders University of South Australia, 453
 Expenditure, 454
 Financial Accounting, 454
 Information and Communications Technology (ICT) Review, 454
 Payroll, 454
 Reconciliations, 454
 Funds SA *see* Superannuation Funds Management Corporation of South Australia
 Further Education, Employment, Science and Technology, Department of, 502
 Contract Management Framework, 505
 Expenditure, 503

Further Education, Employment, Science and Technology, Department of (*continued*)
 Financial Management Reporting, 503
 Payroll and Human Resources, 504
 Risk Management, 503
 Student Revenue, 505

G

Government Accounting and Reporting Branch
 Treasury and Finance, Department of, 1352
 Governors' Pensions Scheme
 Superannuation Funds Management Corporation of South Australia, 1259

H

Health Care Act 2008
 Health, Department of, 542
 Health Care Plan
 Health, Department of, 543
 Health, Department of, 534
 Accounts Payable, 539
 Accounts Receivable, 540
 Audit Committee and Internal Audit, 535
 Audit Mandate and Coverage - Health Services, 577
 Capital Funding to Health Services, 537
 Commonwealth Government Grants, 538
 Funding to Non-Government Organisations, 538
Health Care Act 2008, 542
 Health Care Plan, 543
 Health Sector Staffing Statistics, 576
 Department of Health FTE, 576
 Health Sector FTE Mix, 576
 South Australian Ambulance Service FTE, 576
 Health Unit Special Purpose Funds, 542
 Hospital Activity Statistics, 577
 Average Length of Overnight Hospital Stay, 577
 Inpatient Activity, 577
 Outpatient Activity, 577
 Legal Compliance Framework, 536
 Modbury Hospital, 541
 Overseas Travel, 540
 Payroll, 539
 Recurrent Funding to Health Services, 537
 Risk Management, 535
 Shared Services Arrangements, 541
 South Australian Metropolitan Hospital Efficiency and Performance Review, 543
 Home for Incurables Trust
 Families and Communities, Department for, 412
 HomeStart Finance, 578
 Bad and Impaired Loans Expense, 581
 Breakthrough Loans, 582
 Distributions to Government, 584
 Financial Risks, 582
 General Reserve for Credit Losses, 583
 Investments, 584
 Liabilities, 584
 Loan Quality, 583
 Loans and Advances, 581
 Net Interest Income, 580
 Other Income, 580
 Provisions for Impairment, 582

I

Independent Gaming Corporation Limited
 Attorney-General's Department, 96
 Information and Communications Technology
 (ICT) Review
 Flinders University of South Australia, 454
 University of Adelaide, 1400
 University of South Australia, 1451

J

Judges' Pensions Scheme, 615
 Contributions by Employers, 617
 Pensioners, 617
 Superannuation Funds Management Corporation
 of South Australia, 1259
 Transfer of \$12 million from the Consolidated
 Account, 616
 Julia Farr Services
 Families and Communities, Department for, 409

L

Land Management Corporation, 625
 Asset Valuations, 629
 Contract Variations, 626
 Expenditure Processing, 626
 Mawson Lakes Government Infrastructure
 Project, 630
 Playford North, 631
 Port Adelaide Waterfront Redevelopment, 630
 Premises SA, 632
 Reconciliations, 627
 Updating the LandBank Register, 626
 Legal Services Commission, 657
 Commonwealth Government Grants, 658
 Legal Practitioners Act Revenue, 659
 Referrals to Private and In-house
 Practitioners, 660
 State Government Funding, 659
 Libraries Board of South Australia, 674
 Living Murray Initiative
 Water, Land and Biodiversity Conservation,
 Department of, 1498
 Local Government Finance Authority of South
 Australia, 695
 Asset Quality, 699
 Auditor's Report on the Financial Report, 696
 General Reserve and Equity, 700
 Guarantee by the Treasurer, 695
 Liabilities of the Authority, 699
 Modified Independent Auditor's Reports, 2
 Net Profit and Distributions, 698
 Qualified Auditor's Opinion, 696
 Tax Equivalent Payments, 698
 Lotteries Commission of South Australia, 714
 Distributions to Government, 717
 Sales revenue, 716

M

Maritime Skills Centre
 Defence SA, 270
 Mawson Lakes Government Infrastructure Project
 Land Management Corporation, 630
 Metropolitan Domiciliary Care
 Families and Communities, Department for, 409

Modbury Hospital
 Health, Department of, 541
 Modified Independent Auditor's Reports, 2
 Environment and Heritage, Department for, 2
 Local Government Finance Authority of South
 Australia, 2
 South Australian Forestry Corporation, 2
 South Australian Motor Sport Board, 2
 University of South Australia, 2
 Motor Accident Commission, 741
 Changes to Investment Management, 741
 Investment Result, 744
 Investments, 745
 Operating Result, 745
 Provision for Outstanding Claims, 742, 746
 Solvency Level, 747
 Underwriting Result, 743
 Unearned Premium, 742
 Murray-Darling Basin Commission
 Water, Land and Biodiversity Conservation,
 Department of, 1496
 Museum Board, 766

N

Natural Resources Management Boards
 Water, Land and Biodiversity Conservation,
 Department of, 1496
 Natural Resources Management Fund
 Water, Land and Biodiversity Conservation,
 Department of, 1496
 Northern Le Fevre Peninsula Master Plan
 Defence SA, 271

O

Office for Recreation and Sport
 Premier and Cabinet, Department of the, 811
 Office of Consumer and Business Affairs
 Attorney-General's Department, 90
 Office of the Venture Capital Board
 Trade and Economic Development, Department
 of, 1294
 Overseas Travel
 Health, Department of, 540

P

Parliamentary Superannuation Scheme, 784
 Contributions by Members, 786
 Pensioners, 786
 Service Level Agreement, 785
 Superannuation Funds Management Corporation
 of South Australia, 1259
 Transfer of \$18 million from the Consolidated
 Account, 785
 Playford North
 Land Management Corporation, 631
 Police Superannuation Scheme, 797
 Contributions by Members, 801
 Liability for Accrued Benefits, 800
 Net Assets Available to Pay Benefits, 801
 Pensioners, 801
 Superannuation Funds Management Corporation
 of South Australia, 797, 1259

- Port Adelaide Maritime Corporation
 - Defence SA, 266
- Port Adelaide Waterfront Redevelopment
 - Land Management Corporation, 630
- Premier and Cabinet, Department of the, 810
- Financial Restructure, 810
- Office for Recreation and Sport, 811
- Premises SA
 - Land Management Corporation, 632
- Primary Industries and Resources, Department of, 844
 - Status of the Financial Report, 844
 - Supplementary Report, 1
- Public Trustee, 141
 - Common Funds Statements, 165
 - Australian Shares Common Fund, 173
 - Cash Common Fund, 165
 - Listed Property Securities Common Fund, 177
 - Long-Term Fixed Interest Common Fund, 169
 - Overseas Fixed Interest Common Fund, 171
 - Overseas Shares Common Fund, 175
 - Short-Term Fixed Interest Common Fund, 167
- Financial Management and Control, 142
 - Corporate Operations, 142
 - Trust Operations, 142
- Information and Communications Technology (ICT) Management and Control, 142
 - Information Technology (IT) Organisation and Architecture, 142
 - Operation of Electronic Funds Transfer Facility, 143

Q

- Qualified Auditor's Opinion
 - Environment and Heritage, Department for, 338
 - Local Government Finance Authority of South Australia, 696
 - South Australian Forestry Corporation, 975
 - South Australian Motor Sport Board, 1093
 - University of South Australia, 1450

R

- Residential Tenancies Fund
 - Attorney-General's Department, 90, 131
- RevenueSA
 - Treasury and Finance, Department of, 1351
- Risk Management
 - Courts Administration Authority, 234
 - Further Education, Employment, Science and Technology, Department of, 503
 - Health, Department of, 535
 - South Australian Government Financing Authority, 1007
 - Water, Land and Biodiversity Conservation, Department of, 1491

S

- SA Ambulance Service Inc, 845
 - Ambulance Cover Scheme, 850
 - Ambulance Service Computer Processing Environment, 847
 - Payment Delegations, 847
 - Payroll Related Matters, 846
 - Revised Governance Arrangements Effective 1 July 2008, 851

- SAFA *see* South Australian Government Financing Authority
- SAICORP
 - South Australian Government Financing Authority, 1001
- Save the River Murray Fund
 - Water, Land and Biodiversity Conservation, Department of, 1497
- Secure Electronic Common User Facility
 - Defence SA, 271
- Shared Services SA
 - Treasury and Finance, Department of, 1350, 1353, 1354
- South Australia Police, 869
 - Expiation Fees, 873
 - Financial Accounting, 870
 - Firearms Licences, 870
 - Payroll, 870
 - Procurement and Contract Management, 870
 - Property Management System, 870
 - Workers Compensation, 870
- South Australian Aboriginal Housing Authority
 - South Australian Housing Trust, 1033
- South Australian Ambulance Service
 - Superannuation Scheme, 1138
 - Liability for Accrued Benefits, 1139
 - Members, 1139
 - South Australian Superannuation Board, 1130
 - Superannuation Funds Management Corporation of South Australia, 1259
- South Australian Asset Management Corporation, 905
- South Australian Community Housing Authority, 1033
- South Australian Country Fire Service, 919
 - Community Emergency Services Fund, 919
 - Fund Contributions and Income, 921
 - South Australian Fire and Emergency Services Commission, 919, 941
- South Australian Fire and Emergency Services Commission, 941
 - Expenditure, 944
 - Governance and Risk Management, 942
 - Payroll, 944
 - Reconciliations, 945
 - SAMFS Reserves, 943
 - South Australian Country Fire Service, 919, 941
 - South Australian Metropolitan Fire Service, 941, 1070
 - South Australian State Emergency Service, 941, 1110
- South Australian Forestry Corporation, 974
 - Audit Committee, 974
 - Auditor's Report on the Financial Report, 975
 - Distributions to Government, 978
 - Growing Timber, 979
 - Growing Timber Valuation, 976
 - Land, 979
 - Modified Independent Auditor's Reports, 2
 - Qualified Auditor's Opinion, 975
 - Removal of Audit Qualification, 976
 - Trading Results, 978

South Australian Government Financing Authority, 1001
 Adelaide to Darwin Railway Project, 1004
 Administration of Assistance to Industry – Rail Reform Transition Program, 1003
 Capital and Distributions, 1006
 Catastrophe Reinsurance Program, 1008
 Common Public Sector Interest Rate, 1006
 Insurance Premium Revenue, 1004
 Policy and Procedure Manual – Insurance Function, 1002
 Risk Management, 1007
 Market Risk, 1007
 Operational Risk Management, 1007
 Risk Management Activity Across the Public Sector, 1008
 SAFA Advisory Board, 1001
 SAICORP, 1001
 SAICORP Investments, 1004
 South Australian Housing Trust, 1033
 Accounts Payable, 1035
 Families and Communities, Department for, 409
 Grant Funded Programs, 1041
 Inventory and Fixed Asset Work in Progress, 1034
 Maintenance Expenditure, 1036
 Maintenance Works System Project, 1037
 Payroll, 1036
 Rent, 1035
 Rental Operations, 1039
 South Australian Aboriginal Housing Authority, 1033
 South Australian Community Housing Authority
 South Australian Housing Trust, 1033
 Trust Rental Income, 1040
 Water and Council Rates, 1036
 South Australian Metropolitan Fire Service, 1070
 Community Emergency Services Fund, 1070
 Fund Contributions and Income, 1072
 South Australian Fire and Emergency Services Commission, 941, 1070
 South Australian Metropolitan Fire Service Superannuation Scheme
 Superannuation Funds Management Corporation of South Australia, 1259
 South Australian Metropolitan Hospital Efficiency and Performance Review
 Health, Department of, 543
 South Australian Motor Sport Board, 1092
 Asset Capitalisation, 1093
 Auditor's Report on the Financial Report, 1092
 Cancelled Victoria Park (Bakkabakkandi) Redevelopment, 1097
 Depreciation of Assets, 1094
 Modified Independent Auditor's Reports, 2
 Qualified Auditor's Opinion, 1093
 Temporary Pit Building and Infrastructure, 1097
 Victoria Park Assets, 1093
 South Australian State Emergency Service, 1110
 South Australian Fire and Emergency Services Commission, 941
 South Australian State Emergency Service Community Emergency Services Fund, 1110
 South Australian Fire and Emergency Services Commission, 1110
 South Australian Superannuation Board, 1130
 Service Provision Arrangements, 1130
 South Australian Ambulance Service Superannuation Scheme, 1130
 South Australian Superannuation Scheme, 1130, 1150
 Southern State Superannuation Scheme, 1130
 Superannuation Funds Management Corporation of South Australia, 1259
 South Australian Superannuation Scheme, 1150
 Benefits Paid, 1153
 Contributions by Members, 1154
 Funding of Benefit Payments, 1153
 Pensioners, 1154
 South Australian Superannuation Board, 1130, 1150
 Superannuation Funds Management Corporation of South Australia, 1150, 1259
 South Australian Tourism Commission, 1187
 Contract Execution, 1188
 On-Line Booking/Reservation System, 1188
 South Australian Water Corporation, 1207
 Accounts Payable, 1208
 Adelaide Desalination Project, 1215
 Full Scale Plant, 1215
 Governance Arrangements, 1215
 Pilot Desalination Plant, 1215
 Project Expenditure to Date, 1216
 Water Rates Setting, 1216
 Capital Planning and Project Management, 1209
 Contributions to the State Government, 1214
 Human Resource Management System (HRMS) CPE, 1209
 Payroll, 1208
 Performance Charter, 1213
 Procurement, 1209
 Rebate Schemes, 1208
 Revenue, 1208
 Water Security - Adelaide Desalination Project, 1215
 Southern State Superannuation Scheme, 1169
 Benefits Paid, 1172
 Contribution Revenue, 1171
 South Australian Superannuation Board, 1130
 Superannuation Funds Management Corporation of South Australia, 1259
 State Electoral Office, 1246
 Status of the Financial Report
 Primary Industries and Resources, Department of, 844
 Transport, Energy and Infrastructure, Department for, 1349
 Student Enrolments
 Education and Children's Services, Department of, 295
 Superannuation Funds Management Corporation of South Australia, 1259
 Asset Allocation, 1262
 Funds Under Management, 1259, 1261
 Governors' Pensions Scheme, 1259
 Income from Investments, 1262
 Judges' Pensions Scheme, 1259
 Net Income Earned from Investment Activities, 1263
 Parliamentary Superannuation Scheme, 1259
 Police Superannuation Scheme, 797, 1259
 Restrictions on Operations, 1259

Superannuation Funds Management Corporation of South Australia (*continued*)
 South Australian Ambulance Service Superannuation Scheme, 1259
 South Australian Metropolitan Fire Service Superannuation Scheme, 1259
 South Australian Superannuation Board, 1259
 South Australian Superannuation Scheme, 1150, 1259
 Southern State Superannuation Scheme, 1259
 Supplementary Report, 1
 Primary Industries and Resources, Department of, 1
 Transport, Energy and Infrastructure, Department for, 1
 Supply SA Warehouses
 Treasury and Finance, Department of, 1355

T

Techport Australia
 Defence SA, 270
 Trade and Economic Development, Department of, 1291
 Defence SA, 1291
 Office of the Venture Capital Board, 1294
 TransAdelaide, 1319
 Contract Income - DTEI Contract, 1322
 Contract Income - Financial Dependence, 1322
 Expenditure, 1320
 Joint Venture Relationship, 1324
 Net Cost - Restructure/Asset Transfer and Write-off, 1323
 Payroll, 1320
 Policies and Procedures, 1320
 Transport, Energy and Infrastructure, Department for, 1349
 Status of the Financial Report, 1349
 Supplementary Report, 1
 Treasury and Finance, Department of, 1350
 Corporate Systems, 1352
 Fleet SA, 1352
 Government Accounting and Reporting Branch, 1352
 RevenueSA, 1351
 Shared Services SA, 1350, 1353, 1354
 State Procurement and Support Operations, 1354
 Supply SA Warehouses, 1355

U

University of Adelaide, 1398
 Corporate Governance, 1399
 Documenting Policies and Procedures, 1399
 Information and Communications Technology (ICT) Review, 1400
 Payroll, 1400
 Procurement and Accounts Payable, 1399
 University of South Australia, 1449
 Auditor's Report on the Financial Report, 1449
 Expenditure - Purchasing, 1451
 Expenditure - Verification of Authorisations, 1451
 Government Grant Funding, 1450
 Information Communications Technology (ICT) Review, 1451

University of South Australia, (*continued*)
 Modified Independent Auditor's Reports, 2
 Payroll- Recording of Leave, 1451
 Payroll- Validity and Accuracy of Casual Employee Payroll Transactions, 1450
 Qualified Auditor's Opinion, 1450
 Revenue, 1451

V

Victims of Crime Fund
 Attorney-General's Department, 96
 Victims of Crime Levy
 Courts Administration Authority, 237
 Victoria Park
 Asset Capitalisation, 1093
 Cancelled Victoria Park (Bakkabakkandi) Redevelopment, 1097
 Depreciation of Assets, 1094
 South Australian Motor Sport Board, 1093
 Temporary Pit Building and Infrastructure, 1097

W

Water Licensing
 Water, Land and Biodiversity Conservation, Department of, 1492
 Water, Land and Biodiversity Conservation, Department of, 1489
 Budgetary Control, 1490
 Control Environment, 1490
 Corporate Governance, 1490
 Expenditure, 1492
 Fixed Assets – Control and Recognition, 1498
 Grant Management, 1491
 Living Murray Initiative, 1498
 Murray-Darling Basin Commission, 1496
 Natural Resources Management Boards, 1496
 Natural Resources Management Fund, 1496
 Payroll, 1492
 Project Management, 1491
 Reconciliations, 1492
 Risk Management, 1491
 Save the River Murray Fund, 1497
 Water Information Licensing Management Application, 1492
 Water Licensing, 1492

Z

Zero Waste SA
 Environment Protection Authority, 386