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Government
of South Australia

Report

of the

Auditor-General

Annual Report

for the

year ended 30 June 2011

Tabled in the House of Assembly and ordered to be published, 18 October 2011

First Session, Fifty-Second Parliament

Part B: Agency audit reports

Volume 1

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References to matters of significance

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

Those matters that are regarded as being more significant are listed below. This list is not exhaustive as many other issues are reported in Part B of this Report.

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

Volumes 1 to 5

Accounts of public authorities

Introduction

Part B – Volumes 1 to 5 of the Annual Report of the Auditor-General contains the financial reports of, and comments concerning, the operations of those public sector agencies that I am required by law to audit and that are defined by the PFAA as 'public authorities'. Where appropriate, charts and tables have been used to illustrate selected information.

Agencies not included in this Report

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

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

- materiality of financial operations
- materiality of any impact on the public finances
- consolidation of the financial operations in the parent entity's financial statements included in this Report
- timeliness of information
- materiality of issues arising from the audit
- public interest.

A number of the agencies excluded from the Report are required to prepare an annual report in accordance with the requirements of the PSA. In addition, TI 19 requires that each chief executive officer must ensure that the annual report, which is required to be submitted to the responsible Minister in accordance with the PSA and Regulations, or other legislation, includes the general purpose financial statements in the form in which they were presented to the Auditor-General, together with a copy of the Auditor-General's Independent Auditor's Report on the financial report.

Supplementary report

There are also agencies whose financial statements had not been finalised and the audits were continuing at the time of preparing this Report. The financial statements for and commentary on the operations of the:

- Attorney-General's Department
- Department of Health
- Land Management Corporation
- South Australian Country Fire Service
- South Australian Fire and Emergency Services Commission
- South Australian Metropolitan Fire Service
- South Australian State Emergency Service.

will be included in a Supplementary Report to be presented to Parliament.

Modified Independent Auditor's Reports

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

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

In all cases where a modified opinion is given, the Independent Auditor's Report includes explanatory paragraphs clearly describing the reason for issuing a modified opinion.

For the financial year ended 30 June 2011 modified opinions were expressed on the financial reports of the following agencies:

- Adelaide Festival Centre Trust
- Department of Environment and Natural Resources
- The Legislature
- Local Government Finance Authority of South Australia
- South Australian Motor Sport Board
- Department for Transport, Energy and Infrastructure
- University of South Australia
- Department for Water.

In addition, without qualification to the WorkCover Corporation of South Australia's Independent Auditor's Report, the Report drew attention to the inherent uncertainty associated with the outstanding claims liability.

Assessment of controls

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

A controls opinion has been expressed for each agency included in Part B of this Report.

Audit of the Auditor-General's Department

The PFAA requires that the accounts of the Auditor-General's Department be audited by an auditor appointed by the Governor. The audit for the financial year ended 30 June 2011 was conducted by Edwards Marshall, Chartered Accountants, who have issued an unmodified Independent Auditor's Report on the Department's financial report.

References to matters of significance

Matters that have arisen from the audit of agencies during this financial year are commented on in Volumes 1 to 5 of Part B of this Report. Those issues that are regarded as either serious in nature or of public interest importance are listed separately under the heading 'References to matters of significance' immediately after the table of contents in each volume.

Adelaide Convention Centre Corporation

Functional responsibility

Establishment

The Adelaide Convention Centre Corporation (the Corporation), a subsidiary to the Minister for Tourism, was established pursuant to regulations under the PCA.

Functions

The main function of the Corporation is to manage the Adelaide Convention Centre. For more information about the Corporation's functions refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

The Schedule to the PCA and subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the Corporation 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 Corporation 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 internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the 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 report and internal controls.

During 2010-11, specific areas of audit attention included:

- revenue from events, car park and Regatta's Bistro
- payroll
- procurement and expenditure
- update of the general ledger.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Adelaide Convention Centre Corporation as at 30 June 2011, 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.

Assessment of controls

In my opinion, the controls exercised by the Adelaide Convention Centre Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Adelaide Convention Centre Corporation 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 Chief Executive Officer of the Corporation. These included recommendations for clarifying aspects of policies and procedures for procuring goods and services, and requiring the recording of supplier price quotations for kitchen purchases for matching to invoices. Responses to the management letter matters were satisfactory and indicated that kitchen purchasing is now undertaken by the Inventory Department with orders being entered into an electronic purchasing system and subsequently matched against the supplier's invoice.

Interpretation and analysis of the financial report

Statement of Comprehensive Income

Trading activities

Income from trading activities rose by $2.6 million to $31.6 million due mainly to higher revenue from facility charges while expenses fell by $146 000 to $24.8 million. This resulted in a profit from trading activities of $6.8 million ($4.1 million).

Property management activities

Income from property management activities increased by $137 000 to $5.2 million while expenses rose by $1.3 million to $10.5 million due mainly to expenditure on the development of the master plan for upgrading the Riverbank precinct and land tax which was not incurred last year. This resulted in a loss from property management activities of $5.2 million ($4 million).

Overall profit

The Corporation reported an overall profit after income tax equivalents of $1.1 million ($43 000).

Statement of Financial Position

The Corporation's net assets of $161.4 million include $132.8 million of buildings, plant and equipment. Included in the $132.8 million is additional capital works of $8.3 million relating mainly to the relocation of Regatta's restaurant and the Convention Centre extension and redevelopment.

Specific purpose deposits grew by $2.2 million and contributed capital grew by $5.5 million due to an equity contribution from the SA Government for the design costs associated with the Convention Centre extension and redevelopment. Note 3.18 to the financial statements refers to equity contributed by the SA Government.

Payables increased by $1.4 million due mainly to income tax equivalent and dividends payable to the SA Government.

Security deposits fell by $1.7 million due to less deposits being paid by clients for events to be held after the end of the financial year compared to the same time last year.

Statement of Cash Flows

Cash held by the Corporation was $33.9 million ($32.7 million) and includes $18 million ($15.8 million) in specific purpose deposits of which $15.7 million ($13.6 million) is earmarked for future assets replacement.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses from trading activities:			
Employee expenses	5	14 265	14 402
Supplies and services	8	8 529	8 238
Depreciation and amortisation	10	1 931	2 256
Net loss from the disposal of non-current assets	11	50	25
Total expenses from trading activities		24 775	24 921
Income from trading activities:			
Facility charges	4	30 280	28 127
Interest		1 069	569
Other income		251	332
Total income from trading activities		31 600	29 028
Profit from trading activities		6 825	4 107
Expenses from property management activities:			
Employee expenses	5	2 342	2 300
Supplies and services	8	5 014	3 733
Depreciation and amortisation	10	3 123	3 124
Total expenses from property management activities		10 479	9 157
Income from property management activities:			
Interest		794	653
Contribution from SA Government		4 454	4 453
Gain on revaluation of assets	3.13	-	5
Total income from property management activities		5 248	5 111
Profit (Loss) from property management activities		(5 231)	(4 046)
Profit (Loss) before income tax equivalents		1 594	61
Income tax equivalent expense		478	18
Profit (Loss) after income tax equivalents		1 116	43
Total comprehensive result		1 116	43

Profit (Loss) after income tax equivalents and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash on deposit, at bank and on hand	21	15 887	16 911
Receivables	12	2 655	2 620
Inventories		336	288
Prepayments		415	475
Total current assets		19 293	20 294
Non-current assets:			
Specific purpose deposits	13,21	18 005	15 824
Building, plant and equipment	14	132 809	128 243
Total non-current assets		150 814	144 067
Total assets		170 107	164 361
Current liabilities:			
Payables	15	2 753	1 381
Security deposits	16	3 704	5 424
Employee benefits	17(a)	728	906
Total current liabilities		7 185	7 711
Non-current liabilities:			
Payables	15	79	79
Employee benefits	17(a)	1 427	1 054
Total non-current liabilities		1 506	1 133
Total liabilities		8 691	8 844
Net assets		161 416	155 517
Equity:			
Contributed capital		83 304	77 804
Retained earnings		78 112	77 713
Total equity		161 416	155 517

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	18
Contingent assets and liabilities	19

Statement of Changes in Equity
for the year ended 30 June 2011

	Note	Contributed capital $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009		77 804	77 698	155 502
Profit (loss) after income tax equivalents for 2009-10		-	43	43
Total comprehensive result for 2009-10		-	43	43
Transactions with SA Government as owner:				
Dividend paid	3.6	-	(28)	(28)
Balance at 30 June 2010		77 804	77 713	155 517
Profit (loss) after income tax equivalents for 2010-11		-	1 116	1 116
Total comprehensive result for 2010-11		-	1 116	1 116
Transactions with SA Government as owner:				
Equity contribution	3.18	5 500	-	5 500
Dividend paid	3.6	-	(717)	(717)
Balance at 30 June 2011		83 304	78 112	161 416

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

Statement of Cash Flows
for the year ended 30 June 2011

		2011	2010
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Payments to employees		(16 420)	(16 860)
Payments to suppliers		(13 346)	(12 581)
GST payments on purchases		(2 002)	(1 175)
GST payments to taxation authority		(869)	(2 186)
Cash used in operations		(32 637)	(32 802)
Cash inflows:			
Facility charges		29 073	29 296
Interest received		1 829	1 179
GST receipts on facility charges		2 357	3 075
Other receipts		251	332
Cash generated from operations		33 510	33 882
Cash flows from SA Government:			
Contribution from SA Government		4 454	4 453
Cash generated from SA Government		4 454	4 453
Net cash provided by (used in) operating activities	21	5 327	5 533
Cash flows from investing activities:			
Proceeds from the sale of plant and equipment		104	13
Payments for property, plant and equipment		(9 774)	(3 140)
Cash provided by (used in) investing activities		(9 670)	(3 127)
Cash flows from financing activities:			
Dividend paid to government		-	(1 017)
Equity contribution from government		5 500	-
Cash provided by (used in) financing activities		5 500	(1 017)
Net increase (decrease) in cash held		1 157	1 389
Cash at 1 July		32 735	31 346
Cash at 30 June	21	33 892	32 735

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment and function of the Adelaide Convention Centre Corporation (the Corporation)

1.1 Establishment

The Corporation was established as a subsidiary to the Minister for Tourism by Regulations issued under the *Public Corporations Act 1993*.

1.2 Functions

The functions of the Corporation are to:

- manage and operate the Adelaide Convention Centre site, and to hold and manage assets associated with the Corporation
- manage, promote and sponsor events at the Adelaide Convention Centre site or elsewhere
- attract economic benefits to the state of South Australia
- foster and assist the commercial development of the Adelaide Convention Centre site in order to complement and enhance the commercial potential of the Corporation.

2. Funding

2.1 Funding

The SA Government (through the Minister for Tourism) provides funding to the Corporation for expenses relating to the maintenance of the common areas and the Riverbank Precinct, Exhibition Hall land rent, office accommodation rent and for replacement of assets.

The funding for asset replacement is transferred by DTF into an interest bearing Special Deposit Account titled ‘Adelaide Convention Centre Future Asset Replacement Account’. With the approval of the Treasurer, these funds are available for the replacement and upgrade of assets and minor works.

All other financial activities of the Corporation are conducted through an interest bearing Special Deposit Account titled ‘Adelaide Convention Centre Operating Account’.

3 Summary of significant accounting policies

3.1 Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with applicable AASs and TIs and APSs promulgated under the provision of the PFAA.

Except for AASB 2009-12, which the Corporation has early-adopted AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the reporting period ending 30 June 2011.

3.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Corporation’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 these financial statements:
  - (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 (as reported in the Statement of Comprehensive Income)
  - (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (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 Corporation’s Statement of Comprehensive Income, Statement of Financial Position 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 Statement of Cash Flows has been prepared on a cash basis.

The financial statements have 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 statements for the year ended 30 June 2010 and the comparative information presented.

3.3 *Comparative information*

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and APSs has required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

Where the Corporation has applied an accounting policy retrospectively; retrospectively restated items in the financial statements; reclassified items in the financial statements, it has provided three Statements of Financial Positions and related notes.

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

3.4 *Rounding*

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

3.5 *Taxation*

In accordance with TIs issued under the PFAA, the Corporation is required to pay to the SA 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 be applied to the net profit. The Treasurer has exempted capital funding from the calculation of the income tax equivalents.

The Corporation is liable for payroll tax, FBT, GST, Emergency Services levy, land tax and local government rates.

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

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

The net amount of GST recoverable from, the ATO is included as part of receivables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows 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.

Income tax equivalent payable for 2010-11 is $478 000 ($18 000).

3.6 *Dividend policy*

DTF have determined a distribution policy, which will apply to the Corporation as being 75 percent of the operating profit before income tax equivalents, less any capital funding. This distribution is reduced by the income tax equivalent expense plus the other tax equivalent regime expenditure resulting in a dividend which is paid to DTF. The deduction of income tax equivalent and other tax equivalent regime expenditure from the gross 75 percent distribution ensures consistency with competitive neutrality and DTF policies concerning budget neutrality.

The dividend provided for 2010-11 is $717 000 ($28 000).

3.7 *Income and expenses*

Incomes and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Corporation 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.

3.7 Income and expenses (continued)

Income from facility charges is derived from the provision of goods and services to the public and other SA Government agencies at the conclusion of an event or after a service has been provided. This income is driven by consumer demand.

The contribution from the SA Government is recognised as income when the Corporation obtains control over the assets. Control over this income is normally obtained upon receipt and they are accounted for in accordance with TI 3.

Interest income is recognised as it is accrued.

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

The Corporation undertakes major cyclical maintenance on its infrastructure assets. All costs involved with the major cyclical maintenance are recorded as an expense unless they add to the service potential of the existing infrastructure asset.

3.8 Current and non-current items

Assets and liabilities are characterised as either current or non-current in nature. The Corporation 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.

3.9 Cash

For the purposes of the Statement of Cash Flows cash includes cash on deposit, at bank, and on hand and deposits at call that are readily converted to cash. Cash on deposit (specific purpose deposits) cannot be used for operational cash purposes. Security deposits held at bank can be used for operational purposes at the conclusion of an event. Cash is measured at nominal value.

3.10 Receivables

Trade receivables include security deposits raised in accordance with a client's respective payment plan, the selling of goods and services to the public and to other SA Government agencies. Trade receivables are payable within 14 days after the issue of a deposit/tax invoice or the goods/services have been provided under a contractual arrangement.

Based on an assessment of the collection of trade receivables at balance date, the Corporation has determined that a provision for doubtful debts is not warranted.

3.11 Inventories

Inventories are carried at cost as they are expected to be consumed in the holding of functions that will have a net realisable value that exceeds cost. Cost is assigned on a weighted average cost basis.

3.12 Non-current asset acquisition and recognition

Non-current assets are initially recorded at cost plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. The Corporation capitalises all non-current physical assets with a value equal or greater than $300 or a useful life greater than three years.

The Corporation capitalises costs associated with projects to work in progress. On completion of a project the capitalised costs are transferred to the relevant non-current asset account. The balance of work in progress reflects costs for projects which are at various stages of completion as at 30 June 2011.

3.13 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. 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.

The Corporation has taken the exemption available under APF III, APS 3.10 to take asset revaluation adjustment to the asset revaluation surplus on a class basis rather than an individual asset basis. Any accumulated depreciation as at 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 surplus relating to that asset is transferred to retained earnings.

3.14 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 relates to leasehold improvements, while depreciation is applied to physical assets such as property, plant and equipment.

The useful lives of all major assets held by the Corporation are reassessed on an annual basis. The value of leasehold improvements is amortised over the unexpired period of the relevant lease.

Depreciation/Amortisation for non-current assets is determined as follows:

Class of asset	*Depreciation method*	*Useful life (years)*
Buildings	Straight-line	30-50
Leasehold improvements	Straight-line	Life of lease
Plant and equipment	Straight-line	2-20

3.15 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 Corporation.

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 amounts are measured at their nominal amount 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 Corporation makes contributions to several superannuation schemes operated by the SA 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.

3.16 Security deposits

The Corporation recognises security deposits at the time of raising a security deposit requisition/tax invoice in accordance with a client's respective payment plan. The Corporation will hold all security deposits received on behalf of the client/hirer and will not treat these monies as consideration until such time as the deposits are applied towards payment at the conclusion of the event/hiring period or are forfeited and applied towards a cancellation fee. Security deposits for car park cards are returned to the client when the card is returned.

3.17 Employee benefits

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

Employer superannuation

The Corporation made contributions of $1.314 million ($1.375 million) in respect of its employees for the financial year to several superannuation schemes operated by the SA Government.

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 by employees is estimated to be less than the annual entitlement of sick leave.

Workers compensation

The Corporation is deemed to be an exempt employer by virtue of the WRCA and as such is liable for all medical, income and other day to day type expenses associated with a claim. The Corporation is also liable for any lump sum, redemption or permanent disability type payments for claims occurring post 1 July 2006. Any claims originating prior to 1 July 2006 are funded through a central government fund. Given the immaterial nature of the claims existing as at 30 June 2011, no provision has been recognised in the Statement of Financial Position.

Accrued salaries and wages
Liability for salaries and wages are measured as the amount unpaid at 30 June 2011 at current remuneration rates.

Annual leave
Provision has been made for the unused component of annual leave as at 30 June 2011. The liability is calculated at nominal amounts based on the 2011-12 pay rates and is expected to be paid during the next financial year.

Long service leave
A liability for long service leave is recognised and is measured as the current value of entitlements in respect of employees with five or more years service as advised by DTF. This base provides a reasonable approximate of the present value of the estimated future cash outflows to be made for these entitlements. On-costs have been calculated in accordance with APF IV and have been reported as payables. The superannuation on-cost has been calculated on that component of long service leave that is expected to be taken as leave (35 percent of the liability at 30 June 2011). This calculation is based upon an average percentage supplied by DTF for long service leave that will be taken as a lump sum (65 percent). A weighted average superannuation contribution rate covering employees of various schemes of 10.3 percent was used as advised by DTF.

The current component of long service leave is determined on what was taken during the current financial year and based on estimates of long service leave due to be taken during the next financial year.

3.18 Equity contributed by the SA Government
Contributions made by the SA Government through its role as owner of the Corporation, which increase the net assets of the entity, are treated as contributions of equity. During 2010-11, the SA Government made an equity injection of $5.5 million, with $5 million being allocated for the design costs associated with the Convention Centre extension and redevelopment, which have been recognised as work in progress. The $500 000 allocated for the development of a Riverbank Masterplan has been recognised as supplies and services under property management.

3.19 Leases
Finance leases
The Corporation has no finance leases.

Operating leases
The Corporation has entered into operating leases for the land on which the buildings are situated and for office accommodation. The leases are reviewed each year for adjustments in the consumer price index.

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are charged to the Statement of Comprehensive Income on a basis, which is representative of the pattern of benefits derived from the leased assets.

3.20 Financial instruments
The Corporation’s accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised as at 30 June 2011 are as follows:

Financial assets
The Corporation has interest bearing cash assets with the SA Government. Cash on deposit and at bank comprises deposits at call with the Westpac Banking Corporation and is recorded at cost. Interest income is recognised as it is accrued. For the deposit with the Westpac Banking Corporation, the interest rate ranged from 4.35 percent to 4.6 percent (2.85 percent to 4.07 percent).

Specific purpose deposits comprise the Future Asset Replacement Deposit Account with DTF and the Adelaide Railway Station Area Service Facilities maintenance monies at SAFA. Both deposits and interest income are recorded at cost and are recognised as they accrue. The interest rate on the Deposit Account with DTF ranged from 4.35 percent to 4.6 percent (2.85 percent to 4.07 percent) and the average interest rate on the monies at SAFA ranged from 4.84 percent to 5.1 percent (3.16 percent to 4.67 percent).

Total receivables are reported at amounts due. There is no interest rate risks associated with these financial assets.

The Corporation has no significant concentration of credit risk. The Corporation has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

Financial liabilities

Trade payables are recognised for goods and services that have been supplied but have not been paid for and are normally settled within 30 days or in accordance with the terms of credit offered by the trade payable.

Security deposits held are recorded at cost.

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

3.21 Government/Non-government disclosures

In accordance with APF II, the Corporation has included details of income, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government and have been classified according to their nature in relevant notes to the accounts.

3.22 Program information

The principal activity of the Corporation is to manage and operate the Adelaide Convention Centre site.

4. Facility charges

	2011	2010
Facility charges received/receivable from entities external to the SA Government:	$'000	$'000
Catering	16 684	15 697
Room hire	4 247	3 567
Technical services	2 915	2 539
Car park	5 085	4 566
Total facility charges - non-SA Government entities	28 931	26 369
Facility charges received/receivable from entities within the SA Government:		
Catering	1 038	1 228
Room hire	135	213
Technical services	176	278
Car park	-	39
Total facility charges - SA Government entities	1 349	1 758
Total facility charges	30 280	28 127

5. Employee expenses

Employee expenses comprises:		
Trading activities:		
Salaries and wages	11 497	11 615
Long service leave	255	151
Annual leave	646	595
Superannuation	1 124	1 187
Employment on-costs - other	675	786
Board fees	68	68
Total employee expenses - trading activities	14 265	14 402
Property management activities:		
Salaries and wages	1 880	1 851
Long service leave	37	29
Annual leave	136	125
Superannuation	190	188
Employment on-costs - other	99	107
Total employee expenses - property management activities	2 342	2 300
Total employee expenses	16 607	16 702

6. Remuneration of employees

	2011	2010
The number of employees whose remuneration received falls within the following bands:	Number	Number
$130 700 - $140 699	-	2
$140 700 - $150 699	3	2
$160 700 - $170 699	1	-
$190 700 - $200 699	1	1
$310 700 - $320 699	1	1
Total	6	6

6. Remuneration of employees (continued)

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits and associated FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1.12 million ($1.075 million).

As a result of the APF II being revised, there has been a change in accounting policy, now disclosing employees receiving remuneration equal to or greater than the base executive remuneration level ($130 744), rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by two for 2011 and three for 2010.

7. Remuneration of board members

	2011	2010
The number of board members whose remuneration received falls within the following bands:	Number	Number
$0 (SA Government employee)	1	1
$10 000 - $19 999	5	5
Total number of board members	6	6

Remuneration of board members reflects all costs of service including, board fees and superannuation. The total remuneration received by these board members for the year was $74 000 ($74 000).

8. Supplies and services

	2011	2010
Supplies and services comprises:	$'000	$'000
Supplies and services - trading activities	8 529	8 238
Supplies and services - property management activities	5 014	3 733
Total supplies and services	13 543	11 971
Supplies and services provided by entities external to the SA Government:		
Administration expenses and sundries	3 046	2 481
Direct materials	5 007	4 493
Building service costs	1 863	2 155
Maintenance	1 650	1 276
Marketing and promotions	903	1 010
Total supplies and services - non-SA Government entities	12 469	11 415
Supplies and services provided by entities within the SA Government:		
Building service costs	1 074	556
Total supplies and services - SA Government entities	1 074	556
Total supplies and services	13 543	11 971

The number and dollar amount of consultancies	2011		2010	
paid/payable that fell within the following bands:	Number	$'000	Number	$'000
Below $10 000	1	9	-	-
Between $10 000 and $50 000	-	-	2	49
Total paid/payable to the consultants engaged	1	9	2	49

9. Auditor's remuneration

	2011	2010
	$'000	$'000
Audit fees paid/payable to the Auditor-General's Department	40	39
Total audit fees - SA Government entities	40	39

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

10. Depreciation and amortisation

Depreciation and amortisation comprises:		
Depreciation and amortisation - trading activities	1 931	2 256
Depreciation and amortisation - property management activities	3 123	3 124
Total depreciation and amortisation	5 054	5 380

10. Depreciation and amortisation (continued)

	2011	2010
Depreciation:	$'000	$'000
Plant and equipment	1 917	2 239
Buildings	3 123	3 124
Total depreciation	5 040	5 363
Amortisation:		
Leasehold improvements	14	17
Total amortisation	14	17
Total depreciation and amortisation	5 054	5 380

11. Net gain (loss) from disposal of non-current assets

Building, plant and equipment:		
Proceeds from disposal	104	13
Net book value of assets disposed	154	38
Total net gain (loss) from disposal of non-current assets	(50)	(25)

12. Receivables

Receivables	1 025	2 021
Accrued income	1 098	581
GST receivable	532	18
Total receivables	2 655	2 620
Receivables attributable to entities external to the SA Government:		
Receivables	1 025	1 960
Accrued income	945	462
GST receivable	532	18
Total receivables - non-SA Government entities	2 502	2 440
Receivables attributable to entities within the SA Government:		
Receivables	-	61
Accrued income	153	119
Total receivables - SA Government entities	153	180
Total receivables	2 655	2 620

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 and accrued income are non-interest bearing. 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.

13. Specific purpose deposits

	2011	2010
Specific purpose deposits with SA Government entities:	$'000	$'000
Investments with SAFA	2 292	2 181
Future assets replacement deposit account	15 713	13 643
Total specific purpose deposits	18 005	15 824

14. Building, plant and equipment

Building:		
Building	120 409	120 408
Accumulated depreciation	(3 123)	-
Total buildings	117 286	120 408
Leasehold improvements:		
Leasehold improvements	170	170
Accumulated amortisation	(100)	(86)
Total leasehold improvements	70	84

14. Building, plant and equipment (continued)

	2011	2010
Plant and equipment:	$'000	$'000
Plant and equipment	19 435	16 074
Accumulated depreciation	(10 897)	(9 346)
Total plant and equipment	8 538	6 728
Work in progress:		
Work in progress	6 915	1 023
Total work in progress	6 915	1 023
Total building, plant and equipment	132 809	128 243

Valuation of non-current assets

Valuation of buildings was performed by Martin Burns an independent valuer from Liquid Pacific Holdings Pty Ltd as at 30 June 2010 with the fair value methodology of replacement cost less depreciation being adopted as the valuation basis.

Reconciliation of building, plant and equipment

The following table shows the movement of building, plant and equipment during 2010-11.

	Building $'000	Leasehold imprvmnts $'000	Plant and equipment $'000	Work in progress $'000	2011 Total $'000
Carrying amount at 1 July	120 408	84	6 728	1 023	128 243
Additions	-	-	1 476	8 298	9 774
Disposals	-	-	(154)	-	(154)
Depreciation and amortisation	(3 123)	(14)	(1 917)	-	(5 054)
Acquisition from transfer	1	-	2 405	(2 406)	-
Carrying amount at 30 June	117 286	70	8 538	6 915	132 809

15. Payables

	2011	2010
Current:	$'000	$'000
Creditors	210	200
Accrued expenses	525	344
Employment on-costs	99	113
Income tax equivalent payable	1 174	696
Dividend payable	745	28
Total current payables	2 753	1 381
Non-current:		
Employment on-costs	79	79
Total non-current payables	79	79
Total payables	2 832	1 460
Government/Non-government payables:		
Payables to non-SA Government entities:		
Creditors	210	200
Accrued expenses	408	305
Total payables to non-SA Government entities	618	505
Payables to SA Government entities:		
Accrued expenses	117	39
Employment on-costs	178	192
Income tax equivalent payable	1 174	696
Dividend payable	745	28
Total payables to SA Government entities	2 214	955
Total payables	2 832	1 460

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.

16. Security deposits

	2011	2010
Security deposits from entities external to the SA Government:	$'000	$'000
Security deposits	3 560	5 249
Total security deposits external to the SA Government	3 560	5 249
Security deposits from entities within the SA Government:		
Security deposits	144	175
Total security deposits from entities within the SA Government	144	175
Total security deposits	3 704	5 424

17. (a) *Employee benefits*

Current:		
Accrued salaries and wages	116	-
Annual leave	446	493
Long service leave	166	413
Total current employee benefits	728	906
Non-current:		
Long service leave	1 427	1 054
Total non-current employee benefits	1 427	1 054
Total employee benefits	2 155	1 960

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark of 5.5 years to five years. The net financial effect of the changes in the current financial year is an increase in the long service liability and long service leave expense of $79 000.

(b) *Employee benefits and related on-costs*

	Note	2011 $'000	2010 $'000
Accrued salaries and wages:			
On-costs included in payables - current	15	19	-
Employee benefits - current	17(a)	116	-
		135	-
Annual leave:			
On-costs included in payables - current	15	71	82
Employee benefits - current	17(a)	446	493
		517	575
Long service leave:			
On-costs included in payables - current	15	9	31
Employee benefits - current	17(a)	166	413
		175	444
Long service leave			
On-costs included in payables - non-current	15	79	79
Employee benefits - non-current	17(a)	1 427	1 054
		1 506	1 133
Total employee benefits and related on-costs		2 333	2 152

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of long service leave taken as leave has changed from the 2010 rate 45 percent to 35 percent and the average factor for the calculation of employer superannuation on-cost has changed from the 2010 rate 10.5 percent to 10.3 percent. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost and employee benefit expense of $27 000.

18. Unrecognised contractual commitments

	2011	2010
Operating lease commitments:	$'000	$'000
Within one year	534	529
Later than one year but not longer than five years	2 031	2 146
Later than five years	25 175	25 353
Total operating lease commitments	27 740	28 028

19. Contingent assets and liabilities

The Corporation has no contingent assets or liabilities as at 30 June 2011.

20. Related party

The names of each person holding the position as Board member of the Corporation during the financial year was as follows:

Ms J Jeffreys - Chairman
Mr A Brideson
Mr J Ellison
Ms K Gramp
Ms M Hender
Ms D Von Wald

The members of the board may use the services and facilities of the Adelaide Convention Centre under terms and conditions no more favourable than members of the public.

21. Cash flow reconciliation

Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on deposit, at bank and on hand. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	Note	2011 $'000	2010 $'000
Current:			
Cash on deposit and at bank		15 779	16 859
Cash on hand		108	52
		15 887	16 911
Non-current:			
Specific purpose deposits	13	18 005	15 824
Cash as recorded in the Statement of Financial Position		33 892	32 735
Reconciliation of net cash provided by (used in) operating activities to profit (loss) after income tax equivalents:			
Net cash provided by (used in) operating activities		5 327	5 533
Non-cash items:			
Depreciation and amortisation		(5 054)	(5 380)
Gain on revaluation		-	5
Net gain (loss) from disposal of non-current assets		(50)	(25)
Changes in assets/liabilities:			
Increase (Decrease) in receivables		35	(216)
Increase (Decrease) in inventories		48	(2)
Increase (Decrease) in prepayments		(60)	111
Decrease (Increase) in payables		(655)	759
Decrease (Increase) in security deposits held		1 720	(892)
Decrease (Increase) in employee benefits		(195)	150
Profit (Loss) after income tax equivalents		1 116	43

Adelaide Entertainments Corporation

Functional responsibility

Establishment

The Adelaide Entertainments Corporation (the Corporation) was established on 4 February 1999 pursuant to Regulations under the PCA. The Corporation is an instrumentality of the Crown and the Board of the Corporation is responsible to the Minister for Tourism.

Functions

The main function of the Corporation is to manage and operate the Adelaide Entertainment Centre (the Centre). For details of the Corporation's functions refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1)(b) of the PFAA and the Schedule to the PCA provides for the Auditor-General to audit the accounts of the Corporation 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 Corporation 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 internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the 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 report and internal controls.

During 2010-11, specific areas of audit attention included:

- expenditure
- payroll
- revenue
- fixed assets
- cash at bank
- inventory
- financial accounting.

Internal audit activities were also reviewed and considered in planning and conducting auditable area reviews.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Adelaide Entertainments Corporation as at 30 June 2011, 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.

Assessment of controls

In my opinion, the controls exercised by the Adelaide Entertainments Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Adelaide Entertainments Corporation have been conducted properly and in accordance with law.

Communication of audit matters

The audit management letter to the Chief Executive Officer recommended that the Corporation's charter address the requirement of the acquisition and disposal of capital or assets and that an updated amendment be made to payroll procedural documentation to reflect changed staffing responsibilities. The Corporation has satisfactorily addressed the audit recommendations.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 $'million	2010 $'million
Income		
Revenues from the provision of services	9	7
Revenue from sales	7	4
Interest revenues	1	1
Other revenues	2	2
Total income	19	14
Expenses		
Employee benefits expenses	7	5
Other expenses	12	10
Total expenses	19	15
Net profit (loss)	-	(1)
Other comprehensive income	-	22
Total comprehensive result	-	21
Net cash provided by (used in) operating activities	6	3
Net cash provided by (used in) investing activities	(3)	(47)
Assets		
Current assets	17	14
Non-current assets	133	137
Total assets	150	151

	2011 $'million	2010 $'million
Liabilities		
Current liabilities	3	6
Non-current liabilities	6	5
Total liabilities	9	11
Total equity	141	140

Statement of Comprehensive Income

The Corporation recorded a net profit of $434 000 for 2011 compared to a net loss of $652 000 in 2010.

The Corporation's total comprehensive result was $434 000 for 2011 compared to $21 million in 2010 due to the revaluation of Corporation land and building assets at 30 June 2010 which resulted in a revaluation increment of $21.7 million.

The following table shows the income, expenses and profits/losses for the four years to 2011.

	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Income	19	14	15	65
Expenses	19	15	14	14
Net profit (loss)	-	(1)	1	51

The Corporation's income increased by $5 million principally due to increases in revenues from the provision of services ($1.7 million) and revenues from sales ($3 million). These increases were offset by a decrease in interest income ($530 000) from reduced average cash holdings in 2011 compared to 2010.

Expenses have increased by $4 million primarily as a result of increases in depreciation charges ($2 million), employee benefits expenses ($1.9 million), and raw materials and consumables used ($770 000). These were offset by a decrease in payments to SA Government ($700 000).

Statement of Financial Position

As at 30 June 2011 total assets have decreased by $1.8 million due to the depreciation of the Corporation's buildings and other fixed assets.

Liabilities as at 30 June 2011 have decreased by $2.2 million. This was mainly attributable to payables which decreased by $2.6 million. Payables at 30 June 2010 included $2 million payable to the Department for Transport, Energy and Infrastructure for the redevelopment of the Centre.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Net cash flows				
Operating	6	3	4	54
Investing	(3)	(47)	(9)	-
Change in cash	3	(44)	(5)	54
Cash at 30 June	15	12	56	61

The increase in cash held by the Corporation reflects increased cash inflows principally related to the operations of the Centre. Cash flows from investing activities in 2011 principally represent final payments for the redevelopment of the Centre which was completed in 2010.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Income from trading activities:			
Revenues from fees and charges	6	534	415
Revenues from the provision of services	7	8 804	7 106
Revenues from sales	8	6 708	3 754
Interest revenues	9	860	1 393
Revenues from government	10	-	50
Net gain from the disposal of assets	11	34	-
Other revenues	12	1 856	1 254
Total income		18 796	13 972
Expenses from trading activities:			
Employee benefits expenses	13	6 741	4 803
Raw materials and consumables used	22	1 959	1 190
Sales and marketing		1 586	1 499
Ticketing		292	560
Supplies and services	16	1 191	805
Depreciation and amortisation expense	17	1 210	708
Payments to government	10	-	700
Net loss from the disposal of assets	11	-	183
Other expenses	18	402	404
Total expenses		13 381	10 852
Profit (loss) from trading activities		5 415	3 120
Income from property management activities:			
Other revenues	12	465	312
Total income		465	312
Expenses from property management activities:			
Employee benefits expenses	13	290	328
Supplies and services	16	1 213	1 154
Depreciation and amortisation expense	17	3 785	2 272
Other expenses	18	158	330
Total expenses		5 446	4 084
Profit (loss) from property management activities		(4 981)	(3 772)
Net profit (loss)		434	(652)
Other comprehensive income:			
Change in asset revaluation surplus		-	21 741
Total comprehensive result		434	21 089

Net profit (loss) and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	20,32	14 904	12 218
Receivables	21	1 278	1 801
Inventories	22	232	91
Total current assets		16 414	14 110
Non-current assets:			
Property, plant and equipment	23	133 259	137 386
Total non-current assets		133 259	137 386
Total assets		149 673	151 496
Current liabilities:			
Payables	24	1 862	4 451
Short-term employee benefits	25	492	408
Other liabilities	27	952	831
Total current liabilities		3 306	5 690
Non-current liabilities:			
Payables	24	50	25
Long-term employee benefits	25	314	155
Other liabilities	27	5 360	5 417
Total non-current liabilities		5 724	5 597
Total liabilities		9 030	11 287
Net assets		140 643	140 209
Equity:			
Contributed capital	28	55 536	55 536
Asset revaluation surplus	28	48 551	48 551
Accumulated surplus	28	36 556	36 122
Total equity		140 643	140 209

Total equity is attributable to the SA Government as owner

Commitments	29
Contingent assets and liabilities	31

Statement of Changes in Equity
for the year ended 30 June 2011

	Note	Contributed capital $'000	Asset revaluation surplus $'000	Accumulated surplus $'000	Total $'000
Balance at 30 June 2009		55 536	26 810	36 774	119 120
Net profit (loss) for 2009-10		-	-	(652)	(652)
Revaluation of land and buildings		-	21 741	-	21 741
Total comprehensive result for 2009-10		-	21 741	(652)	21 089
Balance at 30 June 2010		55 536	48 551	36 122	140 209
Net profit (loss) for 2010-11		-	-	434	434
Total comprehensive result for 2010-11		-	-	434	434
Balance at 30 June 2011	28	55 536	48 551	36 556	140 643

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Receipts from the sale of goods and services		20 637	14 321
Interest received		866	1 466
Receipts from SA Government		-	50
GST received from ATO		159	4 374
Cash generated from operations		21 662	20 211
Cash outflows:			
Employee benefit payments		(6 788)	(5 225)
Supplies and services		(7 666)	(10 846)
Payments to SA Government		-	(700)
GST remitted to ATO		(1 106)	(293)
Cash used in operations		(15 560)	(17 064)
Net cash provided by (used in) operating activities	32	6 102	3 147
Cash flows from investing activities:			
Cash inflows:			
Proceeds from the sale of property, plant and equipment		56	30
Cash generated from investing activities		56	30
Cash outflows:			
Purchase of property, plant and equipment		(3 472)	(47 138)
Cash used in investing activities		(3 472)	(47 138)
Net cash provided by (used in) investing activities		(3 416)	(47 108)
Net increase (decrease) in cash and cash equivalents		2 686	(43 961)
Cash and cash equivalents at 1 July		12 218	56 179
Cash and cash equivalents at 30 June	32	14 904	12 218

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Adelaide Entertainments Corporation

The Adelaide Entertainments Corporation (the Corporation), trading as the Adelaide Entertainment Centre, was established on 4 February 1999 as a subsidiary of the Minister for Tourism by Regulations under the PCA.

The functions of the Corporation are to:

- manage and operate the Adelaide Entertainment Centre site
- manage, promote and sponsor events at the Adelaide Entertainment Centre site or elsewhere
- foster and assist the commercial development of the Adelaide Entertainment Centre site in order to complement and enhance the commercial potential of the Adelaide Entertainment Centre
- carry out any other functions conferred on the subsidiary by the Minister.

The Corporation is governed by a Board of Directors and operates under a charter approved pursuant to the provisions of the PCA. The Act and the charter require the preparation of general purpose financial statements which reflect the performance and position of the Corporation for each financial year ended 30 June.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provision of the PFAA.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the reporting period ending 30 June 2011.

(b) Basis of preparation

The preparation of the financial statements require:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Corporation’s accounting policies. The 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 these financial statements:

  (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 (as reported in the Statement of Comprehensive Income)

  (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (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 member and remuneration information, where a board member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Corporation’s Statement of Comprehensive Income, Statement of Financial Position 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 Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented for the year ended 30 June 2010.

(c) Reporting entity

The financial statements cover the Corporation, trading as the Adelaide Entertainment Centre as an individual reporting entity. The Corporation is a statutory authority of the State of South Australia, established pursuant to the PCA.

(d) Comparative information

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

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

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

(e) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars ($'000).

(f) Taxation

The Corporation is not subject to income tax.

The Corporation 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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 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 Corporation 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 and expenses 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:

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

- *Revenues from sales*
Revenues from sales are recognised when the significant risks and rewards of ownership transfer to the purchaser.

- *Interest income*
Interest revenue includes interest received on bank term deposits, interest from investments, and other interest received. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

- *Revenues from SA Government*
Appropriations for program funding are recognised as revenues when the Corporation 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 Corporation has recorded a loan payable.

  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 Corporation and the appropriation is recorded as contributed equity.

- *Other contributions*
All contributions from non-government entities are recognised as income when the Corporation obtains control of the contribution or the right to receive the contribution and the income recognition criteria are met.

- *Resources received/provided free of charge*
Resources received/provided free of charge are recorded as revenue and expenditure in the Statement of Comprehensive Income at their fair value.

- *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 is determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to accumulated surplus.

Expenses
The following are specific recognition criteria:

- *Employee benefits*
Employee benefits expenses includes all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

- *Superannuation*
The amount charged to the Statement of Comprehensive Income represents the contributions made by the Corporation to the superannuation plan in respect of current services of current Corporation staff. The Corporation is not liable for benefits payable by the schemes to which it contributes.

(i) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The Corporation has a clearly identifiable operating cycle of 12 months. 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 Corporation 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 Statement of Financial Position 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 and cash equivalents recorded in the Statement of Cash Flows are consistent with the Statement of Financial Position.

Cash is measured at nominal value.

(k) 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 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. 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 Corporation will not be able to collect the debt.

(l) Inventories

Inventories include goods and other property held for sale in the ordinary course of business. It excludes depreciating assets.

Inventories are measured at the lower of cost or their net realisable value. Cost is allocated in accordance with the average cost 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 food and beverage stock held for resale.

(m) Non-current asset acquisition and recognition

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 Statement of Financial Position. 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 Corporation measures the obligation at the present value of the future outflow, discounted using the interest rate of a similar length borrowing.

(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 five years the Corporation revalues its land, buildings and building 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.

The Corporation has taken the exemption available under APF III, APS 3.8 to take asset revaluation adjustments to the asset revaluation surplus on a class basis rather than an individual asset basis.

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

Any revaluation decrease is recognised in the Statement of Comprehensive Income, 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 surplus to the extent of the credit balance existing in asset revaluation surplus for that asset class.

(n) Revaluation of non-current assets (continued)

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. Previously this was accounted for using the gross method, where the gross carrying amounts of the assets and accumulated depreciation were disclosed.

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to accumulated surplus.

(o) Impairment

All non-current 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 surplus.

(p) Depreciation and amortisation of non-current assets

All non-current assets, having limited useful lives, 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 depreciation 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 over the estimated useful life of the following classes of assets as follows:

Class of assets	*Depreciation method*	*Useful life (years)*
Buildings and improvements	Straight-line and diminishing value	5-140
Plant and equipment	Straight-line	2-20
Furniture and fittings	Straight-line	3-20

(q) 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 Corporation.

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 date the invoice is first received.

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

The Corporation makes contributions to several 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.

(r) 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 time off in lieu
Liability for salary and wages, annual leave and time off in lieu 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.

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 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 five years of service in accordance with APF IV. An actuarial assessment of long service leave undertaken by DTF 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.

In the 2011 financial year, the long service leave benchmark contained in the APF IV reduced to five years. The Corporation has adopted five years as the benchmark for the measurement of the long service leave liability as of 2006, as it reflects the Corporation's past experience of employee retention and the taking of leave.

The unconditional portion of the long service leave provision is classified as current as the Corporation does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service for permanent staff and seven years of service for casual staff.

(s) Other liabilities

Income received in advance represents amounts invoiced under Corporate Suite Licencing and Advertising Agreements which relate to future periods. The payments received under the agreements are recognised as income over the term of the agreement as the provision of services are supplied.

Unearned lease revenue represents payment received for a section of land leased on a 99 year lease agreement during 2007. The payments received for the lease are being recognised as income over the life of the lease.

(t) Administered items

The Corporation includes a schedule of administered items as a note to the accounts as it is considered that administered transactions and balances are insignificant in relation to the Corporation's overall financial performance and position, in accordance with APF II, APS 3.11.2.

The Corporation receives gross box office receipts from its ticketing agency, and holds those receipts in a separate Event Funds bank account. In any instance where a show does not proceed, those monies are returned to the ticketing agency and refunded to patrons. Alternatively, the monies are paid to promoters, the Corporation and other service providers.

(u) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Corporation 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 Corporation has entered into operating leases.

(v) Insurance

The Corporation has arranged through SAICORP, a division of SAFA, to insure all major risk of the Corporation. The excess payable under this arrangement is $5000 per claim made.

(w) Workers compensation

Contributions are made by the Corporation to WorkCoverSA to provide insurance coverage in relation to workers compensation. These contributions are treated as an expense when they occur. There is no liability for payments to claimants as they have been assumed by WorkCoverSA.

3. Financial risk management

The Corporation is exposed to a variety of financial risks, market risk (foreign exchange and price), credit risk and liquidity risk.

Risk management is carried out by the corporate services section and risk management policies and practices are in accordance with Australian Risk Management Standards and internal written policies approved by the Board.

The Corporation has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and held to maturity investments).

The Corporation's exposure to cash flow interest rate risk is minimal.

The Corporation has no exposure to foreign exchange risk in relation to its financial assets or liabilities.

The Corporation has no significant concentration of credit risk. The Corporation has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

4. Changes in accounting policies

The Corporation has assessed the impact of new and amended standards and interpretations which are not yet effective and considers there will be no impact on the accounting policies or the financial statements of the Corporation.

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010 the Corporation has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Corporation to disclose all employees whose normal remuneration was equal to or greater than $100 000. This change is reflected in note 13.

5. Activities of the Corporation

The principal activity of the Corporation is to manage and operate the Adelaide Entertainment Centre.

6. Revenues from fees and charges

	2011	2010
Fees and charges received/receivable from entities external to the SA Government:	$'000	$'000
Merchandise revenues	534	415
Total fees and charges - non-SA Government entities	534	415

7. Revenues from the provision of services

	2011	2010
Services provided to entities external to the SA Government:		
Corporate revenue	2 099	1 887
Equipment hire	628	251
Recoveries	1 991	1 700
Venue hire	3 980	3 101
Total revenues from the provision of services - non-SA Government entities	8 698	6 939
Services provided to entities within the SA Government:		
Corporate revenue	63	65
Equipment hire	2	4
Recoveries	6	34
Venue hire	35	64
Total revenues from the provision of services - SA Government entities	106	167
Total revenues from the provision of services	8 804	7 106

8. Revenues from sales

	2011	2010
Sales from entities external to the SA Government:		
Beverage sales	2 889	1 462
Food sales	3 708	2 142
Total revenues from sales - non-SA Government entities	6 597	3 604
Sales from entities within the SA Government:		
Beverage sales	22	24
Food sales	89	126
Total revenues from sales - SA Government entities	111	150
Total revenues from sales	6 708	3 754

9. Interest revenues	2011 $'000	2010 $'000
Interest from entities external to the SA Government	106	64
Interest from entities within the SA Government	754	1 329
Total interest revenues	860	1 393

10. Revenues from (payments to) SA Government

Revenues from SA Government:		
Other contributions	-	50
Total revenues from SA Government	-	50
Payments to SA Government:		
Payments to SA Government	-	700
Total payments to SA Government	-	700

During the 2009-10 financial year the Corporation refunded $700 000 to the State Government due to project cost savings relating to the $52 million Facility Enhancement Project.

11. Net gain (loss) from disposal of assets

Plant and equipment:		
Proceeds from disposal	56	30
Net book value of assets disposed	(22)	(213)
Net gain (loss) from disposal of plant and equipment	34	(183)

12. Other revenues

Trading activities:		
Other revenue from entities external to the SA Government:		
Car park	249	169
Ticketing charges	751	680
Other revenue	856	362
Total other revenues - non-SA Government entities	1 856	1 211
Other revenue from entities within the SA Government:		
Other revenue	-	43
Total other revenues - SA Government entities	-	43
Total other revenues from trading activities	1 856	1 254
Property management activities:		
Property lease revenue	185	163
Other revenue	280	149
Total other revenues from property management activities	465	312
Total other revenues	2 321	1 566

13. Employee benefits expenses

Trading activities:		
Salaries and wages	5 032	3 656
Long service leave	219	59
Annual leave	332	239
Employment on-costs - superannuation	495	343
Employment on-costs - other	401	295
Board fees	108	109
Other employee related expenses	154	102
Total employee benefit expenses from trading activities	6 741	4 803
Property management activities:		
Salaries and wages	272	314
Long service leave	5	4
Annual leave	10	10
Other employee related expenses	3	-
Total employee benefit expenses from property management activities	290	328
Total employee benefit expenses	7 031	5 131

During the year payments made to entities within the SA Government include employment on-costs of $401 000 ($295 000).

Remuneration of employees	2011	2010
The number of employees whose remuneration received/receivable falls within the following bands:	Number	Number
$127 500 to $130 699*	-	1
$260 700 to $270 699	1	-
$290 700 to $300 699	-	1
Total	1	2

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2009-10.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $266 000 ($423 000).

Accounting policy change

In accordance with the revised APF II, the Corporation has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 4 (4).

14. Key management personnel

(a) Board members

The following persons held the position of governing board member during the financial year:

R Foord (Chairperson)
J Bell
A Herald
G Pitt
J Staugas
W Spurr
G Wallace

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly during the financial year:

Mr Anthony Kirchner	Chief Executive
Mr Tommy Pavic	Chief Financial Officer (Until 14 January 2011)
Ms Janine Webb	Chief Financial Officer (From 28 February 2011)
Ms Marie Hannaford	Finance Manager (From 28 February 2011)
Ms Sally Arch	General Manager -Venue Services
Mr Ross Beale	Corporate Partnerships Manager
Ms Coralie Cheney	Senior Manager -Sales & Marketing
Mr Mark Braby	Guest Services Manager

(c) Remuneration of governing board members	2011	2010
The number of governing board members whose remuneration received or receivable falls within the following bands:	Number	Number
$10 000 - $19 999	6	6
$20 000 - $29 999	1	1
Total	7	7

Remuneration of board members reflects all costs of performing their duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $101 000 ($101 000).

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

During the year there were no other payments made to board members.

15. Related party

Related parties include parties that control or have an interest in the entity that gives it significant influence over the Corporation. Individual board members are also considered related parties.

The Corporation is controlled by the SA Government. Transactions and balances between the Corporation and related parties (other SA Government controlled entities and individual board members) are disclosed in the notes accompanying the financial statements where appropriate.

16. Supplies and services

	2011 $'000	2010 $'000
Trading activities:		
Supplies and services provided by entities external to the SA Government:		
Contractors	595	265
Equipment hire	43	108
Linen and laundry	114	79
Printing and stationery	53	48
Repairs and maintenance	90	74
Utilities	148	104
Total supplies and services - non-SA Government entities	1 043	678
Supplies and services provided by entities within the SA Government:		
Insurance	145	121
Contractors	2	4
Legal	1	2
Total supplies and services - SA Government entities	148	127
Total supplies and services from trading activities	1 191	805
Property management activities:		
Supplies and services provided by entities external to the SA Government:		
Repairs and maintenance	491	584
Utilities	419	377
Total supplies and services - non-SA Government entities	910	961
Supplies and services provided by entities within the SA Government:		
Utilities	303	193
Total supplies and services - SA Government entities	303	193
Total supplies and services from property management activities	1 213	1 154
Total supplies and services	2 404	1 959

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

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2011 Number	2011 $'000	2010 Number	2010 $'000
Below $10 000	6	10	6	11
$10 000 - $50 000	1	15	-	-
Total paid/payable to the consultants engaged	7	25	6	11

17. Depreciation and amortisation

	2011 $'000	2010 $'000
Depreciation:		
Trading activities:		
Plant and equipment	1210	708
Total depreciation for trading activities	1210	708
Property management activities:		
Buildings	3 785	2 272
Total depreciation for property management activities	3 785	2 272
Total depreciation	4 995	2 980

18. Other expenses

	2011	2010
Trading activities:	$'000	$'000
Other expenses paid/payable to entities external to the SA Government:		
Other	358	358
Total other expenses - non-SA Government entities	358	358
Other expenses paid/payable to entities within the SA Government:		
Other	44	46
Total other expenses - SA Government entities	44	46
Total other expenses from trading activities	402	404
Property management activities:		
Other expenses paid/payable to entities external to the SA Government:		
Other	158	330
Total other expenses - non-SA Government entities from property management activities	158	330
Total other expenses	560	734

19. Auditor's remuneration

Audit fees of $32 700 ($31 500) were paid/payable to the Auditor-General's Department.

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

20. Cash and cash equivalents

Cash at bank and cash on hand	1 276	1 151
Short-term deposits with SAFA	13 628	11 067
Total cash and cash equivalents	14 904	12 218

Cash deposits

The cash deposits are carried at cost in accordance with APF IV, APS 2.1. Cash at bank is comprised of funds held in an operating account at a commercial banking institution. Cash at bank deposits are on-call and carry an average variable interest rate of 4.57 percent (3.59 percent). Interest is accrued daily and distributed monthly. The SAFA Cash Management Fund is a pooled investment portfolio comprising cash and short-term money market securities of high credit quality and marketability. The SAFA Cash Management Funds are on-call and carry an average variable interest rate of 5 percent (3.86 percent). The portfolio return is calculated daily, being the total earnings on the portfolio's investments from the close of business on the previous day. Interest is accrued daily and distributed monthly.

Interest rate risk

Cash on hand is non-interest bearing. Deposits at call earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

21. Receivables

	2011	2010
Current:	$'000	$'000
Receivables	1 148	1 532
Provision for doubtful debts	(8)	(8)
Accrued revenues	91	72
Prepayments	47	46
GST receivable	-	159
Total current receivables	1 278	1 801
Government/Non-government receivables:		
Receivables from non-SA Government entities:		
Receivables	1 128	1 463
Provision for doubtful debts	(8)	(8)
Accrued revenues	27	30
Prepayments	47	46
GST receivable	-	159
Total receivables from non-SA Government entities	1 194	1 690

21. Receivables (continued)	2011	2010
Receivables from SA Government entities:	$'000	$'000
Receivables	20	69
Accrued revenues	64	42
Total receivables from SA Government entities	84	111
Total receivables	1 278	1 801

Provision for doubtful debts

The provision 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 Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the provision for doubtful debts (impairment loss)	2011	2010
	$'000	$'000
Carrying amount at 1 July	(8)	(8)
Increase in the provision	-	-
Amounts written off	-	-
Carrying amount at 30 June	(8)	(8)

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 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. In addition, there is no concentration of credit risk.

Bad and doubtful debts

The Corporation has recognised no bad and doubtful debt expense in the Statement of Comprehensive Income.

22. Inventories	2011	2010
Current - inventories held for resale:	$'000	$'000
Beverages	219	90
Food	13	1
Total inventories held for resale	232	91

Inventory wastage

The Corporation has recognised an inventory wastage expense of $16 000 ($39 000) in the Statement of Comprehensive Income.

Raw materials and consumables

The Corporation recognised an expense for raw materials and consumables of $1.959 million ($1.19 million).

23. Property, plant and equipment	2011	2010
Land and buildings:	$'000	$'000
Land at fair value	27 000	27 000
Buildings at fair value - net method	102 428	102 428
Accumulated depreciation	(3 783)	-
Total land and buildings	125 645	129 428
Building improvements:		
Building improvements at cost	114	-
Accumulated depreciation	(2)	-
Total building improvements	112	-
Work in progress	-	96
Total work in progress	-	96
Plant and equipment:		
Plant and equipment at cost	11 316	10 563
Accumulated depreciation	(3 814)	(2 701)
Total plant and equipment	7 502	7 862
Total property, plant and equipment	133 259	137 386

Valuation of land and buildings

The valuation of land and buildings was performed by Martin Burns, an independent valuer from Liquid Pacific as at 30 June 2010. 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 2011.

Reconciliation of non-current assets

The following table shows the movement of non-current assets during 2010-11.

2011	Land $'000	Buildings $'000	Building imprvmnts $'000	Work in progress $'000	Plant and equipment $'000	Non-current assets Total $'000
Carrying amount at 1 July	27 000	102 428	-	96	7 862	137 386
Revaluation increments (decrements)	-	-	-	-	-	-
Reclassify assets from cost to fair value	-	-	-	-	-	-
Additions	-	-	-	890	-	890
Transfers in (out)	-	-	114	(986)	872	-
Disposals eg sales, write-off	-	-	-	-	(22)	(22)
Depreciation and amortisation	-	(3 783)	(2)	-	(1 210)	(4 995)
Carrying amount at 30 June	27 000	98 645	112	-	7 502	133 259

During the year payments made to entities within the SA Government include capital additions of $nil ($36.49 million).

The following table shows the movement of non-current assets during 2009-10.

2010	Land $'000	Buildings $'000	Building imprvmnts $'000	Work in progress $'000	Plant and equipment $'000	Non-current assets Total $'000
Carrying amount at 1 July	18 320	37 482	2 459	15 035	1 601	74 897
Revaluation increments (decrements)	8 680	13 061	-	-	-	21 741
Reclassify assets from cost to fair value	-	53 549	(53 549)	-	-	-
Additions	-	-	-	43 941	-	43 941
Transfers in (out)	-	-	51 698	(58 880)	7 182	-
Disposals eg sales, write-off	-	-	-	-	(213)	(213)
Depreciation and amortisation	-	(1 664)	(608)	-	(708)	(2 980)
Carrying amount at 30 June	27 000	102 428	-	96	7 862	137 386

24. Payables

	2011 $'000	2010 $'000
Current:		
Creditors	810	3 387
Accrued expenses	900	997
GST payable	70	-
Employment on-costs	82	67
Total current payables	1 862	4 451
Non-current:		
Employment on-costs	50	25
Total non-current payables	50	25
Total payables	1 912	4 476
Government/Non-government payables:		
Payables to non-SA Government entities:		
Creditors	764	1 314
Accrued expenses	856	949
GST payable	70	-
Employment on-costs	132	92
Total payables to non-SA Government entities	1 822	2 355

24. Payables (continued)

	2011	2010
Payables to SA Government entities:	$'000	$'000
Creditors	46	2 073
Accrued expenses	44	48
Total payables to SA Government entities	90	2 121
Total payables	1 912	4 476

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.

25. Employee benefits

	2011	2010
Current:	$'000	$'000
Annual leave	266	215
Long service leave	190	195
Accrued salaries and wages	36	(2)
Total current employee benefits	492	408
Non-current:		
Long-term long service leave	314	155
Total non-current employee benefits	314	155
Total employee benefits	806	563

The total current and non-current employee benefit (ie aggregate employee benefit plus related on-costs) for 2010-11 is $574 000 and $364 000 respectively.

26. Dividend

No dividend has been declared or paid in the financial year.

27. Other liabilities

	2011	2010
Current:		
Income received in advance	894	773
Unearned lease revenue	58	58
Total current other liabilities	952	831
Non-current:		
Unearned lease revenue	5 360	5 417
Total non-current other liabilities	5 360	5 417
Total other liabilities	6 312	6 248
Government/Non-government other liabilities:		
Other liabilities to non-SA Government entities:		
Income received in advance	870	756
Unearned lease revenue	5 418	5 475
Total other liabilities to non-SA Government entities	6 288	6 231
Other liabilities to SA Government entities:		
Income received in advance	24	17
Total other liabilities to SA Government entities	24	17
Total other liabilities	6 312	6 248

28. Equity

	2011	2010
Contributed capital	55 536	55 536
Asset revaluation surplus	48 551	48 551
Accumulated surplus	36 556	36 122
Total equity	140 643	140 209

The asset revaluation surplus is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another. Relevant amounts are transferred to accumulated surplus when an asset is disposed or written off.

29. Commitments

	2011	2010
Capital commitments	$'000	$'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements, are payable as follows:		
Within one year	-	215
Total capital commitments	-	215
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	454	369
Later than one year but not longer than five years	822	12
Total remuneration commitments	1 276	381

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

Other commitments		
The Corporation's other commitments are associated with ongoing business operations, reflected by purchase orders issued but not filled.		
Within one year	88	-
Total other commitments	88	-
Operating lease commitments receivable		
Future minimum lease payments receivable under non-cancellable operating leases contracted for at reporting date but not recognised as receivables are:		
Within one year	151	79
Later than one year but not longer than five years	401	79
Later than five years	167	-
Total operating lease revenue commitments	719	158

The Corporation's operating lease commitments as lessor are for the lease of shops located on the Corporation's site. The Corporation also leases a section of land on the site. As rental in relation to the lease of this land was received in advance, there are no minimum lease payments receivable in relation to this lease.

30. Administered items

	2011	2010
Event funds:	$'000	$'000
Administered revenues:		
Net box office receipts	29 984	23 798
Interest earned on event funds	530	246
Other receipts	-	210
Total administered revenues	30 514	24 254
Administered expenses:		
Settlements paid	33 721	27 973
Other expenses	-	300
Total administered expenses	33 721	28 273
Movement in administered items during the year	(3 207)	(4 019)
Administered assets:		
Cash at bank	4 279	7 479
Receivable - interest	14	21
Total administered assets	4 293	7 500
Administered liabilities:		
Funds held in trust	4 279	7 479
Accrued interest payable	14	21
Total administered liabilities	4 293	7 500
Movement in administered items during the year	(3 207)	(4 019)
Total administered assets held at 1 July	7 500	11 519
Total administered assets held 30 June	4 293	7 500

Cash deposits

The cash deposits are carried at cost in accordance with APF IV, APS 2.1. Cash at bank is comprised of funds held in a bank account at a commercial banking institution and in a SAFA Cash Management Fund. Commercial bank account deposits are on-call and carry an average variable interest rate of 4.57 percent (3.59 percent). Interest is accrued daily and distributed monthly. The SAFA Cash Management Fund is a pooled investment portfolio comprising cash and short-term money market securities of high credit quality and marketability. The SAFA Cash Management Funds are on-call and carry an average variable interest rate of 5 percent (3.86 percent). The portfolio return is calculated daily, being the total earnings on the portfolio's investments from the close of business on the previous day. Interest is accrued daily and distributed monthly.

Interest rate risk

Deposits at call earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

31. Contingent assets and liabilities

The Corporation is not aware of any contingent assets.

The Corporation is not aware of any contingent liabilities.

The Corporation has issued no guarantees.

32. Cash flow reconciliation

	2011	2010
Reconciliation of cash and cash equivalents:	$'000	$'000
Statement of Cash Flows	14 904	12 218
Statement of Financial Position	14 904	12 218
Reconciliation of profit (loss) to net cash provided by (used in) operating activities:		
Net profit (loss) for the year	434	(652)
Non-cash items:		
Depreciation and amortisation expense	4 995	2 980
Leased land income	(58)	(58)
Loss (Profit) on disposal of assets	(34)	183
Changes in assets/liabilities:		
Decrease (Increase) in receivables	523	617
Decrease (Increase) in inventories	(141)	48
Increase (Decrease) in payables	19	(85)
Increase (Decrease) in other liabilities	121	208
Increase (Decrease) in employee benefits	243	(94)
Net cash provided by (used in) operating activities	6 102	3 147

33. Events after balance date

There have been no after balance date events.

Adelaide Festival Centre Trust

Functional responsibility

Establishment

The Adelaide Festival Centre Trust (the Trust) is a body corporate established pursuant to the *Adelaide Festival Centre Trust Act 1971* (the AFCT Act). The Trust is under the general control and direction of the Minister for the Arts.

Regulations enacted under the PCA specify certain provisions of that Act apply to the Trust. These provisions relate mainly to governance and operational performance.

Functions

The Trust is responsible for encouraging and facilitating artistic, cultural and performing arts activities throughout the State and managing and maintaining the Adelaide Festival Centre and Her Majesty's Theatre. Further information on the Trust's objectives is provided in note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 24(3) of the AFCT Act, subsection 32(4) of the PCA and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of the Trust for each financial year.

Assessment of controls

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

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the audit

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

During 2010-11, areas of audit attention included:

- revenue, receipting and banking
- BASS, including coverage of the new ticketing system
- expenditure
- payroll
- financial accounting
- fixed assets
- follow-up of information technology matters.

Audit findings and comments

Auditor's report on the financial report

The following is an extract from the 2010-11 Independent Auditor's Report, which details the qualification to the Trust's financial statements.

> ***Basis for Qualified Opinion***
>
> *As at 30 June 2010 the Adelaide Festival Centre Trust recorded \$500 000 of operating grant funding received during the 2009-10 financial year as a liability (Income in advance). During the year ended 30 June 2011 this \$500 000 of operating grant funding received in the 2009-10 financial year was recognised as revenue.*
>
> *In my opinion, the funds represented contributions and met the recognition criteria of income in accordance with Accounting Standard AASB 1004 'Contributions' and the Department of Treasury and Finance Accounting Policy Framework V 'Income Framework'. The Adelaide Festival Centre Trust controlled these funds upon receipt and there were no documented and agreed enforceable stipulations to trigger repayment. Further, no event established a present obligation on the Adelaide Festival Centre Trust to repay the grant funding.*
>
> *As a result, the following have been misstated in the 2010-11 financial statements:*
>
> *For the year ended 30 June 2011 reported amounts:*
>
> - *Revenues from SA Government is overstated by \$500 000.*
> - *Net result is overstated by \$500 000.*
> - *Total Comprehensive Result is overstated by \$500 000.*
>
> *For the year ended 30 June 2010 reported comparative amounts:*
>
> - *Revenues from SA Government is understated by \$500 000.*
> - *Net result is understated by \$500 000.*
> - *Total Comprehensive Result is understated by \$500 000.*
> - *Other Current Liabilities are overstated by \$500 000.*
> - *Accumulated deficit is overstated by \$500 000.*
>
> ***Qualified Opinion***
>
> *In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraphs, the financial report gives a true and fair view of the financial position of the Adelaide Festival Centre Trust as at 30 June 2011, 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.*

Assessment of controls

In my opinion, the controls exercised by the Adelaide Festival Centre Trust in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to information technology and system matters as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Adelaide Festival Centre Trust 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 Officer. The responses to the management letters were generally considered to be satisfactory. The main matters raised with the Trust and the related responses are detailed below.

Internal controls

The audit identified some areas where the Trust could improve controls. These included controls for:

- establishing events in the new ticketing system
- evidencing the performance and checking of some reconciliations
- timeliness, regularity and evidencing of checking to ensure terminated employee network access is removed
- the integrity and validity of payroll EFT processing.

The Trust responded with action taken or planned to address all matters raised.

Information technology and system matters

In 2011, Audit undertook follow up reviews of a series of IT related matters associated with the Trust's computer processing environments and systems. This involved gaining an update on outstanding matters from external IT security consultant reviews initiated by the Trust and from matters raised by prior Audit reviews.

Audit also sought a current status as to the implementation of the new ticketing Sales and Customer Data Capture (ENTA) system and reviewed some important aspects of security controls.

The outcome of external IT security reviews and Audit's independent review activity of the Trust's computer processing environments and systems are outlined below.

ICT management and control

In recent years the Trust has initiated a series of IT security reviews of certain areas of the Trust's computer processing environment and systems.

While this reflected proactive security management from the Trust, there were a number of important matters identified in the reviews that had not been rectified in a timely manner. Audit considers priority attention needs to be given to implementing the recommended actions from these reviews.

In particular, following the ENTA system going live in October 2010, the need for rectification of the matters raised in the IT security reviews and by Audit's independent review activity has become more urgent. The main matters relate to a need for formalised user procedure documentation, restriction of user access arrangements, more stringent password and logging regimes and action to address potential segregation of duties conflicts.

Audit considers that remediation of these matters will address the gaps in the Trust's compliance with the Government's mandatory Information Security Management Framework.

The response from the Trust has indicated that some matters have since been remediated and action was in progress to address the outstanding matters raised. Remediation of some matters however is dependent on the rebuilding of the Trust's servers within a new system environment. This rebuild is expected to be completed by the end of September 2011.

The Trust also plans to initiate an independent post implementation review once all modules of the ENTA system are fully implemented. Audit considers this should be undertaken in a timely manner and provide input into the remediation activities for Information Security Management Framework compliance.

Merchant facilities – e-Commerce data security compliance

One particular follow up review by Audit related to the Trust's compliance to the global payment card industry (PCI) standards. Under the whole-of-government contract for merchant facilities the Trust must comply with PCI requirements. This is to help protect cardholder data.

In 2010 Audit conducted a high level PCI compliance assessment over selected agencies, which included the Trust. The review of the Trust highlighted a number of PCI related non-compliances, with the remediation of some matters dependent on a system replacement program.

In 2011 Audit performed a follow up review to assess the remediation status of the matters raised in the 2010 review. Although some non-compliant items had been remediated with the introduction of the new ENTA system not all specified non-compliant items listed in the 2010 PCI self-assessment questionnaire have been addressed. In addition, Audit was of the opinion that a SABAR (legacy parking system) PCI non-compliance risk was not adequately captured within the Trust's risk management matrix.

The PCI matters were conveyed to the Trust and the response indicated that these matters were continuing to being addressed.

Interpretation and analysis of the financial report

2010-11 Independent Auditor's Report

DPC pays an annual operating grant to the Trust. The 2009-10 grant included $500 000 for staging the Adelaide International Guitar Festival in November 2010. The Trust recorded the $500 000 funding for the guitar festival as a liability for the year ended 30 June 2010 and subsequently transferred the amount to revenue for the year ended 30 June 2011.

AFCT's basis for this accounting treatment was that if the guitar festival was cancelled due to some unforseen circumstance the Trust would be required to repay the funding, or apply to the Treasurer to retain the grant and apply funds to other Trust activities.

I am of the view that this funding is more appropriately reported as revenue in 2010 on the basis the Trust controls these funds upon receipt and there are no documented enforceable conditions which specify and trigger repayment if the guitar festival was cancelled. Therefore the Trust does not have a present obligation to repay the funds. An obligation would only arise if the Treasurer demanded repayment of the funds.

My view is based on AASB 1004 and APF V. Consequently I have qualified the financial statements in respect of this matter. Please refer to 'Auditor's report on the financial report' for details of the qualification.

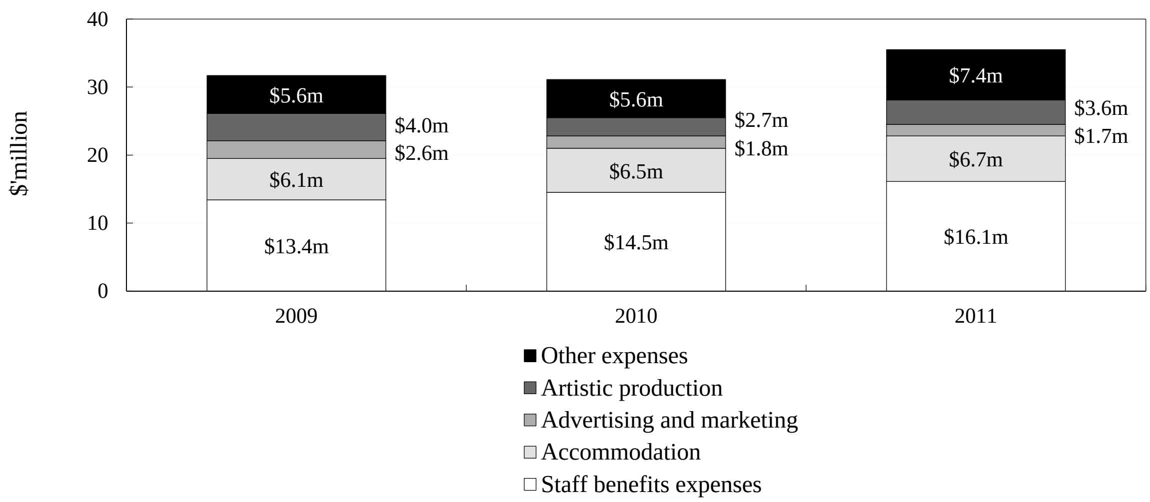
Highlights of the financial report	2011 $'million	2010 $'million
Expenses		
Staff benefits expenses	16	14
Other expenses	19	17
Total expenses	35	31
Income		
User charges and interest	21	18
Net cost of providing services	14	13
Revenues from SA Government		
Revenues from SA Government	15	14
Net result	1	1
Net cash provided by (used in) operating activities	1	1
Assets		
Current assets	8	8
Non-current assets	8	10
Total assets	16	18
Liabilities		
Current liabilities	6	7
Non-current liabilities	2	2
Total liabilities	8	9
Total equity	8	9

Statement of Comprehensive Income

The Trust is reliant on SA Government funding to support its operations. That is, the net cost of services is met through funding provided by the Government. The Trust's activities are largely dependent on the level of demand for theatre services and extent to which Trust produced activities are funded. Depending on the level and timing of these activities the nature and amount of revenues and expenditure will vary from year to year.

Expenses

An analysis of expenses for the Trust for the three years to 2011 is presented in the following chart.



Expenses increased by $4.4 million in 2011 to $35.5 million. The main changes in expenditure since 2009 were:

- staff benefits expenses increased by $1.1 million in 2010 and $1.6 million in 2011. This mainly reflects additional staff expenses associated with additional theatre services provided, bringing catering activities in-house and enterprise bargaining outcomes

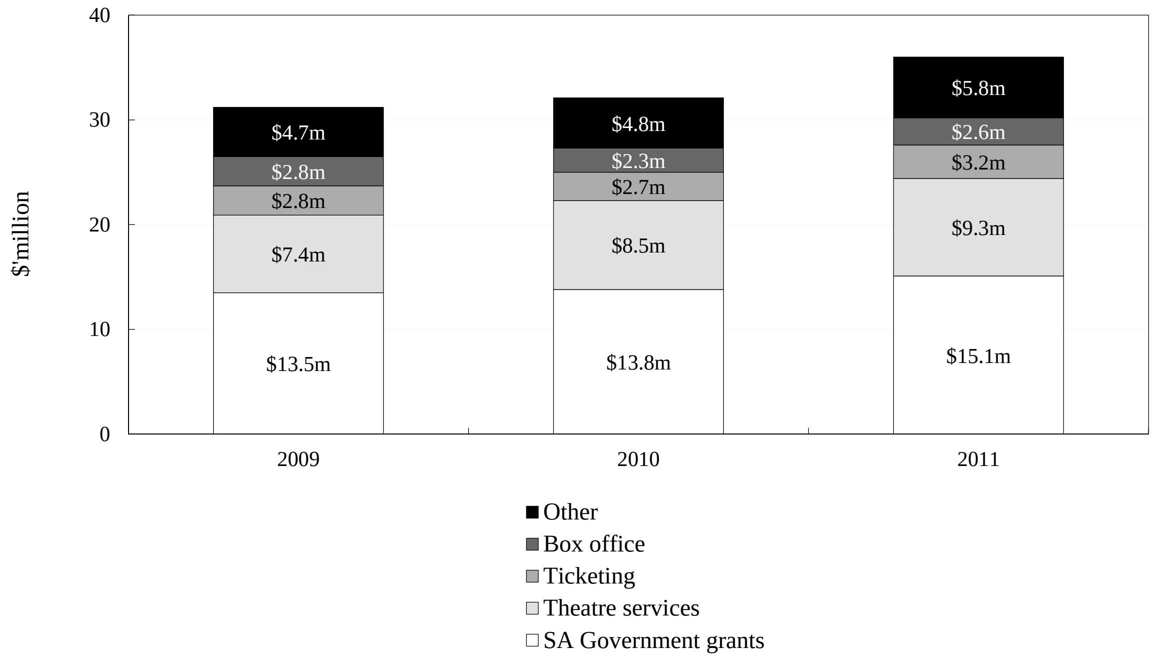
- artistic production decreased by $1.3 million in 2010 and increased by $899 000 in 2011 due mainly to changes in the level of Trust programmed performances. (Also refer to comments under 'Income' below)

- other expenses increased by $1.8 million in 2011 due mainly to bringing catering activities in house from December 2010 and additional expenses for minor equipment and repairs and maintenance.

A large fixed component of the Trust's expenditure is accommodation charges for the Adelaide Festival Centre and Her Majesty's Theatre, which are leased from the owners, DPC.

Income

An analysis of income for the Trust for the three years to 2011 is presented in the following chart.



The above chart reflects:

- the high reliance on SA Government funding which accounts for 42 percent of income. The Trust received $14.5 million ($14.3 million) in funding, however recorded $15.1 million ($13.8 million) as income. Refer to comments under '2010-11 Independent Auditor's Report' above

- increases of $1.1 million in 2010 and $772 000 in 2011 in theatre services revenue from theatre hires and recovery of associated labour and facilities costs

- that box office income decreased by $538 000 in 2010 and increased by $347 000 in 2011 due mainly to changes in the level of programmed performances. For example the Adelaide International Guitar Festival is a biennial event that occurred during the 2009 and 2011 financial years

- that other revenue increased by $1 million in 2011 due mainly to catering activities being brought in-house during December 2010.

The Trust's operational activities vary based on the level of external demand for theatre services and programmed activities.

Statement of Financial Position

Current assets and liabilities – solvency

As at 30 June 2011 current assets, $7.9 million ($8.3 million), exceeded current liabilities, $6.1 million ($7.2 million).

Non-current assets

The Trust's non-current assets comprise works of art $5.2 million ($7.1 million), plant and equipment $2.3 million ($2.4 million) and intangible assets $467 000 ($299 000). Works of art decreased by $1.9 million due to a revaluation downwards.

Liabilities

Payables of $3.9 million ($4.6 million) together with staff entitlements of $3.2 million ($3.1 million) represent 88 percent (85 percent) of total liabilities.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Net cash flows				
Operating	1.1	1.0	(3.3)	5.8
Investing	(0.6)	(0.7)	(0.2)	(2.6)
Financing	-	-	-	(0.2)
Change in cash	0.5	0.3	(3.5)	3.0
Cash at 30 June	6.6	6.1	5.8	9.3

Cash held at 30 June 2011 includes $1.8 million ($2.2 million) held for promoters.

Major factors affecting net cash flows from operations over the period from 2008 were:

- the level of demand for theatre services and extent of Trust produced activities which both impact the size of cash flows. For example operating cash outflows were $37.5 million in 2011, $32.9 million in 2010 and $35 million in 2009

- the timing of receipts from SA Government which resulted in $14.5 million received in 2008 compared to $9.9 million received in 2007. Further, $1.2 million of capital grants received in 2008 were paid back to the SA Government in 2009.

Receipts from SA Government amounted to $14.5 million ($14.3 million) and are included in operating activities. The Trust is highly dependent on the SA Government for funding both operating and investing activities.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Staff benefits expenses	7	16 070	14 480
Supplies and services	8	18 760	16 187
Depreciation and amortisation expense	9	589	449
Net cost from disposal and recognition of non-current assets	9	39	-
Total expenses		35 458	31 116
Income:			
Revenue from fees and charges	5	20 367	17 794
Interest revenue	6	529	289
Net revenue from recognition and disposal of non-current assets	9	-	204
Total income		20 896	18 287
Net cost of providing services	22	14 562	12 829
Revenues from SA Government:			
Revenues from SA Government	4	15 081	13 845
Net result		519	1 016
Other comprehensive income:			
Changes in asset revaluation surplus	19	(1 933)	41
Total comprehensive result		(1 414)	1 057

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	10	6 596	6 109
Receivables	11	925	1 732
Inventories	12	132	177
Other	13	232	311
Total current assets		7 885	8 329
Non-current assets:			
Property, plant and equipment	14	2 266	2 440
Works of art	14	5 177	7 092
Intangible assets	14	467	299
Total non-current assets		7 910	9 831
Total assets		15 795	18 160
Current liabilities:			
Payables	15	3 760	4 410
Staff benefits	16	1 476	1 467
Provisions	17	324	320
Other current liabilities	18	561	980
Total current liabilities		6 121	7 177
Non-current liabilities:			
Payables	15	153	163
Staff benefits	16	1 753	1 653
Provisions	17	96	81
Total non-current liabilities		2 002	1 897
Total liabilities		8 123	9 074
Net assets		7 672	9 086
Equity:			
Asset revaluation surplus	19	8 788	10 721
Accumulated deficits		(1 116)	(1 635)
Total equity		7 672	9 086

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	20		

Statement of Changes in Equity
for the year ended 30 June 2011

	Note	Asset revaluation surplus $'000	Accumulated deficits $'000	Total $'000
Balance at 30 June 2009		10 680	(2 651)	8 029
Net result for 2009-10		-	1 016	1 016
Revaluation of non-current assets		41	-	41
Total comprehensive result for 2009-10		41	1 016	1 057
Balance at 30 June 2010	19	10 721	(1 635)	9 086
Net result for 2010-11		-	519	519
Revaluation of non-current assets	19	(1 933)	-	(1 933)
Total comprehensive result for 2010-11		(1 933)	519	(1 414)
Balance at 30 June 2011	19	8 788	(1 116)	7 672

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

Statement of Cash Flows
for the year ended 30 June 2011

		2011	2010
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Staff benefit payments		(15 949)	(14 006)
Payments for supplies and services		(20 730)	(16 664)
Decrease in funds held on behalf of promoters		(396)	(1 993)
GST paid to the ATO		(392)	(205)
Cash used in operations		(37 467)	(32 868)
Cash inflows:			
Receipts from patrons and customers		23 110	18 875
Interest received		520	282
GST recovered from the ATO		417	320
Cash generated from operations		24 047	19 477
Cash flows from SA Government:			
Receipts from SA Government		14 548	14 345
Cash generated from SA Government		14 548	14 345
Net cash provided by (used in) operating activities	22	1 128	954
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment and works of art		(641)	(679)
Net cash provided by (used in) investing activities		(641)	(679)
Net increase (decrease) in cash and cash equivalents		487	275
Cash and cash equivalents at 1 July		6 109	5 834
Cash and cash equivalents at 30 June	10	6 596	6 109

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Adelaide Festival Centre Trust objectives

The objectives of the Adelaide Festival Centre Trust (the Trust) are to:

(a) encourage and facilitate artistic, cultural and performing arts activities throughout the State

(b) be responsible for the care, control, management, maintenance and improvement of the Adelaide Festival Centre and its facilities

(c) provide expert advisory, consultative, managerial or support services to persons associated with artistic, cultural or performing arts activities

(d) promote the involvement of young people and their families and extend activities into the school sector.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provision of the PFAA.

Except for the amendments to AASB 2009-12, which the Trust has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Trust for the reporting period ending 30 June 2011. These are outlined in note 3.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Trust's accounting policies. The 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 accounting policy statements 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 statement:
  - (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 (as reported in the Statement of Comprehensive Income)
  - (c) staff whose normal remuneration is $130 700 ($127 500) 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 staff (refer to note 3)
  - (d) board member and remuneration information, where a board member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Trust's Statement of Comprehensive Income, Statement of Financial Position, 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 Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented.

(c) Reporting entity

The Trust is established pursuant to the *Adelaide Festival Centre Act 1971*.

On 21 October 1999 the Adelaide Festival Centre Foundation (the Foundation) was incorporated under the *Associations Incorporation Act 1985* and is controlled by the Trust by virtue of clauses in the Foundation's constitution which require its board appointments to be approved by the Trust and also require the Foundation to act in accordance with directions from the Trust.

The financial statements and accompanying notes include the activities of the Trust and the Foundation. The effect of transactions between the Trust and the Foundation are eliminated in full. A summary of the Foundation's activities is given in note 23.

(d) Transactions performed on behalf of promoters

The Trust provides services on behalf of event promoters under exclusive agency arrangements. The Trust charges a fee for these services that is recognised as revenue. The Trust does not control the revenue (net of fees charged) generated from promoter events and as such only recognises the changes in cash held in trust on behalf of promoters (shown at note 10) and the requisite amount payable to those promoters (shown at note 15) together with the net change in cash held in the Statement of Cash Flows as at 30 June.

(e) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and APSs has required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

The restated comparative amounts do not replace the original financial statements for the proceeding period.

(f) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars ($’000).

(g) Taxation

The Trust is not subject to income tax. The Trust is liable for payroll tax, FBT, and GST.

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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

(h) Events after the end of the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

There were no events between 30 June and the date the financial statements are authorised for issue where the events may have a material impact on the results of subsequent years.

(i) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Trust will occur and can be reliably measured.

Income has been aggregated according to its nature and has 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 following are specific recognition criteria:

Fees and charges

Income from fees and charges is derived from the provision of goods and services to other SA Government agencies and to the public.

The Trust’s income from box office sales, marketing services and theatre hire is recognised when the performances occur. Amounts deferred are recognised in the financial statements as income received in advance.

Income from sponsorships is recognised in the periods or against the performances to which the sponsorships relate.

Income from theatre set construction is recognised as revenue progressively based on the stage of completion.

Revenues from SA Government

Grants are recognised as revenues when the Trust obtains control over the funding. Control over grants is normally obtained upon receipt.

Net gain (loss) on 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 surplus is transferred to retained earnings.

Gains on disposal of non-current assets are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at the time.

(j) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Trust will occur and can be reliably measured.

Expenses have been aggregated 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 following are specific recognition criteria:

Staff benefits expenses

Staff benefits expenses include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Trust to superannuation plans in respect of current services of current Trust staff. DTF centrally recognises its superannuation liability in the whole-of-government financial statements. Other superannuation plans receiving contributions carry their liability in respect of Trust staff in their financial statements.

Prepaid production expenses

Marketing and production expenses are recognised as an expense when the performances occur. Expenses incurred in advance of performances are deferred and shown in the financial statements as prepaid production expenses.

Depreciation and amortisation

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:

Class of asset	*Useful life (years)*
Plant and equipment	10-25
Intangibles	5

(k) 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 Trust has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(l) Assets

Assets 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.

Where an asset line item combines amounts expected to be settled within 12 months and more than 12 months, the Trust has separately disclosed the amounts expected to be recovered after more than 12 months.

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

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand. Cash is measured at nominal value.

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

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

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

Historic assets
Assets that form part of the performing arts collection are considered heritage in nature and are so unique they are not capable of reliable measurement. In accordance with APF III Part 8.3 these assets are not recognised in the financial statements due to the difficulties of measurement because of the size of the collection and the lack of a market for the items within it.

Inventories
Inventories are maintained for catering, theatre set construction, production and merchandising activities and are valued at the lower of cost or net realisable value.

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

Non-current assets

- *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 fair value in the Statement of Financial Position.

  All non-current tangible assets with a value equal to or in excess of $10 000 are capitalised.

- *Revaluation of non-current assets*
  All non-current tangible assets are valued at 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 Trust revalues its non-current assets. 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.

  Any revaluation increment of an asset class is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease in an asset class is recognised as an expense, 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 surplus 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 surplus relating to that asset is transferred to retained earnings.

- *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 respective asset revaluation surplus.

- *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 Trust 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.

(m) Liabilities

Liabilities 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.

Where a liability line item combines amounts expected to be settled within 12 months and more than 12 months, the Trust has separately disclosed the amounts expected to be settled after more than 12 months.

Payables

Payables include creditors, accrued expenses, GST payable 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 Trust.

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.

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

The Trust makes contributions to 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 reporting date relates to any contributions due but not yet paid to scheme managers.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

- *Operating leases*

  Operating lease payments are recognised as an expense in the Statement of Comprehensive Income 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.

Staff benefits

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

- *Wages, salaries, annual leave and sick leave*
  The liability for salary and wages 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 staff is estimated to be less than the annual entitlement for sick leave.

- *Long service leave*
  The liability for long service leave is recognised after staff have completed five years (5.5 years) of service. An actuarial assessment of long service leave undertaken by DTF 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.

  The Trust classifies a portion of long service leave as current, based on its history of settlements.

Provisions
Provisions are recognised when the Trust 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 Trust 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 Statement of Comprehensive Income 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 reporting 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.

(n) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, 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. New and revised accounting standards and policies

In accordance with the revised APF II, the Trust has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by eight (two).

Except for the amending AASB 2009-12, which the Trust has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Trust for the period ending 30 June 2011. The Trust has assessed the impact of the new and amended standards and interpretations and considers there will be no material impact on the accounting policies for the financial statements of the Trust.

4. Revenues from SA Government

	2011	2010
Grants received:	$'000	$'000
Operating base	15 051	13 523
Capital replacement	30	322
Total revenues from SA Government	15 081	13 845

The revenue derived from the Government is significant, and without it the Trust would not be able to continue its operations.

5. Revenues from fees and charges

	2011	2010
	$'000	$'000
Theatre services	9 312	8 540
Ticketing	3 176	2 701
Car park	900	906
Box office	2 595	2 248
Sponsorship	861	724
Catering and functions	1 760	642
Other	1 763	2 033
Total revenues from fees and charges	20 367	17 794

6. Interest revenue

	2011	2010
Interest from entities within the SA Government	529	289
Total interest revenue	529	289

7. Staff benefits expenses

	2011	2010
Salaries and wages	12 674	11 217
Long service leave	365	301
Annual leave	785	704
Employment on-costs - superannuation	1 191	1 072
Employment on-costs - other	719	898
Board fees	105	115
Other	231	173
Total staff benefits expenses	16 070	14 480

Remuneration of staff

The number of staff whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$127 500 - $130 699*	-	1
$130 700 - $140 699	2	-
$140 700 - $150 699	1	1
$150 700 - $160 699	-	1
$170 700 - $180 699	1	1
$180 700 - $190 699	1	-
$220 700 - $230 699	-	1
$230 700 - $240 699	1	-
$330 700 - $340 699	1	-
$360 700 - $370 699	-	1
Total	7	6

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2009-10.

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these staff for the year was $1.3 million ($1.2 million).

8. Supplies and services

	2011	2010
	$'000	$'000
Accommodation	6 650	6 454
Advertising and marketing	1 654	1 778
Artistic production	3 571	2 672
Communications and IT	1 112	954
Finance expenses	398	459
Professional expenses	732	707
Repairs and maintenance	1 729	892
Sponsorship	194	219
Supplies	1 889	1 439
Travel and entertainment	256	174
Other	575	439
Total supplies and services	18 760	16 187

8. Supplies and services (continued)

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

During the year operating lease payments totalled $4.3 million ($4.2 million).

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2011 Number	2011 $'000	2010 Number	2010 $'000
Below $10 000	2	7	3	8
$10 000 - $50 000	2	28	2	41
Above $50 000	1	170	2	228
Total paid/payable to the consultants engaged	5	205	7	277

Auditor's remuneration	2011 $'000	2010 $'000
Audit fees paid/payable to the Auditor-General's Department	87	85
Audit fees paid/payable to Edwards Marshall for the audit of the Foundation financial report	4	4
Total audit fees	91	89

9. Depreciation and amortisation expense

Depreciation:		
Plant and equipment	448	330
Amortisation:		
Intangibles	141	119
Total depreciation and amortisation expense	589	449

Net cost of disposal and recognition of non-current assets

Disposal of assets:		
Works of art	20	-
Intangibles	19	-
Plant and equipment	-	41
Net loss on disposal of assets	39	41
Recognition of assets:		
Value of assets not previously recognised	-	(245)
Total net cost of disposal and recognition of non-current assets	39	(204)

A stocktake and valuation of certain classes of the Trust's non-current assets was carried out at 30 June 2011.

Assets to the value of $nil ($245 000) not previously recognised and above $10 000 were added.

10. Cash and cash equivalents	2011 $'000	2010 $'000
Cash at bank and on hand	4 793	3 910
Cash held in trust for promoters	1 803	2 199
Total cash and cash equivalents	6 596	6 109

Interest rate risk

Cash on hand is non-interest bearing.

Cash at bank earns a floating interest rate, based on daily bank deposit rates.

The carrying amount of cash and cash equivalents represents fair value.

11. Receivables

Current:		
Receivables	928	1 864
Allowance for doubtful debts	(34)	(154)
Accrued interest	31	22
Total current receivables	925	1 732

11. Receivables (continued)

Movement of doubtful debts

The following table shows the movement of doubtful debts.

	2011 $'000	2010 $'000
Carrying amount at 1 July	154	9
Increase in allowances	56	169
Recovery of doubtful debts	-	(4)
Amounts written off	(176)	(20)
Carrying amount at 30 June	34	154

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 of $56 000 ($169 000) has been recognised in 'finance expenses' in 'supplies and services' (refer note 8) for specific debtors for which such evidence exists.

Unimpaired receivables overdue by less than 30 days is $115 000 ($98 000) and overdue by more than 30 days is $47 000 ($88 000).

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. Receivables 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.

12. Inventories

	2011 $'000	2010 $'000
Theatre set construction work in progress at cost	3	91
Materials at cost	129	86
Total inventories	132	177

Cost of inventories

The costs recognised as an expense for raw materials and consumables is $1.273 million ($812 000).

13. Other current assets

	2011 $'000	2010 $'000
Prepaid expenses	77	30
Prepaid production expenses	155	281
Total other current assets	232	311

14. Property, plant and equipment

	2011 $'000	2010 $'000
Plant and equipment:		
At independent valuation	2 015	2 090
Accumulated depreciation at 30 June	(571)	(281)
At cost (deemed fair value)	707	370
Accumulated depreciation at 30 June	(83)	(1)
	2 068	2 178
Capital work in progress (CWIP):		
Capital work in progress at cost	198	262
Total plant and equipment	2 266	2 440
Works of art:		
At independent valuation 2011	5 177	7 087
At cost (deemed fair value)	-	5
Total works of art	5 177	7 092
Intangible assets:		
At cost	652	605
Accumulated amortisation	(185)	(306)
Total intangible assets	467	299
Total property, plant and equipment	7 910	9 831

14. Property, plant and equipment (continued)

Works of art were valued by Theodore Bruce Auctions Pty Ltd as at 30 June 2011. A valuation of plant and equipment comprising of computers, furniture, catering and theatre set construction equipment was carried out at 30 June 2009 by Valcorp Australia Pty Ltd. A valuation of theatre-related plant and equipment was carried out at 30 June 2010 by Maloney Field Services (Australia) Pty Ltd. All assets are valued at the current market price with regard to the assets' highest and best use.

Reconciliation of non-current assets

The following table shows the movements of non-current assets during 2010-11.

	Plant and equipment $'000	Works of art $'000	Intangibles $'000	CWIP $'000	Total $'000
Carrying amount at 1 July	2 178	7 092	299	262	9 831
Additions	107	38	-	495	640
Transfers within classes	231	-	328	(559)	-
Disposals	-	(20)	(19)	-	(39)
Depreciation and amortisation	(448)	-	(141)	-	(589)
Revaluations	-	(1 933)	-	-	(1 933)
Carrying amount at 30 June	2 068	5 177	467	198	7 910

Intangible additions $278 000 ($42 000) were acquired.

The following table shows the movements of non-current assets during 2009-10.

	Plant and equipment $'000	Works of art $'000	Intangibles $'000	CWIP $'000	Total $'000
Carrying amount at 1 July	1 893	7 087	376	-	9 356
Additions	370	5	42	262	679
Disposals	(41)	-	-	-	(41)
Depreciation and amortisation	(330)	-	(119)	-	(449)
Assets not previously recognised	245	-	-	-	245
Revaluation	41	-	-	-	41
Carrying amount at 30 June	2 178	7 092	299	262	9 831

15. Payables

	2011 $'000	2010 $'000
Current:		
Creditors	1 361	861
Accrued expenses	314	1 086
Amounts payable to promoters	1 803	2 199
Staff on-costs	282	264
Total current payables	3 760	4 410
Non-current:		
Staff on-costs	153	163
Total payables	3 913	4 573

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of long service leave taken as leave has changed from the 2010 rate of 45 percent to 35 percent in 2011 and the average factor for the calculation of employer superannuation on-costs has changed from the 2010 rate of 10.5 percent to 10.3 percent in 2011. These rates are used in the employment on-cost calculation.

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 staff 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.

16. Staff benefits

	2011 $'000	2010 $'000
Current:		
Annual leave	994	895
Short-term long service leave	231	172
Accrued salaries and wages	251	400
Total current staff benefits	1 476	1 467

16. Staff benefits (continued)

	2011	2010
	$'000	$'000
Non-current:		
Long-term long service leave	1 753	1 653
Total staff benefits	3 229	3 120

The total current and non-current staff benefits liability (ie aggregate staff benefit plus related on-costs) is $3.6 million ($3.4 million).

Based on an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark of 5.5 years to the benchmark of five years in 2011.

The actuarial assessment performed by DTF left the salary inflation rate unchanged at 4 percent from the 2010 year.

17. Provisions

	2011	2010
Current:	$'000	$'000
Liability for outstanding claim	295	295
Provision for workers compensation	29	25
	324	320
Non-current:		
Provision for workers compensation	96	81
Total provisions	420	401

Provision for workers compensation

	2011	2010
Carrying amount at 1 July	106	87
Additional provisions recognised	19	22
Reductions arising from payments	-	(3)
Carrying amount at 30 June	125	106

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 Relations Division of DPC.

On 30 June 2010, a liability was recognised to reflect an outstanding claim by WorkCoverSA. The Trust was required to cease its registration as a levy paying employer with WorkCoverSA following enactment of the *Statutes Amendment (Public Sector Employment) Act 2006*. Subsequently, WorkCoverSA has sought to impose a supplementary levy, known as a 'balancing payment' of $295 000 on the Trust. At 30 June 2011, the Trust continues to appeal against this claim.

18. Other liabilities

	2011	2010
Current:	$'000	$'000
Theatre hire deposits	133	118
Catering and function hire deposits	43	-
Income in advance	381	862
Unclaimed monies	4	-
Total other liabilities	561	980

Income in advance

Income received for the programming, marketing and sponsorship of performances taking place after the balance date is deferred until the performances occur.

19. Equity

	2011	2010
Asset revaluation surplus:	$'000	$'000
Plant and equipment	4 015	4 015
Works of art	4 773	6 706
	8 788	10 721
Accumulated losses	(1 116)	(1 635)
Total equity	7 672	9 086

The asset revaluation surplus is used to record increments and decrements in the fair value of property, plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

As a result of the non-current asset revaluation at 30 June 2011, works of art previously revalued upwards were subjected to downward revaluation by $1.933 million.

20. Unrecognised contractual commitments

	2011	2010
Remuneration commitments	$'000	$'000
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	4 681	4 772
Later than one year and not longer than five years	2 711	3 022
Total remuneration commitments	7 392	7 794

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

Other commitments

	2011	2010
The Trust's other commitments are for non-cancellable maintenance agreements payable as follows:		
Within one year	367	464
Later than one year and not longer than five years	444	100
Total other commitments	811	564

There is a capital commitment of $73 000 for the 2011-12 financial year.

Operating lease commitments

	2011	2010
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	4 355	4 310
Later than one year and not longer than five years	17 783	17 132
Later than five years	61 824	62 715
Total operating lease commitments	83 962	84 157

The Trust's operating leases include accommodation and motor vehicle leases for fixed terms up to six years.

The Trust has a 20 year lease agreement to rent Her Majesty's Theatre and the Festival Centre. The rent payable is determined by a combination of annual rent increases and triennial market reviews commencing 30 October 2011. The lease expires on 30 June 2028 and the Trust has a right of renewal for 10 years.

21. Remuneration of trustees

Trustees of the Trust during the year were:

Mr Barry Fitzpatrick (Chairperson)	Ms Zannie Flanagan	Ms Carolyn Mitchell
Ms Susan Clearihan	Mr Peter Goers	Mr Bill Spurr
Ms Caroline Cordeaux	Mr Ian Kowalick	

The number of trustees whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$0 - $9 999	-	2
$10 000 - $19 999	7	6
$20 000 - $29 999	1	1
Total	8	9

Remuneration of members reflects all costs of trustee duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by Trustees was $115 000 ($115 000).

The trustees of the Trust, or their director related entities, have transactions with the Trust that occur within a normal staff, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonably expected the entity would have adopted if the transactions were undertaken with any other entity at arm's length in similar circumstances.

As a part of the duties of office, from time to time, trustees receive complimentary tickets to shows and events conducted by or through the Trust. These benefits serve to involve the trustees in the product and business that is being managed and/or involve the execution of office in liaison with external parties.

22. Cash flow reconciliation

	2011	2010
Reconciliation of cash and cash equivalents:	$'000	$'000
Statement of Financial Position	6 596	6 109
Statement of Cash Flows	6 596	6 109

22. Cash flow reconciliation (continued)

Reconciliation of net cash provided by operating activities to net cost of providing services	2011 $'000	2010 $'000
Net cash provided by (used in) operating activities	1 128	954
Revenues from SA Government	(15 081)	(13 845)
Non-cash items:		
Gain from disposal of non-current assets	-	204
Depreciation and amortisation expense of non-current assets	(589)	(449)
Loss on disposal of non-current assets	(39)	-
Movement in assets and liabilities:		
Increase (Decrease) in receivables	(808)	34
Increase (Decrease) in inventories	(45)	52
Increase (Decrease) in other assets	(79)	92
Decrease (Increase) in payables	660	938
Decrease (Increase) in other liabilities	419	(404)
Decrease (Increase) in provisions	(19)	(314)
Decrease (Increase) in staff benefits	(109)	(91)
Net cost of providing services	(14 562)	(12 829)

23. Controlled entity

The consolidated financial statements at 30 June 2011 include the following controlled entity:

Name of controlled entity	*Place of incorporation*
The Adelaide Festival Centre Foundation Incorporated	Australia

Significant items in the financial report of the Foundation are:	2011 $'000	2010 $'000
Revenue	155	215
Expenses	209	199
Surplus (Deficit)	(54)	16
Cash at bank	152	181

24. Government/Non-Government split

As required by APS 4.1, the following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items has been applied.

		SA Government	
	Note	2011 $'000	2010 $'000
Revenues from SA Government:	4		
Operating grant		15 051	13 523
Capital grant		30	322
Total revenue from SA Government		15 081	13 845
Revenue from fees and charges:	5		
Theatre services		1 933	2 405
Total revenue from fees and charges		1 933	2 405
Interest revenue:	6		
Interest from entities with the SA Government		529	289
Total interest revenue		529	289
Supplies and services:	8		
Accommodation		4 206	4 253
Total supplies and services		4 206	4 253
Payables:	15		
Current:			
Employment on-costs		153	130
Total payables		153	130

Adelaide Festival Corporation

Functional responsibility

Establishment

The Adelaide Festival Corporation (the Corporation) is a body corporate established pursuant to the *Adelaide Festival Corporation Act 1998* (AFC Act). The Corporation is an instrumentality of the Crown. The Board of the Corporation is responsible to the Minister for the Arts.

Functions

The main function of the Corporation is to conduct the Adelaide Festival of Arts. For details of the Corporation's functions refer note 1 to the financial statements.

The Adelaide Festival of Arts is a biennial event with 2011 being a non-festival year.

Audit mandate and coverage

Audit authority

Audit of the financial report

The Auditor-General audits the accounts of the Corporation pursuant to subsection 31(1)(b) of the PFAA and subsection 19(3) of the AFC Act.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Corporation 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 internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the audit

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

During 2010-11, specific areas of audit attention included:

- revenue, including cash receipting and debtors
- expenditure, including accounts payable and salaries and wages
- general ledger
- contracts
- budgetary control.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Adelaide Festival Corporation as at 30 June 2011, 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.

Assessment of controls

In my opinion, the controls exercised by the Adelaide Festival Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, are sufficient to provide reasonable assurance that the financial transactions of the Adelaide Festival Corporation have been conducted properly and in accordance with law.

Communication of audit matters

The review of the auditable areas (including financial report verification) indicated that the financial controls of the Corporation were satisfactory. No matters arose during the audit that required management letter communication to the Corporation.

Interpretation and analysis of the financial report

Given the biennial nature of the Adelaide Festival of Arts, the financial results for the event are recorded mainly over a cycle of two financial years. As 2011 is midway through the 2012 Festival cycle, an analysis and interpretation of the biennial results of the Corporation is not provided.

In reviewing the financial performance of the Corporation it should be noted that, although the predominant role of the Corporation is to conduct the Adelaide Festival of Arts, its functions also extend to the promotion and conduct of other festivals and events such as Writers' Week. The Statement of Comprehensive Income includes the expenses and income associated with these events as well as the Adelaide Festival of Arts.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Staff benefits expenses	3	1 148	2 438
Supplies and services:			
Administration and marketing expenses	4	790	2 522
Programmed events	5	131	8 439
Total supplies and services		921	10 961
Depreciation and amortisation expense		46	77
Total expenses		2 115	13 476
Income:			
Grants from non-SA Government	7	-	733
Box office		-	2 510
Interest revenues		86	123
Sponsorship - corporate		387	1 064
Sponsorship - government		50	675
Other income	8	88	1 553
Total income		611	6 658
Net cost of providing services		(1 504)	(6 818)
Revenues from SA Government	7	1 893	6 498
Net result		389	(320)
Total comprehensive result		389	(320)

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	9	1 428	893
Receivables	10	137	601
Total current assets		1 565	1 494
Non-current assets:			
Property, plant and equipment	11	56	95
Total non-current assets		56	95
Total assets		1 621	1 589
Current liabilities:			
Payables	12	140	429
Staff benefits	13	97	82
Provisions	14	65	90
Total current liabilities		302	601
Non-current liabilities:			
Payables	12	8	22
Staff benefits	13	92	136
Total non-current liabilities		100	158
Total liabilities		402	759
Net assets		1 219	830
Equity:			
Retained earnings		1 219	830
Total equity		1 219	830

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	18
Contingent assets and liabilities	19

Statement of Changes in Equity
for the year ended 30 June 2011

	Retained earnings $'000	Total equity $'000
Balance at 30 June 2009	1 150	1 150
Total comprehensive result for 2009-10	(320)	(320)
Balance at 30 June 2010	830	830
Total comprehensive result for the year 2010-11	389	389
Balance at 30 June 2011	1 219	1 219

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Staff benefit payments		(1 189)	(2 392)
Payments for supplies and services		(1 411)	(10 604)
GST paid to ATO		(71)	(84)
Cash used in operations		(2 671)	(13 080)
Cash inflows:			
Receipts from patrons, sponsors, donors and others		946	5 409
Receipts from Commonwealth		-	698
Interest received		82	123
GST recovered from ATO		292	91
Cash generated from operations		1 320	6 321
Cash flows from the SA Government:			
Receipts from SA Government		1 893	6 498
Net cash provided by (used in) operating activities	15	542	(261)
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(7)	(52)
Cash used in investing activities		(7)	(52)
Net cash provided by (used in) investing activities		(7)	(52)
Net increase (decrease) in cash and cash equivalents		535	(313)
Cash and cash equivalents at 1 July		893	1 206
Cash and cash equivalents at 30 June	9	1 428	893

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Functions of the Adelaide Festival Corporation

The functions of the Adelaide Festival Corporation (the Corporation), as prescribed under the *Adelaide Festival Corporation Act 1998*, are to:

(a) conduct in Adelaide and other parts of the State the multifaceted arts event that is known as the Adelaide Festival of Arts

(b) continue and further develop the Adelaide Festival of Arts as an event of international standing and excellence

(c) conduct or promote other events and activities

(d) provide advisory, consultative, managerial or support services within areas of the Corporation's expertise

(e) undertake other activities that promote the arts or public interest in the arts, or that otherwise involve an appropriate use of its resources

(f) carry out other functions assigned to the Corporation by or under the *Adelaide Festival Corporation Act 1998* or any other Act, or by the Minister.

2. Statement of significant accounting policies

2.1 Basis of accounting

The general purpose financial statements have been prepared in accordance with applicable AASs and TIs and APSs promulgated under the provisions of the PFAA. Except for the amendments to AASB 2009-12 which the Corporation has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the reporting period ending 30 June 2011. The Corporation has assessed the impact of the new and amended standards and there will be no impact on the accounting policies of the Corporation.

The financial statements have been prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

The financial statements are presented in Australian currency and all amounts have been rounded to the nearest thousand dollars ($'000).

2.2 Foreign exchange

Transactions in foreign currencies are translated at rates of exchange applicable at the date the foreign currency is acquired. Gains or losses arising from translation are taken directly to revenues or expenses.

2.3 Staff benefits

Pursuant to a proclamation, the *Statutes Amendment (Public Sector Employment) Act 2006*, (the PSE Act), came into operation on 1 April 2007. The PSE Act amended the employment provisions of the *Adelaide Festival Corporation Act 1998* to provide that the Chief Executive of DPC is to be the employing authority of all staff of the Corporation. Prior to the operation of the PSE Act, the Corporation had the power to appoint staff.

Consistent with the PSE Act, the Chief Executive of DPC has delegated all of his powers and functions relating to the employment of staff to the Corporation. The Treasurer, pursuant to the PSE Act, has also issued a direction to the Corporation to make payments with respect to any matter arising in connection with the employment of a person under the *Adelaide Festival Corporation Act 1998*.

Provision has been made in the financial statements for the Corporation's liability for staff entitlements arising from services rendered by staff to balance date. Related on-costs consequential to the employment of staff have been included in payables.

Salaries and wages

Salaries and wages have been recognised as the amount unpaid at the reporting date and have been calculated at nominal amounts based on current wage and salary rates.

Annual leave

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on current salary rates plus a provision for increase of 4 percent.

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

Long service leave
Provision has been made for staff entitlements to long service leave based on a benchmark of five years (5.5 years) service and represents the present value of the estimated future cash flows to be made for those entitlements. This provision has been calculated at nominal amounts based on current salary rates. There has been no change in the Corporation's liability for long service leave as a result of the change to this benchmark.

Superannuation
Contributions are made by the Corporation to a number of State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

2.4 Workers compensation
As a consequence of the operation of the PSE Act, the Corporation was no longer able to be registered as a non-exempt employer with WorkCover under subsection 59(1) of the WRCA. The Corporation deregistered from October 2007 and is recognised as an exempt (self insured) employer.

Prior to the change in employer status, the Corporation made contributions to WorkCover and no liability for payment to claimants was recorded in the accounts as this was the assumed responsibility of WorkCover. Since becoming an exempt (self insured) employer, the Corporation makes smaller contributions to WorkCover and is required to recognise in the accounts a liability for outstanding workers compensation claims if applicable.

For the period 1 July 2010 to 30 June 2011, the Corporation had not incurred any known workers compensation claims. Based on the Corporation's assessment, a provision for possible retrospective workers compensation liabilities has been included as at 30 June 2011 (note 14).

2.5 Income tax
The income of the Corporation is exempt from income tax.

2.6 Plant and equipment
Office furniture and equipment is valued at cost.

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation of office furniture and equipment is calculated using the straight-line method of allocation over a useful life of four years and is recognised from the date of acquisition.

2.7 Leasehold improvements
Leasehold improvements have been valued at cost and were amortised over the length of the lease (six years). These improvements have now been fully amortised.

2.8 Deferred rent incentive
The Corporation received a rent incentive on its new premises lease, to be taken as a rent free period within the first two years of the lease. The benefit of this was recorded as a reduction of rental expense over the lease term which has now expired. Accordingly the deferred rent incentive is now exhausted.

2.9 Revenue recognition
Operating and performing arts grants
In accordance with DTF APF V, all grants are recognised as revenue when received.

Sponsorship, sundry income and interest
All income of this nature is recognised as revenue as it accrues.

Some sponsorship is received as resources in kind which is valued at fair value.

Donations
All income of this nature is recognised as revenue when received.

2.10 *Economic dependency*

The normal business activity of the Corporation is dependent on the contribution of grants from the State at the appropriate levels. The State Government has advised that funding will be maintained and accordingly this financial report has been prepared on a going concern basis.

2.11 *Comparative figures*

Where applicable, comparative amounts have been adjusted to conform with changes in presentation and classification in the current financial year.

		Note	2011 $'000	2010 $'000
3.	**Staff expenses**			
	Salaries and wages		987	2 051
	Long service leave		13	28
	Annual leave		6	9
	Staff on-costs - superannuation		78	171
	Staff on-costs - other		8	108
	Board fees	21	56	71
			1 148	2 438
4.	**Administration and marketing expenses**			
	Marketing		90	1 291
	Property lease	18	165	132
	Development		11	439
	Insurance		3	91
	Communications		27	38
	Operating leases		4	17
	Artistic directorate		302	182
	Other expenses		188	332
			790	2 522
5.	**Programmed events**			
	Festival of Ideas*		-	179
	Writers' Week 2012		27	469
	Festival of Arts 2012		104	7 791
			131	8 439

* ***Transferred functions***

The Festival of Ideas Event was transferred to DPC in July 2010.

There were no net assets transferred by the Corporation as a result of the administrative restructure.

		2011	2010
6.	**Supplies and services**		
	Supplies and services provided by entities within the SA Government:		
	Insurance	3	6
	Audit	25	25
	Motor vehicle expense	-	3
	Other	11	-
	Programmed events	-	719
	Total supplies and services - SA Government entities	39	753
	Supplies and services provided by entities external to the SA Government:		
	Administration and marketing	751	2 491
	Programmed events	131	7 717
	Total supplies and services - non-SA Government entities	882	10 208
	Total supplies and services	921	10 961
7.	**Grants from government**		
	Grants from SA Government	1 893	6 498
	Commonwealth grants	-	698
	Grants from overseas governments	-	35
	Grants from non-SA Government	-	733

8. Other income

	2011	2010
	$'000	$'000
Sponsorship - contra	30	372
Sundry	5	735
Book and merchandise sales	-	329
Friends membership	9	61
Donations	44	56
	88	1 553

9. Reconciliation of cash

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

	2011	2010
Cash on hand	1	2
Cash at bank	137	279
SAFA deposit	1 290	612
	1 428	893

Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.

All deposited funds attract interest. Rates are determined by the bank and SAFA. The interest rate as at 30 June 2011 was 1.2 percent at Adelaide Bank; 0.9 percent at Bank SA and 4.65 percent at SAFA. Interest is paid monthly.

10. Receivables

	2011	2010
	$'000	$'000
Trade debtors	1	65
Prepayments and accrued revenue	97	315
Other receivables (GST)	39	221
	137	601

Standard credit terms are 30 days.

Receivables are recognised at their nominal amounts and are non-interest bearing. Amounts are recognised when services are provided. Collectability of debts is assessed at balance date with any bad debts being written off prior to balance date.

All amounts are attributed to non-SA Government entities and are expected to be recovered within 12 months from 30 June 2011.

11. Plant and equipment

		2011	2010
		$'000	$'000
(a)	Office equipment and furniture at cost	315	308
	Accumulated depreciation	(259)	(233)
	Written down value	56	75
(b)	Leasehold improvements	334	334
	Accumulated amortisation	(334)	(314)
	Written down value	-	20
	Total plant and equipment written down value	56	95
(c)	***Reconciliation of carrying amounts of plant and equipment***		
	Balance at 1 July	642	590
	Additions (plant and equipment)	7	52
	Balance at 30 June	649	642
	Accumulated depreciation/amortisation:		
	Balance at 1 July	547	470
	Amortisation expense (leasehold improvements)	20	61
	Depreciation expense (plant and equipment)	26	16
	Balance at 30 June	593	547
	Net book value	56	95

12. Payables	2011	2010
Current:	$'000	$'000
Trade creditors and accruals	81	375
Staff on-costs	14	12
Deferred rent incentive	-	13
Other payables (GST)	45	29
	140	429
Non-current:		
Staff on-costs	8	22
	8	22

Creditors are generally paid within 30 days.

Creditors are recognised at their nominal amounts and are non-interest bearing. Liabilities are recognised once the goods or services have been received. All current trade creditors are non-SA Government entities and are expected to be paid within 12 months from 30 June 2011.

13. Staff benefits		2011	2010
(a) Staff benefits	Note	$'000	$'000
Current:			
Accrued salaries and wages		15	7
Annual leave		62	65
Long service leave		20	10
		97	82
Non-current:			
Long service leave		92	136
		92	136
(b) Staff benefits and related on-cost liabilities			
Accrued salaries:			
On-costs included in payables - current	12	2	1
Provision for staff benefits - current	13(a)	15	7
		17	8
Annual leave:			
On-costs included in payables - current	12	10	10
Provision for staff benefits - current	13(a)	62	65
		72	75
Long service leave:			
On-costs included in payables - current and non-current	12	10	23
Provision for staff benefits - current and non-current	13(a)	112	146
		122	169
Aggregate staff benefits and related on-cost liabilities		211	252

14. Provisions		
Current:		
Provision for workers compensation	65	40
Provision for unsettled ATO FBT investigation	-	50
Total provisions	65	90

The provision of $50 000 for FBT relates to a widespread ATO investigation into the treatment of a specific exemption claimed in earlier years. The status of this has been reclassified as a contingent liability (note 19).

15. Reconciliation of net result to net cash provided by (used in) operating activities	2011	2010
	$'000	$'000
Net result	389	(320)
Items not involving cash:		
Depreciation/Amortisation	46	77
Deferred rent incentive	(13)	(40)
Changes in assets and liabilities:		
Decrease (Increase) in receivables	464	(57)
Increase (Decrease) in payables	(290)	(10)
Increase (Decrease) in provision for staff benefits	(29)	39
Increase (Decrease) in provisions	(25)	50
Net cash provided by (used in) operating activities	542	(261)

16. Remuneration to auditors

The amount due to and receivable by the Auditor-General's Department for auditing the accounts for the year was $25 000 ($25 000).

The auditors provided no other services.

17. Consultancies

During the year, the board engaged consultants to assist in its operation. The costs of these consultancies was $18 000 ($38 000).

The number of consultancies which fell within the following bands were:	2011 Number	2010 Number
Below $10 000	-	3
$10 000 - $50 000	1	1

18. Unrecognised contractual commitments

	2011	2010
Operating leases	$'000	$'000
Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
Not later than one year	181	44
Later than one year but not later than five years	659	-
	840	44

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

During the year the option for extending the current property lease was invoked. Consequently the lease was extended to 31 October 2015.

19. Contingent assets and liabilities

As at 30 June 2011 there was a contingent liability of $50 000 arising from an ATO FBT investigation. The Corporation does not expect this amount to eventuate.

20. Remuneration of staff

The number of staff whose total remuneration fell within the following bands:	2011 Number	2010 Number
$150 700 - $160 699	-	1
$180 700 - $190 699	-	1
$190 700 - $200 699	1	-

The aggregate remuneration for staff referred to in the above table who received remuneration equal to or greater than the base executive remuneration level during the year is $196 000 ($347 000).

Accounting policy changes

In accordance with the revised APF II, the Corporation has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed had reduced by one for 2011 and two for 2010.

21. Remuneration of board members

The board members are appointed by the Governor in accordance with the *Adelaide Festival Corporation Act 1998*.

As at 30 June 2011 two members of the board, who are government employees, received no sitting fees from the Corporation.

During the period, the following persons occupied the position of board members of the Corporation:

Ms Christabel Anthoney
Mrs Beverly Brown OAM (ceased November 2010)
Mr Joseph Cullen (ceased September 2010)
Ms Tammie Pribanic
Mr R Ryan AO
Ms Carol Treloar
Mr Graham Walters AM
Mr Stephen Yarwood (appointed April 2011)

21. Remuneration of board members (continued)

Remuneration of the board members fell between the following bands:	2011 Number	2010 Number
$nil - $9 999	5	3
$10 000 - $19 999	2	5
$20 000 - $29 999	1	-

The aggregate remuneration referred to in the above table for board members is $61 000 ($74 000).

The aggregate superannuation paid on behalf of the board members included in the above was $5000 ($3000).

As part of the duties of office, from time to time, board members receive complimentary tickets to shows or events conducted by the Corporation. These benefits serve to involve the board members in the product and business that is being managed and/or involve the execution of office in liaison with external parties.

Art Gallery Board

Functional responsibility

Establishment

The Art Gallery Board (the Board) is established pursuant to the *Art Gallery Act 1939*. The Board is responsible for the management of the Art Gallery of South Australia. For details of the Board's objectives refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1)(b) of the PFAA and subsection 26(2) of the *Art Gallery Act 1939* provide for the Auditor-General to audit the accounts of the Board 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 Board 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 internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the 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 report and internal controls.

During 2010-11, specific areas of audit attention included:

- expenditure, including accounts payable and payroll
- revenue, including receipting and banking and bequests and donations
- budgetary control and management reporting
- property, plant and equipment
- heritage collections.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Art Gallery Board as at 30 June 2011, 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.

Assessment of controls

In my opinion, the controls exercised by the Art Gallery Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters outlined under ‘Communication of audit matters’, are sufficient to provide reasonable assurance that the financial transactions of the Art Gallery Board have been conducted properly and in accordance with law.

Communication of audit matters

Issues arising during the course of the audit were detailed in a management letter to the Director of the Board. The response to the management letter was considered to be satisfactory.

Implementation of TIs 2 and 28

TI 2 and TI 28 instituted new and revised financial management requirements for agencies from 2008-09. TI 2 requires agencies to document key financial policies and procedures. TI 28 also requires agencies to develop and maintain a financial management compliance program of review of relevant policies and procedures, internal controls and financial reporting.

Previous Reports have conveyed that the Board was relating with DPC (which provides business support) to assist with the implementation of the TI requirements. There has been no progress on this matter in 2010-11. The Board has advised Audit that it is liaising with DPC with a view of implementing a financial management compliance program, developed by DPC, once amendments are made to optimise its relevance in an art museum environment.

Cash reconciliations

Audit raised the need for all daily cash reconciliations, whereby system generated information is agreed to actual cash collected, to be independently reviewed. The Board has advised that the audit recommendation will be implemented.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 $’million	2010 $’million
Expenses		
Staff benefits	4	4
Other expenses	9	8
Total expenses	13	12
Income		
State Government grants	8	8
Other income	11	9
Total income	19	17
Net result	6	5
Net cash provided by (used in) operating activities	4	4
Net cash provided by (used in) investing activities	(3)	(3)

	2011 $'million	2010 $'million
Assets		
Current assets	5	4
Non-current assets	619	656
Total assets	624	660
Liabilities		
Current liabilities	2	1
Non-current liabilities	1	1
Total liabilities	3	2
Total equity	621	658

Statement of Comprehensive Income

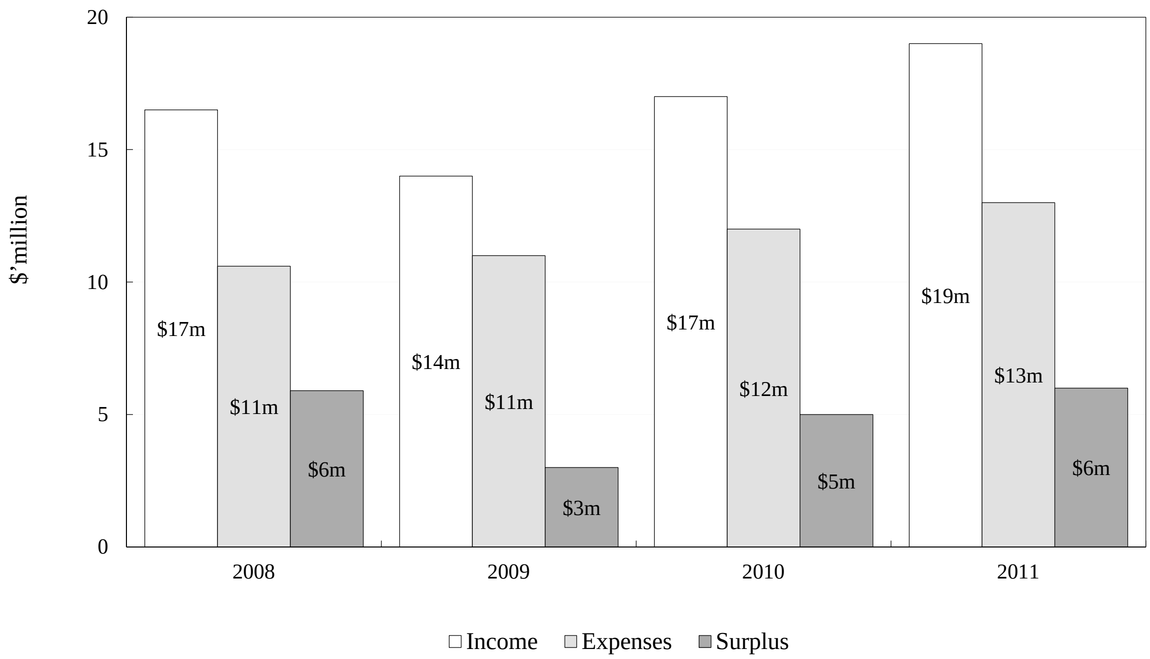
Income

Income for the year totalled $19 million ($16.6 million). The major items contributing to the increased income are increases in donations of heritage assets of $1.7 million and revenues from government of $616 000, offset by a reduction in bequests and donations of $1 million.

Net result

The net result for the year was a surplus of $5.8 million ($4.7 million).

The following chart shows the income, expenses and surpluses for the four years to 2011.



Statement of Financial Position

The total assets of the Board at 30 June 2011 were $624 million ($660 million), of which $581 million (93 percent) relates to the Board's heritage collections.

In 2010-11, the heritage collections were revalued and this resulted in the collections decreasing in value by $43.1 million.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 $'million	2010 $'million	2009 $'million	2008 $'million
Net cash flows				
Operating	4	4	2	3
Investing	(3)	(3)	(3)	(4)
Change in cash	1	1	(1)	(1)
Cash at 30 June	4	3	2	3

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Staff benefits	4	4 250	3 915
Supplies and services	6	5 511	4 449
Accommodation and facilities	7	2 246	2 375
Depreciation	8	1 247	1 129
Total expenses		13 254	11 868
Income:			
Sale of goods		965	862
Fees and charges	10	1 055	702
Bequests and donations		1 798	2 831
Donations of heritage assets		3 154	1 428
Grants	9	888	373
Sponsorships	11	1 031	1 028
Resources received free of charge	12	605	506
Interest and investment income	13	577	409
Rent and facilities hire		259	295
Net gain from the disposal of non-current assets	14	176	95
Other	15	51	168
Total income		10 559	8 697
Net cost of providing services		2 695	3 171
Revenues from SA Government:			
Recurrent operating grant		6 594	6 344
Capital grant		1 882	1 516
Total revenues from SA Government		8 476	7 860
Net result		5 781	4 689
Other comprehensive income:			
Change in heritage asset revaluation surplus	20	(43 096)	-
Total other comprehensive income		(43 096)	-
Total comprehensive result		(37 315)	4 689

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	17	3 622	3 477
Receivables	18	434	400
Inventories		804	808
Total current assets		4 860	4 685
Non-current assets:			
Property, plant and equipment	19	34 404	33 131
Heritage collections	20	581 242	619 315
Investments	21	3 348	3 355
Total non-current assets		618 994	655 801
Total assets		623 854	660 486
Current liabilities:			
Payables	22	1 658	913
Staff benefits	23	410	446
Provisions	24	53	48
Other	25	15	61
Total current liabilities		2 136	1 468
Non-current liabilities:			
Payables	22	48	56
Staff benefits	23	545	563
Provisions	24	177	155
Other	25	19	-
Total non-current liabilities		789	774
Total liabilities		2 925	2 242
Net assets		620 929	658 244
Equity:			
Retained earnings		414 821	409 040
Asset revaluation surplus		206 108	249 204
Total equity		620 929	658 244

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	26		
Contingent assets and liabilities	27		

Statement of Changes in Equity
for the year ended 30 June 2011

	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009	249 204	404 351	653 555
Net result for 2009-10	-	4 689	4 689
Total comprehensive result for the year 2009-10	-	4 689	4 689
Balance at 30 June 2010	249 204	409 040	658 244
Net result for 2010-11	-	5 781	5 781
Loss of revaluation of heritage collections	(43 096)	-	(43 096)
Total comprehensive result for the year 2010-11	(43 096)	5 781	(37 315)
Balance at 30 June 2011	206 108	414 821	620 929

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

Statement of Cash Flows
for the year ended 30 June 2011

		2011	2010
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Staff benefits		(4 362)	(3 582)
Supplies and services		(4 475)	(3 417)
Accommodation and facilities		(2 213)	(2 489)
Cash used in operations		(11 050)	(9 488)
Cash inflows:			
Sale of goods		1 091	840
Fees and charges		1 056	600
Bequests and donations		1 728	2 661
Grants		887	420
Sponsorships		498	449
Interest and investment income		533	438
Rent and facilities hire		310	273
Other receipts		100	184
Cash generated from operations		6 203	5 865
Cash flows from SA Government:			
Receipts from SA Government		8 476	7 860
Cash generated from SA Government		8 476	7 860
Net cash provided by (used in) operating activities	28	3 629	4 237
Cash flows from investing activities:			
Cash outflows:			
Purchase of heritage collections		(2 186)	(2 034)
Purchase of investments		(926)	(15)
Purchase of property, plant and equipment		(1 504)	(1 563)
Cash used in investing activities		(4 616)	(3 612)
Cash inflows:			
Proceeds from sales/maturities of investments		1 122	483
Proceeds from the sale of heritage collections		10	-
Cash generated from investing activities		1 132	483
Net cash provided by (used in) investing activities		(3 484)	(3 129)
Net increase (decrease) in cash and cash equivalents		145	1 108
Cash and cash equivalents at 1 July		3 477	2 369
Cash and cash equivalents at 30 June	28	3 622	3 477

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Art Gallery Board (the Board)

The Board is constituted pursuant to section 4 of the *Art Gallery Act 1939*. The Board is charged with the management of the Art Gallery of South Australia under the *Art Gallery Act 1939*.

The objectives of the Art Gallery of South Australia are to:

- collect heritage and contemporary works of art of aesthetic excellence and historical or regional significance
- ensure the preservation and conservation of the Gallery's collections
- display the collections and to program temporary exhibitions
- research and evaluate the collections and to make the collections and documentation accessible to others for the purposes of research and as a basis for teaching and communications
- document the collections within a central cataloguing system
- provide interpretative information about collection displays and temporary exhibitions and other public programs
- promote the Gallery's collections and temporary exhibitions
- ensure that the Gallery's operations, resources and commercial programs are managed efficiently, responsibly and profitably
- advise the SA Government on the allocation of South Australian resources to works of art, art collections, art museums and art associations.

2. Summary of significant accounting policies

2.1 Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provision of the PFAA.

Except for AASB 2009-12, which the Board has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2011. These are outlined in note 3.

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Board'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 the financial statements:

  (a) incomes, 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) staff TVSP information

  (d) staff whose normal remuneration is equal to or greater than the base executive remuneration level (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 staff

  (e) 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.

2.2 Basis of preparation (continued)

The Board's Statement of Comprehensive Income, Statement of Financial Position 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 Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle and are presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented for the year ended 30 June 2010.

2.3 Sources of funds

The Board's principal source of funds consists of grants from the State Government. In addition, the Board also receives monies from sales, admissions, donations, bequests, sponsorships, interest and investment income and other receipts, and uses the monies for the achievement of its objectives.

2.4 Income and expenses

Income and expenses are recognised in the Board's Statement of Comprehensive Income when and only when it is probable that the flow of economic benefits to or from the entity 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 from the sale of goods is recognised at the point of sale. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Income from the rendering of a service is recognised when the Board obtains control over the income. Government grants are recognised as income in the period in which the Board obtains control over the grants.

Resources received free of charge

Resources received free of charge are recorded as income and expenditure in the Statement of Comprehensive Income at their fair value.

Under an arrangement with Arts SA and Artlab Australia, both divisions of DPC, Artlab Australia receives SA Government appropriation to perform conservation services on the heritage collections of the Art Gallery. The value of the work performed is recognised as resources received free of charge in income (note 12) and a corresponding amount included as conservation work expenditure in supplies and services (note 6).

Under an arrangement with the Services Division of DPC, financial services and human resources are provided free of charge to the Board. The value of these services is recognised as resources received free of charge in income (note 12) and a corresponding amount included as a business services charge in supplies and services (note 6).

2.5 Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The Board has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.6 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand, and short-term deposits held with BankSA. For the purposes of the Statement of Cash Flows, cash and cash equivalents are defined above.

Cash is measured at nominal value.

2.7 Receivables

Receivables include amounts receivable from trade, prepayments and other accruals.

Trade receivables arise in the normal course of selling goods and services to the public and other government agencies. 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.

2.7 Receivables (continued)

The ability to collect trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Board will not be able to collect the debt.

2.8 Inventories

Inventories are measured at the lower of cost or their net realisable value. Cost of inventory is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sale proceeds less costs incurred in marketing, selling and distribution to customers. Inventories include books and publications held for sale.

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.

2.9 Investments

Investments are brought to account at cost in accordance with APF IV, APS 2.1.

2.10 Non-current asset acquisition and recognition

The cost method of accounting is used for the initial recording of all acquisitions of assets. Cost is determined as the fair value of the assets given the consideration plus costs incidental to the acquisition. Assets donated during the year have been brought to account at fair value.

All non-current assets with a value of $10 000 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.

2.11 Valuation 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.

Land and buildings and heritage collections are revalued every five years. However, if at any time management considers 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 surplus, except to the extent that it reverses a revaluation decrement of the same asset class previously recognised as an expense in the Statement of Comprehensive Income, in which case the increase is recognised as income in the Statement of Comprehensive Income.

Any revaluation decrement is recognised as an expense in the Statement of Comprehensive Income, 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 surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

Upon revaluation, the accumulated depreciation has been restated proportionately with the change in gross carrying amount of the asset so that the carrying amount, after revaluation, equals its revalued amount.

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

Land and buildings

An independent valuation of the land and buildings was conducted as at 30 June 2008 by the Australian Valuation Office. The valuation at 30 June 2008 was prepared on a fair value basis.

Plant and equipment

Plant and equipment including computer equipment, on acquisition, has been deemed to be held at fair value.

Heritage collections
Heritage collections were revalued as at 30 June 2011. The heritage collections are large and diverse. They include many items for which valuations are complex, given considerations of market value and their uniqueness.

The Board adopted the following methodology for valuing heritage assets held as at 30 June 2011:

Works of art were valued by the appropriate internal curator and external valuers with:

(i) all collection items with a value greater than $350 000 valued individually

(ii) the remaining collection items valued by establishing an average value through the random sampling of 2 percent of each collection area.

The policy of the Board, in the event of variations between the values of the internal curator and the external valuer, is to adopt the average value.

The external valuations were carried out by the following recognised industry experts:

Collection	*Industry expert*
Australian paintings and sculptures	Mr J Jones
Australian, European and international decorative arts	Mr K Rayment
Asian art	Mr D Button
European art:	
European collection pre-1850	Mr P Matthiesen
British collection and European collection post-1850	Mr P Nahum
Australian prints and drawings	Ms S Thomas
European prints and drawings	Ms A Kirker
Australian and international photographs	Mr J Lebovic
Noye collection of photographic material	Mr M Treloar
Numismatics	Mr G Morton
Krichauf and Murray stamp collection	Mr B Parker

The research library collections were valued by sampling 1 percent of the collections and providing a market valuation of the entire stock based on the sample. The values were determined by searching catalogues in second-hand and antiquarian bookshops. Where a value was not available, an estimate was provided by the Librarian, Ms Jin Whittington.

The archival collections, consisting of ephemera such as material on individual artists and galleries, were given a nil valuation as there is no reliable market value for this collection.

2.12 Impairment of assets
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 surplus.

2.13 Depreciation of non-current assets
Depreciation is calculated on a straight-line basis to write-off the net cost or revalued amount of each non-current asset over its expected useful life except for land and heritage collections, which are not depreciable. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The estimated useful life of the following classes of assets are as follows:

Class of asset	*Useful life (years)*
Property, plant and equipment:	
Buildings and improvements	20-100
Plant and equipment	3-20

2.13 Depreciation of non-current assets (continued)

Heritage collections are kept under special conditions so that there is no physical deterioration and they are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised, as their service potential has not, in any material sense, been consumed during the reporting period.

2.14 Payables

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

Creditors and accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period. All amounts are measured at their nominal amount and are normally settled within 30 days after the Board receives an invoice.

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

2.15 Staff benefits

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

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 staff is estimated to be less than the annual entitlement of sick leave.

Salaries, wages and annual leave

Liabilities for salaries, wages and annual leave have been recognised as the amount unpaid at the reporting date at current remuneration rates. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

Long service leave

A liability for long service leave is recognised after a staff member has completed five years of service. An actuarial assessment of long service leave, undertaken by DTF 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 Board’s experience of staff retention and leave taken.

On-costs

Staff benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

Superannuation

Contributions are made by the Board to several superannuation schemes operated by the State Government and private sector. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. DTF centrally recognises the superannuation liability, for the schemes operated by the State Government, in the whole-of-government financial statements.

2.16 Workers compensation provision

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 Relations Division of DPC.

2.17 Leases

The Board has entered into a number of operating lease agreements for vehicles and photocopiers where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Comprehensive Income in the periods in which they are incurred.

2.18 Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable to do so.

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

2.19 Taxation

The Board is not subject to income tax. The Board is liable for payroll tax, FBT, GST and Emergency Services levy.

Income, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred by the Board as a purchaser 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 an item of expense.

The net GST receivable/payable to the ATO is not recognised as a receivable/payable in the Statement of Financial Position as the Board is a member of an approved GST group of which Arts SA, a division of DPC, is responsible for the remittance and collection of GST. As such, there are no cash flows relating to GST transactions with the ATO in the Statement of Cash Flows.

2.20 State Government funding

The financial statements are presented under the assumption of ongoing financial support being provided to the Board by the State Government.

2.21 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($’000).

2.22 Insurance

The Board has arranged, through SAICORP, a division of SAFA, to insure all major risks of the Board. The excess payable is fixed under this arrangement.

2.23 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 Statement of Financial Position, 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. New and revised accounting standards

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Board has disclosed all staff whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Board to disclose all staff whose normal remuneration was equal to or greater than $100 000. This change is reflected in note 5.

Details of the impact, where significant, on the Board’s financial statements from new and amended AASs that are applicable for the first time in 2010-11 are detailed below.

Except for AASB 2009-12, which the Board has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Board for the period ending 30 June 2011. The Board 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 statements of the Board.

4. Staff benefits

	2011	2010
	$’000	$’000
Salaries and wages	3 362	3 033
Annual leave	74	42
Payroll tax	194	180
Long service leave	47	167
Superannuation	347	335
Board fees	93	83
Other staff related expenses	133	75
Total staff benefits	4 250	3 915

Remuneration of staff	2011	2010
The number of staff whose remuneration received or receivable falls within the following bands:	Number	Number
$160 700 - $170 699	-	1
$200 700 - $210 699	1	-
Total	1	1

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these staff for the year was $203 000 ($166 000).

Accounting policy change

In accordance with the revised APF II, the Board has changed its accounting policy and now discloses all staff who receive remuneration equal to or greater than the base executive remuneration level rather than all staff who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of staff disclosed has reduced by two for 2011 and two for 2010.

TVSPs

There were no TVSPs paid in 2010-11 or 2009-10.

5. Remuneration of board members

Members that were entitled to receive remuneration for membership during the 2010-11 financial year were:

Mr M Abbott, QC (Chairman)
Mr A W Gwinnett (Deputy Chairman)
Ms A Edwards
Ms F Gerard
Ms S Sdraulig
Ms T Whiting
Mr R Whitington, QC
Ms Z Winser

The number of board members whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$0 - $9 999	1	6
$10 000 - $19 999	6	5
$20 000 - $29 999	1	-
Total	8	11

Remuneration of board members reflects all costs of performing board member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received by the board members for the year was $101 000 ($91 000).

Amounts paid to superannuation plans for board members were $8000 ($7000).

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

6. Supplies and services

	2011	2010
	$’000	$’000
Administration expenses	831	518
Business services charge	182	161
Catering	120	70
Conservation work	557	417
Consultants’ fees	10	86
Contractors’ fees	20	32
Cost of goods sold	424	366
EDS charges	9	69
Entertainment	110	54
Fees - exhibitions and publications	504	268
Information technology	92	58
Insurance and risk management	509	491
Inventory written off	29	16
Maintenance	107	100
Marketing and promotion	1 163	1 113
Materials	78	58
Minor equipment purchases and leasing	194	178

6. Supplies and services (continued)

	2011 $'000	2010 $'000
Motor vehicle expenses	31	32
Preservation activities	168	75
Projects	16	31
Tours	2	22
Travel and accommodation	244	106
Valuation expenses	36	19
Other	75	109
Total supplies and services	5 511	4 449
Supplies and services provided by entities within the SA Government:		
Administration expenses	63	61
Business services charge	182	161
Conservation work	482	383
Cost of goods sold	20	-
EDS charges	3	64
Entertainment	-	11
Fees - exhibitions and publications	1	33
Information technology	15	22
Insurance and risk management	509	488
Maintenance	126	85
Marketing and promotion	81	18
Materials	4	-
Minor equipment purchases and leasing	6	-
Motor vehicle expenses	26	28
Preservation activities	1	1
Projects	1	-
Tours	1	-
Other	30	34
Total supplies and services - SA Government entities	1 551	1 389

Payments to consultants

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2011 Number	2011 $'000	2010 Number	2010 $'000
Below $10 000	1	9	-	-
Between $10 000 and $50 000	-	-	2	86
Total paid/payable to the consultants engaged	1	9	2	86

7. Accommodation and facilities

	2011 $'000	2010 $'000
Accommodation	617	652
Facilities	590	676
Security	1 039	1 047
Total accommodation and facilities	2 246	2 375
Accommodation and facilities provided by entities within the SA Government:		
Accommodation	59	59
Facilities	402	473
Security	8	9
Total accommodation and facilities - SA Government entities	469	541

8. Depreciation

	2011 $'000	2010 $'000
Buildings and improvements	1 193	1 161
Plant and equipment	54	(32)
Total depreciation	1 247	1 129

9. Grants

	2011 $'000	2010 $'000
Commonwealth Government - recurrent	215	95
State Government - recurrent	185	15
Other external grants - recurrent	488	263
Total grants	888	373

		2011	2010
9.	**Grants (continued)**		
	Grants received/receivable from entities within the SA Government:	$'000	$'000
	State government - recurrent	185	15
	Total grants - SA Government entities	185	15
10.	**Fees and charges**		
	Fees for services	372	306
	Admissions to temporary exhibitions	683	396
	Total fees and charges	1 055	702
11.	**Sponsorships**		
	Cash sponsorships	504	443
	In-kind sponsorships	527	585
	Total sponsorships - non-SA Government entities	1 031	1 028
	Sponsorships received/receivable from entities within the SA Government:		
	Cash sponsorships	220	-
	Total sponsorships - SA Government entities	220	-
12.	**Resources received free of charge**		
	Resources received/receivable from entities within the SA Government:		
	Conservation services	423	345
	Business services	182	161
	Total resources received free of charge	605	506
13.	**Interest and investment income**		
	Interest from entities within the SA Government	53	34
	Interest and investment income from entities external to the SA Government	524	375
	Total interest and investment income	577	409
14.	**Net gain (loss) from the disposal of non-current assets**		
	Plant and equipment:		
	Proceeds from disposal	-	-
	Net book value of assets disposed of	(13)	-
	Net gain (loss) from disposal of plant and equipment	(13)	-
	Investments:		
	Proceeds from the sale of investments	1 122	483
	Net book value of investments	(933)	(388)
	Net gain (loss) from sale of investments	189	95
	Total assets:		
	Total proceeds from disposal	1 122	483
	Total net book value of assets	(946)	(388)
	Total net gain (loss) from the disposal of non-current assets	176	95
15.	**Other income**		
	Fundraising	28	30
	Other receipts	23	138
	Total other income - non-SA Government entities	51	168
16.	**Auditor's remuneration**		
	Audit fees paid/payable to the Auditor-General's Department	28	27
	Total audit fees – SA Government entities	28	27

Other services

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

		2011	2010
17.	**Cash and cash equivalents**		
	Deposits with the Treasurer	2 063	1 718
	Deposits with BankSA	1 550	1 750
	Cash on hand	9	9
	Total cash and cash equivalents	3 622	3 477

Deposits with Treasurer
Deposits with the Treasurer are funds held in the Art Gallery Board Bequests Account, an account held with the Treasurer of South Australia pursuant to section 21 of the PFAA.

Deposits with BankSA
Deposits with BankSA are funds held in term deposit and billflex facilities.

Cash on hand
Cash on hand includes petty cash, floats, change machines and an advance account.

Interest rate risk
Cash and cash equivalents are recorded at nominal value. Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are held in the section 21 interest bearing account titled 'Art Gallery Board Bequests Account' and the BankSA accounts.

In 2010-11 deposits with the Treasurer were bearing a floating interest rate between 4.35 percent and 4.6 percent (2.85 percent and 4.07 percent). The interest rate for funds held with BankSA as at 30 June 2011 is 5.75 percent and 6.1 percent for the term deposits (6.8 percent) and 5.75 percent for the billflex facilities (5.5 percent).

18. Receivables

	2011	2010
Current:	$'000	$'000
Prepayments	16	-
Receivables	265	278
Accrued income	153	122
Total receivables	434	400

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. Receivables and accrued income are non-interest bearing.

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 note 29.
(b) Categorisation of financial instruments and risk exposure - refer note 29.

19. Property, plant and equipment

	2011	2010
Land, buildings and improvements:	$'000	$'000
Land at valuation	4 850	4 850
Buildings and improvements at valuation	52 044	49 717
Accumulated depreciation at 30 June	(23 193)	(22 000)
Total land, buildings and improvements	33 701	32 567
Work in progress:		
Work in progress at cost	314	287
Total work in progress	314	287
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	837	673
Accumulated depreciation at 30 June	(448)	(396)
Total plant and equipment	389	277
Total property, plant and equipment	34 404	33 131

Valuation of non-current assets
The valuation of land, buildings and improvements was performed by the Australian Valuation Office as at 30 June 2008.

Impairment
There were no indications of impairment of property, plant and equipment as at 30 June 2011.

Movement reconciliation of property, plant and equipment

2011	Land $'000	Buildings & imprvmnts $'000	Work in progress $'000	Plant & equipment $'000	Total $'000
Carrying amount at 1 July	4 850	27 717	287	277	33 131
Additions	-	-	2 354	179	2 533
Depreciation expense	-	(1 193)	-	(54)	(1 247)
Disposals	-	-	-	(13)	(13)
Transfers out	-	-	-	-	-
Transfers to (from) capital work in progress	-	2 327	(2 327)	-	-
Carrying amount at 30 June	4 850	28 851	314	389	34 404

2010	Land $'000	Buildings & imprvmnts $'000	Work in progress $'000	Plant & equipment $'000	Total $'000
Carrying amount at 1 July	4 850	27 353	335	187	32 725
Additions	-	47	1 429	87	1 563
Depreciation expense	-	(1 160)	-	(18)	(1 178)
Depreciation adjustment relating to 2008-09	-	-	-	49	49
Transfers out	-	-	-	(28)	(28)
Transfers to (from) capital work in progress	-	1 477	(1 477)	-	-
Carrying amount at 30 June	4 850	27 717	287	277	33 131

20. Heritage collections

	2011			2010		
	At valuation $'000	At cost $'000	Total $'000	At valuation $'000	At cost $'000	Total $'000
Australian paintings and sculptures	240 103	-	240 103	178 175	8 021	186 196
Australian and European decorative arts	28 363	-	28 363	41 894	3 393	45 287
Asian art	44 301	-	44 301	14 730	5 880	20 610
European paintings and sculptures	223 714	-	223 714	300 000	4 025	304 025
Prints, drawings and photographs	35 814	-	35 814	53 500	1 703	55 203
Numismatics	6 753	-	6 753	5 872	-	5 872
Philatelic material	450	-	450	435	-	435
Library	1 744	-	1 744	1 584	103	1 687
Total heritage collections	581 242	-	581 242	596 190	23 125	619 315

Reconciliation of carrying amounts of heritage collections

2011	Balance 01.07.10 valuation $'000	Additions $'000	Disposals $'000	Revaluation increment (decrement) $'000	Balance 30.06.11 Total $'000
Australian paintings and sculptures	186 196	2 762	-	51 145	240 103
Australian and European decorative arts	45 287	303	-	(17 227)	28 363
Asian art	20 610	926	-	22 765	44 301
European paintings and sculptures	304 025	460	-	(80 771)	223 714
Prints, drawings and photographs	55 203	562	(7)	(19 944)	35 814
Numismatics	5 872	-	(3)	884	6 753
Philatelic material	435	-	-	15	450
Library	1 687	20	-	37	1 744
Total heritage collections	619 315	5 033	(10)	(43 096)	581 242

2010	Balance 01.07.09 valuation $'000	Additions $'000	Balance 30.06.10 Total $'000
Australian paintings and sculptures	184 771	1 425	186 196
Australian and European decorative arts	45 014	273	45 287
Asian art	19 763	847	20 610
European paintings and sculptures	303 372	653	304 025
Prints, drawings and photographs	54 744	459	55 203
Numismatics	5 872	-	5 872
Philatelic material	435	-	435
Library	1 666	21	1 687
Total heritage collections	615 637	3 678	619 315

21. Investments

	2011	2010
Non-current:	$'000	$'000
Shares and other direct investments in companies	3 348	3 355
Total non-current investments	3 348	3 355
Total investments	3 348	3 355

The market value of investments as at 30 June 2011 is $3.3 million ($3.6 million).

22. Payables

Current:		
Creditors and accruals	1 602	848
Staff on-costs	56	65
Total current payables	1 658	913
Non-current:		
Staff on-costs	48	56
Total non-current payables	48	56
Total payables	1 706	969
Payables to SA Government entities:		
Creditors and accruals	1 013	183
Staff on-costs	104	121
Total payables - SA Government entities	1 117	304

An actuarial assessment performed by DTF determined that the percentage of the proportion of long service leave, taken as leave has changed from the 2010 rate of 45 percent to 35 percent, and the average factor for the calculation of employer superannuation on-cost has changed from the 2010 rate of 10.5 percent to 10.3 percent. These rates are used in the employment on-cost calculation.

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Staff on-costs are settled when the respective staff 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.

(a) Maturity analysis of payables - refer note 29.
(b) Categorisation of financial instruments and risk exposure information - refer note 29.

23. Staff benefits

	2011	2010
Current:	$'000	$'000
Annual leave	290	242
Long service leave	120	119
Accrued salaries and wages	-	85
Total current staff benefits	410	446
Non-current:		
Long service leave	545	563
Total non-current staff benefits	545	563
Total staff benefits	955	1 009

The total current and non-current employee expenses (ie aggregate employee benefit plus related on-costs) for 2010-11 are $466 000 ($511 000) and $593 000 ($619 000) respectively.

As a result of an actuarial assessment undertaken by DTF, the benchmark for the measurement of the long service leave liability has changed from the 2010 benchmark of 5.5 years to five years.

The salary inflation rate remains constant at 4 percent.

24. Provisions

	2011	2010
Current:	$'000	$'000
Provision for workers compensation	53	48
Total current provisions	53	48

24. Provisions (continued)

	2011	2010
Non-current:	$'000	$'000
Provision for workers compensation	177	155
Total non-current provisions	177	155
Total provisions	230	203
Carrying amount at 1 July	203	178
Increase (Decrease) in provision recognised	27	25
Carrying amount at 30 June	230	203

25. Other liabilities

Current:		
Artworks purchased by instalments	-	61
Deferred assets	15	-
Total current other liabilities	15	61
Non-current:		
Deferred assets	19	-
Total current other liabilities	19	-
Total other liabilities	34	61

26. Unrecognised contractual commitments

Operating lease commitments

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements, are payable as follows:		
Within one year	24	19
Later than one year but not later than five years	15	13
Total operating lease commitments	39	32

The operating lease commitments comprise:

- non-cancellable motor vehicle leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms
- a non-cancellable photocopier lease, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreement and no option exists to renew the lease at the end of its term.

Capital commitments	2011	2010
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements, are payable as follows:	$'000	$'000
Within one year	676	2 825
Later than one year but not later than five years	-	1 457
Total capital commitments	676	4 282

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	210	187
Later than one year but not later than five years	678	800
Later than five years	-	13
Total remuneration commitments	888	1 000

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

Other commitments

The Board's other commitments are for contracts for security and cleaning.

Not later than one year	1 120	518
Later than one year but not later than five years	834	59
Total other commitments	1 954	577

Contingent rental provisions within the contracts require the minimum contract payments to be increased by variable operating costs and wage rises. Options exist to renew the contracts for another 12 months.

27. Contingent assets and liabilities

The Board is not aware of any contingent assets and liabilities as at 30 June 2011.

28. Cash flow reconciliation

	2011	2010
Reconciliation of cash and cash equivalents at 30 June	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	3 622	3 477
Balance as per Statement of Cash Flows	3 622	3 477
Reconciliation of net cash provided by (used in) operating activities to net cost of providing services		
Net cash provided by (used in) operating activities	3 629	4 237
Revenues from SA Government	(8 476)	(7 860)
Non-cash items:		
Bequeathed investments	-	169
Depreciation of property, plant and equipment	(1 247)	(1 129)
Donations of heritage collections	3 154	1 428
Gain (Loss) on sale of investments	189	95
Gain (Loss) on sale of plant and equipment	(13)	-
Transfers of property, plant and equipment	-	(28)
Changes in assets and liabilities:		
Increase (Decrease) in receivables	35	47
Increase (Decrease) in inventories	(4)	75
Decrease (Increase) in payables	12	(104)
Decrease (Increase) in staff benefits	54	(76)
Decrease (Increase) in provisions	(27)	(25)
Net cost of providing services	(2 694)	(3 171)

29. Financial instruments/Financial risk management

29.1 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.

		2011		2010	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents:					
Cash and cash equivalents	17	3 622	3 622	3 477	3 477
Loans and receivables:					
Receivables(1)	18	418	418	400	400
Available-for-sale financial assets:					
Investments	21	3 348	3 260	3 355	3 559
Financial liabilities					
Financial liabilities - at cost:					
Payables(1)	22	1 602	1 602	848	848

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/payables, etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for staff on-costs, which are determined via reference to the staff benefit liability to which they relate.

Credit risk

Credit risk arises when there is the possibility of the Board's debtors defaulting on their contractual obligations resulting in financial loss to the Board. The Board measures credit risk on a fair value basis and monitors risk on a regular basis.

Credit risk (continued)

The Board has minimal concentration of credit risk. The Board has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Board 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 client credit rating. Currently the Board 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.

The following table discloses the ageing of financial assets and the ageing of impaired assets:

29.2 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
2011	$'000	$'000	$'000	$'000
Not impaired:				
Receivables	346	21	51	418
2010				
Not impaired:				
Receivables	335	27	38	400

The following table discloses the maturity analysis of financial assets and financial liabilities:

29.3 Maturity analysis of financial assets and liabilities

	Contractual maturities			
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
2011				
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	3 622	3 622	-	-
Receivables	434	434	-	-
Investments	3 348	-	-	3 348
Total financial assets	7 404	4 056	-	3 348
Financial liabilities:				
Payables	1 602	1 602	-	-
Total financial liabilities	1 602	1 602	-	-
2010				
Financial assets:				
Cash and cash equivalents	3 477	3 477	-	-
Receivables	400	400	-	-
Investments	3 355	-	-	3 355
Total financial assets	7 232	3 877	-	3 355
Financial liabilities:				
Payables	848	848	-	-
Total financial liabilities	848	848	-	-

30. Events after balance date

There has not arisen in the interval between the end of the financial year and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the members of the Board, to affect significantly the operations of the Board, the results of those operations, or the state of affairs of the Board in subsequent financial years.

Attorney-General's Department

Functional responsibility

Establishment

The Attorney-General's Department (the Department) is an administrative unit established pursuant to the PSA.

Functions

The aim of the Department is to help create a safe and secure environment in which the public of South Australia can live and work and where the rights of individuals are protected, and to advise government agencies and statutory authorities in minimisation of the government's exposure to legal and business risk.

The functions of the Department are to provide:

- a legal infrastructure for South Australia that fosters:
  - a legislative framework that is just, equitable, robust and appropriate for our state
  - increased understanding and adoption of crime prevention strategies, and timely and just resolution of cases before the courts
  - increased public and industry awareness of their rights and responsibilities
  - an inclusive, fair and cohesive society where cultural, linguistic and religious diversity is supported and valued.
- public access to:
  - impartial, timely and appropriate resolution of complaints
  - improved systems and processes to reduce causes of complaints
  - a fair and balanced market place
  - increased public confidence in the protection of people's rights
  - equitable services for all South Australians regardless of culture, language, religion or English language proficiency
  - programs and a range of facilities on the area of sport and recreation.

Status of the financial report

The financial report of the Department for the year ended 30 June 2011 did not meet the expected quality standard. As such the audit could not commence as scheduled to enable its completion and allow for the inclusion of the financial report in this Annual Report to Parliament.

The audited financial report of the Department for the year ended 30 June 2011 will be included in a Supplementary Report to Parliament.

Public Trustee

Functional responsibility

Establishment

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

Functions

The powers and functions of the Public Trustee are established by the *Public Trustee Act 1995*. The Public Trustee administers the estates of deceased and protected people which requires the management of assets, preparation of wills, investment of funds and arranging legal representation and advice. For information about the Public Trustee's objectives refer note 1 to the corporate financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1)(b) of the PFAA and section 50 of the *Public Trustee Act 1995* provide for the Auditor-General to audit the accounts of the Public Trustee for each financial year.

Assessment of controls

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

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

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 report and internal controls.

The 2010-11 audit covered the corporate, Trusts and common funds operations of the Public Trustee.

Specific areas of audit attention included:

- corporate governance
- general ledger
- investments and treasury operations
- expenditure
- revenue

- payroll
- recording of estate assets and liabilities
- ICT, including EFT.

Audit findings and comments

Auditor's report on the financial report

In my opinion the financial report gives a true and fair view, in all material respects, the financial position of the Public Trustee as at 30 June 2011, 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.

Assessment of controls

In my opinion, the controls exercised by the Public Trustee in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to Corporate operations - payroll, Trust operations, Common Fund operations and the implementation of TIs 2 and 28 as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Public Trustee 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 Public Trustee. The significant matters raised with the Public Trustee are detailed below. Some of the matters raised are similar to issues reported in previous years. The Public Trustee's responses to the management letters were considered to be generally satisfactory.

Corporate operations

The key matters raised under corporate operations related to payroll. Whilst Public Trustee's payroll is performed through the Attorney-General's Department (AGD) the following key internal controls within Public Trustee were ineffective:

- The review and approval of time and leave recording in the online time recording system by managers and supervisors was inconsistent. The requirement, procedures and timeframes for this were not documented.

- Bona fide reports were reviewed by a single officer to the online time recording system. This process can be before information is reviewed by managers and supervisors. In addition, some bona fide reports were not returned to AGD within the timeframe required.

Manager or supervisor certification of timesheets ensures that all leave taken and adjustments to time worked are correctly recorded. The current review processes for bona fide and leave return reports place reliance on the information in the online time recording system being accurate. If it is not there is a risk errors in payroll processing and leave forms which were not submitted may go unnoticed.

The Public Trustee responded that a policy will be developed outlining the requirements for approval of timesheets by managers. Public Trustee advised that the review of the bona fide reports is required to be managed centrally and they will endeavour to return the actioned reports to AGD within the required timeframe.

Trust operations

The significant matters raised in relation to the recording of Trust assets, liabilities, revenue and expenditure were:

- a number of policies and procedures were incomplete, out of date or lacked evidence they had been reviewed
- annual statement reviews were not performed for approximately 70 percent of personal estate clients
- supporting documentation was not provided to support some client transactions
- some estate distributions or payments were not approved in accordance with the established financial delegations
- review of online banking access for the common funds bank account did not consider what accounts users had access to or their level of access
- receipt verification reports were not used for EFT payments
- there was no check of client asset values entered into the asset recording system.

Public Trustee's response detailed actions to be taken to address the matters raised. In particular Public Trustee advised the following:

- a whole of office review of policies, procedures and standards has commenced
- additional resources have been allocated to the personal estates branch which should address Audit's observations.

Common fund operations

The more significant internal control matters identified within common fund operations were:

- some policies and procedures were incomplete and a number lacked evidence they had been reviewed
- there was no review of access to the general ledger or investment module
- not all investments held were reconciled to the general ledger on a monthly basis.

The Public Trustee's response satisfactorily addresses all matters raised. Public Trustee advised the following:

- a review of all policies, procedures and standards is underway which includes common fund operations
- access to the general ledger and investment module will be reviewed on a regular basis
- from late 2011 all investments will be reconciled to the general ledger on a monthly basis.

Implementation of TIs 2 and 28

Public Trustee has developed a Financial Management Compliance Charter and has used the financial management compliance checklist (FMCC) to assess their internal control environment for the past two years.

Consistent with last year the Public Trustee's assessment documented in the FMCC places significant reliance on control self-assessments (CSAs) undertaken across the office of the Public Trustee.

However it was noted that controls tested through the CSAs were not mapped to the relevant areas of the FMCC.

The 2010-11 audit revealed similar findings as the CSAs were yet to be mapped to the relevant sections of the FMCC and there was no reference supporting how some assessments were made. In addition there were some elements of TI 28 not considered in the FMCC.

Specific mapping of CSA's to the FMCC will ensure Public Trustee has performed a complete and detailed review of their internal control environment. Where this has not occurred it is difficult to make an informed assessment of Public Trustee's internal control environment and determine whether requirements of TI 28 have been met.

The Public Trustee has advised that they will implement actions to address the matters raised.

CSAs

Public Trustee use CSAs as a significant component of the organisation's control framework. Public Trustee place significant reliance on CSAs to assess and monitor the internal control environment, in particular as part of the FMCC.

During 2010-11 Public Trustee implemented an online system to record and monitor CSAs. Audit acknowledged that this is a long-term project however the following areas will need to be considered for some future improvements:

- some assessors did not understand the control they were rating
- there were inconsistencies with the ratings applied by the staff assessing and reviewing controls
- in some instances the reviewer was assessing their own work
- some of the controls tested were processes rather than controls
- there was no or limited review of controls and their associated risk rankings for some years
- there was no documented guidance that covered how to rate controls or how to select samples to be tested.

Public Trustee advised that they agree with Audit's observations and will address these matters during 2011-12.

Information technology and system matters

Financial computer systems and facilities

In late 2010 Audit sought an updated understanding of the Public Trustee's high level management control arrangements over its IT infrastructure environment and financial systems. The key financial system reviewed by Audit was the Core Business Information System (CBIS), which is one of the systems used for the initiation and approval of EFTs. Further updates were provided to Audit in early 2011. Audit's observations from review of the information provided were communicated to the Public Trustee in March 2011.

The observations were:

- some of the systems were no longer supported or had limited support

- functionality work-arounds on CBIS had caused a lack of security and deficiencies in the management of confidential master data. In the meantime to help mitigate the risk Audit has been advised that a 'Data Mart' has been implemented
- due to the level of CBIS customisation and vendor support deficiencies a change freeze had been implemented for significant changes to the CBIS system. This had resulted in not all system and security patches being applied
- CBIS had password control limitations controlling user access
- although business teams are usually involved in the user acceptance testing of CBIS there was no defined change management procedure requirement to have affected business units approve system changes
- business continuity plans were not finalised or tested. Audit was advised that a project had been established to develop the plans
- disaster recovery plans have not been tested
- documentation for some procedures needed to be updated, such as change management.

Certain observations had already been identified by the Public Trustee and included in the Public Trustee IT risk register for risk management.

Of particular importance are the issues related to CBIS given its criticality to the Public Trustee's financial operations.

The response from the Public Trustee indicated that action was in progress to address the matters raised.

EFT process

In 2010 Audit reviewed aspects of the use of EFT facilities within the Public Trustee for estate distributions and accounts payable. The review concluded that despite a number of controls in place to reduce the potential for unintentional errors or fraudulent activity occurring there were a number of control weaknesses.

The Public Trustee's response of August 2010 accepted many of the recommendations and provided proposed remediation details. For some items the Public Trustee was of the opinion that either existing controls were sufficient or alternatively the Audit recommendation could not be addressed due to limitations in the current CBIS implementation.

In May 2011 Audit completed a follow up review of Public Trustee's EFT remediation activities. The scope was to ensure that proposed remediation outlined in the Public Trustee's August 2010 response was effectively implemented. The review scope excluded any matters raised that had no remediation activity proposed by the Public Trustee.

The 2011 follow-up review indicated that the remediation activities outlined in the Public Trustee's August 2010 response had been actioned.

For the matters where the Public Trustee had not performed remediation activities Audit was of the opinion that some associated EFT control risks still existed. It was recommended that any residual risks needed to be considered in the Public Trustee corporate risk register. Any compensating controls also required regular monitoring to ensure ongoing effectiveness in mitigating some of those risks.

Public Trustee agreed with Audit's observations and will implement the recommended approach.

Ownership and classification of data

In March 2011 Audit communicated with the Public Trustee regarding the status of ownership and classification of Public Trustee data. It was recommended that the Public Trustee undertake ownership and classification of data/information residing within the Public Trustee CPE. This issue has been raised in prior year reviews.

The Public Trustee has created an 'Information Classification and Handling' policy document effective from December 2010. It has also been developing a documented procedure on implementing information classification to comply with this new policy.

There has, however, been some implementation of information classification of data with more work to be done, including on data residing on the CBIS application. The importance of ensuring adequate protection of sensitive information, such as estate management details, requires the implementation of appropriate data classification to be adequately addressed in a reasonable timeframe.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 $'million	2010 $'million
Income		
Revenues from fees and charges	19	18
Other revenues	3	2
Total income	22	20
Expenses		
Employee benefit expenses	13	13
Supplies and services	5	5
Other expenses	1	-
Total expenses	19	18
Profit before tax	3	2
Income tax equivalent expense	(1)	(1)
Profit after tax and total comprehensive result	2	1
Net cash provided by (used in) operating activities	2	2
Assets		
Current assets	10	13
Non-current assets	22	21
Total assets	32	34
Liabilities		
Current liabilities	3	7
Non-current liabilities	6	6
Total liabilities	9	13
Total equity	23	21

Statement of Comprehensive Income

Income

The Public Trustee's main source of income is revenues from fees and charges comprising commissions from the management of trusts, management fees for the investment in common funds and various other fees and charges. The commissions, management fees and fees charged reflect the number and value of trusts managed throughout the year.

The $800 000 increase in fees and charges for 2010-11 is for commissions and management fees. These increases are a result of:

- higher gains on common fund investments resulting in increased commission charges
- increased net assets for each of the common funds compared to 2009-10 resulting in an increase to management fees.

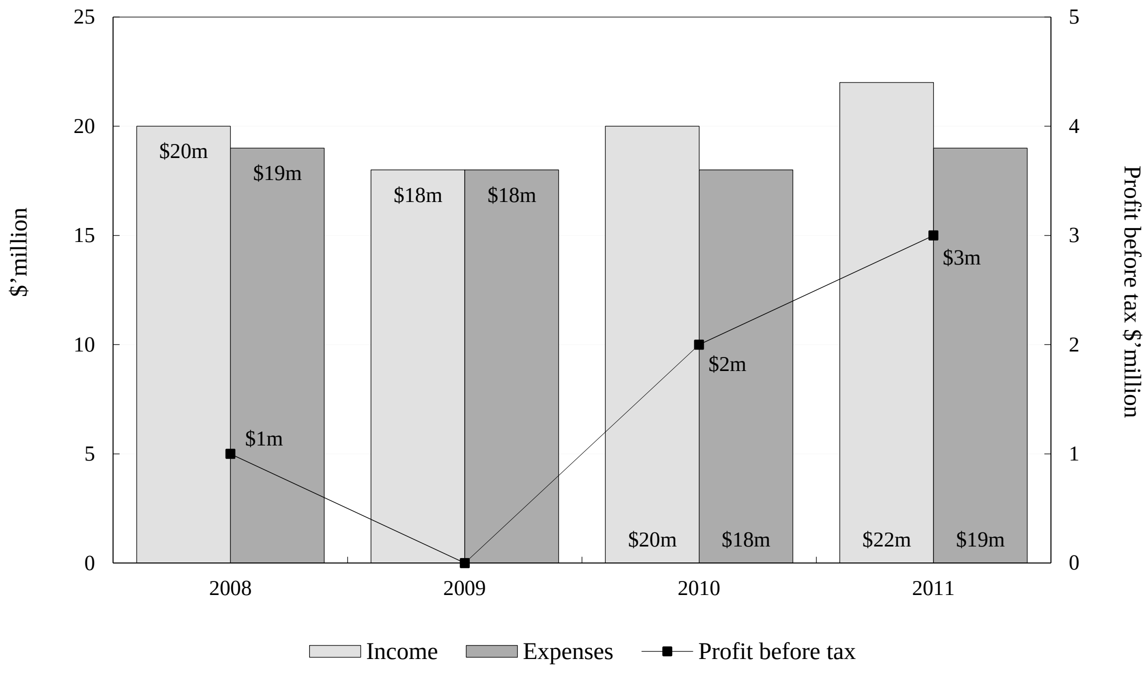
The increase of $1 million in other revenue is attributable to returns on investments of corporate funds.

Expenses

Employee benefit expenses account for the majority of the Public Trustee expenses, representing 66 percent of the total. In 2010-11 expenses remained consistent with prior years.

Net result

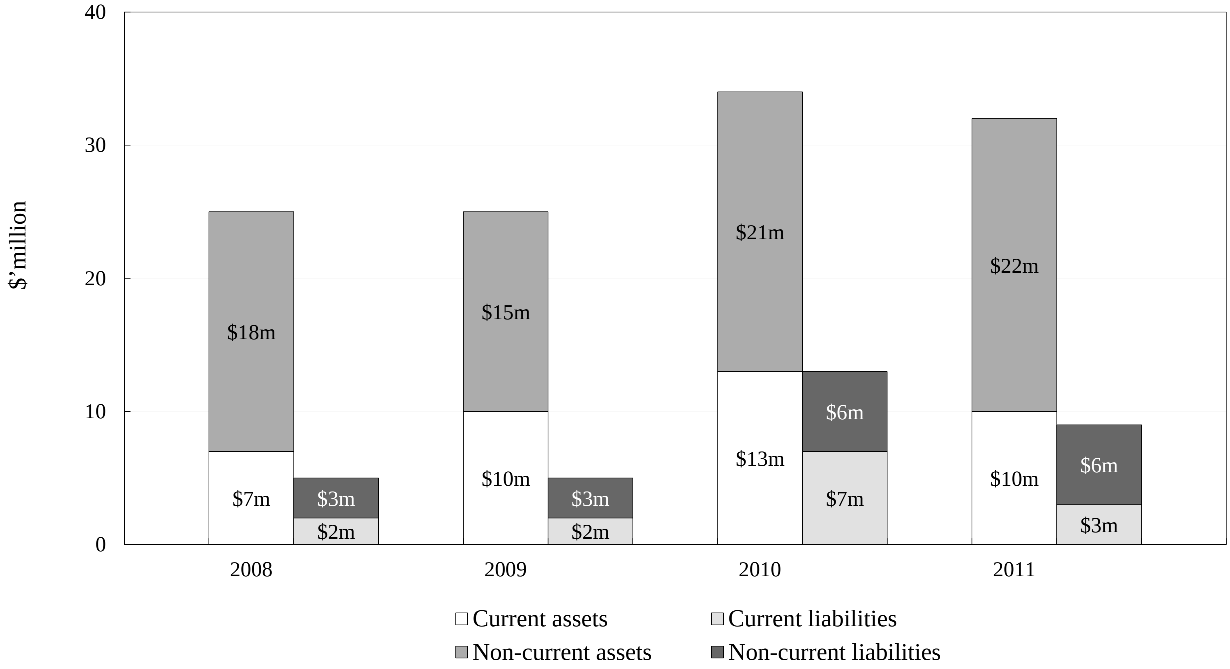
The following chart shows the revenues, expenses and surpluses for the four years to 2011.



The increase in profit before tax is principally attributable to the increase in income earned by the Public Trustee, which is explained above.

Statement of Financial Position

The following chart analyses the assets and liabilities for the four years to 2011.



Current assets

Current assets have decreased by $2.8 million (23 percent) to $10 million in 2011. This is mainly the result of:

- a decrease in a lease incentive receivable of $2.2 million at 30 June 2010 that was received in 2010-11, offset by a $1.2 million increase in accrued investment income
- a decrease in cash for the investment of an additional $2 million in financial assets.

Non-current assets

Non-current assets have increased by $1 million (4 percent) to $22 million in 2011. This is largely due to the additional $2 million investment in financial assets offset by an $800 000 decrease in plant and equipment and intangible assets for 2010-11 depreciation and amortisation.

Current liabilities

Current liabilities have decreased by $4 million (55 percent) to $3 million in 2011. The majority of the decrease is related to payables for accommodation fitout at 30 June 2010 which were paid in 2010-11.

Non-current liabilities

Non-current liabilities have remained constant in 2011.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Net cash flows				
Operating	2	1	4	2
Investing	(3)	(2)	2	(5)
Financing	-	-	(1)	(1)
Change in cash	(1)	(1)	5	(4)
Cash at 30 June	8	9	10	5

Cash decreased by $1.5 million in 2011 as a result of payments made for the purchase of additional investments and payments for the accommodation fitout.

Interpretation and analysis of Statement of Trusts being Administered

The value of trust funds administered by the Public Trustee increased by $47 million in 2011 to $1.17 billion ($1.12 billion).

Significant changes in trust funds were:

- deceased estates - decrease of $11 million (6 percent)
- administration matters - increase of $24 million (40 percent)
- power of attorney - decrease of $5 million (7 percent)
- investors - increase of $30 million (15 percent).

Note 3 to the Statement of Trusts being Administered provides details of the number and value of trust funds under administration.

Of the total funds being administered, 67 percent (66 percent) were invested in the common funds with the remaining 33 percent (34 percent) represented by estate assets.

Further commentary on operations

Common fund financial statements

The Public Trustee operates seven common funds through which client funds are invested. These funds are:

- Cash
- Short-term Fixed Interest
- Long-term Fixed Interest
- Overseas Fixed Interest
- Australian Shares
- Overseas Shares
- Listed Property Securities.

A summary of the net operating result and total assets of each of the seven common funds is provided in the table below. Full versions of the financial statements for each of the common funds are available in Public Trustee's annual report.

Analysis of common fund key figures

The following table summarises for each common fund the annual net operating result and the value of assets held at 30 June 2011 and 30 June 2010.

Common fund	Net operating result		Assets	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cash	19 757	16 728	*403 729	*359 708
Short-term Fixed Interest	2 207	1 898	50 331	45 511
Long-term Fixed Interest	3 891	3 089	88 676	77 769
Overseas Fixed Interest	1 948	1 674	36 676	32 858
Australian Shares	24 846	15 015	167 338	168 002
Overseas Shares	9 468	5 352	108 394	90 439
Listed Property Securities	8 701	4 437	45 175	38 227

* Includes $90 million ($53 million) deposited by other common funds.

Corporate Statements

Statement of Comprehensive Income for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Income:			
Revenues from fees and charges	4.1	19 300	18 499
Interest revenues	4.2	1 012	1 017
Unrealised gains on financial assets		-	609
Gain from the disposal of financial assets		7	-
Other revenues	4.3	1 424	393
Total income		21 743	20 518
Expenses:			
Employee benefit expenses	5.1,5.2,5.3,5.4	12 465	12 760
Supplies and services	5.5,5.6,5.7	5 040	5 249
Unrealised loss on financial assets		360	-
Loss from the disposal of fixed assets		-	69
Depreciation and amortisation		865	345
Total expenses		18 730	18 423
Profit (Loss) before income tax equivalents		3 013	2 095
Income tax equivalent expense	2.3	904	629
Profit (Loss) after income tax equivalents		2 109	1 466
Total comprehensive result		2 109	1 466

Net result after income tax equivalents and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	17	7 638	9 164
Receivables	2.12,6	1 897	3 190
Total current assets		9 535	12 354
Non-current assets:			
Financial assets	7,8	16 187	14 434
Plant and equipment	9	5 880	6 608
Intangible assets	10	160	238
Total non-current assets		22 227	21 280
Total assets		31 762	33 634
Current liabilities:			
Payables	11	1 732	5 283
Lease incentive	2.9	270	270
Employee benefits	12	1 180	1 473
Total current liabilities		3 182	7 026
Non-current liabilities:			
Payables	11	286	311
Lease incentive	2.9	2 157	2 428
Employee benefits	12	2 824	2 665
Total non-current liabilities		5 267	5 404
Total liabilities		8 449	12 430
Net assets		23 313	21 204
Equity:			
Reserves	15	285	311
Retained earnings	18	23 028	20 893
Total equity		23 313	21 204

Total equity is attributable to the SA Government as owner

Contingent assets and liabilities	14
Commitments	19

Statement of Changes in Equity
for the year ended 30 June 2011

	Note	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009		8 030	11 708	19 738
Transfer of funds from building replacement reserve	15	(7 600)	7 600	-
Payments from other reserves 2009-10	15	(119)	119	-
Net expense (income) recognised directly in equity for 2009-10		(7 719)	7 719	-
Profit (Loss) after income tax equivalent for 2009-10		-	1 466	1 466
Total comprehensive result for 2009-10		(7 719)	9 185	1 466
Transactions with SA Government as owner:				
Dividend provided for		-	-	-
		(7 719)	9 185	1 466
Balance at 30 June 2010		311	20 893	21 204
Transfer of funds from building replacement reserve	15	-	-	-
Payments from other reserves 2010-11	15	(26)	26	-
Net expense (income) recognised directly in equity for 2010-11		(26)	26	-
Profit (Loss) after income tax equivalent for 2010-11		-	2 109	2 109
Total comprehensive result for 2010-11		(26)	2 135	2 109
Transactions with SA Government as owner:				
Dividend provided for		-	-	-
		(26)	2 135	2 109
Balance at 30 June 2011		285	23 028	23 313

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Fees and charges received		21 348	20 365
Rent and sundry income received		59	162
Interest received		1 001	964
Distributions received		220	162
GST received from ATO		213	-
Cash generated from operations		22 841	21 653
Cash outflows:			
Employee benefit payments		(12 669)	(12 689)
Supplies and services		(6 100)	(5 981)
Tax equivalents		(775)	-
GST remitted to ATO		(1 284)	(1 320)
Cash used in operations		(20 828)	(19 990)
Net cash provided by (used in) operating activities	16	2 013	1 663
Cash flows from investing activities:			
Cash inflows:			
Proceeds from sales/maturities of investments		2 000	-
Plant and equipment incentive		2 269	-
Cash generated from investing activities		4 269	-
Cash outflows:			
Investment payments		(4 106)	(3)
Purchase of plant and equipment		(3 694)	(2 191)
Purchase of intangibles		(8)	(93)
Cash used in investing activities		(7 808)	(2 287)
Net cash provided by (used in) investing activities		(3 539)	(2 287)
Cash flows from financing activities:			
Cash outflows:			
Dividend distribution to State Government		-	-
Net cash provided by (used in) financing activities		-	-
Net increase (decrease) in cash and cash equivalents held		(1 526)	(642)
Cash and cash equivalents at 1 July		9 164	9 788
Cash and cash equivalents at 30 June	17	7 638	9 164

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Public Trustee

The office of the Public Trustee was established in 1881 and is constituted under the provisions of the *Public Trustee Act 1995* (the Act). The Public Trustee is a statutory officer pursuant to the Act. Public Trustee is a body corporate with the powers of a natural person.

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

2. Statement of principal accounting policies

The corporate statements present the financial performance, financial position and cash flows of Public Trustee as at 30 June 2011 together with the supporting notes.

Financial statements relating to funds administered by Public Trustee are prepared separately, detailing Trusts being administered and common funds under management.

2.1 Basis of accounting

The financial statements are general purpose financial statements and have been prepared in accordance with TIs and APSs issued pursuant to the provisions of the PFAA, and applicable AASs.

Statement of compliance

Except for AASB 2009-12, which Public Trustee has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by Public Trustee for the reporting period ending 30 June 2011. These are outlined in note 3.

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Public Trustee's accounting policies. The 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, by authority of TI 19. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in these financial statements:
  - (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) employee TVSP information
  - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level 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 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 Public Trustee Statement of Comprehensive Income, Statement of Financial Position 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 Statement of Cash Flows has been prepared on a cash basis.

The financial statements have 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 statements for the year ended 30 June 2011 and the comparative information presented for the year ended 30 June 2010.

2.2 *Comparative information*

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of AASB 101 and specific revised accounting standards and APSs.

Where presentation or classification of items in the financial statements has been amended comparative amounts have been reclassified unless reclassification is impracticable. The restated comparative amounts do not replace the original financial statements for the preceding period.

For the year ended 30 June 2011 Public Trustee has not applied an accounting policy retrospectively or made a retrospective restatement of items or reclassified items in the financial statements.

2.3 *Taxation*

The Act, through the provisions of sections 47 and 48, provides for the payment to government of taxation equivalents and dividends. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate be applied to the net profit.

Public Trustee is liable for payroll tax, FBT and GST.

2.4 *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.

2.5 *Basis of valuation*

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

Plant and equipment

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

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The acquisition of software is capitalised when the expenditure meets the definition and recognition criteria of an asset and when the amount of expenditure is greater than or equal to $5000. Software is measured at cost unless the asset is acquired for no cost or for a nominal amount and then the asset's fair value is deemed to be cost. All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed.

Any revaluation increment for plant and equipment and intangible assets is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Statement of Comprehensive Income, in which case the increase is recognised in the Statement of Comprehensive Income. Any revaluation decrease is recognised in the Statement of Comprehensive Income, except to the extent that it reverses a revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in revaluation surplus for that class of asset.

Plant and equipment and intangible assets are depreciated or amortised on a straight-line basis over their estimated useful lives, commencing from the time the asset is held ready for use. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to physical assets such as plant and equipment.

2.5 Basis of valuation (continued)

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

Class of fixed assets	*Depreciation rate (percent)*
Machines and equipment	20-27
Software	20-27
Accommodation fitout	10

Financial instruments

Financial instruments are carried at fair value determined as below:

Cash and cash equivalents are valued at nominal amounts. This asset consists of cash at bank, on hand and short-term money market deposits that are readily converted to cash and which are subject to insignificant risk of changes in value.

Investments on acquisition are brought to account at cost and subsequently revalued at the balance date to fair value. Fixed interest investments are classified as held at fair value through the profit or loss and valued at market value based on independently obtained market yields applying at the balance date. Australian and international equities currently held in pooled funds are valued at the fair value prices established by the managers of the collective investment vehicles in which Public Trustee has invested.

Financial instruments - recognition

Public Trustee recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Financial instruments - measurement

Financial assets and liabilities held at fair value through the profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit and loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

- *Fair value in active market*
  The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

- *Fair value of unlisted unit trusts*
  Investments in other unlisted unit trusts are recorded at the fair value as reported by the managers of such funds.

Financial instruments - classification

Investments in financial assets such as equities and units in unlisted schemes have been classified as 'Fair value through the profit or loss' and recognised in the Statement of Financial Position at fair value, with changes in fair value during the period recognised in the Statement of Comprehensive Income.

If any indication of impairment exists, an impairment loss is recognised in the Statement of Comprehensive Income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the Statement of Comprehensive Income.

Other non-current assets are valued at market value based on the present value of expected future cash flows.

Receivables and payables are valued on a historical cost basis and it is considered that carrying value approximates market value.

Distributions from trust investments are recognised on a present entitlement basis.

2.6 Rounding

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

2.7 Income and expenses

Income and expenses are recognised in Public Trustee's Statement of Comprehensive Income when and only 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.

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

2.8 Employee benefits

Provision has been made in the Financial Statements, where stated, for Public Trustee's liability for employee benefits arising from services rendered by employees to balance date that remain unpaid. Related on-costs consequential to the employment of employees (payroll tax and superannuation contributions) have been included under 'Payables' (refer note 11).

Salaries and wages

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

Superannuation

Public Trustee 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 payment to beneficiaries as the South Australian Superannuation Board has assumed this liability. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

Annual leave

Provision has been made for the unused component of annual leave to balance date. The provision has been calculated at nominal amounts based on current salary rates plus 4 percent inflation rate as recommended in APF IV, APSs 5.4 and 5.5.

Long service leave

Long service leave is recognised on a pro-rata basis in respect of services provided by Public Trustee employees up to balance date. The liability is measured at the actuarial assessment by DTF based on a significant sample of employees throughout the South Australian public sector. This calculation is consistent with Public Trustee's experience of employee retention and leave taken. The liability has been calculated at nominal amounts based on current salary rates. Treasury APF IV, APS 5.10 has recommended that a benchmark of five years (5.5 years) can be used for a shorthand estimation of long service leave liability. This advice has been adopted and the long service leave liability has been calculated on that basis. The current liability portion has been based on the past history of annual payments.

Sick leave

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

2.9 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. Public Trustee 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. Public Trustee has entered into operating leases.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income 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.

2.9 Leases (continued)

All incentives for the agreement of a new or renewed operating lease 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 Public Trustee in respect of operating leases are recorded as a reduction of rental expense over the lease term, on a straight-line basis.

2.10 Insurance

Public Trustee has insured for risks through the State Government's insurers, SAICORP, a division of SAFA. The excess payable under this arrangement varies depending on each class of insurance held.

2.11 Current and non-current items

Assets and liabilities are characterised as either current or non-current in nature. Public Trustee 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.

2.12 Receivables

Receivables comprise debtors, accrued investment income and prepayments. Debtors arise in the normal course of selling goods and services to the public and other agencies. Trade receivables are payable within 30 days after the issue of an invoice or the services have been provided under a contractual arrangement.

2.13 Payables

Payables include creditors, accrued expenses, employment on-costs, income tax equivalents and GST (refer note 2.15).

Creditors represent the amounts owing for goods and services received, but not paid prior to the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of Public Trustee.

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 amounts are measured at their nominal amount and are normally settled within 30 days after Public Trustee receives an invoice.

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

2.14 Government/Non-government disclosures

Public Trustee has included in the notes to the financial statements, details of revenue, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government.

Transactions with SA Government entities below the threshold of $100 000 have been included with non-government transactions, classified according to their nature.

2.15 Accounting for GST

In accordance with the requirements of Interpretation 1031, revenues, expenses and assets are recognised net of the amount of GST except that:

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

The net GST payable to or recoverable from the ATO has been recognised as a payable or receivable in the Statement of Financial Position.

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

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.

2.16 Disaggregated reporting

Disaggregated reporting has been deemed not appropriate for Public Trustee, as assets, liabilities, income and expenses attributable to different activities cannot be reliably determined.

2.17 Impairment

All assets are assessed annually for evidence of impairment at reporting date. Where there is an indication of impairment, the recoverable amount is estimated. Any amount by which the carrying amount exceeds the recoverable amount is recorded as an impairment loss.

3. New and revised accounting policies

Except for AASB 2009-12, which the Public Trustee has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Public Trustee for the period ending 30 June 2011. The Public Trustee 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 statements.

4. Income

4.1 Revenues from fees and charges comprise:	2011 $'000	2010 $'000
Revenue from entities external to the SA Government:		
Commissions[(1)]	10 077	9 725
Fees and charges[(1)]	1 829	1 790
Management fees[(2)]	7 394	6 984
Total fees and charges	19 300	18 499

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

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

4.2 Interest revenues comprise:	2011	2010
Revenue from entities external to the SA Government:	$'000	$'000
Interest on fixed term investments	862	892
Total revenue - non-SA Government entities	862	892
Revenue from entities within the SA Government:		
Interest on operating and reserve accounts	150	125
Total revenue - SA Government entities	150	125
Total interest revenue	1 012	1 017

4.3 Other income comprises:		
Revenue from entities external to the SA Government:		
Sundry income	28	26
Distributions from trusts	1 396	201
Total revenue - non-SA Government entities	1 424	227
Revenue from entities within the SA Government:		
Rent and other building income	-	166
Total revenue - SA Government entities	-	166
Total other revenue	1 424	393

5. Expenditure

5.1 Superannuation

During 2010-11 Public Trustee paid an amount of $1.102 million ($1.107 million) to DTF towards the accruing government liability for superannuation in respect of its employees.

5.2 Remuneration of employees

The number of employees whose remuneration received or receivable fell within the following bands:	2011 Number	2010 Number
$140 700 - $150 699	1	-
$150 700 - $160 699	-	1
$160 700 - $170 699	-	1
$170 700 - $180 699	1	-
$180 700 - $190 699	1	-
$220 700 - $230 699	-	1
$320 700 - $330 699	-	1
Total	3	4

5.2 *Remuneration of employees (continued)*

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. Total remuneration received or due and receivable by these employees was $509 000 ($870 000).

Accounting policy change

In accordance with the revised APF II, Public Trustee has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 6 (7).

5.3 *TVSPs*

	2011	2010
Amount paid to these employees:	$'000	$'000
TVSPs	-	644
Annual leave and long service leave paid during the reporting period	-	244
Recovery from DTF	-	-
Net cost to agency	-	888

Number of employees who were paid TVSPs during the reporting period was nil (4).

5.4 *Remuneration of board and committee members*

Members that were entitled to receive remuneration for membership during the 2010-11 financial year were:

Public Trustee Audit and Risk Management Committee
Mr Peter Whelan of PKF Chartered Accountants
Mr Michael Barrett of Finlaysons
Ms Christine Locher (commenced 1 February 2011)

The number of members whose remuneration received or receivable fell within the following bands was:	2011 Number	2010 Number
$0 - $9 999	2	2
$10 000 - $19 999	1	-
Total	3	2

The total remuneration received or receivable by members was $25 029 ($9680).

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.

In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

5.5. *Supplies and services*

	2011	2010
Supplies and services provided by entities external to the SA Government:	$'000	$'000
Supplies and services	1 972	2 256
Accommodation expenses	17	248
Total supplies and services - non-SA Government entities	1 989	2 504
Supplies and services provided by entities within the SA Government:		
Insurance	170	168
Computing and communication services	547	585
Service contractors	547	521
Accommodation expenses	1 466	1 013
Other supplies and services	127	125
Total supplies and services - SA Government entities	2 857	2 412

5.6 *Auditor's remuneration*

Amounts paid/payable to the Auditor-General's Department during the year for auditing the accounts	167	333

5.7 Payments to consultants

	2011	2010
	$'000	$'000
Between $10 000 and $50 000: 1 (0) consultancies	27	-
	27	-
Total supplies and services	5 040	5 249

6. Receivables

Current receivables:		
Debtors	192	309
Lease incentive	-	2 269
Accrued investment income	1 520	335
Income tax equivalent refund due	-	168
Prepayments	185	109
	1 897	3 190

Government/Non-government receivables

Receivables from SA Government entities:		
Debtors	185	28
Lease incentive	-	2 269
Accrued investment income	8	12
Income tax equivalent refund due	-	168
Total receivables from SA Government entities	193	2 477
Receivables from non-SA Government entities:		
Debtors	7	281
Accrued investment income	1 512	323
Prepayments	185	109
Total receivables from non-SA Government entities	1 704	713
Total receivables	1 897	3 190

7. Investments

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

Non-current assets:		
Non-current investments with entities other than SAFA:		
Australian fixed interest	2 002	1 993
Australian fixed interest (pooled funds)	6 819	6 854
International equities (pooled funds)	2 273	2 137
Australian listed property (pooled funds)	1 034	435
Australian equities (pooled funds)	4 059	3 015
Long-term investments	16 187	14 434

8. Financial instruments

8.1 Fair value of financial assets and liabilities

Financial instruments are carried at fair value based upon the valuation policies set out in note 2.5. The aggregate carrying amounts for each class of financial instrument are as disclosed within the notes to the financial statements.

Investments in Australian fixed interest are readily traded on organised markets in standardised form. The value of these investments is disclosed in note 7.

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

8.2 Investment in collective investment vehicles

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

8.3 Financial risk management

Public Trustee's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Public Trustee. Only Australian domiciled pooled funds are used for investments in overseas assets. These funds are not directly exposed to foreign exchange risk as the pooled funds are fully hedged against currency risk.

Management of risk is focused on both strategic and business process risk. Annually, an analysis of strategic risk is undertaken which is comprehensive and covers investment, financial, operational and administrative responsibilities of Public Trustee. Business processes are documented, key risks are identified and management strategies used to control these risks are in place.

8.4 Market risk

Price risk

Public Trustee is exposed to equity securities price risk. This arises from investments held by Public Trustee and classified on the Statement of Financial Position as financial assets at fair value through the profit or loss. Public Trustee is not exposed to commodity price risk, as the classes of investments include Australian shares, international shares and listed properties.

To manage its price risk arising from investments, Public Trustee diversifies its portfolio. Diversification of the portfolio is done in accordance with its Investment Guidelines. The Corporate Investment Committee assists Public Trustee in ensuring a sound, efficient and prudent system of investment of corporate funds is in place.

The analysis detailed below is based on the assumption that the market indexes had increased/decreased by a set percentage with all other variables held constant and all instruments moving according to the historical correlation with the index.

Cash flow and interest rate risk

Public Trustee's interest rate risk arises from cash investments, short-term investments and Australian fixed interest investments. Instruments issued at fixed interest rates expose Public Trustee to fair value interest rate risk and variable rate instruments expose Public Trustee to cash flow interest rate risk. Public Trustee invest in short-term money market instruments with maturities less than one year and with credit ratings that satisfy the credit ratings of Public Trustee's Cash Common Fund.

A sensitivity analysis is provided below, outlining the exposure to each type of market risk at reporting date, showing how profit or loss would be affected by the changes in the relevant risk variable that were reasonably possible at that date. All instruments are designated as financial assets at fair value through the profit or loss; therefore there is no impact on equity.

Sensitivity analysis		Interest rate risk		Price risk	
		-1%	+1%	-20%	+10%
2011	Carrying amount	Statement of Comprehensive Income	Statement of Comprehensive Income	Statement of Comprehensive Income	Statement of Comprehensive Income
Financial assets:	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	7 638	(76)	76	-	-
Financial assets at fair value through profit or loss:					
Australian fixed interest	2 002	(20)	20	-	-
Australian fixed interest (pooled funds)	6 819	(68)	68	-	-
International equities (pooled funds)	2 273	-	-	(455)	227
Australian listed property (pooled funds)	1 034	-	-	(207)	103
Australian equities (pooled funds)	4 059	-	-	(812)	406
Total increase (decrease)		(164)	164	(1 474)	736

Sensitivity analysis (continued)

2010	Carrying amount	Interest rate risk -1% Statement of Comprehensive Income	Interest rate risk +1% Statement of Comprehensive Income	Price risk -20% Statement of Comprehensive Income	Price risk +10% Statement of Comprehensive Income
Financial assets:	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	9 164	(92)	92	-	-
Financial assets at fair value through profit or loss:					
Australian fixed interest	1 993	(20)	20	-	-
Australian fixed interest (pooled funds)	6 854	(69)	69	-	-
International equities (pooled funds)	2 137	-	-	(427)	214
Australian listed property (pooled funds)	435	-	-	(87)	44
Australian equities (pooled funds)	3 015	-	-	(603)	302
Total increase (decrease)		(181)	181	(1 117)	560

8.5 *Credit risk*

Credit risk is managed at the corporate level. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to outstanding receivables and committed transactions. Public Trustee has no direct exposure to derivative instruments, thus credit risk arises primarily through investments with banking corporations.

Short-term money market instruments must have a short-term Standard & Poor's (S&P) rating of A1 or in the case of the issuer being a bank under the *Banking Act 1959* a rating of A2 is accepted. Floating rate instruments must have a long-term S&P credit rating of A+ or better or where the counter party is a bank under the *Banking Act 1959* a rating of BBB or better is accepted.

If there is no independent rating, Public Trustee assesses the credit quality of the customer, taking into account its financial position and past experience. Pooled investment funds are not rated; however, Public Trustee has made a thorough assessment of all pooled funds managers in regard to credit and other risks prior to investing funds with each manager. The credit risk lies with the pooled fund manager responsible for the management of the underlying investments. Public Trustee continually monitors these assessments via the quarterly Corporate Investment Committee forum.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Public Trustee has no direct exposure to derivative instruments.

	2011	2010
Cash at bank and short-term bank deposits: (1)	$'000	$'000
A1+	5 338	5 364
A1	-	2 800
A2	2 300	1 000
Total cash at bank and short-term bank deposits	7 638	9 164
Long-term bank deposits:		
BBB+	2 002	1 993
Total long-term bank deposits	2 002	1 993
Trade receivables:		
Counterparties with external ratings:		
A1	-	28
A1+	56	30
A2	44	20
BBB+	8	8
Counterparties without external ratings:		
Existing customers with no defaults in the past	1 789	2 718
Total trade receivables	1 897	2 804

(1) Deposit balances up to $1 million with eligible authorised deposit-taking institutions are guaranteed by the Australian Government. As such deposits have a risk rating of AAA, notwithstanding that the institutions rating is lower.

8.6 Liquidity risk

Public Trustee has working capital policies in place in order to maintain liquidity. Short-term investment analysis assists in determining the amount, if any, to be invested or reinvested in order to maintain working capital. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions. Public Trustee manage the liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

All financial assets held to maturity have a maturity date within 12 months. Pooled funds investments have no maturity date.

9. Plant and equipment

	Opening balance 01.07.10	Additions	Disposals	Depreciation	Closing balance 30.06.11
Plant and equipment:	$'000	$'000	$'000	$'000	$'000
Machines and equipment at cost	1 845	51	(33)	-	1 863
Accommodation fitout	6 155	-	-	-	6 155
Total plant and equipment	8 000	51	(33)	-	8 018
Accumulated depreciation:					
Plant and equipment:					
Machines and equipment	(1 389)	-	33	(165)	(1 521)
Accommodation fitout	(3)	-	-	(614)	(617)
Total accumulated depreciation	(1 392)	-	33	(779)	(2 138)
Net plant and equipment	6 608	51	-	(779)	5 880

10. Intangible assets

Software at cost	7 606	8	-	-	7 614
Work in progress at cost	93	-	-	-	93
Accumulated amortisation	(7 461)	-	-	(86)	(7 547)
Total intangible assets	238	8	-	(86)	160

Work in progress items are transferred to intangible assets when ready for use.

11. Payables

	2011	2010
Current liabilities:	$'000	$'000
Trade creditors and accrued expenses	619	4 377
Income tax equivalents	589	629
GST payable	294	-
Employment on-costs	230	277
	1 732	5 283
Non-current liabilities:		
Employment on-costs	286	311

Government/Non-government payables

	2011	2010
Payables to SA Government entities:		
Trade creditors and accrued expenses	1 029	4 635
Total payable to SA Government entities	1 029	4 635
Payables to non-SA Government entities:		
Trade creditors and accrued expenses	179	371
GST	294	-
On-costs on employee benefits	516	588
Total payable to non-SA Government entities(1)	989	959
Total payables	2 018	5 594

(1) The total includes payables to SA Government entities where the amount payable to the SA Government entity was less than $100 000.

12. Employee benefits liability

12.1 Employee benefits

	2011 $'000	2010 $'000
Current liabilities:		
Long service leave(2)(3)	342	362
Accrued salaries	68	389
Annual recreation leave(1)	770	722
	1 180	1 473
Non-current liabilities:		
Long service leave(2)(3)	2 824	2 665
	2 824	2 665

(1) An actuarial assessment performed by DTF set the salary inflation rate at 4 percent. This is unchanged from 2010.

(2) APF IV, APS 5.24, has revised the long service leave taken percentage to 35 percent (45 percent).

(3) As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark (5.5 years) to five years. The net financial effect of the changes in the current financial year is an increase in the long service leave liability and the employee benefit and on-cost expense of $4000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

12.2 Employee benefits and related on-cost liabilities

	Note	2011 $'000	2010 $'000
Current:			
On-costs included in payables	11	230	277
Provision for employee benefits	12.1	1 180	1 473
		1 410	1 750
Non-current liabilities:			
On-costs included in payables	11	286	311
Provision for employee benefits	12.1	2 824	2 665
		3 110	2 976
Aggregate employee benefits and related on-cost liabilities		4 520	4 726

13. Provisions

13.1 Dividend

	2011	2010
Current liabilities:		
Provision for dividend to State Government at 1 July	-	-
Payments to State Government	-	-
Provision for dividend at 30 June	-	-

14. Contingencies

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

15. Other reserves

	Deficits and losses reserve(1) $'000	Workers compensation reserve(2) $'000	Building replacement reserve(3) $'000	Total other reserves $'000
Balance as at 30 June 2009	145	285	7 600	8 030
Transfers from retained earnings	-	-	-	-
Payments/transfers from reserves	(119)	-	(7 600)	(7 719)
Balance as at 30 June 2010	26	285	-	311
Transfers from retained earnings	-	-	-	-
Payments/transfers from reserves	(26)	-	-	(26)
Total other reserves	-	285	-	285

(1) Public Trustee has determined that the reserve for deficits and losses is no longer required. Any losses made during the administration of estates will be funded from retained earnings.

(2) Public Trustee established a reserve for workers compensation to cover the expenses incurred during the first two years of any claim, the balance being met from the Government Workers Rehabilitation and Compensation Fund. Payments amounting to $nil ($nil) were made from the reserve.

(3) Public Trustee has agreed to a long-term operating lease, therefore the Building Replacement Reserve is no longer required.

16. Cash flow reconciliation

16.1 Reconciliation of cash and cash equivalents

	2011 $'000	2010 $'000
Cash and cash equivalents disclosed in the Statement of Financial Position	7 638	9 164
Cash and cash equivalents disclosed in the Statement of Cash Flows	7 638	9 164

16.2 Reconciliation of profit (loss) to net cash provided by (used by) operating activities

	2011	2010
Net profit (loss) after income tax equivalents	2 109	1 466
Non-cash items:		
Depreciation and amortisation expense of non-current assets	866	345
Amortisation of lease incentive	(270)	-
Loss on sale/disposal of non-current assets	(1)	69
Unrealised gain (loss) on financial assets	360	(609)
Gain from disposal of financial assets	(7)	-
Changes in assets and liabilities:		
Decrease (Increase) in receivables	(1 194)	(150)
Increase (Decrease) in payables	(116)	343
Increase (Decrease) in employee benefits and on-costs	(206)	71
Increase (Decrease) in provision for income tax	(40)	629
Increase (Decrease) in GST liability	512	(501)
Net cost provided by (used in) operating activities	2 013	1 663

17. Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash comprises the Statement of Financial Position item of cash and cash equivalents.

	2011	2010
Cash	2 338	4 364
Short-term financial assets held to maturity	5 300	4 800
	7 638	9 164

18. Retained earnings

	2011	2010
Retained earnings at 1 July	20 893	11 708
Net gain (loss)	2 109	1 466
Transfers from reserves	26	7 719
Dividend provided for	-	-
Retained earnings at 30 June	23 028	20 893

19. Commitments

The Public Trustee has no capital contractual arrangements for 2009-10 or 2010-11.

Remuneration commitments

	2011	2010
One year or less	553	533
Later than one year but no longer than five years	1 022	711
Total remuneration commitments	1 575	1 244

Amounts disclosed include commitments arising from executive service contracts. Public Trustee does not offer remuneration contracts greater than five years.

Operating lease commitments

	2011	2010
One year or less	1 808	1 742
Later than one year but no longer than five years	7 933	7 647
Later than five years	8 986	11 080
Total operating lease commitments	18 727	20 469

Public Trustee's operating leases are for office accommodation. During the year Public Trustee changed accommodation and a new lease has been agreed. Office accommodation is leased from the Department for Transport, Energy and Infrastructure. The leases are non-cancellable and expire in May 2020. Rent is payable monthly in advance.

Statement of Trusts being Administered as at 30 June 2011

	Note	2011 $'000	2010 $'000
Trust funds under administration:	3		
Deceased estates		165 024	175 908
Trusts		115 471	116 341
Administration matters		84 277	59 803
Court award orders		285 068	278 574
Protected estates		231 392	229 308
Workers compensation awards		241	261
Powers of attorney		62 273	66 711
Investors		224 639	194 883
Other		(35)	(34)
Total funds		1 168 350	1 121 755
Represented by:			
Investment in common funds:	1.3,2		
Non-current assets:			
Australian equities		151 073	154 627
International equities		98 890	78 548
Listed property securities		37 252	34 933
Australian fixed interest investments		138 737	111 639
International fixed interest investments		22 386	17 894
Total non-current assets		448 338	397 641
Current assets:			
Cash at bank and cash equivalents		2 509	5 057
Australian fixed interest investments		324 774	336 393
Advances to estates		8 602	6 774
Sundry debtors		25 838	13 188
Total current assets		361 723	361 412
Current liabilities:			
Bank overdraft		3 480	1 118
Income distribution payable		25 597	12 699
Sundry creditors		74	45
Total current liabilities		29 151	13 862
Net common fund assets		780 910	745 191
Estate assets:	1.2		
Non-current assets:			
Real estate		299 669	307 657
Personal chattels		36 678	26 456
Equities		17 191	17 626
Fixed interest and cash assets		15 590	17 758
Mortgages		372	306
		369 500	369 803
Current assets:			
Sundry debtors		26 726	13 768
Current liabilities:			
Sundry creditors		8 786	7 007
Net estate assets		387 440	376 564
Total net assets		1 168 350	1 121 755

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of principal accounting policies

1.1 Format of the accounts

The Statement of Trusts being Administered and related notes are special purpose financial statements that provide information on the value and nature of trusts being administered. The Statement consolidates all trusts being administered by Public Trustee, accordingly, no accounting standards and other mandatory reporting requirements are applied in the preparation and presentation of this Statement.

Public Trustee has prepared the Statement, where appropriate, based on the general principles outlined in AASs.

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

1.2 Basis of valuation for estate assets

Real estate

For deceased estates, valuation is at date of death; in other matters, valuation is at the date Public Trustee is being appointed manager, administrator or new trustee. Public Trustee revalues all real estate (except deceased estates) other than accommodation bonds every three years wherever a current valuation is not held. Such revaluations are determined by reference to valuations established by the South Australian Valuer-General, with a revaluation last being carried out as at 30 June 2010.

Personal chattels

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

Investment by estates in common funds

Valuation of estate investment in common funds is based on the underlying fair value of common funds as at balance date.

Other estate investments

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

1.3 Basis of valuation of common fund assets and liabilities

For the 2010-11 reporting period assets for the Australian Shares Common Fund, Overseas Fixed Interest Common Fund, Overseas Shares Common Fund and the Listed Property Securities Common Fund are reported at market value to comply with current accounting standards.

Australian fixed interest investments: are valued at market value based on independently obtained market yields applying at balance date.

Advances to estates: are carried at their nominal amounts. Public Trustee is authorised by the Act to advance monies where an estate has insufficient monies to make payments as authorised or required to administer the estate, usually on a short-term basis. Funds advanced are a first charge on the estate's property vested under the control of Public Trustee. The interest rate applicable on advances at 30 June 2011 was 5.3 percent (5.1 percent).

Cash at bank and cash equivalents: are carried at nominal amounts, translated at prevailing exchange rates where applicable. This asset consists of cash at bank and on hand, as well as other short-term, highly liquid investments with original maturities of three months or less.

Sundry debtors and creditors: are carried at their nominal amounts.

2. Operation of the common funds

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

2. Operation of the common funds (continued)

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

- capital stable
- balanced
- growth
- equities.

3. Trust funds under administration

	Number		Value	
Deceased estates:	2011	2010	2011	2010
Monies and assets held under the administration of the Public Trustee pursuant to the provisions of the Act	$'000 1 499	$'000 1 667	$'000 165 024	$'000 175 908
Trusts:				
Monies and assets held under the administration of the Public Trustee pursuant to the terms of a will or a deed of trust	1 522	1 453	115 471	116 341
Administration matters:				
Monies paid and assets transferred to the Public Trustee on account of minor beneficiaries pursuant to the Act	472	461	84 277	59 803
Court award orders:				
Monies directed by the Court to be paid to the Public Trustee on behalf of clients and invested and applied by the Public Trustee as the Court directs, and monies administered by the Public Trustee under the *Aged and Infirm Persons' Property Act 1940*	833	841	285 068	278 574
Protected estates:				
Monies administered by the Public Trustee under the *Guardianship and Administration Act 1993*	3 085	3 059	231 392	229 308
Workers compensation awards:				
Monies directed by the Court to be paid to the Public Trustee on behalf of widows and minors and invested and applied by the Public Trustee as the Court directs	4	5	241	261
Powers of attorney:				
Monies and assets held on behalf of donors who have appointed the Public Trustee to act on their behalf	412	463	62 273	66 711
Investors:				
Monies invested in common funds pursuant to section 29(1) of the Act by classes of persons approved by the Minister	347	370	224 639	194 883
Other:				
Previous year adjustment - timing issue	-	-	(35)	(34)
	8 174	8 319	1 168 350	1 121 755

4. Unclaimed monies

During the reporting period, unclaimed monies totalling $1 686 547 ($172 006) in respect of estates were paid to the Consolidated Account pursuant to section 32(1) of the Act.

Auditor-General's Department

Functional responsibility

Establishment

The PFAA confers wide responsibilities and powers on the Auditor-General to examine any matters relating to the collection, receipt, issue or expenditure of public monies and to report on the efficiency and economy of public sector operations.

The responsibilities and powers are applied in the annual audits of a range of public sector agencies, including government departments, statutory authorities, public corporations, health bodies and various funds.

In addition the Auditor-General has a discretionary right under the *Education Act 1972* to inspect or audit the accounts of school councils and to approve the auditors of certain bodies, such as certain health bodies and statutory boards.

The Auditor-General's Department operates to assist the Auditor-General in the discharge of his/her statutory audit mandate. It is an administrative unit established pursuant to the PSA.

Audit mandate and coverage

Audit authority

Audit of the financial report

Under subsection 35(1) of the PFAA, the Governor, on the recommendation of the Treasurer, has appointed Edwards Marshall as auditor of the Auditor-General's Department.

Audit findings and comments

Auditor's report on the financial report

In Edwards Marshall's opinion:

(a) *the financial report presents fairly, in all material respects, the financial position of the Department, as at 30 June 2011, and of its financial performance and 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 the Australian Accounting Standards (including the Australian Accounting Interpretations); and*

(b) *the financial report also complies with accounts and records of the Department.*

Assessment of controls

In Edwards Marshall's opinion:

> *… the internal controls employed by the Department for the financial year ended 30 June 2011 over its financial reporting and the preparation of the financial statements are effective.*

Communication of audit matters

Edwards Marshall advised in their completion letter dated 6 September 2011 that *'During our audit we did not note any significant matters which we believe should be communicated to the Department'.*

Edwards Marshall however did advise in relation to their audit of the Department's payroll function that is undertaken by Shared Services SA that they:

> *… noted two potential weaknesses in the systems of controls and accounting procedures adopted. These are:*
>
> *a) Unlimited access capabilities and non user restrictions*
>
> *b) Lack of system generated edit reports which log and report all changes to the employee payroll master file and authorisation of such changes.*

These two potential weaknesses were also raised in 2009-10 and will again be referred to Shared Service SA for their attention.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 $'million	2010 $'million
Expenses		
Employee expenses	9.9	9.5
Other expenses	3.8	3.9
Total expenses	13.7	13.4
Revenues from (payments to) SA Government	13.6	13.3
Total assets	3.1	3.2
Total liabilities	3.9	3.8

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Employee expenses	3	9 863	9 462
Supplies and services:	4		
Contractors		1 805	1 980
Office accommodation and service costs		668	599
Computing and network processing costs		231	211
Staff development and training		174	152
Other expenses		147	150
Motor vehicle		154	144
Consultancies		87	144
FBT		57	53
Staff travel and accommodation		53	50
Shared Services SA charges		49	48
Report printing		33	26
Temporary staff		25	21
		3 483	3 578
Depreciation and amortisation		333	328
Net loss from the disposal of non-current assets	5	-	34
Total expenses		13 679	13 402
Income:			
Other income		1	1
Total income		1	1
Net cost of providing services		13 678	13 401
Revenues from (payments to) SA Government:			
Appropriations and contingency provision grant	6	13 568	13 333
Net result		(110)	(68)
Total comprehensive result		(110)	(68)

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	7	2 354	2 495
Receivables	8	191	173
Total current assets		2 545	2 668
Non-current assets:			
Computing and office facilities	9	395	413
Intangible assets	10	182	83
Total non-current assets		577	496
Total assets		3 122	3 164
Current liabilities:			
Payables	11	455	349
Cash advance - imprest account		3	3
Employee benefits	12	852	994
Provision for workers compensation	13	5	4
Total current liabilities		1 315	1 350
Non-current liabilities:			
Payables	11	232	250
Employee benefits	12	2 292	2 174
Provision for workers compensation	13	17	14
Total non-current liabilities		2 541	2 438
Total liabilities		3 856	3 788
Net assets		(734)	(624)
Equity:			
Opening balance - deficit		(624)	(556)
Increase (Decrease) in net assets		(110)	(68)
Total equity		(734)	(624)

Total equity is attributable to the SA Government as owner

Commitments 14

Statement of Changes in Equity
for the year ended 30 June 2011

	Retained earnings $'000	Total $'000
Balance at 30 June 2009	(556)	(556)
Total comprehensive result for the year 2009-10	(68)	(68)
Balance at 30 June 2010	(624)	(624)
Total comprehensive result for the year 2010-11	(110)	(110)
Balance at 30 June 2011	(734)	(734)

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee expenses		(9 946)	(9 180)
Supplies and services		(3 735)	(3 912)
Cash inflows:			
Other income		1	1
GST refunds from ATO		385	353
Cash flows from SA Government:			
Appropriations and contingency provision grant	6	13 568	13 333
Net cash provided by (used in) operating activities	15.2	273	595
Cash flows from investing activities:			
Cash outflows:			
Purchase of computing and office facilities	9.2	(257)	(268)
Purchase of intangible assets	10.2	(157)	(61)
Cash provided by (used in) investing activities		(414)	(329)
Net increase (decrease) in cash and cash equivalents held		(141)	266
Cash and cash equivalents at 1 July		2 495	2 229
Cash and cash equivalents at 30 June	7,15.1	2 354	2 495

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Auditor-General's Department

The Department's main statutory responsibilities are to audit the public accounts and the accounts of public authorities and to report the results to Parliament in accordance with the requirements of the PFAA.

The Department's sole activity is the provision of auditing services covering all the audit responsibilities prescribed under the PFAA. Within this activity class there are two activities:

Prescribed audits
Includes all audit work to be undertaken for agencies where the Auditor-General is the prescribed auditor and the Department must annually conduct the audit as prescribed by the PFAA. During the year the Department spent $13.679 million ($13.402 million) on this activity.

Special investigations
Includes all work defined in the PFAA that is specifically requested by the Parliament, Treasurer or Minister to be undertaken by the Auditor-General. The Auditor-General may be requested to undertake work associated with:

- conducting and reporting on special investigations when requested by the Parliament or Treasurer
- reviewing summary documents of confidential government contracts and reporting on the adequacy of each document as a summary of the contents of the contract when requested to do so by a Minister.

These projects have specific terms of reference requested by the referring party and are treated as a separate subprogram. Consistent with the legislative requirement of audit independence the reports are presented directly to the Parliament. During 2010-11 and 2009-10 the Department incurred no expenditure on this activity.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with applicable AASs and TIs and APSs issued pursuant to the PFAA.

The accounts are presented on the accrual basis of accounting using historical cost accounting which does not take into account changing money values.

The financial statements have been prepared based on a 12 month operating cycle and are presented in Australian currency.

Except for the amendments to AASB 2009-12, which the Department has early-adopted, AASs and AASB 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 2011.

The Department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention.

The Statement of Cash Flows has been prepared on a cash basis.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Department's accounting policies. Areas involving a higher degree of judgement, or where assumption and estimates are significant to the financial statements are outlined in the applicable notes
- 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 in these financial statements:

  (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) employees whose normal remuneration is equal to or greater than the base executive remuneration level and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly to those employees

  (c) expenses incurred as a result of engaging consultants (reported in the Statement of Comprehensive Income).

(c) Reporting entity

The Department produces both departmental and administered financial statements. The Departmental financial statements report on the use of assets, liabilities, income and expenses controlled or incurred by the Department. The administered items financial statements report on the income, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control.

(d) Comparative information

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

Where applicable the comparatives have been restated to assist users understanding of the current reporting period and do not replace the original financial statements for the preceding period.

(e) Rounding

All amounts in the financial statements 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 and GST. Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred by the Department on a purchase of goods or services is not recoverable from the ATO it is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- receivables and payables which are stated with the amount of GST included.

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

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

(g) Income and expenses

Income and expenses are recognised in the Statement of Comprehensive Income only 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 in accordance with APF II, APS 3.5 and have not been offset unless required or permitted by another accounting standard.

The loss on the disposal of non-current assets is recognised when control of the asset has passed to the recipient.

(h) Revenues from (payments to) SA Government

Parliament approved funding appropriations are received for the full accrual cost of services. The appropriation is paid into a Special Deposit Account titled 'Auditor-General's Department Operating Account'. Appropriations for accrued expenses are deposited in a Special Deposit Account in the name of the Auditor-General's Department at DTF titled 'Accrual Appropriation Excess Funds'. Use of the funds requires the approval of the Treasurer. Pursuant to TI 3, paragraph 3.8, this money is deemed to be controlled by the public authority in the name of which the money is recorded.

Administered items are funded by Parliamentary appropriations on a cash basis.

(i) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature.

The Department has a clearly identifiable operating cycle of 12 months. 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. All other assets and liabilities are classified as non-current.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call.

(k) Receivables

Receivables arise in the normal course of audit services to other agencies. Receivables are generally settled within 14 days after the issue of an invoice.

Prepaid salaries are recognised, and are measured as the amount paid for employee service periods passed the reporting date.

(l) Inventories

Consumable supplies are not recognised in the Statement of Financial Position as the value of these supplies is not considered to be material.

(m) Non-current asset acquisition and recognition

Assets are recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition, less accumulated depreciation.

All non-current physical assets with a value greater than $2000 are capitalised in accordance with APF III, APSs 2.15 and 2.16.

The acquisition of software is capitalised when the expenditure meets the definition criteria of an intangible asset and when expenditure is greater than or equal to $2000 in accordance with APF III, APSs 2.15 and 2.16. The Department has no internally generated intangible assets.

(n) Revaluation of non-current assets

The 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 in accordance with APF III, APS 3.3.

All non-current assets with a limited useful life are systematically depreciated over their useful lives.

(o) Depreciation/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. The useful lives of all major assets are reassessed on an annual basis.

Depreciation/Amortisation for non-current assets is determined as follows:

Class of asset	*Depreciation method*	*Useful life (years)*
Computing and office equipment	Straight-line	3
Laptop computer equipment	Straight-line	2
Leasehold improvements	Straight-line	3
Computer software	Straight-line	3

(p) Payables

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

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

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid. Creditors include all unpaid invoices received relating to the normal 12 month operating cycle.

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

(q) Employee benefits

Provision has been made for employee benefits liabilities arising from services rendered by employees to balance date in accordance with AASB 119. Employee benefits comprise salaries, annual leave and long service leave.

Salaries

Liabilities for salaries are recognised, and are measured as the amount unpaid at current pay rates in respect of employee service periods up to the reporting date.

Annual leave

Liabilities for annual leave are recognised, and are measured as the amount unpaid at the pay rate at which the liability is expected to be settled in respect of employee service periods up to the reporting date. Annual leave is expected to be paid within 12 months.

Sick leave

No liability is recognised, as all sick leave is non-vesting and the average sick leave taken by employees is considered to be taken from the current year's accrual, as it is estimated to be less than the annual entitlement for sick leave.

Long service leave

Long service leave is recognised on a pro-rata basis for the employee service periods up to the reporting date. DTF has advised that a benchmark of five years service can be used for a shorthand estimation of long service leave liability in accordance with the provisions of AASB 119. This advice has been adopted and the long service leave liability as at 30 June 2011 has been calculated at nominal amounts based on current salary rates for employees with five or more years service.

The long service leave to be taken in the 12 months to 30 June 2012 has been estimated by adding the estimated termination payments in this period to the estimated long service leave to be taken by ongoing employees in the 12 months (based on previous years' experience). The basis of calculation is similar to that used in previous years.

Superannuation

Contributions are paid to several superannuation schemes operated by the SA Government and are treated as an expense when they occur. The liability for payments to beneficiaries is assumed by the South Australian Superannuation Board. The liability outstanding at the reporting date for any contributions due but not yet paid to the South Australian Superannuation Board is included in payables.

(r) Provisions

The workers compensation provision is an actuarial estimate of the outstanding liability at 30 June 2011 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Department is responsible for the payment of workers compensation claims.

(s) Leases

The Department has entered into two operating leases. The two leases are for office accommodation and motor vehicles.

Operating leases

Under the operating leases, the lessor effectively retains the entire risks and benefits incidental to ownership of the leased items.

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

(t) Events after the end of the reporting period

There have been no events subsequent to 30 June 2011 that have had a material impact on the information disclosed in these financial statements.

3. Employee expenses

	2011	2010
Employee benefits:	$'000	$'000
Salaries	7 464	7 105
Annual leave	703	657
Long service leave	331	334
Total employee benefits	8 498	8 096
Employee on costs:		
Superannuation	877	896
Payroll tax	482	464
Total employee on-costs	1 359	1 360
Workers compensation	6	6
Total employee expenses	9 863	9 462

4. Supplies and services provided by entities within SA Government

	2011 $'000	2010 $'000
Office accommodation and service costs	661	597
Staff development and training	1	2
Other expenses	49	46
Motor vehicle	111	104
Shared Services SA charges	50	48
Total supplies and services provided by entities within SA Government	872	797

5. Net loss from the disposal of non-current assets

Net book value of non-current assets disposed	-	34
Total net loss from disposal of non-current assets	-	34

No proceeds were received from the disposal of non-current assets.

6. Funding of the Department

Appropriations to the Department in 2010-11 amounted to $13.561 million ($13.221 million) and there was a contingency provision grant of $7000 ($112 000).

Appropriations under Special Acts are reported under administered items.

7. Cash and cash equivalents

Deposits with the Treasurer	2 351	2 492
Imprest account and cash on hand	3	3
Total cash and cash equivalents	2 354	2 495

Deposits with the Treasurer

These include 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

Deposits with the Treasurer are non-interest bearing for the Department. The Department's only interest bearing asset is an imprest account and the exposure to interest rate risk is insignificant.

The weighted average interest rate for the imprest account was 4.55 percent (3.51 percent).

The carrying amounts of cash and cash equivalents represents fair value.

8. Receivables

	2011	2010
Current:	$'000	$'000
GST input tax recoverable	151	163
Prepayments - salaries	30	-
Other	10	10
Total current	191	173

The current receivable amounts are with non-SA Government entities.

Interest rate and credit risk

GST input tax credits are recoverable from the ATO and as such there is no interest rate or credit risk and the carrying amount represents fair value. With respect to the other receivables (prepayments - salaries and other) there is no interest rate risk and the carrying amount represents fair value. The credit risk associated with these other receivables are insignificant.

9. Computing and office facilities

9.1 Classes of computing and office facilities

	2011 $'000	2010 $'000
Computing and office equipment - at cost	593	533
Accumulated depreciation	(459)	(414)
	134	119
Laptop computer equipment - at cost	442	334
Accumulated depreciation	(269)	(137)
	173	197
Leasehold improvements - at cost	562	497
Accumulated depreciation	(474)	(400)
	88	97
	395	413

There were no indications of impairment of non-current assets at 30 June 2011.

9.2 ***Reconciliation of carrying amount***

	Carrying amount 01.07.10	Additions	Disposals	Depreciation	Carrying amount 30.06.11
Computing and office equipment	119	84	-	69	134
Laptop computer equipment	197	108	-	132	173
Leasehold improvements	97	65	-	74	88
Total computing and office facilities	413	257	-	275	395

	Carrying amount 01.07.09	Additions	Disposals	Depreciation	Carrying amount 30.06.10
Computing and office equipment	162	32	-	75	119
Laptop computer equipment	170	183	34	122	197
Leasehold improvements	157	53	-	113	97
Total computing and office facilities	489	268	34	310	413

10. Intangible assets

10.1 ***Classes of intangible assets***

	2011 $'000	2010 $'000
Computer software - at cost	698	610
Accumulated amortisation	(516)	(527)
	182	83

There were no indications of impairment of non-current assets at 30 June 2011.

10.2 ***Reconciliation of carrying amount***

	Carrying amount 01.07.10	Additions	Disposals	Amortisation	Carrying amount 30.06.11
Computer software	83	157	-	58	182
Total intangible assets	83	157	-	58	182

	Carrying amount 01.07.09	Additions	Disposals	Amortisation	Carrying amount 30.06.10
Computer software	40	61	-	18	83
Total intangible assets	40	61	-	18	83

11. Payables

	2011 $'000	2010 $'000
Current:		
Employee on-costs	207	222
Creditors	246	124
Accrued expenses	2	3
Total current	455	349
Non-current:		
Employee on-costs	232	250
Total non-current	232	250
Total payables	687	599
Payables to entities within the SA Government	269	256

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. All payables are non-interest bearing. The carrying amount of payables approximates fair value due to the amounts being payable on demand.

12. Employee benefits

	2011 $'000	2010 $'000
Current:		
Salaries	-	202
Annual leave	598	528
Long service leave	254	264
Total current	852	994

12. Employee benefits (continued)

	2011	2010
Non-current:	$'000	$'000
Long service leave	2 292	2 174
Total non-current	2 292	2 174
Total employee benefits	3 144	3 168

13. Provision for workers compensation

Current:		
Provision for workers compensation	5	4
Total current	5	4
Non-current:		
Provision for workers compensation	17	14
Total non-current	17	14
Total provision	22	18
Carrying amount at 1 July	18	16
Workers compensation payments	-	(1)
Increase (Decrease) in provision	4	3
Carrying amount at 30 June	22	18

The workers compensation provision is based on an actuarial assessment provided by the Public Sector Workforce Relations Division of DPC.

14. Commitments

Operating lease commitments

The Department's operating leases are for the leasing of office accommodation and motor vehicles.

Office accommodation

Office accommodation is leased from the Building Management Division of the Department for Transport, Energy and Infrastructure. The lease expires on 30 June 2015. The rental amount is based on floor space, with the rental rate reviewable by Department for Transport, Energy and Infrastructure every two years.

Motor vehicles

Motor vehicles are leased from the Fleet SA business unit of DTF. The vehicles are leased for a specified time period or a specified number of kilometres, whichever occurs first. The lease rate is determined according to the type of vehicle being leased and the number of months of the lease period. The lease rates are reviewed annually by Fleet SA.

	2011	2010
At the reporting date the Department had the following obligations under non-cancellable operating leases (these obligations have not been recognised as liabilities):	$'000	$'000
Not later than one year	699	660
Later than one year but not later than five years	1 884	2 443
Total operating lease commitments as lessee	2 583	3 103

Remuneration commitments

At the reporting date the Department had commitments for the payment of salaries and other remuneration under fixed-term employment contracts (these obligations have not been recognised as liabilities):		
Not later than one year	703	1 000
Later than one year but not later than five years	509	1 191
Total remuneration commitments	1 212	2 191

Amounts disclosed include commitments arising from executive and employee contracts under fixed-term employment. The Department does not offer fixed-term employment contracts to executives and employees for periods greater than five years.

15. Cash flow reconciliations

	2011	2010
15.1 Reconciliation of cash and cash equivalents	$'000	$'000
Cash and cash equivalents at 30 June per:		
Statement of Financial Position	2 354	2 495
Statement of Cash Flows	2 354	2 495

15.2 ***Reconciliation of net cost of providing services to net cash provided by (used in) operating activities***	2011 $'000	2010 $'000
Net cost of providing services	(13 678)	(13 401)
Net cash flows from government	13 568	13 333
Depreciation and amortisation	333	328
Decrease (Increase) in receivables	(18)	(29)
Increase (Decrease) in employee benefits	(24)	243
Increase (Decrease) in provision for workers compensation	4	2
Increase (Decrease) in payables	88	85
Loss on disposal of non-current assets	-	34
Net cash provided by (used in) operating activities	273	595

16. Remuneration of employees

The number of employees whose normal remuneration is equal to or greater than the base executive remuneration level during the year are grouped within the following bands:	2011 Number of executives	2010 Number of executives
$170 700 - $180 699	-	2
$180 700 - $190 699	1	2
$190 700 - $200 699	2	1
$200 700 - $210 699	1	-
$210 700 - $220 699	1	-
$350 700 - $360 699	-	1
$380 700 - $390 699	1	-
Total number of employees	6	6

The table includes all employees whose normal remuneration is equal to or greater than the base executive remuneration level during the year. Total remuneration received or receivable by these employees was $1.372 million ($1.29 million).

The employee remuneration figures detailed above include employee remuneration recorded in both the Department's financial statements and in the administered financial statements of the Department.

Accounting policy change

In accordance with the revised APF II, the Department has changed its accounting policy and now discloses all employees whose normal remuneration is equal to or greater than the base executive remuneration level during the year rather than all employees whose normal remuneration is equal to or greater than $100 000. The impact of this change is the number of employees disclosed has reduced by 24 (16) and the total remuneration received or receivable by these employees has reduced by $2.705 million ($1.74 million).

17. Remuneration of auditor

	2011 $'000	2010 $'000
Remuneration for audit of financial statements	10	9
Remuneration for other services	-	-
	10	9

18. 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.

	Carrying amount	
	2011	2010
Financial assets	$'000	$'000
Cash and cash equivalents	2 354	2 495
Receivables*	10	10
Financial liabilities		
Payables	687	599
Cash advance - imprest account	3	3

* Receivables amounts disclosed exclude amounts relating to statutory receivables where rights or obligations have their source in legislation such as the GST.

Statement of Administered Comprehensive Income for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Employee expenses		318	302
Amounts paid/payable to Consolidated Account		12 549	12 072
Total expenses		12 867	12 374
Income:			
Fees for audit services		12 549	12 072
Appropriation - Special Acts	A2.2	280	251
Total income		12 829	12 323
Net result		(38)	(51)
Total comprehensive result		(38)	(51)

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Administered Financial Position as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	A4.1	558	500
Receivables		1 149	193
Total assets		1 707	693
Current liabilities:			
Employee benefits	A3	131	127
Amounts payable to Consolidated Account		1 101	208
GST payable		438	306
Total current liabilities		1 670	641
Non-current liabilities:			
Employee benefits	A3	364	341
Total non-current liabilities		364	341
Total liabilities		2 034	982
Net assets		(327)	(289)
Equity:			
Opening balance - deficit		(289)	(238)
Increase (Decrease) in net assets		(38)	(51)
Total equity		(327)	(289)

Total administered equity is attributable to the SA Government as owner

Statement of Administered Changes in Equity for the year ended 30 June 2011

	Retained earnings $'000	Total $'000
Balance at 30 June 2009	(238)	(238)
Total comprehensive result for the year 2009-10	(51)	(51)
Balance at 30 June 2010	(289)	(289)
Total comprehensive result for the year 2010-11	(38)	(38)
Balance at 30 June 2011	(327)	(327)

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

Statement of Administered Cash Flows for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee expenses		(292)	(272)
Amounts paid to Consolidated Account		(11 656)	(13 761)
GST paid to ATO		(1 123)	(1 137)
Cash inflows:			
Fees for audit services	A2.1	12 849	15 123
Cash flows from SA Government:			
Appropriations - Special Acts		280	251
Net cash provided by (used in) operating activities	A4.2	58	204
Net increase (decrease) in cash and cash equivalents held		58	204
Cash and cash equivalents at 1 July		500	296
Cash and cash equivalents at 30 June	A4.1	558	500

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Statement of significant accounting policies

The summary of all significant accounting policies for the Auditor-General's Department are contained in note 2. The policies outlined in note 2 apply to both the Department and the administered financial statements.

A2. Administered items

A2.1 Auditing fees

Section 39 of the PFAA provides for the levying of fees for audit services provided by the Department. These are paid into the Consolidated Account.

	2011 $'000	2010 $'000
Fees outstanding at 1 July	193	2 036
Billings (including GST)	13 804	13 280
	13 997	15 316
Receipts (including GST)	12 849	15 123
Fees outstanding at 30 June	1 148	193

At 30 June, the value of audit work in progress was $6.328 million ($5.783 million). The Department is of the opinion that this amount is recoverable.

Interest rate and credit risk

Receivables are normally settled within 14 days and are all non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations and there is no concentration of credit risk. The carrying amount of receivables approximates net fair value due to the amounts being payable on demand.

A2.2 Special Acts

Subsection 24(4) of the PFAA, provides that the salary and allowances of the Auditor-General will be determined by the Governor and will be paid from the Consolidated Account which is appropriated for that purpose and the necessary extent.

A3. Employee benefits

	2011	2010
Current:	$'000	$'000
Salaries	-	8
Annual leave	131	119
Total current	131	127
Non-current:		
Long service leave	364	341
Total non-current	364	341
Total employee benefits	495	468

A4. Notes to the Administered Statement of Cash Flows

A4.1 Reconciliation of cash and cash equivalents

Cash and cash equivalents at 30 June per:		
Statement of Administered Financial Position	558	500
Statement of Administered Cash Flows	558	500

A4.2 Reconciliation of net result to net cash provided by (used in) operating activities

Net result	(38)	(51)
Decrease (Increase) in receivables	(956)	1 843
Increase (Decrease) in employee benefits	27	30
Increase (Decrease) in amounts payable to the Consolidated Account	893	(1 688)
Increase (Decrease) in GST payable	132	70
Net cash provided by (used in) operating activities	58	204

A5. Specific disclosure - SA Government

The following discloses revenues, expenses, assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date.

Income excluding appropriations	11 144	10 589
Expenses	12 549	12 072
Financial assets	1 173	647
Financial liabilities	1 101	208

Department for Correctional Services

Functional responsibility

Establishment

The Department for Correctional Services (the Department) is an administrative unit established pursuant to the PSA. The Department is responsible to the Minister for Correctional Services.

Functions

The primary function of the Department is to work to maintain a safer community while contributing to rebuilding lives affected by crime. For details of the Department's functions refer note 1 to the financial statements.

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 internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the 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 2010-11, specific areas of audit attention included:

- expenditure
- revenue
- payroll
- property, plant and equipment including capital works in progress
- financial accounting
- cash.

An understanding of internal audit activities has been obtained in order to identify and assess the risks of material misstatement of the financial statements and to design and perform audit procedures.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Department for Correctional Services as at 30 June 2011, 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.

Assessment of controls

In my opinion, the controls exercised by the Department for Correctional Services in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters 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 for Correctional Services 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. Responses to the management letters were generally considered to be satisfactory. The more significant matters raised with the Department and the related responses are detailed below.

Payroll

Audit has over a number of years reported on non-compliance with departmental policy regarding control over bona fide certificates and leave return reports.

This year's audit has again identified non-compliance with the Department's policy. A review of a number of bona fide certificates and leave return reports across a number of prisons has identified that all prisons are not using the standard pro forma bona fide certificate and leave return registers developed by the Department. In addition, the extent of the review and the level of detail recorded on the registers varied.

An internal audit review undertaken this year also identified that registers to monitor the timely review and return of bona fide certificates and leave return reports are generally not being maintained.

In response the Department advised that all Executive Directors have communicated with all senior management the importance of maintaining the bona fide and leave return registers on a fortnightly basis. A number of administrative changes have also been made to enable the Department to ensure compliance with the departmental policy.

Shared services

The audit identified a number of areas where there is opportunity for Shared Services SA to strengthen the internal controls for processing undertaken on behalf of the Department. The most significant issues relate to:

- the absence of documented policies and procedures in relation to the business processes that Shared Services SA undertakes on behalf of the Department. Audit identified a number of instances where either policies and procedures had not been established or where established they had not been reviewed for a number of years
- a number of key reconciliations having long outstanding reconciling items which were not being followed up and cleared in a timely manner

- the absence of an independent review over payroll masterfile changes
- general ledger journals not being authorised in accordance with departmental policy.

Shared Services SA advised that action was being taken to address these issues.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 $'million	2010 $'million
Expenses		
Employee benefit expenses	126	124
Supplies and services	54	52
Other expenses	27	20
Total expenses	207	196
Income		
Income from prison labour and canteen and kitchen sales	5	4
Other income	5	6
Total income	10	10
Net cost of providing services	197	186
Revenues from SA Government	199	185
Payments to SA Government	(1)	-
Net result	1	(1)
Total comprehensive result	12	108
Net cash provided by operating (used in) activities	18	7
Net cash provided by (used in) investing activities	(17)	(8)
Assets		
Current assets	28	14
Non-current assets*	396	383
Total assets	424	397
Liabilities		
Current liabilities	27	24
Non-current liabilities	33	34
Total liabilities	60	58
Total equity	364	339

* Includes biological assets.

Statement of Comprehensive Income

Expenses

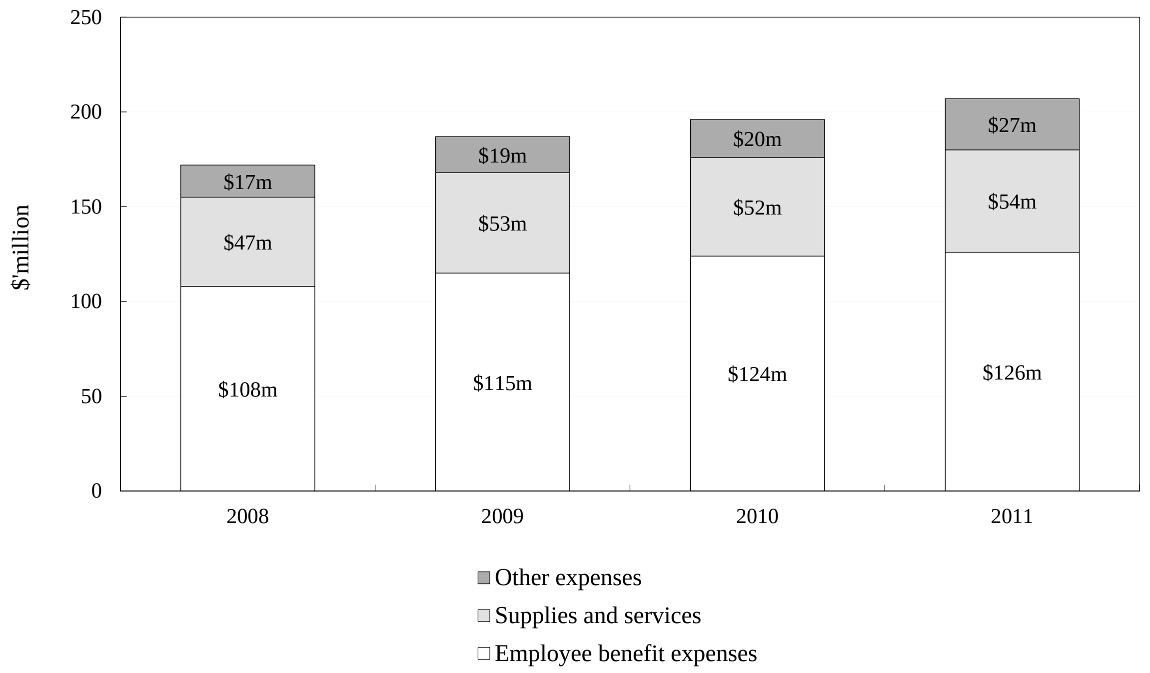
Total expenses increased by $11 million (6 percent) to $207 million ($196 million). This increase mainly reflects:

- an increase in supplies and services of $2.4 million of which $1.4 million relates to an increase in workers compensation expenses

- an increase in depreciation expense of $4.1 million of which $3.5 million relates to an increase in building depreciation expense

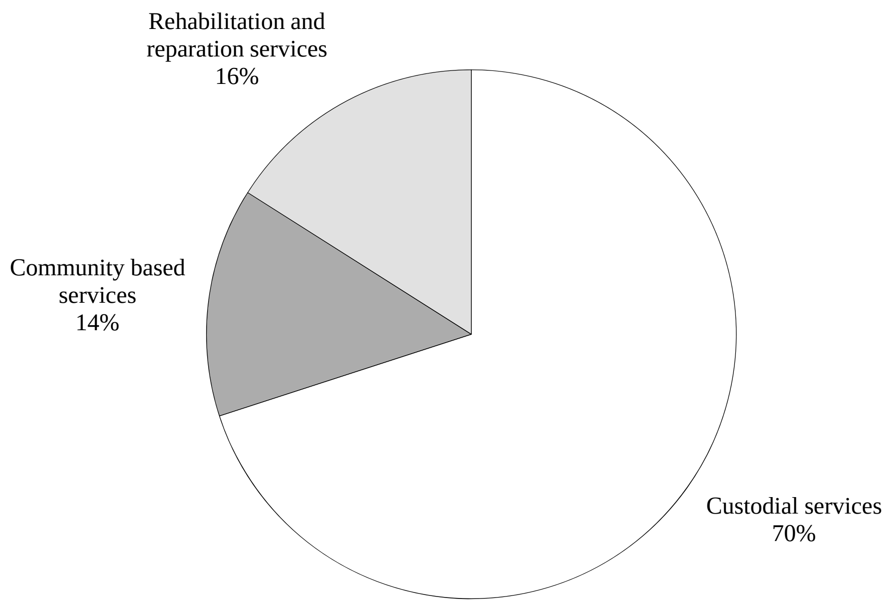
- the recognition of the transfer of land and buildings ($2.4 million) to the Department for Transport, Energy and Infrastructure for no consideration (refer note 10 to the financial statements).

For the four years to 2011, a structural analysis of the main expense items for the Department is shown in the following chart.



The largest component of the Department's expenditure relates to custodial services. The proportion of expenses on the different programs has remained relatively stable each year.

The following chart shows expenditure by program for 2010-11.

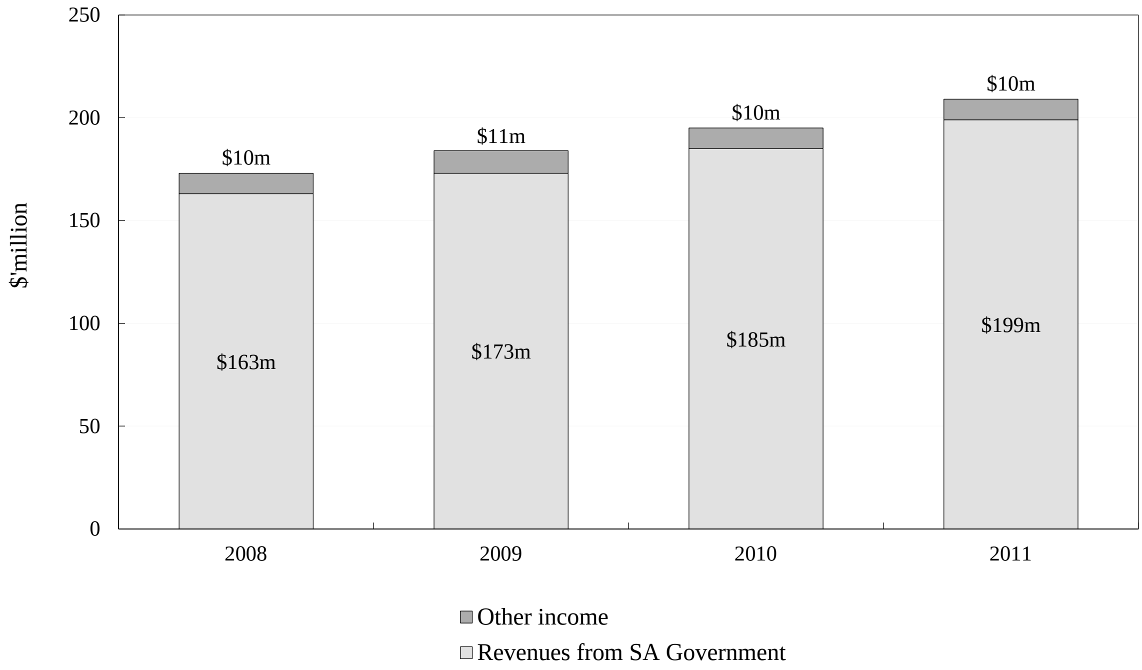


Income

Revenues from SA Government are the major source of funding for the Department accounting for 95 percent of total income. Revenues from government have increased to meet the additional costs of the Department.

Other income has remained stable between 2009-10 and 2010-11.

A structural analysis of income for the Department in the four years to 2011 is presented in the following chart.



Net cost of providing services

The net cost of services increased by 6 percent to $197 million ($186 million). The increase is mainly a result of the increases in certain expense items previously commented under ‘Expenses’ above.

Statement of Financial Position

Assets

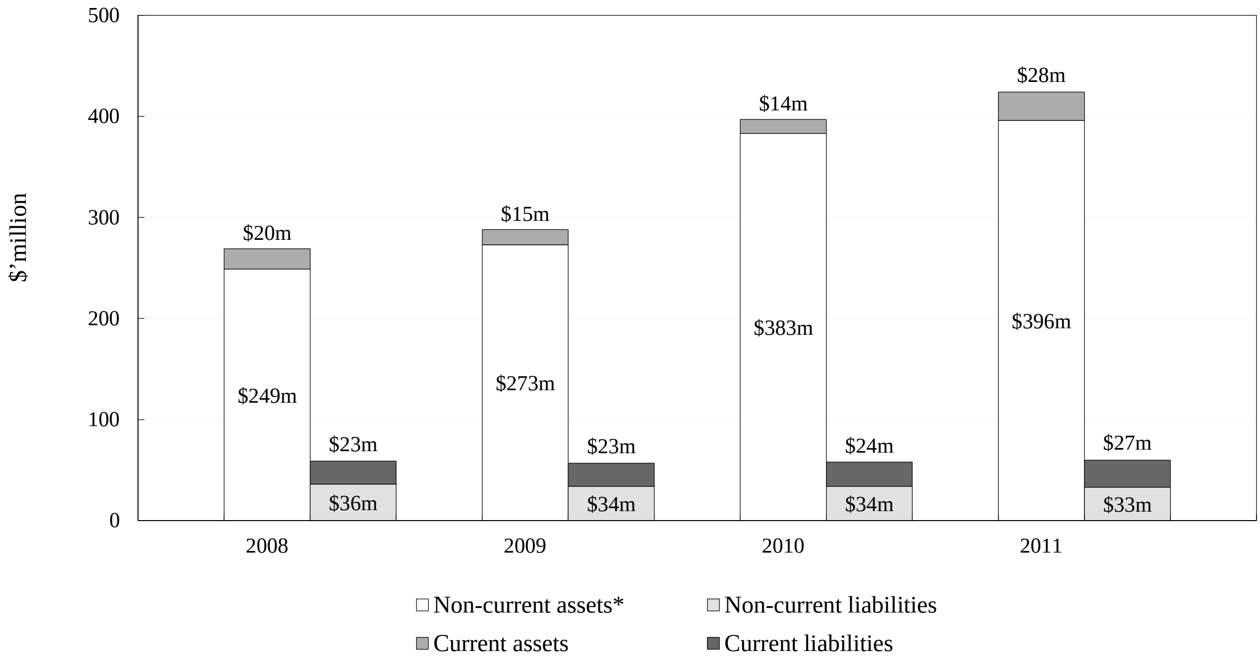
Total assets have increased by $27 million (7 percent) to $424 million ($397 million).

This increase is represented by:

- an increase in current assets of $14 million. This increase relates mainly to the increase in cash and cash equivalents of $14 million which reflects the $13 million equity contribution received during the year

- an increase in non-current assets of $12 million which reflects an increase in the value of property, plant and equipment of $16 million and a decrease in the value of capital works in progress of $4 million. During the year the Department capitalised a number of capital works projects (new cell blocks at Port Lincoln, security infrastructure upgrade across a number of prisons, the relocation of its central office and Noarlunga Community Correction Centre). The Department revalued its land and buildings as at 30 June 2011 resulting in a revaluation increment of $12 million.

For the four years to 2011, a structural analysis of assets and liabilities is shown in the following chart.



* Includes biological assets

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

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Net cash flows				
Operating	18	6	4	9
Investing	(16)	(8)	(10)	(10)
Financing	13	-	-	-
Change in cash	15	(2)	(6)	(1)
Cash at 30 June	25	10	12	18

The increase in net cash flows from operating activities is due mainly to the increase in government revenues received in 2010-11.

The increase in net cash flows used in investing activities mainly reflects the cash outflows relating to the infrastructure expansion and upgrade at various prisons.

The increase in the net cash flows from financing activities reflects the equity contribution received from the SA Government of $13 million.

During the year cash increased by $15 million to $25 million. Of this amount $16 million is held in the DTF Special Deposit Account 'Accrual Appropriation Excess Funds - Department for Correctional Services'. Access to these funds is subject to the Treasurer's or Under Treasurer's approval.

Further commentary on operations

Service contracts

The Department utilises service contracts for prisoner movement and in-court management, home detention monitoring and management of the Mount Gambier Prison. The Department has commitments in respect of these contracts as outlined below:

Prisoner movement and in-court management

This contract was awarded for a five year term on 1 August 2009 after a tender process was completed.

Home detention monitoring

The home detention monitoring contract commenced on 20 January 2010 for a three year period until 19 January 2013 following the completion of a tender process.

Management of the Mount Gambier Prison

The contract for the management of the Mount Gambier Prison expired on 26 December 2010. The Department negotiated a six month extension to the current contract to allow a tender process to be undertaken. This contract extension expired on 1 July 2011. The Department negotiated a further six month extension to 1 January 2012 to allow the tender process to be finalised.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Employee benefit expenses	5	125 663	123 798
Supplies and services	6	53 995	51 585
Depreciation and amortisation expense	7	13 962	9 853
Payments to prisoners		2 432	2 368
Accommodation and associated lease costs		7 822	6 463
Grants	8	596	966
Net loss from disposal of assets	9	17	289
Resources provided free of charge	10	2 356	-
Other expenses	11	439	469
Total expenses		207 282	195 791
Income:			
Prison labour	13	1 408	1 444
Salaries and goods and services recoups		1 952	1 612
Interest revenues		6	3
Commonwealth revenue	14	599	546
Canteen and kitchen sales	15	3 162	2 904
Other income	16	2 671	3 487
Total income		9 798	9 996
Net cost of providing services		197 484	185 795
Revenues from (payments to) SA Government:			
Revenues from SA Government	17	199 174	184 898
Payments to SA Government	17	(1 413)	-
Net result		277	(897)
Other comprehensive income:			
Changes in asset revaluation surplus	21,24	11 689	109 117
Total comprehensive result		11 966	108 220

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	18	24 683	10 239
Receivables	19	2 255	2 451
Inventories	20	1 329	1 168
Total current assets		28 267	13 858
Non-current assets:			
Property, plant and equipment	21	387 560	371 694
Capital work in progress	22	7 869	11 401
Intangible assets	23	2	25
Biological assets	24	322	308
Total non-current assets		395 753	383 428
Total assets		424 020	397 286
Current liabilities:			
Payables	25	11 731	9 534
Employee benefits	26	10 654	10 064
Provisions	27	4 370	4 782
Total current liabilities		26 755	24 380
Non-current liabilities:			
Payables	25	1 681	1 828
Employee benefits	26	18 791	18 051
Provisions	27	12 709	14 042
Total non-current liabilities		33 181	33 921
Total liabilities		59 936	58 301
Net assets		364 084	338 985
Equity:			
Retained earnings	28	98 090	98 024
Prisoner amenities reserve	28	327	116
Asset revaluation surplus	28	252 534	240 845
Contributed capital	28	13 133	-
Total equity		364 084	338 985

Total equity is attributable to the SA Government as owner

Commitments	29		
Contingent assets and liabilities	30		

Statement of Changes in Equity
for the year ended 30 June 2011

	Note	Prisoner amenities reserve $'000	Asset revaluation surplus $'000	Contributed capital $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009		100	131 728	-	99 108	230 936
Error correction	28	-	-	-	(171)	(171)
Restated balance at 30 June 2009		100	131 728	-	98 937	230 765
Net result for 2009-10		-	-	-	(603)	(603)
Error correction		-	-	-	(294)	(294)
Restated net result for 2009-10		-	-	-	(897)	(897)
Gain on revaluation of land and buildings during 2009-10		-	109 117	-	-	109 117
Net changes in reserves		16	-	-	(16)	-
Restated balance at 30 June 2010	28	116	240 845	-	98 024	338 985
Net result for 2010-11		-	-	-	277	277
Gain on revaluation of non-current assets during 2010-11		-	11 689	-	-	11 689
Net changes in reserves		211	-	-	(211)	-
Total comprehensive result for 2010-11		211	11 689	-	66	11 966
Transactions with SA Government as owner:						
Equity contribution received		-	-	13 133	-	13 133
Balance at 30 June 2011	28	327	252 534	13 133	98 090	364 084

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(124 507)	(126 619)
Supplies and services		(68 498)	(63 796)
Prisoner payments		(2 432)	(2 368)
Grants		(596)	(966)
Other payments		(423)	(469)
Cash used in operations		(196 456)	(194 218)
Cash inflows:			
Receipts from prison labour		1 408	1 444
Interest received		6	3
GST recovered from the ATO (input tax credits)		6 392	5 263
Other receipts		9 048	9 243
Cash generated from operations		16 854	15 953
Cash flows from (to) SA Government:			
Receipts from SA Government		199 174	184 898
Payments to SA Government		(1 413)	-
Cash generated from SA Government		197 761	184 898
Net cash provided by (used in) operating activities	34	18 159	6 633
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(16 848)	(8 305)
Cash used in investing activities		(16 848)	(8 305)
Net cash provided by (used in) investing activities		(16 848)	(8 305)
Cash flows from financing activities:			
Cash outflows:			
Cash transferred as a result of restructuring activities	33	-	(34)
Cash used in financing activities		-	(34)
Cash inflows:			
Capital contributions from SA Government		13 133	-
Cash generated from financing activities		13 133	-
Net cash provided by (used in) financing activities		13 133	(34)
Net increase (decrease) in cash and cash equivalents		14 444	(1 706)
Cash and cash equivalents at 1 July		10 239	11 945
Cash and cash equivalents at 30 June	34	24 683	10 239

Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2011

(Activities - refer note 4)	1		2	
	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	83 303	82 067	19 115	18 831
Supplies and services	43 008	41 088	4 541	4 339
Depreciation and amortisation expense	11 981	8 455	401	283
Payments to prisoners	1 986	1 933	-	-
Accommodation and associated lease costs	2 993	2 474	3 056	2 525
Grants	239	388	55	89
Net loss from disposal of non-current assets	17	255	-	7
Resources provided free of charge	-	-	2 356	-
Other expenses	333	356	48	51
Total expenses	143 860	137 016	29 572	26 125
Income:				
Prison labour	-	-	-	-
Salaries and goods and services recoups	406	335	205	169
Interest revenues	6	3	-	-
Commonwealth revenue	-	-	599	546
Canteen and kitchen sales	3 162	2 904	-	-
Other income	1 543	2 605	615	399
Total income	5 117	5 847	1 419	1 114
Net cost of providing services	138 743	131 169	28 153	25 011
Revenues from SA Government	139 931	130 440	28 394	24 923
Payments to SA Government	993	-	201	-
Net result	195	(729)	40	(88)

(Activities - refer note 4)	3		Total	
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	23 245	22 900	125 663	123 798
Supplies and services	6 446	6 158	53 995	51 585
Depreciation and amortisation expense	1 580	1 115	13 962	9 853
Payments to prisoners	446	435	2 432	2 368
Accommodation and associated lease costs	1 773	1 464	7 822	6 463
Grants	302	489	596	966
Net loss from disposal of non-current assets	-	27	17	289
Resources provided free of charge	-	-	2 356	-
Other expenses	58	62	439	469
Total expenses	33 850	32 650	207 282	195 791
Income:				
Prison labour	1 408	1 444	1 408	1 444
Salaries and goods and services recoups	1 341	1 108	1 952	1 612
Interest revenues	-	-	6	3
Commonwealth revenue	-	-	599	546
Canteen and kitchen sales	-	-	3 162	2 904
Other income	513	483	2 671	3 487
Total income	3 262	3 035	9 798	9 996
Net cost of providing services	30 588	29 615	197 484	185 795
Revenues from SA Government	30 849	29 535	199 174	184 898
Payments to SA Government	219	-	1 413	-
Net result	42	(80)	277	(897)

Disaggregated Disclosures – Assets and Liabilities as at 30 June 2011

(Activities - refer note 4)	1		2		3	
	2011	2010	2011	2010	2011	2010
Current assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	30	29	5	5	1	1
Receivables	-	-	-	-	111	245
Inventories	319	337	-	-	666	460
Total current assets	349	366	5	5	778	706
Non-current assets:						
Property, plant and equipment	353 907	343 098	15 451	14 719	13 231	13 221
Capital work in progress	7 820	6 324	35	165	-	-
Intangible assets	-	-	-	-	-	-
Biological assets	-	-	-	-	322	308
Total non-current assets	361 727	349 422	15 486	14 884	13 553	13 529
Total assets	362 076	349 788	15 491	14 889	14 331	14 235
Current liabilities:						
Payables	7 129	2 967	1 134	583	459	407
Employee benefits	7 065	7 180	2 325	1 425	1 264	1 459
Provisions	-	-	-	-	-	-
Total current liabilities	14 194	10 147	3 459	2 008	1 723	1 866
Non-current liabilities:						
Payables	1 257	1 301	232	266	192	261
Employee benefits	14 051	12 844	2 597	2 624	2 143	2 583
Provisions	-	-	-	-	-	-
Total non-current liabilities	15 308	14 145	2 829	2 890	2 335	2 844
Total liabilities	29 502	24 292	6 288	4 898	4 058	4 710
Net assets	332 574	325 496	9 203	9 991	10 273	9 525

(Activities - refer note 4)	General/Not attributable		Total	
	2011	2010	2011	2010
Current assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	24 647	10 204	24 683	10 239
Receivables	2 144	2 206	2 255	2 451
Inventories	344	371	1 329	1 168
Total current assets	27 135	12 781	28 267	13 858
Non-current assets:				
Property, plant and equipment	4 971	656	387 560	371 694
Capital work in progress	14	4 912	7 869	11 401
Intangible assets	2	25	2	25
Biological assets	-	-	322	308
Total non-current assets	4 987	5 593	395 753	383 428
Total assets	32 122	18 374	424 020	397 286
Current liabilities:				
Payables	3 009	5 577	11 731	9 534
Employee benefits	-	-	10 654	10 064
Provisions	4 370	4 782	4 370	4 782
Total current liabilities	7 379	10 359	26 755	24 380
Non-current liabilities:				
Payables	-	-	1 681	1 828
Employee benefits	-	-	18 791	18 051
Provisions	12 709	14 042	12 709	14 042
Total non-current liabilities	12 709	14 042	33 181	33 921
Total liabilities	20 088	24 401	59 936	58 301
Net assets	12 034	(6 027)	364 084	338 985

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department for Correctional Services (the Department)

The Department is an administrative unit established pursuant to the PSA.

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

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

2. Significant accounting policies

(a) *Statement of compliance*

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with applicable AASs and TIs and APSs promulgated under the provisions of the PFAA.

Except for AASB 2009-12, which the Department has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet in effect have not been adopted by the Department for the reporting period ending 30 June 2011. These are outlined in note 3.

(b) *Basis of preparation*

The preparation of the financial statements requires:

- the use of certain accounting estimates 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, 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, by authority of TI 19. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in these financial statements:
  - (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 (as reported in the Statement of Comprehensive Income)
  - (c) employee TVSP information
  - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (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 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 Statement of Comprehensive Income, Statement of Financial Position 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 Statement of Cash Flows has been prepared on a cash basis.

The financial statements have 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 statements for the year ended 30 June 2011 and the comparative information presented.

(c) Reporting entity

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

The financial statements and accompanying notes include all the controlled activities of the Department. The transactions and balances relating to administered resources are not recognised as departmental income, expense, assets and liabilities. As administered resources are insignificant in relation to the Department's overall financial performance and position, they are disclosed in note 36. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

(d) Transferred functions

The former Public Sector Management (Abolition of Administrative Unit and Public Service Restructure) Proclamation 2009 (dated 1 September 2009) declared that the taxation and financial services transition from the Corporate Finance Branch to Shared Services SA during 2009-10.

These transitions were approved by Cabinet on 15 October 2009 (refer note 33).

(e) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs has required a change.

Where presentation or classification of items in the financial statements has been amended, comparative amounts have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

(f) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars ($'000).

(g) 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:

- 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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 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.

(h) Events after the reporting period

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.

There are no events for the reporting period after 30 June 2011.

(i) 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 revenues, 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:

- *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 the carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

  Any gain (loss) on disposal is recognised at the date control of the asset is passed to the buyer and is determined after deducting the cost of the asset from the proceeds at that time.

- *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.

- *Resources received/provided free of charge*

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

- *Grants received/paid*

  Grants paid are amounts provided by the Department to entities for general assistance or for a particular purpose. Such grants may be for capital, current or recurrent purposes and the name or category reflects the use of the grant. Grants received are recognised as income at the time the Department obtains control over the funds. Grants paid/received are usually subject to terms and conditions set out in the contract, correspondence, or by legislation governing the provision of the grant.

Expenses

- *Employee benefits*

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

- *Superannuation*

  The amount charged to the Statement of Comprehensive Income represents the contributions made by the Department to the superannuation plan in respect of current services of current departmental staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

- *Payments to SA Government*

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

(j) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The Department has a clearly identifiable operating cycle of 12 months. 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.

(k) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand and cash equivalents that are readily convertible to cash and are used in the cash management function on a day-to-day basis.

Cash is measured at nominal value.

(l) Receivables

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

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

(m) Inventories

Inventories include goods and other property held either for sale or distribution at nominal cost in the ordinary course of business.

Inventory in institutional stores is held for distribution at cost and is adjusted when applicable for any loss of service potential.

Inventory held in prison canteens is held for sale at nominal cost and is assigned on the basis of average cost.

Inventory held by prison industries is measured at cost.

Lock and physical security item inventory is held for distribution at cost and adjusted when applicable for any loss of service potential.

(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 costs involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

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

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

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

(o) 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, a full revaluation of the Department's land, buildings and leasehold improvements is undertaken. A 'desk-top' revaluation is undertaken by a licensed valuer for the two interim years. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then a full revaluation may be undertaken and the asset will be revalued regardless of when the last full 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.

(o) Revaluation of non-current assets (continued)

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

Any revaluation decrement is recognised in the Statement of Comprehensive Income, 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 surplus to the extent of the credit balance existing in the asset revaluation 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 surplus 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 surplus.

(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 leasehold improvements and intangible assets such as software licences, 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 is not depreciated.

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

Class of asset	*Depreciation method*	*Useful life (years)*
Plant and equipment	Straight-line	4-20
Buildings (including prisons)	Straight-line	1-60
Intangibles	Straight-line	3-5
Leasehold improvements	Straight-line	Life of lease

(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 software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits), the 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.

(s) Biological assets

Biological assets such as cattle are measured at fair value less estimated point of sales costs. The fair value is determined based on current market values of the biological assets.

The olive grove is measured at cost plus any gains arising from changes in fair value less estimated point-of-sale costs attributable to physical changes.

The citrus grove is measured at cost plus any gains arising from changes in fair value less estimated point-of-sale costs attributable to physical changes.

(t) Payables

Payables include creditors, accrued expenses, GST payable 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 benefit on-costs include superannuation contributions, workers compensation 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 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 South Australian Superannuation Board. 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

Liability 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 generally expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. Where salary and wages and annual leave are payable later than 12 months, the liability is 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 five years (5.5 years) of service. An actuarial assessment of long service leave undertaken by DTF 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.

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

Employee benefit on-costs

Employee benefit on-costs (payroll tax, workers compensation 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 Statement of Comprehensive Income 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.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2011 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Department is responsible for the payment of workers compensation claims.

(v) 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 a number of operating lease agreements for buildings and motor vehicles.

Operating leases
Operating lease payments are recognised as an expense in the Statement of Comprehensive Income 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.

The Department does not have any finance lease arrangements.

(w) Prisoner amenities reserve
Proceeds from the sale of canteen goods to prisoners net of the cost of certain direct canteen expenses are made available for the acquisition of items for the benefit of prisoners. These net proceeds are accounted for in the prisoner amenities reserve.

(x) Payments to prisoners
These include payments made on behalf of prisoners and payments made to prisoners upon release.

3. Changes in accounting policies
In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Department has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Department to disclose all employees whose normal remuneration was equal to or greater than $100 000. This change is reflected in note 5.

The Department did not voluntarily change any of its accounting policies during 30 June 2011.

Except for the amending AASB 2009-12, which the Department has early-adopted, 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 period ending 30 June 2011. 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 statements of the Department.

4. Activities of the Department
In achieving its objectives, the Department provides a range of services classified into the following activities:

Activity 1: Custodial Services
The Department provides secure containment and supervision for adults on remand and those sentenced by the courts to serve a custodial sanction. The custodial services program includes costs associated with operating the State's prison system, the humane treatment of prisoners while in custody and the secure movement of prisoners.

Activity 2: ***Community Based Services***
The Department case manages and supervises offenders in the community on probation, parole or under home detention and bailees on supervised bail.

Activity 3: ***Rehabilitation and Reparation Services***
The Department provides a range of educational, vocational and rehabilitative activities designed to assist offenders to address their offending behaviour and provide them with opportunities to lead to law-abiding and productive lives.

General/Not attributable
Certain assets and liabilities of the Department are unable to be allocated reliably between activities.

5. Employee benefit expenses

Employee benefit expenses	2011	2010
	$'000	$'000
Salaries and wages	94 891	92 465
Employment on-costs - superannuation	9 972	9 797
Employment on-costs - payroll tax	5 871	5 663
Annual leave	9 648	9 169
Long service leave	3 301	3 927
Workers compensation salary payments	1 980	2 777
Total employee benefit expenses	125 663	123 798

Salaries and wages on termination are included in salaries and wages.

Remuneration of employees	2011	2010
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$127 500 - $130 699*	1	3
$130 700 - $140 699	9	2
$140 700 - $150 699	2	2
$150 700 - $160 699	3	1
$160 700 - $170 699	2	3
$170 700 - $180 699	1	1
$190 700 - $200 699	1	1
$200 700 - $210 699	1	2
$220 700 - $230 699	1	1
$290 700 - $300 699	1	1
Total	22	17

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2009-10.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages (including termination payments), superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $3.5 million ($2.9 million).

Accounting policy change
In accordance with the revised APF II, the Department has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 48 (45).

TVSPs	2011	2010
Amount paid to separated employees:	$'000	$'000
TVSPs	206	2 655
Annual leave and long service leave paid to those employees	79	730
	285	3 385
Recovery from DTF	(206)	(2 655)
Amount paid using Accrual Appropriation Excess Funds Account	79	730

The number of employees who were paid TVSPs during the reporting period was 2 (24).

6. Supplies and services

Supplies and services provided:	2011 $'000	2010 $'000
Contracts[1]	16 983	16 320
Works and equipment costs	5 031	4 895
Cost of goods sold - prison industries	1 669	2 007
Cost of goods sold - canteen and kitchen sales	3 046	2 776
Offender related costs	5 691	5 689
Utilities	5 993	5 277
Consultants[2]	-	369
Travel expenses	1 128	956
IT costs	3 267	3 240
Workers compensation related payments	1 617	232
Staff related costs	1 648	1 520
Contracted staff	1 652	1 422
Shared Services SA processing charges	1 756	1 520
Insurance charges	956	878
OHS&W expenses	174	221
Materials and consumables	375	315
Board and committee fees	284	287
Sundry other expenses	2 725	3 661
Total supplies and services[3]	53 995	51 585

(1) The main contracts for the Department include the Mount Gambier Prison management, prisoner movement and in-court management and Electronic Monitoring Services South Australia.

(2) 2010-11 includes $nil ($354 000) associated with the New Prisons and Secure Facilities project. This excludes consultancy payments to other State Government departments.

(3) Supplies and services expenses include $9.7 million ($10 million) to SA Government entities in 2010-11.

Consultants

The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) that fell within the following bands:	2011 Number	2011 $'000	2010 Number	2010 $'000
$10 000 - $50 000	-	-	2	37
Above $50 000	-	-	2	332
	-	-	4	369

7. Depreciation and amortisation expense

	2011 $'000	2010 $'000
Depreciation:		
Buildings	12 863	9 333
Plant and equipment	297	261
Total depreciation	13 160	9 594
Amortisation:		
Leasehold improvements	779	236
Intangible assets	23	23
Total amortisation	802	259
Total depreciation and amortisation expense	13 962	9 853

8. Grants

Grants paid or payable to entities external to the SA Government:		
Recurrent grants	596	966
Total grants provided	596	966

9. Net loss from disposal of assets

Plant and equipment:		
Proceeds from disposal of non-current assets	-	-
Net book value of assets disposed	11	39
Net loss from disposal of plant and equipment	11	39

9. Net loss from disposal of assets (continued)

	2011	2010
Leasehold improvements:	$'000	$'000
Proceeds from disposal of non-current assets	-	-
Net book value of assets disposed	6	250
Net loss from disposal of leasehold improvements	6	250
Total assets:		
Total proceeds from disposal of non-current assets	-	-
Total value of assets disposed	17	289
Net loss from disposal of total assets	17	289

Correction of errors

The disposal of leasehold improvements relating to the cessation of the central office lease totalling $244 000 was not recognised for the year ended 30 June 2010. This error had the effect of understating expenses (net loss from disposal of assets), overstating the net cost of providing services and overstating property, plant and equipment and retained earnings at 30 June 2010 by $244 000.

The error has been corrected by restating each of the affected financial statement line items for the prior year.

10. Resources provided free of charge

	2011	2010
Resources provided free of charge to entities within the SA Government:	$'000	$'000
Donated assets(1)	2 356	-
Total resources provided free of charge - SA Government entities	2 356	-
Total resources provided free of charge	2 356	-

(1) The former Noarlunga Community Corrections Centre at 3 James Clark Road, Noarlunga Centre was approved by the Minister for Correctional Services to be transferred to the Department for Transport, Energy and Infrastructure on 12 April 2011 for no consideration. The effective date of the transfer was 31 May 2011.

11. Other expenses

	2011	2010
Other expenses paid or payable to entities external to the SA Government:	$'000	$'000
Bad and doubtful debts expense	16	-
Bank charges	21	17
FBT	338	365
Other	64	87
Total other expenses - non-SA Government entities	439	469
Total other expenses	439	469

12. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department	123	119
Total audit fees	123	119

Other services

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

13. Net income (loss) from prison labour

	Yatala Labour Prison		Mobilong Prison		Cadell Training Centre		Adelaide Women's Prison/Pre-release Centre	
	2011	2010	2011	2010	2011	2010	2011	2010
Sales income	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Internal sales	415	408	340	348	546	541	110	138
External sales	344	225	705	948	101	145	40	29
Total sales income	759	633	1 045	1 296	647	686	150	167
Cost of goods sold	(325)	(263)	(774)	(920)	(293)	(551)	(84)	(111)
Gross profit	434	370	271	376	354	135	66	56
Other income	-	-	3	4	13	5	-	-
Other expenses	(1 762)	(1 711)	(951)	(953)	(1 070)	(1 147)	(221)	(237)
Net loss	(1 328)	(1 341)	(677)	(573)	(703)	(1 007)	(155)	(181)

13. Net income (loss) from prison labour (continued)

	Port Augusta Prison		Port Lincoln Prison		Total	
	2011	2010	2011	2010	2011	2010
Sales income	$'000	$'000	$'000	$'000	$'000	$'000
Internal sales	86	49	9	8	1 506	1 492
External sales	34	25	184	72	1 408	1 444
Total sales income	120	74	193	80	2 914	2 936
Cost of goods sold	(115)	(77)	(78)	(85)	(1 669)	(2 007)
Gross profit	5	(3)	115	(5)	1 245	929
Other income	2	-	16	3	34	12
Other expenses	(516)	(434)	(339)	(288)	(4 859)	(4 770)
Net loss	(509)	(437)	(208)	(290)	(3 580)	(3 829)

Internal sales include $252 000 ($165 000) resulting from work undertaken by prisoners for projects that are part of the capital work program.

Internal sales have been eliminated from consolidated income and are therefore not included in the Statement of Comprehensive Income.

Other expenses include employee benefits, supplies and services, offender related costs and depreciation associated with industry operations at each location.

14. Commonwealth revenue

	2011	2010
	$'000	$'000
Commonwealth revenue	599	546
Total Commonwealth revenue	599	546

Commonwealth revenue is for the Remote Areas Program.

15. Canteen and kitchen sales

Canteen and kitchen sales	3 162	2 904
Cost of goods sold	(3 046)	(2 776)
Total canteen and kitchen sales	116	128

16. Other income

Other income received from entities within the SA Government:		
Grants received	555	760
Revenue from recoveries	51	828
Other	169	182
Total other income - SA Government entities	775	1 770
Other income received from entities external to the SA Government:		
Prisoner telephone receipts	1 070	933
Internally generated assets	243	228
Revenue from recoveries	447	274
Other	136	282
Total other income - non-SA Government entities	1 896	1 717
Total other income	2 671	3 487

Correction of errors

The GST received on prisoner telephone receipts totalling $93 000 was not remitted to the ATO for the year ended 30 June 2010. This error had the effect of overstating revenues, understating the net cost of providing services and understating payables and overstating retained earnings as at 30 June 2010 by $93 000.

The citrus grove totalling $43 000 was not recognised for the year ended 30 June 2010. This error had the effect of understating revenue, overstating the net cost of providing services and understating biological assets and retained earnings as at 30 June 2010 by $43 000.

These errors have been corrected by restating each of the affected financial statement line items for the prior year.

A further $171 000 relating to the period 2006-07 to 2008-09 has been corrected via an equity adjustment in the Statement of Changes in Equity.

17. Revenues from (payments to) SA Government

	2011	2010
Revenues from SA Government:	$'000	$'000
Appropriations from Consolidated Account pursuant to the *Appropriation Act* and other revenues from the Consolidated Account	199 174	184 898
Total revenues from SA Government	199 174	184 898
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	(1 413)	-
Total payments to SA Government	(1 413)	-

18. Cash and cash equivalents

Deposits with the Treasurer	24 645	10 204
Prison imprest accounts	28	28
Petty cash	10	7
Total cash and cash equivalents	24 683	10 239

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account totalling $15.5 million ($1.2 million). 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.

During 2010-11, the Department transferred $1.4 million ($nil) of its cash balance to the Consolidated Account in accordance with the Cash Alignment Policy.

Interest rate risk

Petty cash and deposits at call and with the Treasurer are non-interest bearing. Prison imprest and payment processing service accounts earn a floating interest rate based on daily bank deposit rates. The carrying amount of cash approximates fair value.

19. Receivables

	2011	2010
Current:	$'000	$'000
Receivables	647	614
Provision for doubtful debts	(18)	-
	629	614
GST receivable	1 616	1 441
Prepayments - employee benefits[1]	-	354
Prepayments - other	10	42
Total receivables	2 255	2 451
Receivables from SA Government entities:		
Receivables	272	231
Total receivables from SA Government entities	272	231
Receivables from non-SA Government entities:		
Receivables	375	383
GST receivable	1 616	1 441
Prepayments	10	396
Provision for doubtful debts	(18)	-
Total receivables from non-SA Government entities	1 983	2 220
Total receivables	2 255	2 451

(1) 2009-10 included $354 000 relating to a prepayment of salary and wages for 1 July 2010.

Provision for doubtful debts

A provision 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 Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Provision for doubtful debts (continued)	2011	2010
Movements in the provision for doubtful debts (impairment loss):	$’000	$’000
Carrying amount at 1 July	-	-
Increase in the provision	34	-
Amounts written off	(16)	-
Carrying amount at 30 June	18	-

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 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.

(a) Maturity analysis of receivables - refer note 35.
(b) Categorisation of financial instruments and risk exposure information - refer note 35.

The Department does not have any material interest bearing assets and liabilities and is not exposed to any interest rate risk.

20. Inventories

	2011	2010
Current - held for distribution:	$’000	$’000
Stores	663	708
Total current inventories held for distribution	663	708
Current - other than those held for distribution:		
Raw materials and work in progress	396	363
Finished goods	264	93
Stores	6	4
Total current inventories other than those held for distribution	666	460
Total inventories	1 329	1 168

21. Property, plant and equipment

Land and buildings:		
Land at fair value (existing use)	57 157	57 874
Buildings at fair value	621 157	598 670
Accumulated depreciation	(302 099)	(289 075)
Total land and buildings	376 215	367 469
Leasehold improvements:		
Leasehold improvements at fair value	11 137	3 269
Accumulated amortisation	(1 725)	(949)
Total leasehold improvements	9 412	2 320
Plant and equipment:		
Plant and equipment at fair value	4 976	4 737
Accumulated depreciation	(3 043)	(2 832)
Total plant and equipment	1 933	1 905
Total property, plant and equipment	387 560	371 694

Valuation of land and buildings

A desktop valuation of land and buildings was performed by Andrew Lucas of Valcorp as at 30 June 2011. 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. Where land was held to support ongoing operations of the entity, the land was valued at its existing use.

Impairment

There were no indications of impairment of property, plant and equipment and infrastructure assets at 30 June 2011.

Reconciliation of property, plant and equipment

The following table shows movement in property, plant and equipment during 2010-11:

	Land and buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Carrying amount at 1 July	367 469	2 320	1 905	371 694
Additions	-	-	505	505
Transfers from capital work in progress	12 107	7 878	-	19 985
Disposals	-	(6)	(11)	(17)
Donated assets	(2 356)	-	-	(2 356)
Revaluation increment	11 688	-	-	11 688
Depreciation and amortisation	(12 863)	(779)	(297)	(13 939)
Transfers	169	-	(169)	-
Other	1	(1)	-	-
Carrying amount at 30 June	376 215	9 412	1 933	387 560

The increase in asset values for prisons in 2010-11 reflects an increase in the construction cost estimates used by the independent valuer relative to the costs incorporated in the 2010-11 desktop valuation.

Correction of errors

The disposal of leasehold improvements relating to the cessation of the central office lease totalling $244 000 was not recognised for the year ended 30 June 2010. This error had the effect of understating expenses (net loss from disposal of assets), understating the net cost of providing services and overstating property, plant and equipment and retained earnings at 30 June 2010 by $244 000.

The error has been corrected by restating each of the affected financial statement line items for the prior year.

22. Capital work in progress

	2011 $'000	2010 $'000
Capital work in progress	7 869	11 401
Total capital work in progress	7 869	11 401

Reconciliation of capital work in progress

The following table shows movement in capital work in progress during 2010-11:

	2011 $'000	2010 $'000
Carrying amount at 1 July	11 401	3 283
Additions	16 453	10 859
Transfers to property, plant and equipment	(19 985)	(2 633)
Expense of prior years capital costs	-	(108)
Carrying amount at 30 June	7 869	11 401

23. Intangible assets

	2011 $'000	2010 $'000
Software licences:		
Software licences	97	97
Accumulated amortisation	(95)	(72)
Total software licences	2	25
Carrying amount at 1 July	25	35
Additions	-	13
Amortisation	(23)	(23)
Carrying amount at 30 June	2	25

24. Biological assets

2011	Citrus $'000	Livestock $'000	Olive grove $'000	Total $'000
Carrying amount at 1 July	43	104	161	308
Increases due to purchases	-	5	-	5
Gain arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	-	12	-	12
Gain arising from changes in fair value less estimated point-of-sale costs attributable to price changes	-	5	-	5
Revaluation increment	-	-	1	1
Decreases due to sales	-	(9)	-	(9)
Carrying amount at 30 June	43	117	162	322

24. **Biological assets (continued)**	Citrus	Livestock	Olive grove	Total
2010	$'000	$'000	$'000	$'000
Carrying amount at 1 July	-	105	161	266
Increases due to purchases	-	11	-	11
Gain arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	-	6	-	6
Gain arising from changes in fair value less estimated point-of-sale costs attributable to price changes	-	(1)	-	(1)
Asset recognised for the first time	43	-	-	43
Decreases due to sales	-	(17)	-	(17)
Carrying amount at 30 June	43	104	161	308

Livestock

Currently there are 177 (154) cattle held at Cadell Training Centre and Port Lincoln Prison for the purpose of milk and meat production for internal use within the prison system. The cattle are at various stages of life. As at reporting date there are no commitments for the development or acquisition of livestock.

Financial risk is considered to be extremely low with any losses being absorbed in the year of exposure. No government grants have been issued in relation to the livestock.

Plants

The olive grove is situated on approximately 32 hectares of land at the Cadell Training Centre. The grove has been developed to produce commercially viable olive oil.

The citrus grove is situated on approximately 19 hectares of land at the Cadell Training Centre. The original plantation (13.21 hectares) has reached the end of its useful life. The current plantation comprises 6.23 hectares of existing trees.

Correction of errors

The Citrus Grove totalling $43 000 was not recognised for the year ended 30 June 2010. This error had the effect of understating revenue, overstating the net cost of providing services and understating biological assets and retained earnings at 30 June 2010 by $43 000.

The error has been corrected by restating each of the affected financial statement line items for the prior year.

25. **Payables**	2011	2010
Current:	$'000	$'000
Creditors(1)	4 489	2 391
Accruals(2)	5 254	5 154
GST payable	98	344
Employment on-costs	1 890	1 645
Total current payables	11 731	9 534
Non-current:		
Employment on-costs	1 681	1 828
Total non-current payables	1 681	1 828
Total payables	13 412	11 362
Payables to SA Government entities:		
Creditors	995	786
Accruals(2)	4 305	4 464
Employment on-costs	3 571	3 473
Total payables to SA Government entities	8 871	8 723
Payables to non-SA Government entities:		
Creditors(1)	3 494	1 605
Accruals	949	690
GST payable	98	344
Total payables to non-SA Government entities	4 541	2 639
Total payables	13 412	11 362

25. Payables (continued)

(1) Creditors to non-SA Government entities includes contract payments for Mount Gambier Prison management and electronic monitoring of $901 000 ($20 000) and pay as you go tax of $935 000 ($nil).

(2) Accrued payables to SA Government entities includes $nil ($2.2 million) for the fitout of the Department's new central office and $1.4 million ($200 000) for additional prisoner accommodation projects.

Based on an actuarial assessment performed by DTF, the percentage of the proportion of long service leave taken as leave has changed from the 2010 rate of 45 percent to 35 percent and the average factor for the calculation of employer superannuation on-cost has also changed from the 2010 rate of 10.5 percent to 10.3 percent. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of $250 000 and employee benefit expense of $250 000.

Correction of errors

The GST received on prisoner telephone receipts totalling $93 000 was not remitted to the ATO for the year ended 30 June 2010. This error had the effect of overstating revenues, understating the net cost of providing services and understating payables and overstating retained earnings as at 30 June 2010 by $93 000.

The error has been corrected by restating each of the affected financial statement line items for the prior year.

A further $171 000 relating to the period 2006-07 to 2008-09 has been corrected via an equity adjustment in the Statement of Changes in Equity.

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. 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. Employee benefits

	2011	2010
Current:	$'000	$'000
Annual leave	7 771	7 240
Long service leave	2 057	1 981
Accrued salaries and wages(1)	822	839
Unclaimed salaries and wages	4	4
Total current employee benefits	10 654	10 064
Non-current:		
Annual leave	270	208
Long service leave	18 521	17 843
Total non-current employee benefits	18 791	18 051
Total employee benefits	29 445	28 115

(1) Accrued salaries and wages for 2010-11 include the underpayment of on-call allowance claims for community corrections and correctional officers higher duties. The Department has a further exposure to possible underpayments - refer note 30 for further details.

The total current and non-current employee liability (ie aggregate employee benefit plus related on-costs) for 2011 is $12.5 million ($11.7 million) and $20.5 million ($19.9 million) respectively.

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark of 5.5 years to five years. The net financial effect of the changes in the current financial year is an increase in the long service leave liability of $368 000 and employee benefit expense of $368 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

In addition, the salary inflation rate remained constant at 4 percent based on the actuarial assessment performed by DTF. The net financial effect of the changes in the current financial year is $nil.

27. Provisions

	2011	2010
Current:	$'000	$'000
Workers compensation - medical and other costs	2 617	2 808
Workers compensation - income maintenance	1 753	1 974
Total current provisions	4 370	4 782
Non-current:		
Workers compensation - medical and other costs	7 413	7 373
Workers compensation - income maintenance	5 296	6 669
Total non-current provisions	12 709	14 042
Total provisions	17 079	18 824
Carrying amount at 1 July	18 824	20 311
Workers compensation payments	(4 958)	(4 050)
Increase in provision	3 213	2 563
Carrying amount at 30 June	17 079	18 824

A liability has been recognised to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

28. Equity

	2011	2010
	$'000	$'000
Retained earnings	98 090	98 024
Asset revaluation surplus	252 534	240 845
Prisoner amenities reserve	327	116
Contributed capital	13 133	-
Total equity	364 084	338 985

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets to the extent that they offset one another. Relevant amounts are transferred to retained earnings on disposal of an asset.

The prisoner amenities reserve reflects the funds available to purchase amenities, such as gym equipment, for the specific benefit and use of prisoners. Proceeds from the sale of canteen goods to prisoners net of the cost of certain direct expenses less any associated prisoner amenities expenditure incurred during the financial year is transferred to or from the reserve at year end.

Contributed capital received represents equity contribution from the SA Government under the *Appropriation Act* to fund the investing activities of the Department.

Correction of errors

Retained earnings at 30 June 2010 was overstated by $244 000 due to a disposal of leasehold improvements not being recognised for the year ended 30 June 2010 (refer note 21), overstated by $93 000 due to the non-remittance of GST received on prisoner telephone receipts (refer note 25) and understated by $43 000 due to the non-recognition of the citrus grove (refer note 24).

These errors have been corrected by restating each of the affected financial statement line items for the prior year.

A further $171 000 relating to the period 2006-07 to 2008-09 has been corrected via an equity adjustment in the Statement of Changes in Equity.

29. Commitments

	2011	2010
Contract service commitments	$'000	$'000
Within one year	13 640	13 252
Later than one year but not later than five years	20 217	30 267
Total contract service commitments	33 857	43 519

The prisoner movement and in-court management contract is due to expire on 31 July 2014. The motor vehicle replacement commitment is included as part of the contract. All vehicles are expected to be commissioned by the end of the contract.

The home detention monitoring contract is for a three year period due to expire on 19 January 2013.

Contract service commitments (continued)

The management of Mount Gambier Prison contract was renewed, effective from 27 December 2010 for a six month period until 1 July 2011. Prior to expiration of the lease a six month contract extension was granted due to expire on 1 January 2012.

The above contracts have provisions for termination by the Crown without penalty to the Crown. However, a termination for convenience by the Crown would attract variable payments and reimbursements specified in the contract depending on the circumstance and amount of termination notice. The ongoing cancellable commitments (which have not been recognised as liabilities) are noted above.

The above figures:

- are subject to an escalation based on indices not yet published by the Australian Bureau of Statistics, and as a result are not adjusted for inflation and are based on 2010-11 prisoner populations
- are exclusive of GST.

Remuneration commitments

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

	2011	2010
	$'000	$'000
Within one year	2 324	2 734
Later than one year but not later than five years	3 352	5 395
Total remuneration commitments	5 676	8 129

Amounts disclosed include commitments arising from executive and other limited tenure employment contracts. The Department does not offer remuneration contracts greater than five years.

Operating lease commitments

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

	2011	2010
	$'000	$'000
Within one year	4 499	4 221
Later than one year but not later than five years	12 839	12 551
Later than five years	11 038	13 686
Total operating lease commitments	28 376	30 458

The Department's operating leases are for office accommodation and for motor vehicles. Office accommodation is leased from Building Management Accommodation and Property Services, a branch of the Department for Transport, Energy and Infrastructure. Motor vehicles are leased from Fleet SA. The leases are non-cancellable and are payable monthly in advance.

30. Contingent assets and liabilities

The Department has a number of common law claims made against it by various claimants. The maximum exposure facing the Department in respect of these claims is $387 000 ($363 000).

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

The Department has an exposure in respect of a possible underpayment of officers' meal allowance, higher duties allowance, on-call allowance and a potential exposure of other award entitlements to certain staff. This is disclosed as a contingent liability as its potential value had not been determined at balance date.

31. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2010-11 financial year were:

Parole Board

Frances Nelson (Presiding Member)
Timothy Bourne (Deputy Presiding Member)
Robin Durant (Deputy Member)
Garth Dodd
Denis Edmonds
Janina Gipslis
David Haebich
Andrew Kyprianou
Pamela Mitchell
Janice Steinert
Vanessa Swan*
Nora Ann Bloor*

Department for Correctional Services Advisory Council

Ian Shephard (Presiding Member)
Cheryl Axleby* (resigned 2 August 2010)
Elizabeth Anne Bachmann
Helena Jasinski
Vince Monterola
Kathryn Stone* (commenced 10 March 2011)
Lindsay Thompson

Prisoner Assessment Committee(1)

Robert Richardson* (Chair)
Elizabeth Anne Bachmann
Kevin Fielke*
David Kerr*
Shirley Lee*
Laurent Sagrillo*
Kerin Sava*
Volker Steppart*
Lorraine Williams

Serious Offender Committee(1)

David M Brown* (Chair)
Anne Marie Martin* (Chair)
Darren Fielke*
Elizabeth Finlay*
David Hugh Kerr*
Richard King*
Peter Ralph May*
Hayley Millhouse*
William Lutton Muchan*
Naomi Oberscheidt*
Anthony James Shillabear*
Anthony Eoughton Waters*
Kevin Wade Wilson*

The number of members whose income from the entity falls within the following bands:	2011 Number	2010 Number
$0 - $9 999	30	19
$10 000 - $19 999	4	-
$20 000 - $29 999	3	5
$30 000 - $39 999	2	2
$40 000 - $49 999	1	1
Total	40	27

Remuneration of members reflects all costs of performing board member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by board members was $284 000 ($287 000).

Amounts paid to a superannuation plan for board members was $23 000 ($23 000).

(1) The Serious Offender Committee was established effective 1 September 2010. This Committee replaces the Prisoner Assessment Committee which ceased in August 2010.

In accordance with the *Correctional Services Act 1982* the Department has established Community Service Advisory Committees within each region (Northern Metro, Southern Metro, Northern Country and Southern Country) to formulate guidelines for the approval of projects and tasks suitable for the performance of community service by offenders and to perform other functions as directed by the Minister. The members are entitled to remuneration, however the majority of members volunteer. The total remuneration received or receivable by Community Service Advisory Committee members was $nil ($90).

* In accordance with the DPC Circular 16, government employees did not receive any remuneration for board duties during the financial year.

Transactions between members are on conditions no more favourable to the recipient 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.

32. Trust funds

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

	2011 $'000	2010 $'000
Balance at 1 July	456	555
Prisoner monies receipts	5 564	5 384
Prisoner monies payments	(5 540)	(5 483)
Balance at 30 June	480	456

33. Transferred functions

In September 2006 the SA Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings. In late 2007 State Cabinet approved the shared services model developed by the Shared Services Reform Office for the creation of Shared Services SA in DTF.

The business services of SA Government agencies are transferring to Shared Services SA in a series of transition programs known as Tranches. In most cases, these services transition in their current state with the current employees, who have been providing these services within the agencies. Cabinet approved Tranche 2 (group 2) services on 15 October 2009, which comprised certain financial and taxation services.

As part of this reform, certain financial accounting and taxation services from the Corporate Finance Branch transitioned to Shared Services SA. The effective date of the transfer was 19 October 2009.

During the 2011 financial year no employee was transferred to Shared Services SA. During the 2010 financial year four employees of the Corporate Finance Branch transferred to Shared Services SA. The following table shows the assets and liabilities that were transferred to Shared Services SA as a result of the transfers.

	2011 $'000	2010 $'000
Cash	-	34
Total assets	-	34
Payables	-	4
Employee benefits	-	30
Total liabilities	-	34
Total net assets transferred	-	-

34. Cash flow reconciliation

Reconciliation of cash - cash at 30 June as per:		
Statement of Cash Flows	24 683	10 239
Statement of Financial Position	24 683	10 239

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services

Net cash provided by (used in) operating activities:	18 159	6 633
Revenues from SA Government	(199 174)	(184 898)
Payments to SA Government	1 413	-
Non-cash items:		
Provision for doubtful debts	(18)	-
Net loss on disposal of assets	(17)	(289)
Depreciation and amortisation expense	(13 962)	(9 853)
Assets donated	(2 356)	-
Write-off of prior year capital work in progress expense	-	(108)
Assets recognised for the first time	-	43
Changes in assets and liabilities:		
Increase (Decrease) in receivables	(178)	756
Increase (Decrease) in inventories	161	(113)
Increase (Decrease) in biological assets	14	(1)
Decrease (Increase) in payables	(1 941)	(389)
Decrease (Increase) in employee benefits	(1 330)	937
Decrease (Increase) in provisions	1 745	1 487
Net cost of providing services	(197 484)	(185 795)

35. Financial instruments

(a) 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.

A separate table for the categorisation of financial assets and liabilities has not been included. Refer note 18 for cash and cash equivalents, note 19 for receivables and note 25 for payables.

Financial assets

Cash and receivables are recorded at the carrying amount as per the Statement of Financial Position, which approximates net fair value.

Financial liabilities
Payables are recorded at the carrying amount which is considered to be a reasonable estimate of net fair value.

(b) 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 client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets.

The following table discloses the ageing of financial assets, past due, including impaired assets past due.

2011	Overdue for less than 30 days $'000	Overdue for 30-60 days $'000	Overdue for more than 60 days $'000	Total $'000
Not impaired:				
Receivables	413	48	103	564
Impaired:				
Receivables	3	1	14	18
2010				
Not impaired:				
Receivables	400	41	124	565
Impaired:				
Receivables	-	-	-	-

(c) Maturity analysis
All non-statutory receivables and payables are expected to be settled within 12 months.

(d) Liquidity risk
Liquidity risk arises where the Department is unable to meet its financial obligations as they are due to be settled. The continued existence of the Department is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs. 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.

(e) Market risk
Market risk for the Department is primarily through interest rate risk. The Department currently holds no interest bearing financial instruments and is not exposed to any market risk.

36. Disclosure of administered items

	2011	2010
Administered income:	$'000	$'000
Revenues from Victims of Crime levy	110	97
Mobilong Inmate Charity Fund	5	2
Total administered income	115	99
Administered expenses:		
Victims of Crime levy payments	110	97
Mobilong Inmate Charity Fund	-	-
Total administered expenses	110	97
Net result	5	2

36. Disclosure of administered items (continued)

	2011	2010
Administered current assets:	$'000	$'000
Cash	21	16
Total administered assets	21	16
Administered current liabilities:		
Victims of Crime levy payables	9	8
Mobilong Inmate Charity Fund	6	7
Total administered liabilities	15	15
Net administered assets	6	1
Administered equity:		
Retained earnings	6	1
Total administered equity	6	1
Changes in equity:		
Balance at 1 July	1	(1)
Net result	5	2
Balance at 30 June	6	1

	2011 Inflows (Outflows)	2010 Inflows (Outflows)
Cash flows from operating activities:		
Cash inflows:	$'000	$'000
Victims of Crime levy	110	97
Mobilong Inmate Charity Fund	5	2
Total administered income	115	99
Cash outflows:		
Victims of Crime levy payments	(110)	(96)
Mobilong Inmate Charity Fund	-	-
Total administered expenses	(110)	(96)
Net cash inflows (outflows) from operating activities	5	3
Net increase in cash	5	-
Cash at 1 July	16	16
Cash at 30 June	21	16

Administered items of the Department

The Department administers but does not control certain resources on behalf of the Attorney-General (Victims of Crime levy) and the Mobilong Inmate Charity Fund. It is accountable for the transactions involving these administered resources but does not have the discretion to deploy these resources for the achievement of the Department's objectives. Transactions and balances relating to these administered resources are not recognised as departmental income, expenses, cash inflows or cash outflows, assets or liabilities, but are recognised as administered income, expenses, cash inflows, cash outflows, assets or liabilities.

Courts Administration Authority

Functional responsibility

Establishment

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

Functions

The function of the Authority, which is independent of the control of Executive Government, is to provide courts with the administrative facilities and services necessary for the proper administration of justice.

For more information about the Authority's objectives and priorities refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Subsection 31(1)(b) of the PFAA and section 27 of the *Courts Administration Act 1993* provide for the Auditor-General to audit the accounts of the SCAC 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 Authority 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 internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the audit

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

During 2010-11, areas of review included:

- cash
- non-current assets
- payroll
- expenditure
- revenue, including fees and fines
- trust accounts
- governance, including risk management
- financial management compliance programs.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Courts Administration Authority as at 30 June 2011, 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.

Assessment of controls

In my opinion, the controls exercised by the Courts Administration Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Courts Administration 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 State Courts Administrator. Responses to the matters raised in the management letter were generally considered to be satisfactory. The main matters raised with the State Courts Administrator and the related responses are detailed below.

Management of annual leave entitlements

Audit reviewed the management of annual leave balances at the Authority. The Commissioner's Standard 3.4 (Commissioner for Public Employment) states no employee should have more than one year's recreation leave outstanding at the end of a 'service year' without appropriate approval. Audit noted there were a number of employees with large annual leave balances. A review of a sample of these employees indicated a number did not have the carry forward of their annual leave balance approved at the end of their service year.

The Authority responded it will update its procedures for leave balances and undertake follow-up with management and staff to actively manage and reduce annual leave balances subject to organisational convenience. Approval for the deferment of leave from the affected staff will be sought through inclusion of a link to the required leave deferral form. Leave balances greater than one year will be reported quarterly to the Executive Management Committee.

Contract and purchasing authorisation

The Authority's financial delegations provide employees with expenditure payment delegation only, which is not adequate authorisation for employees using purchase cards. There are many purchase cardholders who do not have the required purchasing (expenditure commitment) as well as the payment (disbursement) authority.

In response, the Authority advised of action taken to update the delegations so the 2011-12 delegations schedule separately identifies purchasing and payment authority.

Maintenance of the purchase card register

The purchase card register did not include the following information for all purchase cardholders:

- the purchase card numbers
- the date the purchase cards were approved and issued

- transaction and monthly purchase limits.

In response, the Authority advised this information is now included in the purchase card register.

Fines policy

The Authority has elected not to recognise fines receivables for financial reporting purposes. This determination is based on an assessment that the Authority performed a number of years ago that recognised the complexity in measuring/valuing this debt (which is characterised by uncertainty of collection) and when there was no approved fines policy that provided a basis for financial accounting and reporting of this debt.

Audit recommended the Authority formalise and document the fines policy for financial reporting purposes in accordance with current accounting standards.

In response, the Authority advised they will review the Fines Payment Unit Policy (FPU) on debt write-off in conjunction with the revenue recognition policy to re-consider the recognition of fines receivables.

Implementation of TIs 2 and 28

TIs 2 and 28 require the Authority to develop, implement, document and maintain a robust and transparent financial management compliance program. The Authority has updated its policies and procedures contained in its procedure manual. It has allocated responsibility for compliance testing, and established a compliance program. It has an up to date version of a compliance checklist, which is in accordance with the guidance toolkit promulgated by DTF.

However, Audit review indicated that:

- the financial management compliance program has not been formally approved by the State Courts Administrator or State Courts Administration Council
- there is no evidence of a regular review performed on payroll policies and procedures.

In response, the Authority advised appropriate action would be taken to address these matters.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 $'million	2010 $'million
Expenses		
Employee benefit expenses	50	51
Supplies and services	34	33
Other expenses	10	11
Total expenses	94	95
Income		
Revenues from fees and charges	6	5
Other revenues	1	7
Total income	7	12
Net cost of providing services	87	83

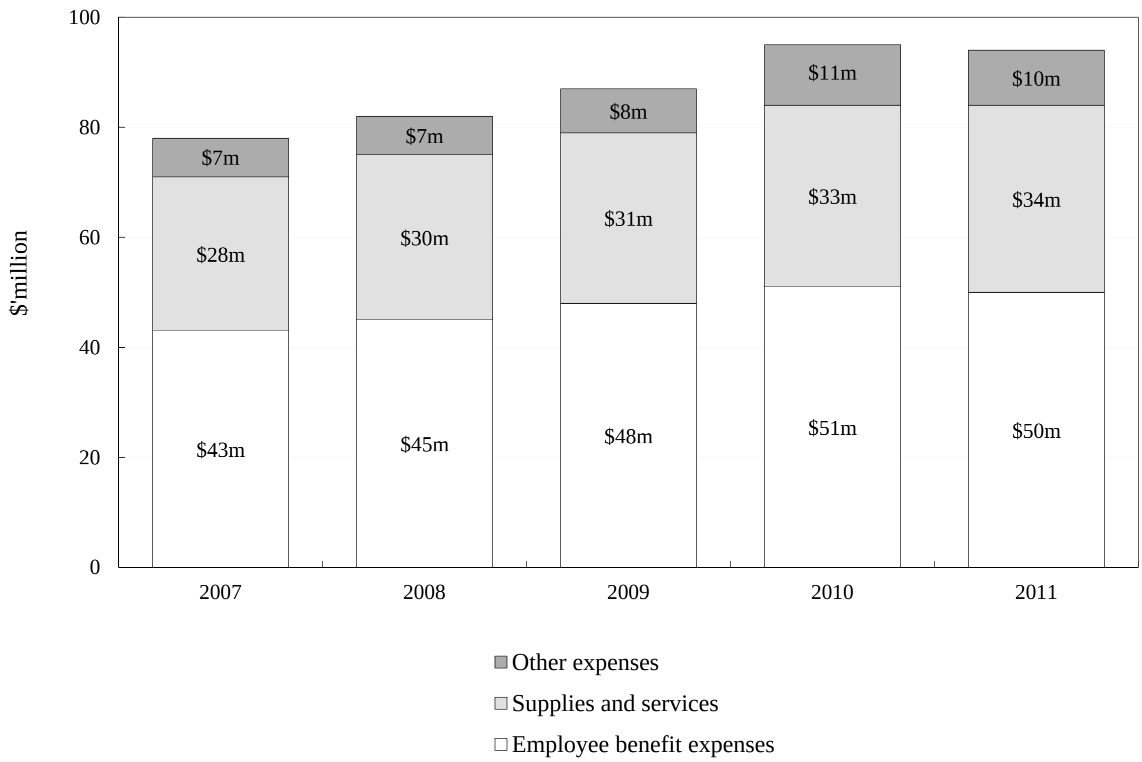
	2011 $'million	2010 $'million
Revenues from SA Government	87	84
Net result	-	1
Other comprehensive income	18	-
Total comprehensive result	18	-
Net cash provided by (used in) operating activities	9	5
Assets		
Current assets	33	28
Non-current assets	220	207
Total assets	253	235
Liabilities		
Current liabilities	11	10
Non-current liabilities	27	29
Total liabilities	38	39
Total equity	215	196

Statement of Comprehensive Income

The Authority's expenses reflect the costs incurred in performing its statutory responsibilities including the collection of administered income such as fines and court fees on behalf of the Government. This income is directly credited to the Consolidated Account and is reported under Administered Income.

Expenses

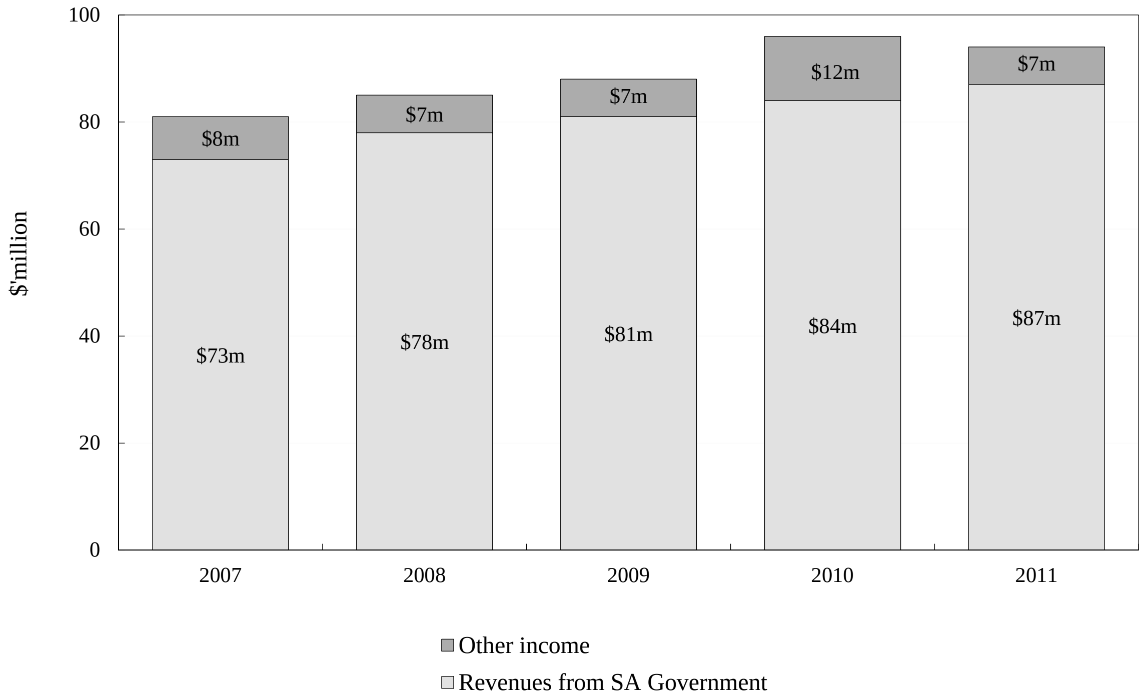
The following chart shows a structural analysis of the main expense items for the five years to 2011.



Employee benefit expenses are the major expense category for the Authority accounting for 53 percent of total expenses. Supplies and services account for 36 percent of total expenses and include $12 million in accommodation and service expenses and $4 million in computing and communications expenses. The above chart shows a decrease in the trend of employee benefit expenses for 2010-11. This decrease is due mainly to $2 million of TVSPs specific to the 2009-10 year.

Income

The following chart shows a structural analysis of the main income items for the five years to 2011.



Revenues from SA Government are the major source of funding for the Authority accounting for 92 percent of total income. Revenues from government have increased to meet the additional costs of the Authority. The above chart shows a decrease in other income for 2010-11. This decrease is due to $5 million of once-off assets received free of charge specific to the 2009-10 year.

Statement of Financial Position

Non-current assets increased during 2010-11 by $13 million (6 percent) due mainly to a revaluation of land and buildings of $13 million and library collection of $5.3 million as at 30 June 2011. The upward revaluations were based on an independent valuer's assessment of fair value in accordance with AASB 116. The impacts of the valuations were recognised as a gain to the asset revaluation surplus. Refer note 21(b) for more information.

Current assets mainly comprise cash and cash equivalents totalling $31 million which accounts for 95 percent of current assets.

Statement of Cash Flows

Included in cash at 30 June 2011 are deposits with the Treasurer including $25 million ($20 million) held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use and can only be used in accordance with the Under Treasurer's approval.

Interpretation and analysis of the financial report for administered activities

	2011 $'million	2010 $'million
Expenses		
Judicial benefit expenses	37	36
Victims of Crime payments	16	12
Payments to Consolidated Account	60	54
Other expenses	1	1
Total expenses	114	103
Income		
Revenues from SA Government	37	36
Fines	32	28
Court fees	27	25
Victims of Crime levies	16	12
Other income	2	2
Total income	114	103
Total comprehensive result	-	-
Net cash provided by (used in) operating activities	4	-
Assets		
Current assets	12	10
Total assets	12	10
Liabilities		
Current liabilities	12	11
Non-current liabilities	8	7
Total liabilities	20	18
Total equity	(8)	(8)

Statement of Administered Comprehensive Income

Income

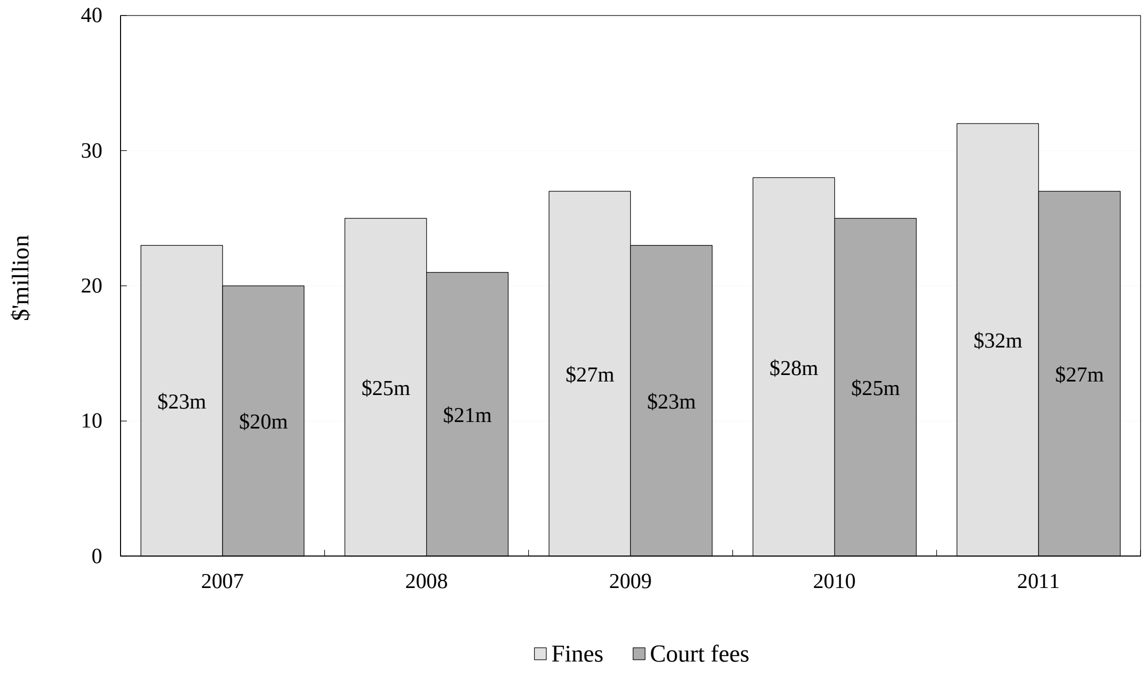
Fines and court fees

Fines and court fees are raised and collected by the Authority on behalf of, and paid directly to, the Consolidated Account.

During the year, income from fines and court fees increased by $6 million or 9 percent to $59 million. The Authority advised that the main factors which have contributed to the increased income include:

- increased activity to reduce dangerous and careless driving during 2011
- increased court fees for CPI and improved collections
- improved collections in enforcement fees from increased FPU activity.

The following chart shows a structural analysis of income from fines and court fees for the five years to 2011.



Victims of Crime levy

The Authority collects monies associated with the *Victims of Crime Act 2001* that have progressed to the courts. The *Victims of Crime Act 2001* provides for payment of compensation to persons who suffer injury as a result of criminal acts and recovery of monies from offenders.

The Authority collects monies and remits them to a special interest bearing deposit account managed by the Attorney-General's Department.

During 2010-11 Victims of Crime levy receipts increased by $4 million to $16 million or 33 percent due to a doubling of the levy rate from 1 January 2011.

Expenses

Revenues from the SA Government are received by the Authority to fund the payment of employment expenses of the Judiciary. During 2010-11 revenues of $37 million were received from the SA Government to pay the recurrent expenditure associated with the Judiciary.

Payments to the Consolidated Account totalling $60 million comprise fines and court fees, transcript fees and other income offset by other administered expenses.

Further commentary on operations

Fines, fees and levies

The Authority, through the FPU is responsible for managing the recovery of debts associated with criminal monetary penalties that relate to:

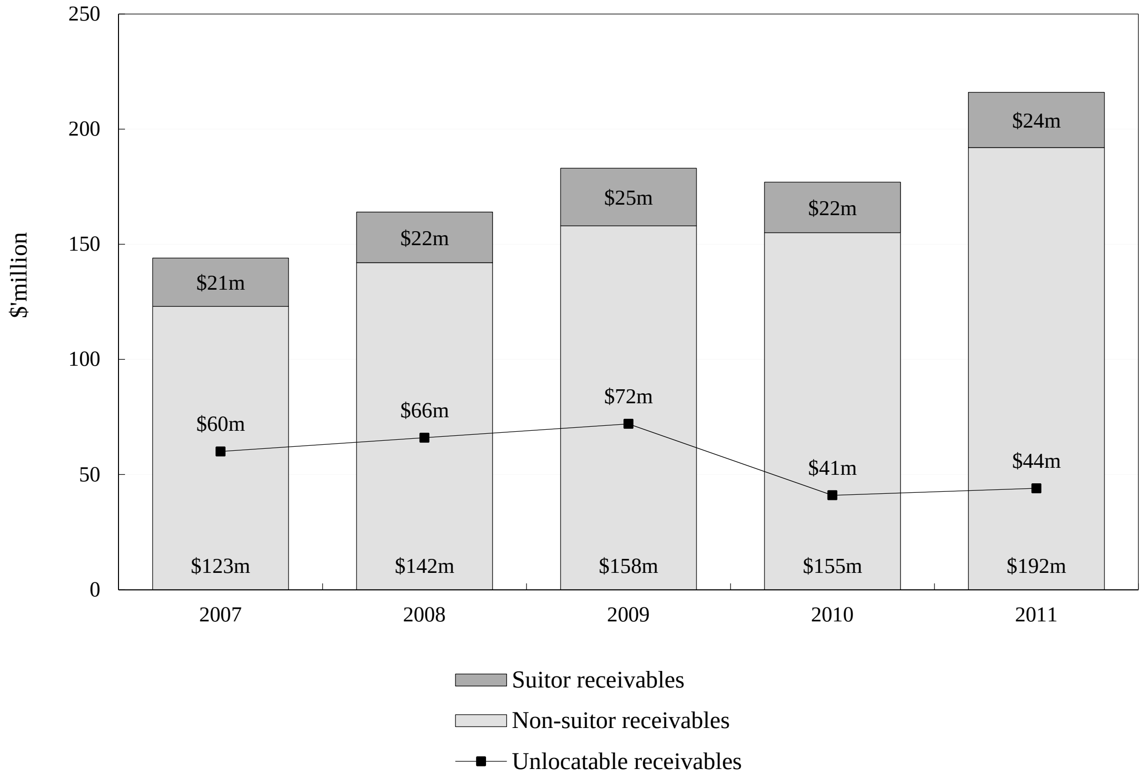
- court fees and fines
- Victims of Crime levies
- overdue and current expiation fees
- third party suitor amounts such as local government overdue rates and parking fines.

The FPU operates from registries in the city and country and has a Fines Payment Call Centre. The FPU also manages a range of external payment options such as Australia Post, Centrelink, Direct Debit and BPAY in addition to a web based payment facility.

These receivables are not recorded in the Statement of Administered Assets and Liabilities as there is significant uncertainty as to the amount that will be collected. Instead, revenues are recorded in the Statement of Administered Income and Expenses when monies are received.

At 30 June 2011, the FPU recorded approximately $192 million ($155 million) in receivables for fines and other payments and approximately $24 million ($22 million) in receivables for suitor related debts. Of the total amount referred to the Authority for management and collection, the FPU has determined that some debtors are unlocatable and the amounts are unlikely to be collected. These debtors are still being pursued and as at 30 June 2011 amounted to $44 million ($41 million).

The following chart shows the amounts receivable and the value of those that are unlocatable for the five years to 2011.



Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Employee benefit expenses	5	50 049	50 745
Supplies and services	6	33 922	32 792
Depreciation and amortisation expenses	7	8 871	8 503
Borrowing costs	8	1 046	1 102
Net loss from disposal of non-current assets	16	4	22
Other expenses	9	174	1 559
Total expenses		94 066	94 723
Income:			
Revenues from fees and charges	13	5 970	5 289
Sale of goods and services	12	823	741
Grants and transfers	11	452	668
Commonwealth revenue	15	-	121
Resources received free of charge	14	18	5 092
Total income		7 263	11 911
Net cost of providing services		86 803	82 812
Revenues from SA Government:			
Revenues from SA Government	17	86 891	84 286
Net result		88	1 474
Other comprehensive income:			
Changes in property, plant and equipment asset revaluation surplus		18 300	-
Total comprehensive result		18 388	1 474

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	18	30 926	26 658
Receivables	19	1 460	1 309
		32 386	27 967
Non-current assets classified as held for sale	20	80	80
Total current assets		32 466	28 047
Non-current assets:			
Property, plant and equipment	21	219 894	206 727
Intangible assets	22	133	152
Other non-current assets	23	45	-
Total non-current assets		220 072	206 879
Total assets		252 538	234 926
Current liabilities:			
Payables	24	5 032	3 536
Financial liabilities	28	1 087	1 028
Employee benefits	25	4 116	5 127
Provisions	26	475	513
Other current liabilities	27	399	200
Total current liabilities		11 109	10 404
Non-current liabilities:			
Payables	24	676	724
Financial liabilities	28	16 999	18 087
Employee benefits	25	7 517	7 163
Provisions	26	1 676	2 375
Total non-current liabilities		26 868	28 349
Total liabilities		37 977	38 753
Net assets		214 561	196 173
Equity:			
Contributed capital		3 140	3 140
Retained earnings		85 518	85 430
Asset revaluation surplus		125 903	107 603
Total equity		214 561	196 173

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	28
Contingent assets and liabilities	29

Statement of Changes in Equity
for the year ended 30 June 2011

	Note	Contributed capital $'000	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009		3 140	107 603	84 066	194 809
Changes in accounting policy		-	-	(110)	(110)
Restated balance at 30 June 2009		3 140	107 603	83 956	194 699
Net result for 2009-10		-	-	1 474	1 474
Total comprehensive result for 2009-10		-	-	1 474	1 474
Balance at 30 June 2010		3 140	107 603	85 430	196 173
Gain on revaluation of land and buildings	21(b)	-	12 970	-	12 970
Gain on revaluation of library collection	21(b)	-	5 330	-	5 330
Net result for 2010-11		-	-	88	88
Total comprehensive result for 2010-11		-	18 300	88	18 388
Balance at 30 June 2011		3 140	125 903	85 518	214 561

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

Statement of Cash Flows
for the year ended 30 June 2011

		2011	2010
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Employee benefit payments		(50 927)	(50 549)
Payments for supplies and services		(36 350)	(36 985)
Borrowing cost		(1 046)	(1 102)
Other payments		(588)	(493)
Cash used in operations		(88 911)	(89 129)
Cash inflows:			
Grants and transfers		452	668
Fees and charges		7 330	6 223
GST recovered from ATO		3 378	3 096
Receipts from Commonwealth		-	121
Cash generated from operations		11 160	10 108
Cash flows from SA Government:			
Receipts from SA Government		86 891	84 286
Cash generated from SA Government		86 891	84 286
Net cash provided by (used in) operating activities	31	9 140	5 265
Cash flows from investing activities:			
Cash outflows:			
Purchase of intangibles		(28)	(113)
Purchase of property, plant and equipment		(3 816)	(3 441)
Cash used in investing activities		(3 844)	(3 554)
Net cash provided by (used in) investing activities		(3 844)	(3 554)
Cash flows from financing activities:			
Cash outflows:			
Repayment of finance leases		(1 028)	(972)
Cash used in financing activities		(1 028)	(972)
Net increase (decrease) in cash and cash equivalents		4 268	739
Cash and cash equivalents at 1 July		26 658	25 919
Cash and cash equivalents at 30 June	18	30 926	26 658

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2011

(Activities - refer note 4)	1		2		3	
	2011	2010	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefit expenses	41 860	42 579	2 434	2 293	5 755	5 873
Supplies and services	27 963	27 370	694	761	5 265	4 661
Depreciation and amortisation expenses	8 314	8 147	48	34	509	322
Borrowing costs	1 039	1 095	-	-	7	7
Net loss from the disposal of non-current assets	4	22	-	-	-	-
Other expenses	174	1 312	-	57	-	190
Total expenses	79 354	80 525	3 176	3 145	11 536	11 053
Income:						
Revenues from fees and charges	912	858	-	-	5 058	4 431
Sales of goods and services	794	714	-	-	29	27
Grants and transfers	452	668	-	-	-	-
Commonwealth revenue	-	121	-	-	-	-
Resources received free of charge	18	5 092	-	-	-	-
Total income	2 176	7 453	-	-	5 087	4 458
Net cost of providing services	77 178	73 072	3 176	3 145	6 449	6 595
Revenues from SA Government:						
Revenues from SA Government	71 555	69 906	3 757	3 301	11 579	11 079
Net result	(5 623)	(3 166)	581	156	5 130	4 484

(Activities - refer note 4)	General/ Not attributable		Total	
	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	-	-	50 049	50 745
Supplies and services	-	-	33 922	32 792
Depreciation and amortisation expenses	-	-	8 871	8 503
Borrowing costs	-	-	1 046	1 102
Net loss from the disposal of non-current assets	-	-	4	22
Other expenses	-	-	174	1 559
Total expenses	-	-	94 066	94 723
Income:				
Revenues from fees and charges	-	-	5 970	5 289
Sales of goods and services	-	-	823	741
Grants and transfers	-	-	452	668
Commonwealth revenue	-	-	-	121
Resources received free of charge	-	-	18	5 092
Total income	-	-	7 263	11 911
Net cost of providing services	-	-	86 803	82 812
Revenues from SA Government:				
Net revenues from SA Government	-	-	86 891	84 286
Net result	-	-	88	1 474

Disaggregated Disclosures – Assets and Liabilities as at 30 June 2011

(Activities - refer note 4)	1		2		3	
	2011	2010	2011	2010	2011	2010
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	-	-
Receivables	1 409	1 270	-	-	51	39
Non-current assets classified as held for sale	74	74	3	3	3	3
Property, plant and equipment	193 494	190 687	8 876	8 058	17 524	7 982
Intangible assets	117	140	5	6	11	6
Other non-current assets	40	-	2	-	3	-
Total assets	195 134	192 171	8 886	8 067	17 592	8 030
Liabilities:						
Payables	4 705	3 597	117	93	886	570
Financial liabilities	17 967	18 990	-	-	119	125
Employee benefits	9 730	10 313	566	555	1 337	1 422
Provisions	2 151	2 430	-	106	-	352
Other liabilities	385	193	-	-	14	7
Total liabilities	34 938	35 523	683	754	2 356	2 476

(Activities - refer note 4)	General/ Not attributable		Total	
	2011	2010	2011	2010
Assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	30 926	26 658	30 926	26 658
Receivables	-	-	1 460	1 309
Non-current assets classified as held for sale	-	-	80	80
Property, plant and equipment	-	-	219 894	206 727
Intangible assets	-	-	133	152
Other non-current assets	-	-	45	-
Total assets	30 926	26 658	252 538	234 926
Liabilities:				
Payables	-	-	5 708	4 260
Financial liabilities	-	-	18 086	19 115
Employee benefits	-	-	11 633	12 290
Provisions	-	-	2 151	2 888
Other liabilities	-	-	399	200
Total liabilities	-	-	37 977	38 753

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Courts Administration Authority

The Courts Administration Authority (the Authority) operates within the *Courts Administration Act 1993*. It is overseen by the State Courts Administration Council and is independent of the Government.

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

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

- provide administrative support to the courts of this State
- increase the community's understanding of the operations of the courts and provide new avenues for community comment on the operations of the courts and their registries
- improve court facilities
- foster an environment in which judicial officers, staff and volunteers can contribute to improved performance of the courts system
- keep up-to-date with technological developments and apply those that are appropriate to improve the performance of the courts system
- co-operate with other parts of the justice system to improve access to justice and the overall performance of the justice system.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general-purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provisions of the PFAA.

Except for AASB 2009-12, which the Authority has early-adopted, 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 ended 30 June 2011. These are outlined in note 3.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement 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 these financial statements:

  (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 (as reported in the Statement of Comprehensive Income)

  (c) employee TVSP information

  (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (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 member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

(b) Basis of preparation (continued)

The Authority's Statement of Comprehensive Income, Statement of Financial Position 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 Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented.

(c) Reporting entity

The Authority was established by the *Courts Administration Act 1993* as a statutory authority independent of executive government. The State Courts Administration Council (Governing Body), the State Courts Administrator and staff of the Council are collectively referred to as the Authority.

The financial statements and accompanying notes include all the controlled activities of the Authority. 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 Authority's overall financial performance and position, they are disclosed in the administered financial statements at the back of the controlled general-purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for the controlled items.

(d) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs has required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impractical.

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required, eg preparation of a single Statement of Comprehensive Income.

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

(e) Rounding

All amounts in the financial statements 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:

- 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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 the end of the reporting period

There were no events occurring after balance date.

(h) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Authority will occur and can be reliably measured.

Income has been aggregated according to its nature and has 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 where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

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.

The Authority performs activities on behalf of the Government and other government agencies and reports these in the administered financial statements. Fines income from infringements issued to offenders, court fees and Victim of Crime levies are recognised at the time cash is received due to the uncertainty of amounts to be collected. Transcript fees are recognised upon delivery of the service. Recovery from other SA Government agencies for witness fees paid is included in other income when the witness fee expense is paid.

Sale of goods and services

Revenues from sales of goods and services are derived from the provision of goods and recouping of services to other SA Government agencies and to the public.

Contributions received (grants and transfers)

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.

The majority of contributions received by the Authority have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

Resources received free of charge

Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

Revenues from SA Government

Appropriations for activity funding are recognised as revenues when the Authority obtains control over the funding. Control over appropriations is normally obtained upon 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 Authority and the appropriation is recorded as contributed equity.

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 the carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Losses on disposal of equipment are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time.

(i) Expenses
Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Authority will occur and can be reliably measured.

Expenses have been aggregated 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 expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Employee benefit expenses
Employee benefit expenses include all cost related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by the Authority to the superannuation plan in respect of current services of current staff. The DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Depreciation and amortisation
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.

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, non-current assets held for sale and works of art are not depreciated. The Authority does not depreciate the works of art because it believes that works of art do not diminish in value over time.

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

Class of asset	*Useful life (years)*
Buildings and improvements	5-60
Building under finance lease	Life of lease
Leasehold improvements	Life of lease
Computing and office furniture equipment	3-25
Library collections	5-25
Intangibles	3-7

Borrowing costs
All borrowing costs are recognised as expenses.

Payments to SA Government
Payments to the SA Government include taxation revenues and expiation fees received on behalf of the Government and paid directly to the Consolidated Account.

The Authority makes payments pursuant to the *Remuneration Act 1990* to members of the Judiciary and receives reimbursement for these and other expenses paid on behalf of other agencies. It is dependent on support from the Crown to meet accruing judicial entitlement obligations recognised in the financial statements.

(j) 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.

(k) Assets
Assets 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.

Where an asset line item combines amounts expected to be settled within 12 months and more than 12 months, the Authority has separately disclosed the amounts expected to be recovered after more than 12 months.

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

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand 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.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above. Cash is measured at nominal value.

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

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

Collectability of 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.

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 Statement of Financial Position.

Non-current assets
- *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.

- *Acquisition and recognition (continued)*
  Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. 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 the restructure.

  All non-current tangible assets with a value equal to or in excess of $5000 are capitalised. Items of property, plant and equipment and infrastructure costing less than $5000 are immediately expensed to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

- *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 Authority revalues its land and buildings and improvements with the exception of the Authority's finance lease relating to the Sir Samuel Way building. 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. Refer note 21(a).

  Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as expense, 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 surplus to the extent of the credit balance existing in revaluations surplus 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 surplus relating to that asset is transferred to retained earnings.

- *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 surplus.

Intangible assets
An intangible asset is an identifiable non-monetary asset without physical substance and is measured at cost. Majority of the intangible assets of the Authority is software. 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 are reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria 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.

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

(l) Liabilities
Liabilities 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.

(l) Liabilities (continued)

Where a liability line item combines amounts expected to be settled within 12 months and more than 12 months, the department has separately disclosed the amounts expected to be settled after more than 12 months.

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

Payables

Payables include creditors, accrued expenses, GST payable 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, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Employee benefit on-costs include payroll tax, WorkCover levies and superannuation contributions in 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.

Financial liabilities

The Authority measures financial liabilities at historical cost.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

The Authority has entered into finance leases and operating leases.

- *Finance leases*

  Finance leases, which transfer to the Authority substantially all the risks and benefits/rewards incidental to ownership of the leased assets, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

  Minimum lease payments are allocated, between interest expense/borrowing costs and reduction of the lease liability, to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

  Where there is no reasonable assurance that the Authority will obtain ownership of the capitalised asset at the end of the lease term, the asset is amortised over the shorter of the lease term and its useful life.

- *Operating leases - the Authority as lessee*

  Operating lease payments are recognised as an expense in the Statement of Comprehensive Income 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.

  Courts premises in four country centres are provided by a Public Private Partnership arrangement between the State and Plenary Justice Pty Ltd. It is accounted for as an operating lease. As the arrangement is for a 25 year period from 2005 the Authority has a substantial future commitment for servicing costs but has no right to obtain ownership.

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

- *Operating lease - the Authority as lessor*
  The Authority leases commercial spaces to external parties through operating leases. Income derived from these leases is recognised as rental recovery income in the Statement of Comprehensive Income in the period in which it is earned.

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*
  The 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 five (5.5) years of service. An actuarial assessment of long service leave undertaken by DTF 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 Authority’s experience of employee retention and leave taken.

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 Statement of Comprehensive Income 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 Statement of Financial Position 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.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2011 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Authority is responsible for the payment of workers compensation claims.

(m) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, 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. New and revised accounting standards and policies
Changes in accounting policy
In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Authority has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Authority to disclose all employees whose normal remuneration was equal to or greater than $100 000. This change is reflected in note 5.

Changes in accounting policy (continued)

Except for AASB 2009-12, which the Authority has early-adopted, 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 period ended 30 June 2011. 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 or the financial statements of the Authority.

4. Activities of the Authority

In achieving its objectives, the Authority provides a range of services classified into the following activities:

Activity 1: Court and Tribunal Case Resolution Services

The resolution of criminal, civil, appellate, coronial and probate matters in the State's courts and tribunals.

Activity 2: Alternative Dispute Resolution Services

Services for resolving disputes between citizens, and disputes between citizens and the State; as well as the education, training, information and advice processes, which aim to prevent disputes.

Activity 3: Penalty Management Services

The management of penalties arising from court orders, the enforcement of court orders as well as the recovery of debts, and the administration and execution of warrants.

The disaggregated disclosures schedules present expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2010 and 30 June 2011.

5. Employee benefit expenses

	2011	2010
	$'000	$'000
Salaries and wages	37 423	36 604
TVSPs (refer below)	-	2 145
Long service leave	1 859	1 502
Annual leave	3 752	3 542
Employment on-costs - superannuation	4 502	4 451
Employment on-costs - payroll tax	2 372	2 313
Board and committee fees	43	64
Workers compensation	16	30
Other employee related expenses	82	94
Total employee benefit expenses	50 049	50 745

TVSPs

Amount paid to these employees:		
TVSPs	-	2 145
Annual leave and long service leave paid during the reporting period	-	562
	-	2 707
Recovery from DTF	-	(2 145)
Net cost to the Authority	-	562

Number of employees who received a TVSP during the reporting period was nil (26).

Remuneration of employees

	2011	2010
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$140 700 - $150 699	1	2
$150 700 - $160 699	1	1
$160 700 - $170 699	1	1
$170 700 - $180 699	2	-
$180 700 - $190 699	-	3
$190 700 - $200 699	1	-
$200 700 - $210 699	2	-
$210 700 - $220 699	-	1
$220 700 - $230 699	2	-
$260 700 - $270 699	-	1
$280 700 - $290 699	1	-
Total number of employees	11	9

Remuneration of employees (continued)

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $2.2 million ($1.7 million).

Accounting policy change

In accordance with the revised APF II, the Authority has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 25 (14).

6. Supplies and services

	2011	2010
Supplies and services provided by entities within the SA Government:	$'000	$'000
Accommodation and services	10 050	9 656
Computing and communications	2 215	2 523
Coronial charges	3 161	3 116
Operating leases	240	235
Other administration expenses	1 678	1 380
Total supplies and services - SA Government entities	17 344	16 910
Supplies and services provided by entities external to the SA Government:		
Accommodation and services	2 325	2 305
Circuit and travel expenses	1 488	1 502
Computing and communications	2 220	2 344
Consultancy, contractors and temp staff	1 852	1 513
Court expenses	806	683
Operating leases	58	75
Staff development and training	710	588
Equipment purchases and repairs	339	348
Other administration expenses	2 986	2 888
Coronial charges	222	401
Jurors' expenses	2 432	2 274
Sheriff's officer payments	1 140	961
Total supplies and services - non-SA Government entities	16 578	15 882
Total supplies and services	33 922	32 792

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2011 Number	2011 $'000	2010 Number	2010 $'000
Below $10 000	5	15	7	23
$10 000 - $50 000	4	146	5	91
Above $50 000	1	154	-	-
Total paid/payable to consultants engaged	10	315	12	114

7. Depreciation and amortisation expenses

	2011	2010
Depreciation:	$'000	$'000
Buildings and improvements	3 840	3 832
Computing and office furniture and equipment	1 114	1 119
Library collections	2 257	2 100
Total depreciation	7 211	7 051
Amortisation:		
Leasehold improvements	775	599
Building under finance lease	830	830
Intangibles	55	23
Total amortisation	1 660	1 452
Total depreciation and amortisation expenses	8 871	8 503

Revision in accounting estimates

During the year, the Authority reassessed the useful lives of the leasehold improvement at a court facility and certain equipment, resulting in an increase in the estimated useful life. This has resulted in a decrease of depreciation/amortisation $300 000 of the asset in the year 2011 relative to the amount that would have been expensed based on the previous estimate of the useful life. The lower depreciation/amortisation expense will also be reflected in future years.

8. Borrowing costs

	2011	2010
Finance lease provided by entities within the SA Government:	$'000	$'000
Interest expense on financial lease liability	1 046	1 102
Total borrowing costs	1 046	1 102

The Authority occupies the Sir Samuel Way building under a 40 year non-cancellable finance lease which expires in 2023.

The nominal interest rate on the lease remains at 5.61 percent (5.61 percent).

The Authority is responsible for all maintenance costs and paid a contingent rental of $3.714 million (3.567 million) which will increase each year by the amount obtained by applying the rate of CPI increase in the previous year to the combined total of the previous year's rental and finance lease repayments.

9. Other expenses

		2011	2010
Other expenses paid/payable to entities within the SA Government:	Note	$'000	$'000
Audit fees	10	197	201
Intra-government contribution		125	110
Other expenses paid/payable to entities external to the SA Government:			
Workers compensation revaluation		(149)	1 248
Doubtful debts		1	-
Total other expenses		174	1 559

10. Auditor's remuneration

	2011	2010
Audit fees paid/payable to the Auditor-General's Department	112	116
Total audit fees	112	116

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

11. Grants and transfers

	2011	2010
Intra-government transfers received/receivable from entities within the SA Government:		
Court Assessment Referral Drug Scheme (CARDS)	396	522
Industrial Court - Sheriff's officer services	56	54
Guardianship Board	-	27
Other	-	65
Total intra-government transfers	452	668

12. Sale of goods and services

	2011	2010
Sale of goods and services to entities external to the SA Government:		
Sale of electronic information	304	319
Services	282	192
Rent recoveries	237	230
Total sales of goods and services	823	741

13. Revenues from fees and charges

	2011	2010
Regulatory fees received/receivable from entities external to the SA Government:		
Licence disqualification and reminder fees	3 248	2 664
Sheriff's Officer fees	1 930	1 848
Other regulatory fees	792	777
Total revenues from fees and charges	5 970	5 289

14. Resources received free of charge

	2011	2010
Resources received/receivable from entities within the SA Government:	$'000	$'000
Capitalised leasehold improvements	-	3 772
Equipment	-	1 320
Total resources received free of charge from entities within the SA Government	-	5 092
Resources received/receivable from entities external to the SA Government:		
Works of art	18	-
Total resources received free of charge	18	5 092

The Authority has received contribution from the Law Society towards the purchase of a painting during 2011 and two refurbished courts and video conferencing equipment from another agency during 2010 at nil consideration.

15. Commonwealth revenue

	2011	2010
	$'000	$'000
Grant for APY Lands Restorative Justice	-	121
Total Commonwealth revenue	-	121

16. Net loss from the disposal of non-current assets

Proceeds from disposal of assets	-	-
Carrying value of assets disposed	4	22
Total loss from the disposal of non-current assets	4	22

17. Revenues from (Payments to) SA Government

Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	86 891	84 286
Total revenues from SA Government	86 891	84 286

18. Cash and cash equivalents

Deposits with the Treasurer	30 893	26 626
Cash on hand	33	32
Total cash and cash equivalents	30 926	26 658

Deposits with the Treasurer

Include $25.17 million ($19.51 million) 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 Under Treasurer's approval.

Interest rate risk

Cash on hand and deposits with the Treasurer are non-interest bearing. The carrying value of cash and cash equivalents represents fair value.

19. Receivables

	2011	2010
Receivables from non-SA Government entities:	$'000	$'000
Receivables	141	129
Allowance for doubtful debts	-	-
Accrued revenue	39	5
GST input tax recoverable	664	656
Prepayments	472	254
Total receivables from non-SA Government entities	1 316	1 044
Receivables from SA Government entities:		
Receivables	137	265
Accrued revenue	7	-
Total receivables from SA Government entities	144	265
Total current receivables expected to be recovered within 12 months	1 460	1 309

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

Movement in the allowance for doubtful debts (continued)

	2011	2010
Movements in the allowance for doubtful debts:	$'000	$'000
Carrying amount at 1 July	-	4
Amounts written off	-	(4)
Carrying amount at 30 June	-	-

Interest rate credit risk

Receivables are raised at the time service is provided only where it is probable that the revenue will be received. The Authority can not be certain of receiving items such as reminder fees and Sheriff's officer fees until the payment is made. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing and the carrying amounts approximate fair value. There is no concentration of credit risk.

(a) Maturity analysis of receivables - refer note 32.
(b) Categorisation of financial instruments and risk exposure information - refer note 32.

20. Non-current assets classified as held for sale

	2011	2010
	$'000	$'000
Land	80	80
Total non-current assets classified as held for sale	80	80

As a result of construction, or leasing of newly constructed court buildings in regional centres, one piece of land has been declared surplus during 2010.

21. *(a) Property, plant and equipment*

	2011	2010
Land and buildings:	$'000	$'000
Land at fair value	48 672	46 554
Buildings and improvements at fair value	140 560	137 094
Accumulated depreciation at 30 June	-	(3 832)
Total land and buildings	189 232	179 816
Assets under finance lease:		
Buildings and improvements at net present value	33 191	33 191
Accumulated amortisation at 30 June	(23 234)	(22 404)
Total assets under finance lease	9 957	10 787
Leasehold improvements:		
Leasehold improvements at cost (deemed fair value)	7 492	5 349
Accumulated amortisation at 30 June	(2 164)	(1 389)
Total leasehold improvements	5 328	3 960
Computing and office furniture and equipment:		
Plant and equipment at cost (deemed fair value)	7 091	6 137
Accumulated depreciation at 30 June	(3 950)	(2 890)
Total plant and equipment	3 141	3 247
Capital work in progress:		
Capital work in progress	-	904
Total capital work in progress	-	904
Others:		
Library collections at fair value	12 129	15 434
Accumulated depreciation at 30 June	-	(7 491)
Works of art and collections at fair value	107	70
Total other plant and equipment	12 236	8 013
Total property, plant and equipment	219 894	206 727

Valuation of land and buildings

During 2008-09, land, buildings and improvements were revalued to fair values as at 30 June 2009 by an independent valuer, Liquid Pacific Pty Ltd. The valuer arrived at fair value based on recent transactions for similar land and buildings in the area taking into account zoning and restricted use.

Valuation of land and buildings (continued)
A desktop review of land, buildings and improvements in the country areas and full valuation of buildings in the metropolitan areas was undertaken by an independent valuer, Southwick Goodyear Pty Ltd as at 30 June 2011. The valuer arrived at fair value of land based on commercial site sales market evidence and fair value of buildings based on the new replacement costs of existing design and modern equivalent building materials and services. The movement from the last revaluation appraisal has been reflected in the financial statements.

Valuation of library collection
The valuation of library collections was performed by Valcorp Australia Pty Ltd as at 30 June 2011. The independent valuer arrived at fair value based on the market buying price of the collection.

Impairment
There were no indications of material impairment of property, plant and equipment assets at 30 June 2011.

Resources received free of charge
During 2011, the Law Society contributed to the purchase of a painting to the Authority. During 2010, the Authority received the leasehold improvement for two refurbished courts and video conferencing equipment from another SA Government agency. Refer note 14.

(b) Reconciliation of non-current assets

The following table shows the movement of non-current assets during 2010-11.

2011	Land $'000	Buildings & imprvmnts $'000	Building under finance lease $'000	Buildings - leasehold imprvmnts $'000	Total land & buildings $'000
Carrying amount at 1 July	46 554	133 262	10 787	3 960	194 563
Additions	-	286	-	496	782
Disposals	-	-	-	-	-
Transfers	-	-	-	1 647	1 647
Revaluation	2 118	10 852	-	-	12 970
Asset received free of charge	-	-	-	-	-
Depreciation and amortisation	-	(3 840)	(830)	(775)	(5 445)
Carrying amount at 30 June	48 672	140 560	9 957	5 328	204 517

	Computing and office furniture & equipment $'000	Library collections $'000	Works of art & collections $'000	Capital work in progress $'000	Total property plant & equipment $'000
Carrying amount at 1 July	3 247	7 943	70	904	206 727
Additions	1 021	1 113	19	743	3 678
Disposals	(5)	-	-	-	(5)
Transfers	(8)	-	-	(1 647)	(8)
Revaluation	-	5 330	-	-	18 300
Asset received free of charge	-	-	18	-	18
Depreciation and amortisation	(1 114)	(2 257)	-	-	(8 816)
Carrying amount at 30 June	3 141	12 129	107	-	219 894

	In-house developed computer software $'000	Other computer software and licence $'000	Total intangible assets $'000
Carrying amount at 1 July	-	152	152
Additions	-	28	28
Transfers	-	8	8
Depreciation and amortisation	-	(55)	(55)
Carrying amount at 30 June	-	133	133

(b) Reconciliation of non-current assets (continued)

2010	Land $'000	Buildings & imprvmnts $'000	Building under finance lease $'000	Buildings - leasehold imprvmnts $'000	Total land & buildings $'000
Carrying amount at 1 July	46 634	137 040	11 617	243	195 534
Additions	-	54	-	544	598
Transfer to asset held for sale	(80)	-	-	-	(80)
Asset received free of charge	-	-	-	3 772	3 772
Depreciation and amortisation	-	(3 832)	(830)	(599)	(5 261)
Carrying amount at 30 June	46 554	133 262	10 787	3 960	194 563

	Computing and office furniture & equipment $'000	Library collections $'000	Works of art & collections $'000	Capital work in progress $'000	Total property plant & equipment $'000
Carrying amount at 1 July	2 014	8 940	70	-	206 558
Additions	1 054	1 103	-	904	3 659
Disposals	(21)	-	-	-	(21)
Transfer to asset held for sale	-	-	-	-	(80)
Asset received free of charge	1 319	-	-	-	5 091
Depreciation and amortisation	(1 119)	(2 100)	-	-	(8 480)
Carrying amount at 30 June	3 247	7 943	70	904	206 727

	In-house developed computer software $'000	Other computer software and licence $'000	Total intangible assets $'000
Carrying amount at 1 July	-	62	62
Additions	-	113	113
Depreciation and amortisation	-	(23)	(23)
Carrying amount at 30 June	-	152	152

22. Intangible assets

	2011	2010
Computer software	$'000	$'000
Internally developed computer software	7 688	7 688
Accumulated amortisation	(7 688)	(7 688)
Other computer software and licences	570	666
Accumulated amortisation	(437)	(514)
Total computer software and licences	133	152

The Authority has no contractual commitments for the acquisition of intangible assets.

Impairment

There were no indications of impairment on intangible assets at 30 June 2011.

23. Other non-current assets

Prepayments	45	-
Total other non-current assets	45	-

24. Payables

Current:		
Creditors	1 102	66
Accrued expenses	3 165	2 507
Accrued capital expenditure	235	373
Employment on-costs	530	590
Total current payables	5 032	3 536

24. Payables (continued)

	2011	2010
Non-current:	$'000	$'000
Employment on-costs	676	724
Total non-current payables	676	724
Total payables	5 708	4 260
Government/Non-government payables:		
Payable to SA Government entities:		
Creditors	271	-
Accrued expenses	2 005	1 485
Employment on-costs	605	651
Total payables to SA Government entities	2 881	2 136
Payable to non-SA Government entities:		
Creditors	831	66
Accrued expenses	1 395	1 395
Employment on-costs	601	663
Total payables to non-SA Government entities	2 827	2 124
Total payables	5 708	4 260

Accounting policy change

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of long service leave taken as leave has changed from the 2010 rate 45 percent to 35 percent and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2010 rate of 10.5 percent to 10.3 percent. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost and employee benefit expenses of $104 000. The impact on future years is impractical to estimate. Refer note 25.

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.

25. Employee benefits

	2011	2010
Current:	$'000	$'000
Accrued salaries and wages	-	1 212
Short-term long service leave	1 600	1 455
Annual leave	2 516	2 460
Total current employee benefits	4 116	5 127
Non-current:		
Annual leave	275	256
Long service leave	7 242	6 907
Total non-current employee benefits	7 517	7 163
Total employee benefits	11 633	12 290

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2011 is $4.647 million and $8.193 million respectively. For 2010 the expense was $5.717 million and $7.887 million respectively.

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark 5.5 years to five years. The net financial effect of the changes in the current financial year is an increase in the long service liability of $78 000 and employee benefit expenses of $84 000. The impact on future periods is impractical to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

In addition, the actuarial assessment performed by DTF has not changed the salary inflation rate from the 2010 rate of 4 percent.

26. Provisions

	2011	2010
Current:	$'000	$'000
Provision for workers compensation	475	513
Total current provisions	475	513
Non-current:		
Provision for workers compensation	1 676	2 375
Total non-current provisions	1 676	2 375
Total provisions	2 151	2 888

	2011	2010
Carrying amount at 1 July	2 888	2 133
Reductions arising from payments/other sacrifice of future economic benefits	(488)	(463)
Reductions resulting from re-measurement or settlement without cost	(824)	741
Additional provisions recognised	575	477
Carrying amount at 30 June	2 151	2 888

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 Relations Division of DPC. These claims are expected to be settled within the next financial year.

27. Other liabilities

	2011	2010
Current:	$'000	$'000
Payable to SA Government entities:		
Unearned revenue	56	7
Payable to non-SA Government entities:		
Unearned revenue	225	92
Unclaimed money	118	101
Total payables to non-SA Government entities	343	193
Total other current liabilities	399	200

28. 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:		
Within one year	1 172	1 269
Total capital commitments	1 172	1 269

As at 30 June 2011, the Authority's capital commitments are for the purchase of library collections and at 30 June 2010, they are for leasehold improvement work on the office accommodation.

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 in the financial report, are payable as follows:

	2011	2010
	$'000	$'000
Within one year	1 522	1 452
Later than one year but not longer than five years	1 570	2 074
Total remuneration commitments	3 092	3 526

Amounts disclosed include commitments arising from executive and other contracts for non-executives. The Authority does not offer fixed-term remuneration contracts greater than five years.

Other commitments

Commitments in relation to a public/private partnership arrangement for regional court premises not recognised as liabilities in the financial report, are payable as follows:

	2011	2010
	$'000	$'000
Within one year	2 040	2 031
Later than one year but not longer than five years	8 705	8 685
Later than five years	37 935	41 545
Total other commitments	48 680	52 261

Operating lease commitments as lessee

Commitments in relation to equipment and accommodation operating leases contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2011 $'000	2010 $'000
Within one year	1 715	1 336
Later than one year but not longer than five years	1 297	1 687
Total operating lease commitments - all non-cancellable	3 012	3 023

The Authority has included the motor vehicle leases during 2011 ($1.711 million) and restated the amount retrospectively for 2010 ($1.843 million).

Operating lease commitments as lessor

Commitments in relation to accommodation operating leases contracted for at the reporting date but not recognised as receivable in the financial report, are receivable as follows:

	2011 $'000	2010 $'000
Within one year	205	198
Later than one year but not longer than five years	416	496
Later than five years	211	293
Total operating lease commitments - all non-cancellable	832	987

Finance lease commitments

Future minimum lease payments under finance lease of the Sir Samuel Way Building, expiring in 2023, together with the present value of net minimum lease payments are as follows:

Payable no later than one year	5 998	5 788
Payable later than one year but not longer than five years	23 994	23 154
Payable later than five years	41 988	46 308
Total minimum lease payments	71 980	75 250
Future finance charges and contingent rentals	(53 894)	(56 135)
Total finance lease commitments - non-cancellable	18 086	19 115
Present value of finance leases payable as follows:		
Within one year	1 087	1 028
Later than one year but not longer than five years	5 013	4 740
Later than five years	11 986	13 347
Total present value of minimum lease payments	18 086	19 115
Included in the financial statements as:		
Current financial liabilities	1 087	1 028
Non-current financial liabilities	16 999	18 087
Total present value of minimum lease payments	18 086	19 115

The weighted average interest rate implicit in the leases is 5.61 (5.61) percent.

29. Contingent assets and liabilities

The Authority has no material contingent assets or liabilities as at 30 June 2011 ($nil).

30. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2011 financial year were:

Administrative and Disciplinary Division of the District Court

Ms Lyn English (appointed 19 July 2010)
Ms Janina Gipslis
Ms Jean Hutchinson
Mr James Hundertmark
Ms Polly Sumner-Dodd
Mr Darryl Watson (appointed 16 December 2010)

Medical Professional Conduct Tribunal

Ms Katrina Allen
Mr David Blaikie
Mr Peter Dobson
Ms Jennifer Menz
Ms Maree O'Keefe
Ms Margaret Wallace
Mr Graham West

30. Remuneration of board and committee members (continued)

Industry/Consumer Assessor Panel

Mr Steven Kemp	Mr Jeffrey Stevens

Training Centre Review Board

Mr David Branson	Mr Darryn Keneally
Mr John Eaton	Ms Branka King

Equal Opportunity Tribunal

Ms Elizabeth Bachmann	Mr David Shetliffe
Ms Helena Jasinski	Mr Hau Yapp

The number of members whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$0 - $9,999	23	28
Total	23	28

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 by members was $41 000 ($56 000).

In accordance with DPC 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 it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

31. Cash flow reconciliation

	2011	2010
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	30 926	26 658
Balance as per the Statement of Cash Flows	30 926	26 658

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services:		
Net cash provided by (used in) operating activities	9 140	5 265
Revenues from SA Government	(86 891)	(84 286)
Non-cash items:		
Depreciation/amortisation	(8 871)	(8 503)
Loss from disposal of assets	(4)	(22)
Resources received free of charge	18	5 092
Doubtful debts	1	-
Changes in assets/liabilities:		
Increase (Decrease) in receivables	(51)	61
Increase (Decrease) in other assets	263	46
Decrease (Increase) in employee benefits	657	(338)
Decrease (Increase) in payables	(1 603)	592
Decrease (Increase) in provisions	737	(755)
Decrease (Increase) in other liabilities	(199)	36
Net cost of providing services	(86 803)	(82 812)

32. Financial instruments/financial risk management

(a) 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 assets, financial liability and equity instrument are disclosed in note 2.

Financial assets:	Note	2011 Carrying amount $'000	2010 Carrying amount $'000
Cash and cash equivalents	18	30 926	26 658
Loans and receivables:			
Receivables*	19,23	324	400
Total financial assets at cost		31 250	27 058

(a) Categorisation of financial instruments (continued)

	Note	2011 Carrying amount $'000	2010 Carrying amount $'000
Financial liabilities:			
Financial liabilities at cost:			
Payables*	24	5 683	4 231
Financial liabilities	28	18 086	19 115
Total financial liabilities at cost		23 769	23 346

* Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivable/payables, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost, except for employee on-costs which are determined via reference to the employee benefit liability to which they relate.

Fair value
The Authority does not recognise any financial assets or financial liabilities at fair value (refer notes 2, 18, 19, 23, 24, 28 and 31).

(b) Credit risk
Credit risk arises when there is the possibility of the Authority's debtors defaulting on their contractual obligations resulting in 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 no significant 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 any hedging activity.

Allowance for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. The Authority's financial assets are mainly cash and receivables which do not require any collateral as security. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 19 for information on the allowance for impairment in relation to receivables.

(c) Ageing analysis of receivables
The following table discloses the ageing of financial assets, past due, including impaired assets past due.

	Past due by			
	Overdue for less than 30 days $'000	Overdue for 30-60 days $'000	Overdue for more than 60 days $'000	Total $'000
2011				
Not impaired:				
Receivables	274	1	3	278
Accrued revenue	46	-	-	46
Impaired:				
Receivables	-	-	-	-
Total	320	1	3	324
2010				
Not impaired:				
Receivables	279	3	113	395
Accrued revenue	5	-	-	5
Impaired:				
Receivables	-	-	-	-
Total	284	3	113	400

(d) Maturity analysis
The financial assets and liabilities of the Authority are all current with maturity within the next 12 months, except finance lease liabilities (refer note 28 for the split of maturity by band of years) and employee on-costs which are not practical to split the maturity by band of years.

(e) Liquidity risk

Liquidity risk arises where the Authority is unable to meet its financial obligations as they are due to be settled. The Authority is funded principally from appropriations by the SA Government. The Authority works with DTF 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 continued existence of the Authority is dependent on State Government policy and on continuing appropriations by Parliament for the Authority's administration and programs. 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.

The carrying amount of financial liabilities recorded in note 32(a) represent the Authority's maximum exposure to financial liabilities.

(f) Market risk

Market risk for the Authority is primarily through interest rate risk. Exposure to interest rate risk may arise through its borrowings from Funds SA. There is no exposure to foreign currency or other price risk.

(g) Sensitivity disclosure analysis

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 rate is immaterial.

Statement of Administered Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Judicial benefit expenses	A4	37 333	35 785
Victims of Crime payments		15 864	12 509
Payments to Consolidated Account		59 813	54 010
Other expenses		922	808
Total expenses		113 932	103 112
Income:			
Revenues from SA Government		37 333	35 785
Fines		31 906	28 124
Court fees		26 548	24 584
Victims of Crime levies		15 864	12 509
Transcript fees		1 458	1 320
Other income		823	790
Total income		113 932	103 112
Net and total comprehensive result		-	-

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Administered Financial Position as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	A5	6 609	2 734
Receivables	A6	4 954	6 991
Total current assets		11 563	9 725
Current liabilities:			
Payables	A7	8 425	7 117
Judicial benefits	A8	2 892	3 197
Other current liabilities	A9	73	68
Total current liabilities		11 390	10 382
Non-current liabilities:			
Payables	A7	1 036	1 057
Judicial benefits	A8	7 105	6 254
Total non-current liabilities		8 141	7 311
Total liabilities		19 531	17 693
Net assets		(7 968)	(7 968)
Equity:			
Accumulated deficit		(7 968)	(7 968)
Total administered equity		(7 968)	(7 968)

Total administered equity is attributable to the SA Government as owner

Statement of Administered Changes in Equity for the year ended 30 June 2011

	Retained earnings $'000
Balance at 30 June 2009	(7 968)
Net result for 2009-10	-
Total comprehensive result for the year 2009-10	-
Balance at 30 June 2010	(7 968)
Net result for 2010-11	-
Total comprehensive result for the year 2010-11	-
Balance at 30 June 2011	(7 968)

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

Statement of Administered Cash Flows
for the year ended 30 June 2011

		2011	2010
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Judicial benefits		(36 453)	(34 600)
Payments to Consolidated Account		(59 600)	(53 524)
Victims of Crime payments		(15 245)	(12 308)
Other payments		(831)	(789)
Cash provided by (used in) operations		(112 129)	(101 221)
Cash inflows:			
Receipts from SA Government		39 416	34 069
Fines		31 752	27 851
Court fees		26 548	24 584
Victims of Crime receipts		15 864	12 509
Transcript fees		1 458	1 323
GST recovered from the ATO		71	77
Other receipts		895	863
Cash generated from operations		116 004	101 276
Net cash provided by (used in) operating activities	A10	3 875	55
Net increase (decrease) in cash and cash equivalents		3 875	55
Cash and cash equivalents at 1 July		2 734	2 679
Cash and cash equivalents at 30 June	A5	6 609	2 734

Schedule of Expenses and Income attributable to Administered Activities for the year ended 30 June 2011

(Activities - refer note A3)	1		2		3	
	2011	2010	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Judicial benefit expenses	37 333	35 785	-	-	-	-
Victims of Crime payments	-	-	-	-	15 864	12 509
Payments to Consolidated Account	15 289	13 920	-	-	44 524	40 090
Other expenses	830	791	-	-	92	17
Total expenses	53 452	50 496	-	-	60 480	52 616
Income:						
Revenues from SA Government	37 333	35 785	-	-	-	-
Fines	-	-	-	-	31 906	28 124
Court fees	13 838	12 601	-	-	12 710	11 983
Victims of Crime levies	-	-	-	-	15 864	12 509
Transcript fees	1 458	1 320	-	-	-	-
Other income	823	790	-	-	-	-
Total income	53 452	50 496	-	-	60 480	52 616
Total comprehensive result	-	-	-	-	-	-

(Activities - refer note A3)	General/ Not attributable		Total	
	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000
Judicial benefit expenses	-	-	37 333	35 785
Victims of Crime payments	-	-	15 864	12 509
Payments to Consolidated Account	-	-	59 813	54 010
Other expenses	-	-	922	808
Total expenses	-	-	113 932	103 112
Income:				
Revenues from SA Government	-	-	37 333	35 785
Fines	-	-	31 906	28 124
Court fees	-	-	26 548	24 584
Victims of Crime levies	-	-	15 864	12 509
Transcript fees	-	-	1 458	1 320
Other income	-	-	823	790
Total income	-	-	113 932	103 112
Total comprehensive result	-	-	-	-

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Objectives of the Courts Administration Authority

The objectives of the Authority outlined in note 1 for operating items apply equally to the Administered Financial Statements.

A2. Summary of significant accounting policies

The policies of the Authority outlined in note 2 for operating items apply equally to the Administered Financial Statements.

A3. Activities of the Authority

The activities the Authority administers are mainly comprised of the following transactions:

- Fines - The Authority receives revenue from infringements issued to offenders committing offences under various acts and regulations. This revenue is directly credited to the DTF Consolidated Account.

- Court fees - The Authority processes revenue from fees charges under regulations to various Acts. Examples of these fees include lodgement fees in the various jurisdictions, enforcement fees imposed on outstanding matters and sale of evidence/transcript. This revenue is directly credited to the DTF Consolidated Account.

- Judicial expenses - The Authority makes payments pursuant to the Remuneration Tribunal Act for the judiciary. These expenses include judicial salaries and associated on-costs (superannuation and payroll tax), judicial vehicle expenses and related FBT.

- Victims of Crime levy - The Authority collects Victims of Crime levies pursuant to the requirements of the *Victims of Crime Act 2001*. Monies collected are paid into the Victims of Crime Fund operated by the Attorney-General's Department.

The activities used by the Authority for budgeting and reporting purposes are classified as follows:

Activity 1: Court and Tribunal Case Resolution Services

The resolution of criminal, civil, appellate, coronial and probate matters in the State's courts and tribunals.

Activity 2: Alternative Dispute Resolution Services

Services for resolving disputes between citizens, and disputes between citizens and the State; as well as the education, training, information and advice processes, which aim to prevent disputes.

No administered activity under this activity – Controlled only activity.

Activity 3: Penalty Management Services

The management of penalties arising from court orders, the enforcement of court orders as well as the recovery of debts, and the administration and execution of warrants.

The Authority does not track assets and liabilities at the administered activity level and therefore figures cannot be reliably measured.

A4. Judicial benefit expenses

	2011	2010
	$'000	$'000
Salaries and wages	23 417	22 537
Long service leave	2 225	2 049
Annual leave	2 152	1 910
Employment on-costs - superannuation	5 627	5 477
Employment on-costs - payroll tax	1 749	1 671
Other judicial related expenses	2 163	2 141
Total judicial benefits	37 333	35 785

Remuneration of judiciary	2011	2010
The number of judicial officers whose remuneration received or receivable falls within the following bands:	Number	Number
$150 700 - $ 160 699	-	1
$160 700 - $ 170 699	-	1
$170 700 - $ 180 699	-	3
$180 700 - $ 190 699	2	-
$190 700 - $ 200 699	2	1
$210 700 - $ 220 699	1	-
$220 700 - $ 230 699	1	2
$230 700 - $ 240 699	-	1
$240 700 - $ 250 699	1	-
$250 700 - $ 260 699	1	-
$260 700 - $ 270 699	-	5
$270 700 - $ 280 699	1	8
$280 700 - $ 290 699	1	9
$290 700 - $ 300 699	5	6
$300 700 - $ 310 699	8	4
$310 700 - $ 320 699	9	4
$320 700 - $ 330 699	5	1
$330 700 - $ 340 699	7	1
$340 700 - $ 350 699	4	2
$350 700 - $ 360 699	1	2
$360 700 - $ 370 699	1	3
$380 700 - $ 390 699	1	-
$400 700 - $ 410 699	1	3
$410 700 - $ 420 699	-	19
$420 700 - $ 430 699	-	1
$450 700 - $ 460 699	22	1
$460 700 - $ 470 699	3	9
$470 700 - $ 480 699	1	3
$510 700 - $ 520 699	10	1
$520 700 - $ 530 699	2	-
$580 700 - $ 590 699	1	-
Total	91	91

The table includes all judicial officers who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of judicial officers reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these judicial officers for the year was $34.6 million ($31.4 million).

Accounting policy change

In accordance with the revised APF II, the Authority has changed its accounting policy and now discloses all judicial officers who receive remuneration equal to or greater than the base executive remuneration level rather than all judicial officers who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of judicial officers disclosed has reduced by 2 (3).

A5. Administered cash and cash equivalents

	2011	2010
	$'000	$'000
Deposits with the Treasurer	6 609	2 734

A6. Administered receivables

Receivables from non-SA Government entities:		
Debtors	483	517
Allowance for doubtful debts	(93)	(32)
GST input tax recoverable	21	10
Prepayment	95	49
	506	544
Receivables from SA Government entities:		
Debtors	160	97
Accrued revenue	4 288	6 350
	4 448	6 447
Total current administered receivables	4 954	6 991

A6. Administered receivables (continued)

Movements in the allowance for doubtful debts:	2011 $'000	2010 $'000
Carrying amount at 1 July	32	70
Amounts written off	(6)	(41)
Increase in the allowance	67	3
Carrying amount at 30 June	93	32

A7. Administered payables

Current:		
Creditors and accrued expenses	7 840	6 516
Judicial benefits on-costs	585	601
Total current payables	8 425	7 117
Non-current:		
Judicial benefits on-costs	1 036	1 057
Total administered payables	9 461	8 174
Government/non-government payables:		
Payables to SA Government entities:		
Creditors	189	-
Accrued expenses	7 165	6 303
Judicial benefits on-costs	548	537
Total payable to other SA Government entities	7 902	6 840
Payables to non-SA Government entities:		
Creditors	486	213
Judicial benefits on-costs	1 073	1 121
Total payable to non-SA Government entities	1 559	1 334
Total payables	9 461	8 174

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of long service leave taken as leave has changed from the 2010 rate 45 percent to 35 percent which is used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost and judicial benefit expenses of $214 000. The impact on future years is impractical to estimate. Refer note A8.

A8. Judicial benefits

	2011 $'000	2010 $'000
Current:		
Accrued salaries and wages	-	670
Long service leave	1 489	1 238
Annual leave	1 403	1 289
Total current judicial benefits	2 892	3 197
Non-current:		
Annual leave	364	376
Long service leave	6 741	5 878
Total non-current judicial benefits	7 105	6 254
Total judicial benefits	9 997	9 451

The total current and non-current judicial benefit expense (ie aggregate judicial benefit plus related on costs) for 2011 is $3.477 million and $8.141 million respectively. For 2010 the expense was $3.798 million and $7.311 million respectively.

The benchmark for the measurement of long service liability has changed from the 2010 benchmark 5.5 years to five years. The net financial effect of the changes in the current financial year is an increase in the long service leave liability of $121 000 and the judicial benefit expenses of $141 000. The impact on future period is impractical to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

A9. Other liabilities

	2011	2010
	$'000	$'000
Current:		
Unclaimed money	73	68
Total other liabilities	73	68

A10. Administered cash flow reconciliation

Reconciliation of cash and cash equivalents at 30 June:		
Cash and cash equivalents disclosed in the Statement of Financial Position	6 609	2 734
Balance as per the Statement of Administered Cash Flows	6 609	2 734

Reconciliation of net cash provided by (used in) administered activities to total comprehensive result		
Net cash provided by (used in) operating activities	3 875	55
Non-cash item:		
Doubtful debts and bad debts expenses	(92)	(17)
Changes in administered assets/liabilities:		
Increase (Decrease) in receivables	(1 945)	2 039
Decrease (Increase) in judicial entitlements	(546)	(1 272)
Decrease (Increase) in payables	(1 292)	(805)
Total comprehensive result from administered activities	-	-

T1. Trust monies

The Authority holds monies pending the outcome of court decisions. These monies are excluded from the financial statements as the Authority cannot use them for the achievement of its objectives. The following is a summary of the transactions in the jurisdictions' trust accounts.

Supreme Court Suitor Account	2011	2010
	$'000	$'000
Balance at 1 July	38 795	21 798
Receipts	9 673	29 629
	48 468	51 427
Payments	(13 464)	(12 632)
Balance at 30 June	35 004	38 795

District Court Suitor Account		
Balance at 1 July	2 697	2 832
Receipts	6 019	4 740
	8 716	7 572
Payments	(6 015)	(4 875)
Balance at 30 June	2 701	2 697

Sheriff's Office Trust Account		
Balance at 1 July	991	428
Receipts	1 452	2 185
	2 443	2 613
Payments	(793)	(1 622)
Balance at 30 June	1 650	991

Magistrates' Courts Suitor Account		
Balance at 1 July	3 900	4 289
Receipts	13 986	14 524
	17 886	18 813
Payments	(15 635)	(14 913)
Balance at 30 June	2 251	3 900

Defence SA

Functional responsibility

Establishment

Defence SA is an administrative unit established pursuant to the PSA, and is responsible to the Premier as Minister for Economic Development.

Defence SA assumed responsibility from 1 September 2007 for the functions formerly performed by the Port Adelaide Maritime Corporation and the Defence Unit and defence-related activities of the Department of Trade and Economic Development.

The Defence SA Advisory Board provides high-level advice to the Government of South Australia on strategy and policy required to deliver defence industry and facility growth in South Australia.

Functions

The functions of Defence SA are to:

- facilitate the development and growth of a sustainable defence industry in South Australia in accordance with South Australia's Strategic Plan objectives
- advise and deliver strategies and policies required to deliver defence industry growth in South Australia
- deliver the SA Government commitments in support of defence industry growth in South Australia
- maximise the defence presence, including personnel and facilities, in South Australia.

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 Defence SA 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 Defence SA 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 internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the 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 report and internal controls.

During 2010-11, specific areas of audit attention included:

- policies and procedures
- cash
- processing and review of general ledger journals
- expenditure processing
- payroll review - bona fides
- fixed asset processing
- self assessment against the financial management compliance program
- procurement review
- contracts register.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of Defence SA as at 30 June 2011, 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.

Assessment of controls

In my opinion, the controls exercised by Defence SA 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 Defence SA have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were outlined in a management letter to the Chief Executive. The response to the management letter was satisfactory. The notable matters raised with Defence SA and the related responses are detailed below.

Payroll

Bona fide and leave return reports

The audit review of bona fide and leave return reports identified instances where reports were not reviewed and approved in a timely manner. The review also noted instances where discrepancies identified on leave return reports were not addressed by Shared Services SA.

Defence SA advised action to address the findings involving the documentation of a procedure which requires the timely review and approval of reports.

Board member payments

Audit noted that an advisory board member performed duties and received the appropriate sitting fees beyond the authorised term of appointment. The board member's appointment was renewed effective from the date of original contract expiration.

Defence SA acknowledged the finding and advised that steps were initiated to renew the contract. It also advised it will ensure future appointments are formalised in a timely manner.

Interpretation and analysis of the financial report

Highlights of the financial report

	2011 $'million	2010 $'million
Expenses		
Employee benefit expenses	5	5
Supplies and services	12	10
Depreciation and amortisation	8	4
Grants and subsidies	2	7
Total expenses	27	26
Income		
Revenues from fees and charges	3	3
Techport Australia recoveries	1	1
Property revenues	5	3
Other income	1	1
Total income	10	8
Net cost of providing services	(17)	(18)
Revenues from (payments to) SA Government		
Revenues from SA Government	32	39
Payments to SA Government	(6)	(8)
Net result	9	13
Other comprehensive income		
Net gain on revaluation of land	-	28
Total comprehensive result	9	41
Assets		
Current assets	32	21
Non-current assets	439	426
Total assets	471	447
Liabilities		
Current liabilities	5	3
Total liabilities	5	3
Total equity	466	444

Statement of Comprehensive Income

Income

Property revenue increased due to rent incomes received from Technology Park for the full year and reimbursement of fitout costs from tenants. Responsibility for Technology Park transferred to Defence SA from the Land Management Corporation effective October 2009.

Expenses

Supplies and services increased by $2 million reflecting the increased operational costs incurred in operating the Common User Facility and Technology Park.

Depreciation and amortisation expense increased by $4 million due to the first full year of operation of the Common User Facility which is Defence SA's principal asset.

Grants and subsidies decreased by $5 million following the payment of grants in 2009-10 relating to the Techport Australia Commercial campus buildings which were completed in 2009-10.

Statement of Financial Position

Defence SA's main assets are land, including land held for sale ($166 million) and the Techport Australia harbour and port facilities ($236 million).

Defence SA received a capital contribution of $15 million which was recognised directly in equity and repaid $2 million following the sale of land that had been initially funded from contributed capital.

Projects completed during the year totalled $37 million and were transferred from capital works in progress to land, buildings and harbour and port facilities.

Statement of Cash Flows

The following table summarises the net cash flows for 2011 and 2010.

	2011 $'000	2010 $'000
Net cash flows		
Operating	17	21
Investing	(17)	(89)
Financing	13	68
Change in cash	13	-
Cash at 30 June	22	9

Operating cash flows increased due to the transfer of Technology Park and the completion of the Common User Facility.

The reduction in expenditure on Defence SA projects and land purchases following the completion of the Common User Facility are reflected in the reduction in cash used in investing activities.

The cash generated from financing activities reflects the net contributed capital inflow from the SA Government.

Further commentary on operations

Techport Australia

The Techport Australia facilities include:

- a Common User Facility
- Commercial and Education Precinct and Supplier Precinct.

Common User Facility

The Common User Facility comprises a ship lift, transfer system, dry berth and wharf. This infrastructure will enable ASC to build the air warfare destroyers and attract other shipbuilding opportunities to Techport Australia.

The Common User Facility was developed in a number of stages. The runway, dry berth, wharf, administration building and services (gas, electricity and water) were completed in 2008-09. Load testing of the ship lift beams, dredging, installation and commissioning of the ship lift and transfer system were completed in 2009-10.

Total expenditure on the project to 30 June 2011 was $257 million.

Supplier Precinct and Commercial and Education Precinct

The Supplier Precinct at Techport Australia accommodates naval shipbuilding and related defence businesses involved in supporting and supplying the air warfare destroyer construction program and other naval/defence projects.

The Commercial and Education Precinct houses the Maritime Skills Centre, the Air Warfare Destroyer Systems Centre, commercial and retail buildings and car parking. The Supplier Precinct is operationally complete and is being let and occupied by anchor tenants.

Maritime Skills Centre

The Maritime Skills Centre is a training facility within the Commercial and Education Precinct which is used primarily to train and enhance the skills of the ASC workforce.

Techport Australia Commercial Campus

The Commercial Campus is home to the Air Warfare Destroyer Systems Centre and other office accommodation at Techport Australia.

The Systems Centre accommodates project management staff engaged in the design, delivery and commissioning of the air warfare destroyers and was developed by a private developer.

Secure Electronic Common User Facility

Defence SA has established a Secure Electronic Common User Facility (SECUF) at Technology Park. The SECUF provides a multi-level, common use environment for the defence community in the integration of complex defence systems. The facility provides office and laboratory space to support advanced engineering and research activities including modelling and simulation. Stage 1 has been completed and is being utilised by anchor tenants (Defence Systems Innovation Centre and Defence Systems Integration - Technical Advisory).

Northern Lefevre Peninsula master plan

Defence SA has prepared a master plan for the Northern Lefevre Peninsula that identifies the long-term infrastructure requirements to support a sustainable precinct and the operation of Techport Australia.

The master plan includes the consolidation of government-owned land holdings to develop sustainable industrial precincts and appropriate open space and buffers from established residential areas.

Osborne North Industrial Precinct

The Osborne North Industrial Precinct is adjacent to the Techport Australia Supplier Precinct. The precinct will provide serviced industrial allotments for sale to defence and other industries. Geotechnical site preparation work commenced in January 2009 and detailed planning and design of infrastructure upgrades (water, gas, sewer, electricity and roads) was undertaken during 2009-10. Proceeds from the sale of allotments are forecast to commence from 2011-12.

Technology Park

On 1 October 2009 Defence SA acquired assets at Technology Park from the Land Management Corporation at a cost of $44 million. Defence SA is responsible for the operation and continued growth of Technology Park as a centre for the defence and other high tech industry.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Employee benefit expenses	5	5 264	4 642
Supplies and services	6	11 577	10 010
Depreciation and amortisation	7	7 867	3 886
Grants and subsidies	8	1 909	6 944
Other expenses	9	692	85
Total expenses		27 309	25 567
Income:			
Revenues from fees and charges	11	2 959	2 661
Grants	12	275	-
Net gain on disposal of non-current assets	13	198	-
Techport Australia recoveries	14	1 361	1 365
Property revenues	15	5 346	3 467
Other income	16	400	487
Total income		10 539	7 980
Net cost of providing services	30	(16 770)	(17 587)
Revenues from (payments to) SA Government:			
Revenues from SA Government(i)	17	31 890	39 643
Payments to SA Government	17	(6 345)	(8 415)
Net result		8 775	13 641
Other comprehensive income:			
Net gain on revaluation of land		-	27 510
Total comprehensive result		8 775	41 151

Net result and total comprehensive result are attributable to the SA Government as owner

(i) The 2010 comparative has been restated for prior year adjustments.

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash	18	22 059	8 983
Receivables	19	1 300	966
		23 359	9 949
Land and buildings classified as held for sale	20	9 016	11 341
Total current assets		32 375	21 290
Non-current assets:			
Land	21	157 358	132 210
Buildings and improvements, plant and equipment	21	28 052	22 383
Harbour and port facilities	21	236 265	237 038
Capital works in progress	22	17 676	34 506
Total non-current assets		439 351	426 137
Total assets		471 726	447 427
Current liabilities:			
Payables	23	4 345	2 082
Employee benefits	24	625	678
Other current liabilities	25	21	21
Total current liabilities		4 991	2 781
Non-current liabilities:			
Other non-current liabilities	25	83	105
Total non-current liabilities		83	105
Total liabilities		5 074	2 886
Net assets		466 652	444 541
Equity:			
Contributed capital[(i)]	26	282 080	268 744
Retained earnings[(i)(ii)]		159 762	150 868
Asset revaluation surplus		24 810	24 929
Total equity		466 652	444 541

(i) The 2010 comparative has been restated for prior year adjustments.

(ii) Includes $94.552 million of contributed equity received from the Port Adelaide Maritime Corporation following the establishment of Defence SA on 1 September 2007.

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	27
Contingent assets and liabilities	28

Statement of Changes in Equity
for the year ended 30 June 2011

	Note	Contributed capital $'000	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009		200 656	-	134 646	335 302
Net result for 2009-10		-	-	(2 762)	(2 762)
Gain on revaluation of land during 2009-10		-	27 510	-	27 510
Revaluation surplus transferred to retained earnings on disposal of non-current asset		-	(2 581)	2 581	-
Total comprehensive result for 2009-10		-	24 929	(181)	24 748
Adjustment for error correction		-	-	16 403	16 403
Restated total comprehensive for 2009-10		-	24 929	16 222	41 151
Transactions with SA Government as owner:					
Equity contribution received		87 310	-	-	87 310
Adjustment for error correction	26	(16 403)	-	-	(16 403)
Restated equity contribution received		70 907	-	-	70 907
Equity contribution repaid		(2 819)	-	-	(2 819)
Restated balance as at 30 June 2010		268 744	24 929	150 868	444 541
Net result for 2010-11		-	-	8 775	8 775
Total comprehensive result for 2010-11		-	-	8 775	8 775
Transactions with SA Government as owner:					
Equity contribution received		15 291	-	-	15 291
Equity contribution repaid		(1 955)	-	-	(1 955)
Revaluation surplus transferred to retained earnings on disposal of non-current asset		-	(119)	119	-
Balance at 30 June 2011		282 080	24 810	159 762	466 652

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

Statement of Cash Flows
for the year ended 30 June 2011

		2011 Inflows (Outflows)	2010 Inflows (Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Employee benefit payments		(5 344)	(4 536)
Payments for supplies and services		(10 999)	(9 984)
Payment of grants and subsidies		(1 909)	(6 944)
GST paid to the ATO and suppliers		(4 881)	(11 016)
Cash used in operations		(23 133)	(32 480)
Cash inflows:			
Grants		275	-
Fees and charges		2 744	2 438
Techport Australia recoveries		1 361	1 364
Property revenues		5 227	3 279
GST recovered from the ATO and customers		4 461	14 075
Deposits on sale of land		(15)	15
Other receipts		508	992
Cash generated from operations		14 561	22 163
Cash flows from SA Government:			
Receipts from SA Government(i)		31 890	39 643
Payments to SA Government		(6 345)	(8 415)
Cash generated from SA Government		25 545	31 228
Net cash provided by (used in) operating activities	30	16 973	20 911
Cash flows from investing activities:			
Cash outflows:			
Purchase of land		-	(26 847)
Payments for property, plant and equipment		(631)	(17 548)
Payments for capital work in progress		(18 859)	(49 834)
Cash used in investing activities		(19 490)	(94 229)
Cash inflows:			
Proceeds from sale of land and buildings		2 257	5 400
Cash generated from investing activities		2 257	5 400
Net cash provided by (used in) investing activities		(17 233)	(88 829)
Cash flows from financing activities:			
Cash outflows:			
Capital contributions repaid to government		(1 955)	(2 819)
Cash used in financing activities		(1 955)	(2 819)
Cash inflows:			
Capital contributions from SA Government(i)		15 291	70 907
Cash generated from financing activities		15 291	70 907
Net cash provided by (used in) financing activities		13 336	68 088
Net increase (decrease) in cash		13 076	170
Cash at 1 July		8 983	8 813
Cash at 30 June	18,30	22 059	8 983

(i) The 2010 comparative has been restated for prior year adjustments.

Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2011

(Activities - refer note 4)	1		2	
	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	3 331	3 086	1 933	1 556
Supplies and services	3 685	3 378	7 892	6 632
Depreciation and amortisation	119	118	7 748	3 768
Grants and subsidies	518	605	-	6 162
Other expenses	43	56	649	29
Total expenses	7 696	7 243	18 222	18 147
Income:				
Revenues from fees and charges	-	-	2 959	2 661
Grants	-	-	275	-
Net gain from disposal of non-current assets	-	-	198	-
Techport Australia recoveries	-	-	1 361	1 365
Property revenues	-	-	5 346	3 467
Other income	117	1	202	405
Total income	117	1	10 341	7 898
Net cost of providing services	(7 579)	(7 242)	(7 881)	(10 249)
Revenues from (payments to) SA Government:				
Revenues from SA Government(i)	31 890	39 643	-	-
Payments to SA Government	(6 345)	(8 415)	-	-
Net result	17 966	23 986	(7 881)	(10 249)

(Activities - refer note 4)	3		Total	
	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000
Employee benefit expenses	-	-	5 264	4 642
Supplies and services	-	-	11 577	10 010
Depreciation and amortisation	-	-	7 867	3 886
Grants and subsidies	1 391	177	1 909	6 944
Other expenses	-	-	692	85
Total expenses	1 391	177	27 309	25 567
Income:				
Revenues from fees and charges	-	-	2 959	2 661
Grants	-	-	275	-
Net gain from disposal of non-current assets	-	-	198	-
Techport Australia recoveries	-	-	1 361	1 365
Property revenues	-	-	5 346	3 467
Other income	81	81	400	487
Total income	81	81	10 539	7 980
Net cost of providing services	(1 310)	(96)	(16 770)	(17 587)
Revenues from (payments to) SA Government:				
Revenues from SA Government(i)	-	-	31 890	39 643
Payments to SA Government	-	-	(6 345)	(8 415)
Net result	(1 310)	(96)	8 775	13 641

(i) The 2010 comparative has been restated for prior year adjustments.

Disaggregated Disclosures – Assets and Liabilities as at 30 June 2011

(Activities - refer note 4)	1		2	
	2011	2010	2011	2010
Assets:	$'000	$'000	$'000	$'000
Cash	22 059	7 980	-	1 003
Receivables	119	78	1 137	872
Land and buildings held for sale	-	-	9 016	11 341
Land	-	-	157 358	132 210
Buildings and improvements, plant and equipment	564	683	27 488	21 700
Harbour and port facilities	-	-	236 265	237 038
Capital works in progress	-	-	17 676	34 506
Total assets	22 742	8 741	448 940	438 670
Liabilities:				
Payables	906	287	3 408	1 787
Employee benefits	625	644	-	34
Other liabilities	104	126	-	-
Total liabilities	1 635	1 057	3 408	1 821
Net assets	21 107	7 684	445 532	436 849

(Activities - refer note 4)	3		Total	
	2011	2010	2011	2010
Assets:	$'000	$'000	$'000	$'000
Cash	-	-	22 059	8 983
Receivables	44	16	1 300	966
Land and buildings held for sale	-	-	9 016	11 341
Land	-	-	157 358	132 210
Buildings and improvements, plant and equipment	-	-	28 052	22 383
Harbour and port facilities	-	-	236 265	237 038
Capital works in progress	-	-	17 676	34 506
Total assets	44	16	471 726	447 427
Liabilities:				
Payables	31	8	4 345	2 082
Employee benefits	-	-	625	678
Other liabilities	-	-	104	126
Total liabilities	31	8	5 074	2 886
Net assets	13	8	466 652	444 541

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of Defence SA

Defence SA is South Australia's lead government agency for all defence-related matters. The agency's mission is to facilitate the development and growth of Defence and defence industries in South Australia on a competitive and sustainable basis in accordance with South Australia's Strategic Plan.

To achieve this mission, the agency is focused on delivering the SA Government's commitments to the Air Warfare Destroyer (AWD) project, as well as capturing further defence work in the four defence sectors - maritime, land, aerospace and systems.

1. Objectives of Defence SA (continued)

Defence SA is also striving to ensure the right climate exists for defence industry growth, and is working with a number of partners to deliver results for industry in the areas of workforce development and innovation, in particular.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provisions of the PFAA.

Except for amendments to AASB 2009-12, which Defence SA has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by Defence SA for the reporting period ending 30 June 2011. These are outlined in note 3.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying Defence SA's accounting policies. The 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, which have been included in these financial statements:
  (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 (as reported in the Statement of Comprehensive Income)
  (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (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.

Defence SA's Statement of Comprehensive Income, Statement of Financial Position 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 Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented.

(c) Reporting entity

Defence SA is a government agency of the State of South Australia, established pursuant to the PSA. Defence SA is an administrative unit acting on behalf of the Crown and has no subsidiaries.

(d) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

(e) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars ($'000).

(f) Project overheads

Defence SA adopts a full cost approach to the costing of its capital works. This method entails the allocation of a proportionate share of project specific overheads to all activities based upon a regime of cost drivers in accordance with AASB 116.

(g) Taxation

Defence SA is not subject to income tax. Defence SA is liable for payroll tax, FBT, GST and the Emergency Services levy. Defence SA is only liable for land tax on properties for which a contract for sale is held as at 30 June annually.

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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from the 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.

(h) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements where an event occurs after 30 June and before the date the financial statements are authorised for issue, where the event provides information about conditions that existed at 30 June.

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.

(i) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to Defence SA will occur and can be reliably measured.

Income has been aggregated according to its nature and has 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 where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to its nature.

The following are specific recognition criteria:

Fees and charges

Revenues from fees and charges are derived from the provision of goods and services to external entities. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Revenues from SA Government

Appropriations to fund activities are recognised as revenues when Defence SA obtains control over the funding. Control over appropriations is normally obtained upon 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 Defence SA and the appropriation is recorded as contributed equity.

Net gain on disposal of non-current assets
Income from the disposal of non-current assets (including land and buildings) is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with the carrying amount. When revalued assets are sold, the revaluation surplus will be transferred to retained earnings.

Property revenues
Rental income is derived from property holdings and includes lease income and recoveries of tenant outgoings. Lease income is accounted for on a straight-line basis over the lease term.

Other income
Other income consists of recoveries of costs for work performed on behalf of external entities.

(j) Expenses
Expenses are recognised to the extent that it is probable that the flow of economic benefits from Defence SA will occur and can be reliably measured.

Expenses have been aggregated 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 expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to its nature.

The following are specific recognition criteria:

Employee benefit expenses
Employee benefit expenses include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by Defence SA to several State Government and externally managed superannuation schemes in respect of current services of current Defence SA staff.

Depreciation and amortisation
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 applied to leasehold improvements. Depreciation is applied to other tangible assets. Defence SA has no recognised intangible assets.

Assets' residual values, useful lives and depreciation/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 non-current assets held for sale are not depreciated.

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

Class of asset	*Useful life (years)*
Harbour and port facilities	5-50
Buildings	40
Leasehold improvements	Life of lease
Plant and equipment	4-15
Furniture and fittings	3-10

Grants and subsidies
For contributions payable, the contribution will be recognised as a liability and expense when Defence SA has a present obligation to pay the contribution and the expense recognition criteria are met. All contributions paid by Defence SA have been unconditional.

Payments to SA Government
Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy and net profit on sale of non-current assets. These funds are paid directly to the Consolidated Account.

(k) Current and non-current classification
Assets and liabilities are characterised as either current or non-current in nature.

Defence SA has established a clearly identifiable operating cycle of 12 months. 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, Defence SA has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(l) Assets
Assets 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.

Where an asset line item combines amounts expected to be settled within 12 months and more than 12 months, Defence SA has separately disclosed the amounts expected to be recovered after more than 12 months.

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

Cash
Cash in the Statement of Financial Position includes:

- deposits with the Treasurer
- cash held in escrow, held for a specific purpose, as described in note 18.

For the purposes of the Statement of Cash Flows, cash consists of cash as defined above.

Cash is measured at nominal value.

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

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

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

Capital works in progress
During the period work continued on the development of infrastructure to support the AWD construction program in accordance with the Infrastructure Assistance Agreement and other defence and industrial developments.

Defence SA engages in projects that include land acquisition, infrastructure development and ultimate disposal through sale or various leasing arrangements.

The accounting policy of capitalisation of project overheads attributable to capital works is disclosed in note 2(f).

Defence SA accounts for expenses associated with all capital projects as work in progress until the assets are installed and ready for use. On completion the assets are recognised in accordance with non-current asset acquisition and recognition (refer below).

Non-current assets held for sale
Non-current assets 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 within one year from the date of classification.

Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

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 fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recognised at book value, ie the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value equal to or in excess of $10 000 are capitalised.

Complex assets are componentised when the asset's fair value at the time of acquisition is equal to, or in excess of, $5 million for infrastructure assets and $1 million for other assets.

Assets have been componentised where appropriate to recognise their unique nature and useful lives.

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 will only be performed when the assets' fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

Every three years Defence SA revalues its land, buildings 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 revaluation 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. Defence SA's land-only holdings were last revalued in the year ended 30 June 2010.

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease in the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, 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 surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

Upon disposal or derecognition, any revaluation surplus relating to an asset is transferred to retained earnings.

Impairment
All non-current tangible 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 respective asset revaluation surplus.

(m) Liabilities
Liabilities 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.

Where a liability line item combines amounts expected to be settled within 12 months and more than 12 months, Defence SA has separately disclosed the amounts expected to be settled after more than 12 months.

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

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

Payables (continued)
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 operations of Defence SA.

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, in accordance with TI 11.

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

Defence SA 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 reporting date relates to any contributions due but not yet paid to these superannuation schemes.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

Operating leases
Operating lease payments are recognised as an expense in the Statement of Comprehensive Income over the term of the lease.

Lease incentives
All incentives received for the agreement of a new or renewed operating lease are recognised as a liability.

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

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
The liability for salary and wages is 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.

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

Long service leave
The majority of Defence SA employees were recruited from outside the SA Government and are employed on contracts with less than four years to expiry. The long service leave liability accrual has been calculated based on those staff that will attain a long service leave entitlement during their current contract term.

The unconditional portion of the long service leave provision is classified as current as Defence SA does not have any unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after seven years of service.

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

Provisions
Provisions are recognised when Defence SA 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.

Provisions (continued)

When Defence SA expects some or all of the 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 Statement of Comprehensive Income 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 reporting 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.

(n) Workers compensation

Defence SA is responsible for payments of workers compensation claims. Defence SA has a service level agreement with the Public Sector Workforce Relations Division of DPC to undertake injury management and rehabilitation services in the event of a claim.

(o) Insurance

Defence SA has arranged, through SAICORP, a division of SAFA, to insure all major risks of Defence SA. The excess payable under this arrangement is $5000 per claim.

Defence SA has arranged, with input from SAICORP, project specific professional indemnity, contractors, all risk and legal liability insurance policies applicable to the design and construction of the Common User Facility (CUF) at Techport Australia.

(p) Unrecognised contractual commitments and contingent assets and liabilities

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

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Defence SA holds a number of performance guarantees in support of contractor performance. No value is assigned to these guarantees for financial statement purposes as they will only be called upon in the event that the contractor fails to fulfil their agreed contractual commitments.

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. New and revised accounting standards and policies

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010 Defence SA has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the agency to disclose all employees whose normal remuneration was equal to or greater than $100 000. This change is reflected in note 5.

Defence SA did not voluntarily change any of its accounting policies during 2010-11.

Except for AASB 2009-12, which Defence SA has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by Defence SA for the period ending 30 June 2011. Defence SA 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 statements of Defence SA.

4. Activities of Defence SA

Activity information is prepared in accordance with the accounting policies of the entity as disclosed in note 2.

In achieving its objectives Defence SA provides a range of services classified into the following activities:

Activity 1: Defence Industry Development

This activity incorporates delivery of strategy and policy, which in conjunction with the Defence SA Advisory Board provides leadership across government on all defence-related matters.

It also includes targeted business development opportunities and the agency's administrative, financial and other operational services.

This activity seeks to support the growth of defence and sustainable defence industries in South Australia - across the maritime, land, aerospace and systems sectors.

Activity 2: ***Defence Precincts***

This activity incorporates Defence SA's development and project delivery business areas, including activities relating to Techport Australia, Technology Park Adelaide and the Northern Lefevre Peninsula Masterplan.

It also includes supporting expanded use of Defence SA's Cultana Training Area and Woomera Prohibited Area.

This activity seeks to ensure the provision of world-class infrastructure to support the growth of defence and sustainable defence industries in South Australia.

Activity 3: ***Workforce Development***

This activity incorporates delivery of the State's workforce development commitments to the AWD project and integration of defence industry skills demand into whole-of-state workforce development planning and implementation initiatives.

This activity seeks to support South Australia in meeting the skills growth required to support Defence and defence industries, with particular focus on the immediate requirements of the AWD project.

This will be achieved through focused and innovative delivery of investment and skills attraction and development programs, appropriately integrated with whole-of-state workforce development efforts.

The disaggregated disclosures schedules present expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2010 and 30 June 2011.

5. Employee benefit expenses

	Note	2011 $'000	2010 $'000
Salaries and wages		4 242	4 302
Long service leave		219	81
Annual leave		363	398
Employment on-costs - superannuation		405	419
Employment on-costs - other		265	266
Advisory Board and committee fees	29	248	287
Other employee related expenses		83	83
Total employee benefit expenses		5 825	5 836
Charged to capital projects		(561)	(1 194)
Total employee benefit expenses as per Statement of Comprehensive Income		5 264	4 642

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$127 500 - $130 699*	-	1
$130 700 - $140 699	1	2
$140 700 - $150 699	2	4
$150 700 - $160 699	2	1
$160 700 - $170 699	2	-
$170 700 - $180 699	2	2
$180 700 - $190 699	1	-
$190 700 - $200 699	1	2
$200 700 - $210 699	1	-
$230 700 - $240 699	1	1
$240 700 - $250 699	1	1
$300 700 - $310 699	-	1
$490 700 - $500 699	-	1
$530 700 - $540 699	1	-
Total	15	16

* This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2009-10.

Remuneration of employees (continued)

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $3.031 million ($3.176 million).

In 2010-11 the payroll cycle resulted in 27 fortnightly payments to employees compared to the 26 fortnightly payments in 2009-10.

Accounting policy change

In accordance with the revised APF II, Defence SA has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by seven for 2011 and six for 2010.

6. Supplies and services

	2011	2010
Supplies and services provided by entities within the SA Government:	$'000	$'000
Accommodation and service costs	290	283
Legal fees to Crown Solicitor's Office	133	154
Provision of corporate services under service level agreements	394	313
Insurance	117	65
Land tax refunded to Land Management Corporation	-	367
Security services	598	145
Provision of contract services by Department for Transport, Energy and Infrastructure	407	15
Other expenses	145	110
Total supplies and services - SA Government entities	2 084	1 452
Supplies and services provided by entities external to the SA Government:		
Contractors	2 646	3 206
Consultants (refer below)	135	186
Legal fees	91	192
Staff development and recruitment	360	291
Travel and related expenses	349	367
Promotion and events	1 725	1 222
Property	2 754	1 705
Security services	21	388
Electricity	199	197
Minor plant and equipment	364	94
Other expenses	849	710
Total supplies and services - non-SA Government entities	9 493	8 558
Total supplies and services	11 577	10 010

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

Consultants	2011		2010	
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
Below $10 000	-	-	-	-
Between $10 000 and $50 000	2	55	3	80
Above $50 000	1	80	1	106
Total paid/payable to the consultants engaged	3	135	4	186

7. Deprecation and amortisation expense

		2011	2010
Depreciation:	Note	$'000	$'000
Buildings and improvements		1 124	475
Plant and equipment		77	50
Harbour and port facilities		6 554	3 249
Total depreciation		7 755	3 774

		Note	2011 $'000	2010 $'000
7.	**Deprecation and amortisation expense (continued)**			
	Amortisation:			
	Leasehold improvements		112	112
	Total amortisation		112	112
	Total deprecation and amortisation		7 867	3 886
8.	**Grants and subsidies**			
	Grants and subsidies paid/payable to entities external to the SA Government:			
	Defence Teaming Centre		475	605
	ASC AWD Shipbuilder Pty Ltd		1 391	177
	Defence Projects Pty Ltd and Techport Developments Pty Ltd		-	6 162
	Other		19	-
	Total grants and subsidies - non-SA Government entities		1 885	6 944
	Grants and subsidies paid/payable to entities within the SA Government:			
	Other		24	-
	Total grants and subsidies - SA Government entities		24	-
	Total grants and subsidies		1 909	6 944
9.	**Other expenses**			
	Other expenses paid/payable to entities within the SA Government:			
	Audit fees	10	43	55
	Land tax, local government rates in lieu and Emergency Services levy		25	40
	Total other expenses - SA Government entities		68	95
	Other expenses paid/payable to entities external to the SA Government:			
	Bad debts and allowances for doubtful debts	19	20	(10)
	Transfer from capital works in progress	22	604	-
	Total other expenses - non-SA Government entities		624	(10)
	Total other expenses		692	85
10.	**Auditor's remuneration**			
	Audit fees paid/payable to the Auditor-General's Department		43	55
	Total audit fees		43	55

Other services

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

		2011 $'000	2010 $'000
11.	**Revenues from fees and charges**		
	Fees and charges received/receivable from entities external to the SA Government:		
	CUF priority access fee	2 484	2 411
	CUF other fees	180	28
	Technology Park Conference Centre income	295	222
	Total fees and charges - non-SA Government entities	2 959	2 661
12.	**Grants**		
	Grants received/receivable from entities external to the SA Government:		
	ASC contribution to CUF electrical augmentation	275	-
	Total grants - SA Government	275	-
13.	**Net gain on disposal of non-current assets**		
	Proceeds from disposal of land and buildings	2 257	5 400
	Net book value of land and buildings disposed	(2 059)	(5 400)
	Total net gain on disposal of non-current assets	198	-

14. Techport Australia recoveries

	2011 $'000	2010 $'000
Techport Australia recoveries received/receivable from entities within the SA Government:		
Techport Australia recoveries	-	69
Total Techport Australia recoveries - SA Government entities	-	69
Techport Australia recoveries received/receivable from entities external to the SA Government:		
Other Techport Australia recoveries	1 361	1 296
Total Techport Australia recoveries - non-SA Government entities	1 361	1 296
Total Techport Australia recoveries	1 361	1 365

15. Property revenues

Property revenues received/receivable from entities external to the SA Government:		
Rental income and recoveries	5 346	3 467
Total property revenues	5 346	3 467

16. Other income

Other income received/receivable from entities within the SA Government:		
Transfers received - Land Management Corporation	-	253
Transfers received - Department of Further Education, Employment, Science and Technology	81	81
Other income	-	3
Total other income - SA Government entities	81	337
Other income received/receivable from entities external to the SA Government:		
Contribution to Northern Lefevre Peninsula headworks design	-	27
Other recoveries	319	123
Total other income - non-SA Government entities	319	150
Total other income	400	487

17. Revenues from (payments to) SA Government

Revenues from SA Government:		
Appropriation from Consolidated Account pursuant to the *Appropriation Act*(1)	31 874	39 604
Transfers received - DTF contingencies	16	39
Total revenues from SA Government	31 890	39 643
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	(6 042)	(5 834)
Other payments to the Consolidated Account(2)	(303)	(2 581)
Total payments to SA Government	(6 345)	(8 415)

Total revenues from SA Government were $31.89 million ($39.64 million) for operational funding.

(1) The 2010 comparative has been restated for prior year adjustments (refer note 26).

(2) This amount represents the net gain on disposal of non-current assets adjusted for revaluations.

18. Cash

	2011 $'000	2010 $'000
Deposits with the Treasurer	22 059	7 980
Cash held in escrow	-	1 003
Total cash	22 059	8 983

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, and can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Interest rate risk

Exposure to interest rate risk may arise through interest bearing assets and liabilities. Deposits with the Treasurer and cash held in escrow are non-interest bearing. The carrying amount of cash represents net fair value.

Cash held in escrow

Cash held in escrow represents cash held for a specific purpose (land remediation) as per contract conditions. This cash was not available to fund other Defence SA activities.

19. Receivables	2011	2010
Current:	$'000	$'000
Receivables	543	330
Allowance for doubtful debts	(20)	(10)
GST input tax recoverable	660	540
Prepayments	117	106
Total current receivables	1 300	966

Receivables are due from non-SA Government entities.

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 Statement of Comprehensive Income for specific debtors for which such evidence exists.

	2011	2010
Movement in allowance for doubtful debts (impairment loss):	$'000	$'000
Carrying amount at 1 July	10	76
Increase in allowance	20	10
Amounts written off	(10)	(56)
Amounts recovered during the year	-	(20)
Carrying amount at 30 June	20	10

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. Receivables, prepayments and accrued revenues are non-interest.

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.

20. Land and buildings classified as held for sale	2011	2010
	$'000	$'000
Carrying amount at 1 July	11 341	9 714
Disposals (sales)	(2 059)	-
Land held for sale reclassified as non-current asset	(3 179)	-
Additions	2 913	1 627
Land and buildings classified as held for sale	9 016	11 341

The value of assets classified as held for sale represents Lefevre Peninsula and Technology Park assets identified for sale and likely to be settled within 12 months. Defence SA is undertaking remediation, development and subdivision of land parcels on the Lefevre Peninsula on a progressive basis. The value recorded represents the acquisition and development costs and any revaluation adjustments of the assets.

21. Property, plant and equipment	2011	2010
	$'000	$'000
Land:		
Land only holdings for fair value	148 356	123 208
Site and land at cost	9 002	9 002
Total land	157 358	132 210
Buildings and improvements:		
Buildings at costs	28 315	21 773
Accumulated depreciation at 30 June	(1 724)	(601)
Total buildings	26 591	21 172

21. Property, plant and equipment (continued)

	2011 $'000	2010 $'000
Leasehold improvements:		
Leasehold improvements at cost	866	866
Accumulated amortisation at 30 June	(317)	(205)
Total leasehold improvements	549	661
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	1 089	650
Accumulated depreciation at 30 June	(177)	(100)
Total plant and equipment	912	550
Total buildings and improvements, plant and equipment	28 052	22 383
Harbour and port facilities:		
Harbour and port facilities at cost (deemed fair value)	246 068	240 287
Accumulated depreciation at 30 June	(9 803)	(3 249)
Total harbour and port facilities	236 265	237 038
Total property, plant and equipment	433 696	395 786
Total accumulated depreciation/amortisation at 30 June	(12 021)	(4 155)
Total property, plant and equipment	421 675	391 631

Valuation of land

The valuation of land was performed by Savills (SA) Pty Ltd, an independent valuer as at 31 March 2010. The valuer arrived at fair value based on recent market transactions for similar land in the area taking into account zoning, restricted use and development work completed as at the valuation date.

Impairment

There were no indications of impairment of infrastructure, property, plant and equipment as at 30 June 2011.

Reconciliation of property, plant and equipment

The following table shows the movement on property, plant and equipment during 2010-11.

	Land $'000	Buildings $'000	Leasehold imprvmnts $'000	Plant and equipment $'000	Harbour and port facilities $'000	Total assets $'000
2011						
Carrying amount at 1 July	132 210	21 172	661	550	237 038	391 631
Additions	34 164	6 543	-	439	5 781	46 927
Assets reclassified to assets held for sale	(9 016)	-	-	-	-	(9 016)
Disposals	-	-	-	-	-	-
Revaluation increment	-	-	-	-	-	-
Depreciation/Amortisation*	-	(1 124)	(112)	(77)	(6 554)	(7 867)
Carrying amount at 30 June	157 358	26 591	549	912	236 265	421 675
2010						
Carrying amount at 1 July	83 721	4 099	773	427	-	89 020
Additions	27 277	18 276	-	175	240 287	286 015
Assets reclassified to assets held for sale	(898)	(742)	-	-	-	(1 640)
Disposals	(5 400)	-	-	(11)	-	(5 411)
Revaluation increment	27 510	-	-	-	-	27 510
Depreciation/Amortisation*	-	(461)	(112)	(41)	(3 249)	(3 863)
Carrying amount at 30 June	132 210	21 172	661	550	237 038	391 631

* Net movement in depreciation after adjusting for accumulated depreciation in assets disposed of and assets transferred to held for sale during the year.

22. Capital works in progress

	2011 $'000	2010 $'000
The balance of capital works in progress as at 30 June	17 676	34 506

Capital works in progress includes:

- detailed planning, design and remediation and infrastructure headworks on development
- planning, design and development work associated with CUF assets not yet completed
- works associated with the upgrade of Technology Park buildings.

Reconciliation of capital works in progress

The following table shows the movement of capital works in progress during 2010-11.

Reconciliation of capital works in progress (continued)

	Imprvmnts to freehold land	Harbour and port facilities	Buildings	Leasehold imprvmnts	Total capital works in progress
2011	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	27 620	2 647	4 239	-	34 506
Additions	15 047	5 066	678	-	20 791
Reclassified as property, plant and equipment	(24 884)	(7 454)	(4 679)	-	(37 017)
Capital works in progress expensed during the period*	(604)	-	-	-	(604)
Carrying amount at 30 June	17 179	259	238	-	17 676
2010					
Carrying amount at 1 July	19 758	208 755	22	972	229 507
Additions	8 292	35 055	3 292	-	46 639
Reclassified as property, plant and equipment	(430)	(241 163)	(47)	-	(241 640)
Leasehold improvements transferred to buildings**	-	-	972	(972)	-
Carrying amount at 30 June	27 620	2 647	4 239	-	34 506

* Project design and planning works previously carried as capital works in progress were expensed during 2010-11.
** Improvements to a leased building which was subsequently acquired.

23. Payables

	2011	2010
Current:	$'000	$'000
Creditors and accrued expenses	4 192	1 344
Deposits on land sales	-	15
GST payable	42	606
Employment on-costs	111	117
Total current payables	4 345	2 082

Government/Non-government payables:		
Payables to SA Government entities:		
Creditors and accrued expenses	248	132
Employment on-costs	32	33
Total payables to other SA Government entities	280	165
Payables to non-SA Government entities:		
Creditors and accrued expenses	3 944	1 212
Deposits on land sales	-	15
GST payable	42	606
Employment on-costs	79	84
Total payables to non-SA Government entities	4 065	1 917
Total payables	4 345	2 082

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.

(a) Maturity analysis of payables - refer note 31.
(b) Categorisation of financial instruments and risk exposure information - refer note 31.

24. Employee benefits

	Note	2011	2010
(a) Employee benefits current		$'000	$'000
Accrued salaries and wages		-	118
Annual leave		305	310
Short-term long service leave		320	250
Total current employee benefits		625	678
Total employee benefits		625	678

(b) ***Employee benefits and related on-costs***		2011	2010
Accrued salaries and wages, annual leave and long service leave:	Note	$'000	$'000
On-costs included in payables	23	111	117
Provision for employee benefits	24(a)	625	678
Total accrued salaries and wages, annual leave and long service leave		736	795

25. Other liabilities

Current other liabilities:		
Lease incentive	21	21
Total current other liabilities	21	21
Non-current other liabilities:		
Lease incentive	83	105
Total non-current other liabilities	83	105
Total other liabilities	104	126

Lease liabilities are due to SA Government entities and are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

26. Contributed capital

Contributed capital received represents equity contribution from the SA Government under the *Appropriation Act* to fund the investing activities of Defence SA.

Contributed capital repaid represents the purchase price and cost of development of land sold during the year originally funded from contributed capital.

The 2009-10 financial statements incorrectly classified $16.4 million of appropriation from the Consolidated Account as an equity contribution (contributed capital) whereas the correct treatment was an operating revenue from SA Government. The 2010 comparative has been adjusted to reflect this error correction.

2010	Previous closing balance	Error correction	Restated balance
Adjustments due to error correction:	$'000	$'000	$'000
Revenues from SA Government	23 240	16 403	39 643
Net result	(2 762)	16 403	13 641
Total comprehensive result	24 748	16 403	41 151
Equity:			
Retained earnings	134 465	16 403	150 868
Contributed capital	285 147	(16 403)	268 744
Asset revaluation surplus	24 929	-	24 929
Total equity	444 541	-	444 541

27. Unrecognised contractual commitments

Capital commitments	2011 $'000	2010 $'000
Capital expenditure contracted for, as at the reporting date but not recognised as liabilities in the financial statements, are payable as follows:		
Within one year	7 368	7 489
Later than one year but not longer than five years	-	3 481
Total capital commitments	7 368	10 970

Defence SA's capital commitments are to various contractors providing design and construction services for the CUF, Techport Australia, Northern Lefevre Peninsula and Technology Park.

Operating commitments	2011 $'000	2010 $'000
Operating expenditure contracted for, as at the reporting date but not recognised as liabilities in the financial statements, are payable as follows:		
Within one year	1 323	1 566
Later than one year but not longer than five years	2 599	3 079
Later than five years	2 724	3 194
Total operating commitments	6 646	7 839

Operating commitments (continued)
Defence SA's operating commitments reflect grant and fee for service contracts for defence industry development and specialist technical and engineering advice.

Remuneration commitments	2011	2010
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:	$'000	$'000
Within one year	4 148	4 430
Later than one year but not longer than five years	4 309	5 078
Total remuneration commitments	8 457	9 508

Amounts disclosed include commitments arising from executive and other service contracts. Defence SA does not offer fixed term employment contracts greater than five years.

28. Contingent assets and liabilities

Contingent assets to which no value can be assigned
Defence SA holds performance guarantees issued on behalf of a number of contractors which can be exercised in the event that the respective contractors fail to deliver in terms of their contractual arrangements.

Contingent liabilities to which a value can be assigned	2011	2010
	$'000	$'000
Contingent liability to which a value can be assigned	7 540	8 361
Total	7 540	8 361

Techport Australia Commercial campus (Stage One)
Defence SA facilitated the private sector delivery of the Techport Australia Commercial campus, pursuant to its commitments to the AWD project and development of Techport Australia as Australia's premier naval industry hub. Stage One development includes the AWD alliance's AWD Systems Centre, Raytheon Australia's SA Engineering Centre, and supporting commercial and retail accommodation.

Related contractual commitments require Defence SA to accept novation of the residual lease period should ASC AWD shipbuilder Pty Ltd elect to vacate the premises between December 2019 and expiration of its initial 10 year lease term in May 2020, which is considered unlikely.

AWD project - workforce assistance
The State's contractual commitments with the Commonwealth in support of the AWD project include reimbursement of eligible claimed costs incurred by the shipbuilder in attracting and maintaining its workforce, and reimbursement of a portion of the shipbuilder's payroll tax liability under certain terms and conditions.

Contingent liabilities to which no value can be assigned
AWD project - CUF
The State has entered into an agreement with the Commonwealth for the construction of a CUF at Osborne to support ASC AWD Shipbuilder Pty Ltd in the construction of three air warfare destroyers for the Royal Australian Navy. The agreement indemnifies the Commonwealth from any third party losses or damages arising from a failure by the State to complete the CUF in accordance with the agreed design and schedule or meet the agreed performance criteria. The likelihood of non-performance is considered remote, and the State's exposure is capped at $320 million.

29. Remuneration of Advisory Board and committee members and related party disclosure

Members of the Defence SA Advisory Board during the financial year were:

Dr I Chessell
GEN P Cosgrove, AC, MC
AIRMSHL L Fisher, AO
A Fletcher **
Hon Kevin Foley, MP *
B Laughton
LTGEN P Leahy, AC
Hon Mike Rann, MP *
RADM T Ruting, AM, CSC, RANR
Dr J White

Members of the Audit and Risk Management Committee during the financial year were:

A Blaskett (independent member) **
T Brumfield ** (appointed 24 January 2011)
D Hall ** (resigned 31 December 2010)
B Laughton (independent member)
C McSporran ** (independent member/chair)
P Robertson (independent member)

29. Remuneration of Advisory Board and committee members and related party disclosure (continued)

The number of members whose remuneration received or receivable falls within the following bands is:	2011 Number	2010 Number
$1 - $9 999	1	2
$10 000 - $19 999	-	1
$20 000 - $29 999	-	2
$30 000 - $39 999	6	5
$60 000 - $69 999	1	1
Total	8	11

Remuneration of members reflects all costs of performing board member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. Total remuneration received, or due and receivable, by board and committee members was $248 000 ($287 000), plus Defence SA compulsory superannuation contributions of $22 000 ($25 000). Other expenses of Advisory Board members were $143 000 ($159 000).

* The Hon Mike Rann, MP and the Hon Kevin Foley, MP did not receive any remuneration for board/committee duties during the period.

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

Unless otherwise disclosed, transactions between related parties 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.

AIRMSHL L Fisher, AO is Chairman of Aerospace Australia Limited. Defence SA participated in the Australian International Airshow and Aerospace and Defence Exposition in March 2011, which is an event managed by Aerospace Australia Limited.

Dr I Chessell is Chairman of QinetiQ Australia. A related entity, QinetiQ Consulting Pty Ltd was engaged via a tender process in April 2010 to undertake a review of the draft management plans for the CUF. This work was completed in July 2010.

30. Cash flow reconciliation

Reconciliation of cash at 30 June:	Note	2011 $'000	2010 $'000
Cash disclosed in the Statement of Financial Position		22 059	8 983
Balance as per the Statement of Cash Flows		22 059	8 983

	Note	2011 $'000	2010 $'000
Reconciliation of net cash provided by (used in) operating activities to net cost of providing of services:			
Net cash provided by (used in) operating activities(1)		16 973	20 911
Revenues from SA Government(1)	17	(31 890)	(39 643)
Payments to SA Government	17	6 345	8 415
Non-cash items:			
Depreciation and amortisation expense of non-current assets	7	(7 867)	(3 886)
Gain on sale of non-current assets	13	198	-
Non-current assets accrual in payables		1 930	(3 195)
Other expenses - transfer from capital works in progress	9	(604)	-
Investing expense reclassified		-	(21)
Movement in assets/liabilities:			
Increase (Decrease) in receivables	19	334	(2 815)
Decrease (Increase) in payables	23	2 263	2 723
Decrease (Increase) in employee benefits	24	53	(97)
Decrease (Increase) in other liabilities	25	21	21
Net cost of providing services(1)		(16 770)	(17 587)

(1) The 2010 comparative has been restated for prior year adjustments (refer note 26).

31. 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.

Category of financial assets and financial liabilities

Financial assets	Note	2011 Carrying amount $'000	2010 Carrying amount $'000
Cash	18,30	22 059	8 983
Receivables (at cost)(1)	19	640	426
Financial liabilities			
Payables - at cost(1)	23	3 951	1 476

(1) Receivable and payable amounts disclosed here exclude amounts relating to GST receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. AASB 132 defines contracts as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on-costs which are determined via reference to the employee benefit liability to which they relate.

Fair value

Defence SA does not recognise any financial assets or financial liabilities at fair value (refer note 2 and notes 18, 19, 23, 25, 30).

Credit risk

Credit risk arises when there is the possibility of Defence SA's debtors defaulting on their contractual obligations resulting in financial loss to Defence SA. Defence SA measures credit risk on a fair value basis and monitors risk on a regular basis.

Defence SA has minimal concentration of credit risk. Defence SA has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. Defence SA 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 client credit rating. Defence SA currently holds collateral of $5000 ($10 000) as security for its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 19 for information on the allowance for the impairment in relation to receivables.

Ageing analysis of financial assets past due including impaired assets

The following table discloses the ageing of financial assets, past due, including impaired assets past due.

	Past due by			
2011	Overdue for less than 30 days $'000	Overdue for 30-60 days $'000	Overdue for more than 60 days $'000	Total $'000
Not impaired:				
Receivables*	2	1	1	4
Impaired:				
Receivables*	7	7	6	20
2010				
Not impaired:				
Receivables*	20	-	5	25
Impaired:				
Receivables*	-	-	9	9

* Amount of receivables disclosed here excludes statutory receivables (amounts owing from/to SA Government and GST input tax credit payable and recoverable). They are carried at cost.

Maturity analysis of financial assets and liabilities

All Defence SA financial assets and liabilities mature within one year.

Liquidity risk

Defence SA is funded principally from appropriations by the SA Government. Defence SA works with DTF 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 continued existence of Defence SA is dependent on State Government policy and on continuing appropriations by Parliament for the administration and programs of Defence SA. Defence SA 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 within 30 days of resolution.

The exposure of Defence SA to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk

Defence SA has no material interest bearing assets or liabilities. There is no exposure to foreign currency or other price risks as all significant contracts are in Australian dollars.

Sensitivity analysis disclosure

A sensitivity analysis has not been undertaken for interest rate risk given the immaterial exposure.

32. Events after the reporting period

The are no reportable events after the reporting period.

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 PSA, and is responsible to the Minister for Education and Minister for Early Childhood Development.

Functions

The Department's main function 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. 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 note 1 to the financial statements.

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 internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

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 report and internal controls.

During 2010-11, specific areas of audit attention included:

- revenue
- expenditure and accounts payable
- employee housing subsidies
- maintenance of school buildings

- capital works
- 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 statements and to design and perform audit procedures. Use has been made of the work performed by internal audit in the following areas:

- the audit of school enrolment data used to determine the amount of funding provided to each government school

- the 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 gives a true and fair view of the financial position of the Department of Education and Children's Services as at 30 June 2011, 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.

Assessment of controls

In my opinion, 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 revenue, payroll, accounts payable, school maintenance, employee housing subsidies, general ledger processing and implementation of TIs 2 and 28 as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Education and Children's Services 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 and the Executive Director, Shared Services SA (SSSA). Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Department and SSSA and the related responses are detailed below.

Revenue

Variation to service expectations

Responsibility for revenue processing was transferred to SSSA in July 2008. The services that SSSA are expected to perform are outlined in a service level determination, 'Finance Services – Accounts Receivable' service summary and accompanying operating level responsibilities documents. These service expectations were agreed to by both agencies in July 2008.

The service summary and supporting operating level responsibilities specify that SSSA must review outstanding invoices and conduct first level debt management tasks, ie follow up overdue invoices with debtors.

Audit has previously noted that the International Education Services unit (IES) performs first level debt management tasks for IES debtors. However, this variation was not approved by the Deputy Chief Executive, Resources and Executive Director, SSSA as required by clause 9.5 of the service level determination.

Audit recommended during 2009-10 that the Department and SSSA clarify these service expectations and ensure that any amendments to the service summary are approved in accordance with the service level determination.

In response the Department advised they will review this matter with SSSA with the objective of agreeing a service variation.

Audit review in 2010-11 revealed that the Department were still working with SSSA to amend the service level determination to provide for performance of first level debt management tasks by the IES unit.

Recharge for Teaching Practicum program

The Department pays teachers an allowance for supervising university students undertaking the Teaching Practicum program and seeks to recover the cost of the allowances and related on-costs from universities. No formal agreement is in place documenting the terms and conditions of this arrangement.

The allowance arises out of the Teachers (DECS) Award. An increase in the allowance was granted by the Industrial Relations Commission of South Australia in March 2006. The universities have disputed the increase on the basis they were not involved in the enterprise bargaining proceedings before the Industrial Relations Commission of South Australia.

The 2009-10 audit noted that the universities had either not paid any charges raised by the Department since March 2006 or have paid amounts calculated using rates which reflect the Department's pre-March 2006 costs.

Audit also noted that the Department was negotiating with the universities to establish formal arrangements and settle outstanding amounts. A draft agreement was prepared in 2008, covering the period 1 January 2009 to 31 December 2011, but was not executed as at 2 June 2010.

Amounts unpaid by the three universities totalled $3.1 million as at 2 June 2010.

The 2010-11 Audit noted the following regarding the recovery of amounts owed from the universities:

- Payments were received from the University of South Australia and The Flinders University of South Australia.
- Corrections were made to charges for the other tertiary providers so that all tertiary providers pay the same rate.
- Tertiary providers would continue to pay the lower rates until agreement is reached between the Department and the tertiary providers.

Audit noted that the 'Deeds for Fee and On-Costs for the Supervision of Professional Experience Placement' between the Minister for Education and the universities covering the period 1 April 2011 to 31 December 2013 were prepared in June 2011 but were not executed.

The Department advised that work would continue to execute the 'Deeds for Fee and On-Costs for the Supervision of Professional Experience Placement' with the universities.

Shared facilities utility costs

In 1988, the Minister for Education and Children's Services entered into an agreement with two parties to construct shared facilities by December 1992 at Golden Grove High School. The agreement provided that following construction the parties were to enter into an agreement relating to the use of the shared facilities for a period of not less than 25 years from the date upon which the construction was completed.

Audit noted that a joint use agreement for the shared facilities has never been formally executed despite the facilities having been used jointly for over 10 years.

A draft joint use agreement was prepared in 2008, revised in 2009, but has yet to be executed. Audit understands that a dispute has arisen between the parties over the payment of utility costs incurred prior to the preparation of the draft agreement.

The 2010-11 audit noted that the joint use agreement for the shared facilities was executed in January 2011 and the amount of approximately $895 000 which was considered claimable by the Department from third parties remained unpaid as at 30 June 2011.

Accounts receivable policies and procedures

Previous audits revealed that the:

- Department's Accounts Receivable Manual was not updated to reflect the current functions performed nor updated for current debt write-off delegation.
- Recoveries team's policies and procedures for second level debtor management tasks were in draft format.

Follow up in 2010-11 noted that the:

- accounts receivable and debtor management policy was approved in July 2011 but the review and update of procedures supporting the policy was not complete
- documentation of procedures for second level debtor management tasks was put on hold until a new debt recovery system is implemented.

The Department confirmed that:

- procedure manuals are under development for general preparers of accounts receivable information and for Accounts Client Services Unit staff
- procedures for the recovery of accounts receivable debtors are under development.

Payroll

Authenticating input forms

In prior years Audit identified that pay clerks do not ensure that payroll input forms are approved by an officer with delegated authority and has previously recommended that the Department:

- establish controls to authenticate the identity of officers approving changes to employees' payroll and leave files

- consider implementing electronic forms and approvals.

Review of controls in place following the transition to SSSA concluded that pay clerks continue to process payroll input forms without authenticating the identity of the officer approving changes to employee payroll and leave files.

While the implementation of the Vacancy, Separation and Placement system in 2008-09 has partly addressed concerns over the validity of new appointments, higher duties and increases in time worked, SSSA pay clerks continue to process claims, allowances and leave applications without checking approval.

In 2009-10 Audit noted the Department was developing a web based portal system that will provide a facility for online submission of leave, claim and allowance applications and electronic authorisation by a site manager. However, this system was not due for implementation in 2010-11.

In response the Department advised it was developing a business case for implementation of the system across the Department in conjunction with SSSA. Subject to funding, the Department expected implementation of the system could be achieved within three to six months.

Follow up in 2010-11 revealed that funding was approved for the Employment Information Kiosk and Temporary Relief Teacher claim lodgement portal and the portal was in its testing phase. However, funding was yet to be approved for other claims, allowances and leave applications.

The Department advised that the Employment Information Kiosk is expected to be implemented in June 2012. Delays in implementation have occurred due to upgrade of hardware, transition of IT service providers and other projects. The implementation of the employee leave workflow solution is not expected until the end of the 2012 calendar year due to the complexity in designing and implementing a system for managing leave approvals.

Outstanding bona fide reports

Department site managers are required to review and certify the completeness and accuracy of fortnightly bona fide reports (BFRs). This certification provides the Department with assurance that only valid employees are paid and that employees are paid in accordance with the terms of their appointment.

To monitor compliance with this policy, the Department requires site managers to return the certified BFRs to the Department's Employment Services Unit for six specified fortnightly pay periods. The specified pay periods represent the Department's assessment of the dates at which errors are most likely to occur.

Audit noted that about 12 percent of BFRs (approximately 2100) were outstanding as at 3 June 2011.

During 2010-11 the Department implemented the electronic Bona Fide Certificate (BFC) system which provides automated escalation reminders for all site managers and nominated site administration staff each month regarding their responsibilities to certify leave within their sites. BFC statistics extracted from the electronic BFC system are analysed and reported to the Director, Site and Regional Improvement, Director, Workforce Management, and worksite regional directors who follow up and investigate why sites are not certifying BFCs. However, follow-up of BFCs only occurs for the six targeted pay periods.

Whilst Audit understands that the specified pay periods represent the Department's assessment of the dates at which errors are most likely to occur, implementation of this policy means that the Department monitors compliance for approximately 20 percent of all BFCs issued.

The statistics for certification of BFC by site managers support a view that the review of BFC is inconsistent between pay periods and that non-compliance with approved procedures is high. This in turn supports a view that limited reliance may be placed on the review of BFC to identify errors in payroll processing.

Audit recommended that the Department implement a follow-up procedure for all pay periods.

The Department acknowledged that the level of uncertified BFCs is higher than is desirable and is committed to reducing this number. A quarterly report is provided to the Director School and Preschool Improvement for follow up with site managers who are non-compliant with the BFC policy. The Department will commit to investigating reasons for non-compliance with the BFC policy from sites who have not certified their BFCs.

Outstanding monthly leave returns(MLRs) and flexi sheets

Worksite managers are required to review and certify the completeness and accuracy of MLRs using an on-line MLR system which was implemented in May 2010.

Reviewing and certifying the MLRs provides:

- assurance that all leave taken by employees has been deducted from their leave entitlement
- site managers with reliable leave information to support their approval of future leave applications.

The audit review confirmed that the electronic MLR system provides automated escalation reminders for all site managers and nominated site administration staff each month regarding their responsibilities to certify leave within their site.

Audit noted that as at 30 June 2011 12 percent (approximately 1200) of all MLRs due in 2010-11 were outstanding. Audit also concluded that the statistics support a view it is appropriate for the Department to supplement the automated reminders generated by the system with focussed follow-up of non-compliance.

In response to the audit finding the Department advised that a quarterly report is provided to the Director School and Preschool Improvement for follow-up with site managers who are non-compliant with the Department's policy. The Department also confirmed it is committed to following up outstanding certification of MLRs.

Accounts payable

The audit of the overall control environment for processing accounts payable transactions included consideration of controls implemented by SSSA and the Department.

Expenditure - the e-Procurement control environment at SSSA

The audit review of the Department's expenditure processes considered controls implemented by SSSA for the common e-Procurement systems. The e-Procurement systems were implemented during 2010-11 and provide a common automated systems platform for processing procurement and accounts payable transactions.

The review identified a number of areas of control weakness in the e-Procurement systems control environment at SSSA. The audit findings were communicated to SSSA and agencies at the conclusion of the review. SSSA has advised proposed action to address the audit findings and recommendations. This matter is discussed in more detail in the Department of Treasury and Finance section of this Report.

e-Procurement procedures

The audit considered whether documented procedures were updated to reflect the requirements of the new e-Procurement control environment. The review noted that the Department was in the process of preparing procedures for processing of e-Procurement transactions, including the certification of goods and services.

The Department advised that e-procurement procedures would be completed once the next stage of implementation of e-Procurement for non-invoice payments is complete.

Service level determination

Audit noted that the service level determination between the Department and SSSA, which incorporates the e-Procurement solution, was not finalised and signed.

The Department has discussed at officer level with SSSA proposed changes to the draft service level determination and the operating responsibilities to incorporate changes related to e-Procurement. The Department was waiting to receive a final version from SSSA and will pursue the execution of the service level determination in a timely manner.

School maintenance

Development and documentation of a service level agreement (SLA) with the Department for Transport, Energy and Infrastructure (DTEI)

DTEI provides the Department with facilities management services pursuant to an SLA between the former Department of Education, Training and Employment and the former Department for Administrative and Information Services. The SLA does not detail the specific tasks, roles and responsibilities of both the Department (including school sites) and DTEI.

Last year Audit recommended that the Department liaise with DTEI to develop and document an updated SLA and detailed service summary for DTEI's provision of facilities management services.

In response the Department advised that the Across Government Facilities Management Arrangements (AGFMA) were under review and that the Department, in association with DTEI, had placed the development and implementation of an updated SLA on hold. The Department would liaise with DTEI to develop and execute an appropriate SLA when roles, responsibilities and services were confirmed to ensure that the SLA reflects the expected service delivery of facilities management services.

In May 2011 Audit noted the review of the AGFMA would not be completed until the end of 2011 delaying the documentation and implementation of the SLA.

In response the Department acknowledged the delay and confirmed that it intends to negotiate and agree upon an SLA once the revised AGFMA is finalised. The Department has initiated communication with each of the facilities manager providers to raise the importance of developing and implementing an SLA as soon as practical after the completion of the AGFMA review.

Certification of school maintenance charges (metropolitan sites)

Breakdown maintenance on schools is performed by various trades under contract with DTEI's contracted facilities managers.

Maintenance contractors are required to provide schools with a customer service report on completion of work and schools are expected to review and certify the accuracy of the customer service report which specifies the labour hours claimed and materials used.

Contractor invoices are paid by DTEI's facilities manager, who recharges DTEI for this work. DTEI then recharges the Department for payments to contractors.

For maintenance on metropolitan schools, the details of completed maintenance work are recorded by the facilities manager on DTEI's Fixed Asset Management Information system (FAMIS) prior to payment.

Information recorded on FAMIS includes the labour hours claimed and materials used.

Prior to payment by DTEI's facilities managers, schools are expected to review the recorded maintenance charge against the customer service report and, if appropriate, approve the validity of maintenance charges recorded on FAMIS. Site approval represents the facilities manager's authorisation to pay the contractor.

Undisputed charges that are not approved within three days are automatically paid by the facilities manager.

The schools' review of information recorded in FAMIS provides the Department with assurance that it is only recharged for actual breakdown maintenance performed (including actual hours worked and materials used).

Last year Audit noted that schools had only actively reviewed and approved about 52 percent ($28.69 million) of school maintenance charges as at 30 June 2010. The remaining 48 percent ($26.09 million) of school maintenance charges were paid by the facilities manager, and therefore the Department, without assurance that the charges accurately reflected actual work performed.

Audit recommended that the Department remind schools of their responsibility to review and approve payments recorded in FAMIS.

In response the Department advised that the risk arising from the audit finding was assessed as low and that reminders will be forwarded to principals and preschool directors at the start of each school year.

Audit noted that the Department issued reminders to schools in October 2010 and January 2011 of their responsibility to review and approve payments in FAMIS. However, as at 31 May 2011 schools had only actively reviewed and approved approximately 51 percent ($23.56 million) of school maintenance charges.

Audit recommended the Department consider using FAMIS to identify sites that consistently fail to check and approve maintenance charges recorded in FAMIS and take steps to require this review.

In response the Department advised that it considers that the risk of a contractor/facility manager charging an incorrect fee without any detection is low. The Department further advised that its view reflected the outcome of the June 2011 DTEI internal audit review of fees charged to the Department which identified minimal instances of incorrect maintenance charges.

The Department's response noted that sites are reminded on a term by term basis of their responsibility to action the review and approval process. In addition, the Department:

- has made contact with schools that demonstrate a pattern of non-compliance to understand the reason for non-compliance and to remind them of their responsibilities
- has also contacted DTEI to obtain the FAMIS auto-approval report in an editable format to enable improved analysis and action on recurring non-compliant sites.

DTEI audit of charges

School breakdown maintenance is invoiced by contractors using rates agreed between the contractor and the facilities manager. In most instances the school is unable to validate the rates charged by contractors.

To ensure schools are charged in accordance with agreed rates, DTEI audits school maintenance charges.

Previous audit reviews have found the Department was not provided with regular and timely reports on the outcome of DTEI internal audits of maintenance changes.

In response the Department advised it would negotiate with DTEI to provide quarterly reports on the scope and outcome of audits of school maintenance charges commencing immediately.

Audit noted that an audit report had been received from DTEI in June 2011. The report revealed that there were minimal instances where maintenance charges were charged incorrectly.

The Department advised that this report will be provided each quarter for monitoring and action by the Department. This report will provide continuing assurance that maintenance charges are being charged in accordance with agreed contract rates.

School warranty log registers

Schools are required to record warranty periods and expiry dates for goods and services in a warranty log register. The registers are to be used as a quick reference before ordering maintenance work, so that work can be performed under warranty if this is still current, and at no cost. A template warranty log register is available on the Department's website for school use.

The 2010-11 audit of a sample of schools revealed that, consistent with the outcome of previous audits, schools did not maintain warranty log registers despite the Department's term by term reminders.

The Department advised that it would continue to remind schools of their responsibility to maintain warranty log registers.

Reconciliation of suspense and clearing accounts

The Repairs and Maintenance Expenditure Suspense Account and Clearing Account Management procedure requires that:

- repairs and maintenance suspense accounts are checked and reconciled on a monthly basis
- transactions within the repairs and maintenance clearing account are reviewed monthly and cleared to the correct accounts as soon as possible.

Audit review of repairs and maintenance suspense and clearing accounts reconciliations identified that reconciliations were not performed on a timely basis and that transactions within the clearing account were not reviewed and cleared on a timely basis.

Audit recommended that the Department reconcile repairs and maintenance accounts within a month of each month end and that they implement a timely process for the review and clearing of transactions for the repairs and maintenance clearing accounts.

The Department advised that it will review and enhance the processes for clearing and reconciling the account to ensure that repairs and maintenance costs are allocated to the correct cost accounts on a monthly basis.

Employee housing subsidies

DTEI provides approved Department employees with subsidised government housing in regional South Australia. Determination of an employee's eligibility for government housing is the Department's responsibility. Each month DTEI invoices the Department for the rental subsidy provided to Department employees. The value of the subsidy is calculated as the difference between DTEI's rent for each tenanted property and the value of rent charged to Department employees.

Eligibility of Department employees

The Employee Accommodation policy outlines the Department's eligibility criteria for subsidised government housing and allocation procedures for housing accommodation. The policy specifies that employees are ineligible for subsidised government housing if:

- they are not on active service and do not hold a substantive position in a given location
- they have lived in a town/region for greater than 10 years as they are considered 'local'
- they, their spouses or dependents, or a company of which they are beneficiaries, own accommodation within a specified distance from their work location.

Audit noted the Department does not require employees to regularly reconfirm their eligibility and has not implemented procedures to confirm employees' ongoing eligibility to government housing.

In response the Department advised:

- it has reviewed its employee government housing policy to not only incorporate audit recommendations but to also incorporate the Government's policy position on employee housing approved in December 2010. Once the policy is approved, the Department will undertake an annual review to ensure that the policy remains relevant and appropriate for the operations within the Department
- controls were implemented to check the eligibility of inactive employees for continued government housing
- procedures were implemented to confirm employees' ongoing eligibility for subsidised government housing.

Validity and accuracy of DTEI charges

Each month DTEI charges the Department for the rental subsidy provided to departmental employees and a vacancy charge for all vacant housing held for use by departmental employees. At times DTEI also charges the Department for repairs and maintenance.

In 2009-10 Audit noted that the Department did not check that:

- it was only charged rental subsidies for valid and approved departmental employees
- DTEI accurately calculated the value of the monthly rental subsidy
- monthly vacancy charges were valid and calculated in accordance with the DTEI policy on employee housing.

Audit also noted that charging for repairs and maintenance appeared inconsistent with DTEI's Employee Housing policy on charges to client agencies, which indicated that rent includes a portion of each of DTEI's major housing cost drivers, including repairs and maintenance.

These matters were reported to the Department and in response the Department advised it would:

- liaise with DTEI to clarify the nature of repairs and maintenance charges
- regularly review DTEI rental subsidies, vacancies and repair and maintenance charges.

In 2010-11 Audit observed that the Department had:

- contacted DTEI to obtain information to enable the Department to assess the validity and accuracy of rental subsidies and vacancy charges. The Department was yet to receive information from DTEI and would raise the request through the Public Employee Housing Advisory Committee
- not commenced documenting the process for checking that subsidies are only charged for valid and approved employees
- contacted DTEI to obtain information to enable the Department to assess the validity and accuracy of repairs and maintenance charges. The Department was yet to receive information from DTEI and would raise the request through the Public Employee Housing Advisory Committee.

Family day care

Educator approval process

Audit noted that Family Day Care Scheme managers approve educators and re-approve educators for 12 months.

The *Children's Service Act 1985*, Division 3 section 33 requires the Department's Chief Executive, in his capacity as the Director pursuant to the Act, to approve family day care educators. Division 2 section 11 states that the Director may delegate to any other person any of his or her powers or functions under this Act.

Audit noted that there was no delegations instrument that subdelegates the Chief Executive's authority to approve educators and re-approve educators every 12 months to Family Day Care Scheme managers.

The Department advised that the Human Resource Instrument of Delegations document will be reviewed and updated to document the Chief Executive's delegation of authority to approve and re-approve educators to Family Day Care Scheme managers.

Reconciliations

The review of the family day care control environment considered the reconciliation of the Harmony system (which supports management of the program) to the general ledger. The audit noted that the following reconciliations were not independently reviewed:

- the monthly Harmony system to general ledger reconciliation
- the quarterly reconciliation of the money received from the Commonwealth Department of Education, Employment and Workplace Relations to the child care benefits paid scheme.

The Department advised that the operational management of the Family Day Care program across South Australia was recently restructured and it was reviewing financial management arrangements including the approach to performing the reconciliations.

General ledger processing

Bank reconciliations

The 2009-10 audit noted SSSA's monthly reconciliation of the Department's operating bank account to the general ledger included a number of reconciling items dating back to July 2004.

Audit recommended that SSSA, together with the Department, investigate and resolve all outstanding reconciling items.

The 2010-11 audit noted that the Department had committed resources to clearing outstanding reconciling items that arose prior to 31 January 2011 with most cleared as at 30 June 2011. Despite the Department's efforts to clear the long outstanding reconciling items and SSSA implementing arrangements to resolve reconciling items, the number of unresolved reconciling items has steadily increased since January 2011.

Audit recommended that SSSA investigate the reconciling items to understand and address the cause of reconciling items greater than two months old.

In response SSSA advised that it would work with the Department to both resolve existing reconciling items and to review completed reconciliations each month.

Manual cheque clearing account reconciliations

The 2010-11 audit noted that both the Department and SSSA Payroll Services had committed resources to clear long outstanding uncleared manual cheques. Audit noted the June 2011 manual cheque clearing account still included a number of long outstanding uncleared manual cheques.

Audit recommended that SSSA Financial Services liaise with the Department and SSSA Payroll Services to identify the causes of reconciling items and develop and implement arrangements with the Department and SSSA Payroll Services to investigate and resolve all outstanding reconciling items on a timely basis.

In response SSSA acknowledged the significance of the reconciliation and committed to investigate and resolve reconciling items and implement system changes.

Telephone clearing account reconciliation and telephone disbursement error clearing account reconciliations

Invoices for telephone services provided to the Department's corporate areas and to schools are paid centrally and posted to clearing accounts in the general ledger. Electronic feed files are received from the service provider and uploaded to the Department's Telephone Recharging system to recharge amounts to schools, regional sites and corporate units within the general ledger.

The audit of the process of recharging for telephone costs noted the clearing accounts were not regularly cleared to zero and the telephone disbursement error clearing account was only reconciled on an ad hoc basis.

Departmental officers advised that delays were experienced due to difficulties experienced with the interface between the service provider's file and the Telephone Recharging system.

Audit recommended that the Department resolve the interface problems and ensure reconciliations are performed on a timely basis.

In response the Department advised that they are continuing to investigate and resolve the problems with the interface between the service provider's billing file and the Department's recharging system.

Implementation of TIs 2 and 28

TI 2 requires agencies to develop, implement, document and maintain policies, procedures, systems and internal controls in relation to financial management and to review these arrangements on a regular basis.

TI 28 requires agencies to develop, implement, document and maintain a financial management compliance program (FMCP). This FMCP must include an assessment of the adequacy of relevant policies, procedures, systems, internal controls, risk management, financial reporting and management reporting.

The Department developed a Financial Management Compliance Framework, which was revised in December 2010, to support its compliance with TI 28. This framework incorporates the following elements:

- control environment
- process level controls
- a documented FMCP.

Key elements of the Department's FMCP are:

- identifying key control indicators
- performing control self-assessment
- compliance monitoring and reporting
- risk management monitoring
- management testing of self-assessment questionnaire assertions
- internal audit of corporate and site operations.

The 2010-11 review indicated that many aspects of the Department's FMCP were completed, including the following:

- The annual audit of school and preschool financial statements was performed for the 2010 calendar year.
- Corporate and site internal control questionnaires were completed and results analysed.
- A review of the Department's compliance with applicable legislative requirements from a financial perspective was completed and analysed.
- Financial management policies were developed, reviewed and updated.
- The escalation process for non-compliance issues was documented in the FMCP.

As part of its FMCP the Department has engaged an external accountancy firm to assist in the developing an internal control framework that will:

- document the process flow for activities conducted within each core financial process area and identify key process level controls
- assess the financial statement assertions for each core financial process area and identify any material gaps.

The internal control framework, in conjunction with the Financial Management Compliance Framework, will contribute towards determining the scope of work undertaken by the annual FMCP.

Interpretation and analysis of the financial report

Highlights of the financial report (Consolidated)

	2011 $'million	2010 $'million
Expenses		
Employee benefits expenses	1 747	1 685
Supplies and services	654	638
Other expenses	117	99
Total expenses	2 518	2 422
Income		
Commonwealth revenue	489	669
Student and other fees	131	124
Other	118	110
Total income	738	903
Net cost of providing services	1 780	1 519
Revenues from (Payments to) SA Government		
Revenues from SA Government	2 199	2 062
Payments to SA Government	-	(26)
Net result	419	517
Other comprehensive income		
Revaluation of property, plant and equipment	124	88
Total comprehensive result	543	605
Net cash provided by (used in) operating activities	563	588

	2011 $'million	2010 $'million
Assets		
Current assets	772	647
Non-current assets	3 936	3 279
Total assets	4 708	3 926
Liabilities		
Current liabilities	333	310
Non-current liabilities	660	443
Total liabilities	993	753
Total equity	3 715	3 173

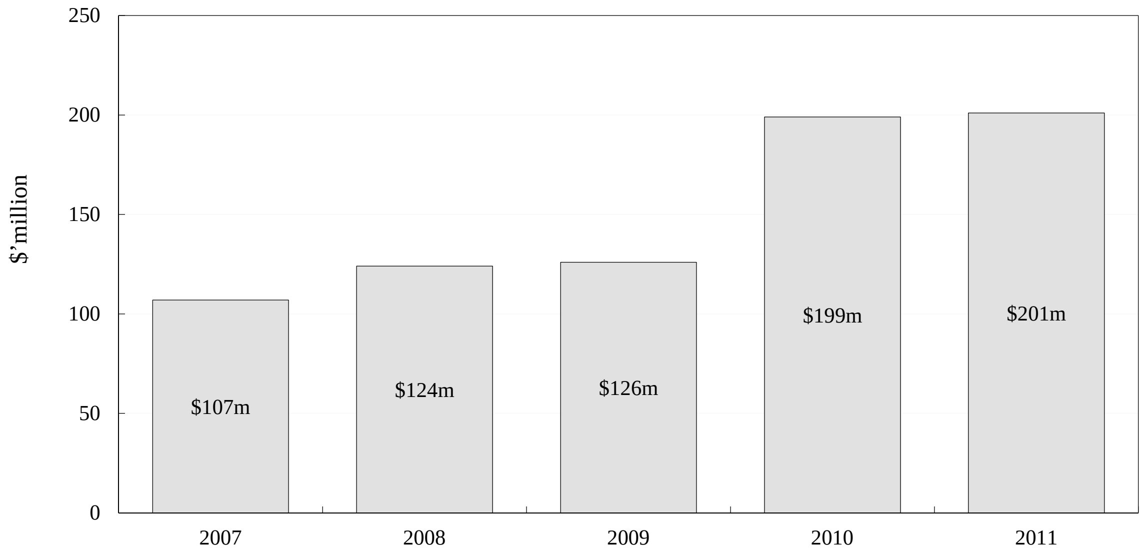
Statement of Comprehensive Income

Expenses

Total expenses increased by $96 million (4 percent) to $2.518 billion. This was due mainly to:

- a $62 million increase in employee benefits expenses, reflecting enterprise bargaining increases during 2010-11 and full-time equivalent (FTE) increases
- a $16 million increase in supplies and services, resulting mainly from increases in the cost of utilities, cleaning and contractor and other outsourced services.

The following chart shows minor works, maintenance and equipment expenditure for the five years to 2011.



Income

Total income decreased by $165 million (18 percent) to $738 million. This was due mainly to a $190 million (33 percent) decrease in Commonwealth capital funding reflecting a $213 million decrease in funds received for the Building the Education Revolution (BER) economic stimulus package, offset by an increase of $24 million in Trade Training Centre funding.

Revenues from SA Government

Revenues from the SA Government increased by $136 million (7 percent) to $2.199 billion principally to fund increases in salaries and wages.

Statement of Financial Position

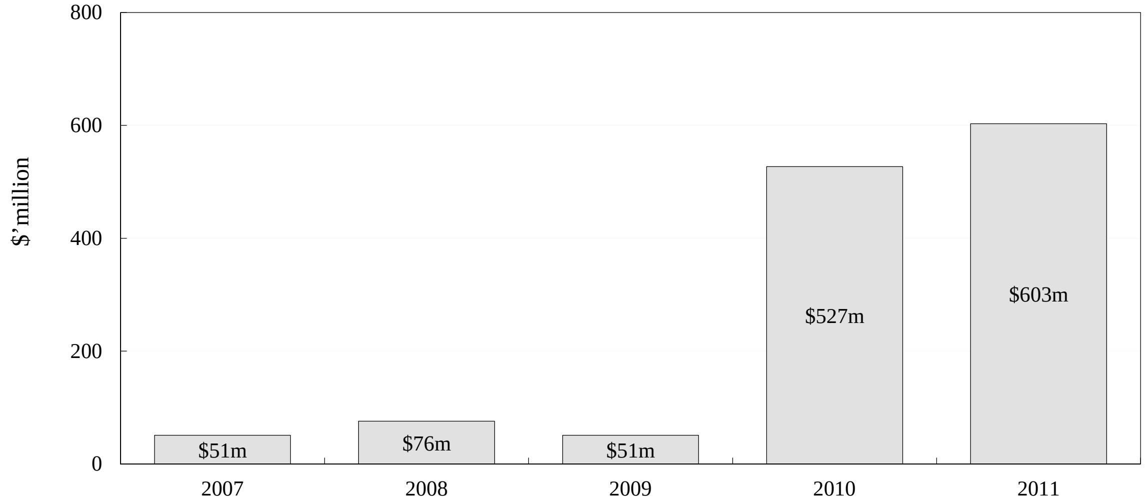
Cash and cash equivalents increased by $119 million to $702 million due mainly to the increase in funding from the Commonwealth for Trade Training Centres and additional revenues from the SA Government.

Non-current assets increased by $657 million (20 percent) to $3.936 billion due mainly to:

- asset additions of $425 million
- recognition of buildings under the finance lease for the school facilities public private partnership (PPP) of $177 million
- a revaluation increment of $124 million.

These increases are offset by annual depreciation and amortisation charges.

The following chart shows capital expenditure on land, buildings and construction works in progress and buses (corporate department only) for the five years to 2011.



The $76 million increase in capital additions for 2011 reflects the recognition of the buildings under finance lease of $177 million offset by the decrease in capital works in progress expenditure of $111 million for the Commonwealth Government's BER economic stimulus package.

As at 30 June 2011 the employee benefits and related on-cost liability of $583 million ($560 million) comprised 59 percent (74 percent) of total liabilities. Borrowings relating to obligations under the finance lease for the schools facilities PPP agreement comprises 18 percent of total liabilities. The liability for unsettled workers compensation claims comprised a further 8 percent (12 percent) of total liabilities.

As at 30 June 2011 the Department employed the following full-time equivalent employees by category:

	2011 FTE	2010 FTE
Department		
Education Act 1972	13 952	13 827
Schools Services Officers Award	3 947	3 842
Children's Services Act 1985	1 034	987
PSA	1 238	1 202
Weekly paid	297	302
Other	263	242
Total	20 731	20 402

	2011 FTE	2010 FTE
Administered activities		
PSA	10	10
Education Act 1972	6	6
Total	16	16

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Net cash flows				
Operating	563	588	140	126
Investing	(444)	(487)	(44)	(77)
Financing	-	-	-	(2)
Change in cash	119	101	96	47
Cash at 30 June	702	583	482	386

The analysis of cash flows shows that the Department's cash position has grown over the four years principally reflecting the increase in revenue from the State Government.

Administered items

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

- grants to non-government schools of $926 million ($1045 million)
- subsidies of $14 million ($14 million) to the Public Transport Division of DTEI for student travel concessions on metropolitan and country transport services
- an operating grant to the SACE Board of South Australia of $18 million ($13 million).

Grants to non-government schools included $155 million ($142 million) in State grants. The grants were based principally on the average annual enrolment of the schools and the 'needs' of the schools and their students.

Further commentary on operations

Student enrolments

The following table shows the gradual shift of enrolled FTE students from government schools to non-government schools. The chart includes full fee paying overseas students.

	2011 Number	2010 Number	2009 Number	2008 Number	2007 Number	2006 Number
FTE students in:						
Government schools	161 260	161 408	161 140	161 986	163 071	163 278
Non-government schools	92 430	91 435	89 114	88 618	86 871	85 306

BER

In February 2009 the Commonwealth and state governments signed the 'National Partnership Agreement on the Nation Building and Jobs Plan: Building Prosperity for the Future and Supporting Jobs Now'.

This National Partnership Agreement (NPA) was aimed at providing nationwide economic stimulus in response to the global economic recession. The NPA involved the provision of funding for targeted capital purposes including the construction of new school facilities and refurbishment of existing schools. The schools component of the agreement is known as the BER.

The BER comprises the following three elements:

1. Primary schools for the 21st Century (P21)

   All Australian primary schools, K-12 schools (primary school component) and special schools were eligible to apply for funding to support the construction of new buildings such as libraries and multipurpose halls, or the upgrade of existing facilities. For the three completed funding rounds, the Commonwealth has approved funding of $824 million to South Australian schools for 720 projects.

   As at 30 June 2011 the Department had received $821 million in P21 funding and had spent $787 million associated with P21 projects.

   The NPA initially required completion of all projects by March 2011. The Commonwealth has subsequently approved extensions in timeframes for projects which were not completed within the original timeframe. At 30 June 2011, 20 projects were not complete.

2. Science and language centres for the 21st Century secondary schools (SLC)

   Funding is provided to secondary schools for the construction of new science laboratories or language learning centres. Funding for SLC was approved through a one-off competitive grants process. The Commonwealth has approved funding of $47.7 million to South Australian schools for 40 projects.

   As at 30 June 2011 the Department had received $47.7 million in SLC funding and had spent $42.1 million associated with SLC projects.

   The original timeframe for completing the SLC projects approved by NPA was 30 June 2010. The Commonwealth has approved an extension of time until 31 December 2011 for the one project which was incomplete at 30 June 2011.

3. National school pride (NSP)

   All Australian schools were eligible to apply for funding for minor capital works and maintenance projects. For the two completed funding rounds, the Commonwealth approved 920 projects in South Australian schools with a total value of $72.9 million.

   As at 30 June 2011 the Department had received $72.9 million in NSP funding and had transferred $72 million to schools. All NSP projects are complete.

BER projects associated with the P21 and SLC elements were administered by the Department's corporate office and DTEI using existing project management arrangements. The majority of NSP projects were being administered by schools.

As at 30 June 2011 the Department had received $13 million in funding from the Commonwealth for administration of BER and had spent $9.9 million, including $8 million transferred to DTEI.

Internal audit of NSP

Last year's Report included comment on the Department's internal audit review of aspects of the NSP element of BER over approximately 200 sites (metropolitan and country).

The internal audit report of July 2010 highlighted a number of procurement non-compliance matters, including:

- 57 percent of schools had not used purchase orders for purchasing transactions
- 36 percent of schools had not obtained three quotations for purchases in excess of $11 000
- 11 percent of schools had made prepayments to suppliers for NSP projects in excess of the 10 percent limit allowed under TI 11
- 6.5 percent of school principals had not signed NSP program invoices as evidence of their review and approval of expenditure.

The report also contained a number of recommendations, including the need for the Department to provide school staff with training to enhance their understanding of required procurement and financial processes, roles and authorities, including delegations of authority.

Audit follow-up during 2010-11 noted that departmental officers had provided training to school staff to enhance their understanding of required procurement and financial processes, roles and authorities, including delegations of authority.

PPP - new schools

Project overview

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

In March 2009, Cabinet approved Pinnacle Education as the preferred proponent for the Education Works - New Schools project. Following negotiations with Pinnacle Education in regard to a number of financial and technical issues Cabinet, in June 2009, approved a delegation to the Treasurer to approve and execute a project agreement with Pinnacle Education for the construction and operation of the six new schools under a PPP arrangement.

Contractual close of the Education Works - New Schools PPP project was achieved in early July 2009. The estimated total value of the contracted arrangement, at that time, of $323 million (net present cost) represents the cost of construction, operations and maintenance, and equipment provision and replacement for the schools over a 30 year period.

Project agreement (contract) arrangements and status

Schools completion and commercial acceptance

The project agreement, which covers development of facilities for six schools, provided for two facilities to begin operating in term four 2010, two in term one 2011 and the remaining two to become operational in term two 2011. There was a revised approved schedule of dates for commercial acceptance of the schools facilities.

The construction of all six schools was completed and achieved commercial acceptance during 2010-11, as follows:

- John Hartley School (Playford North) - 28 October 2010
- Adelaide West Special Education Centre (Regency Park) - 21 October 2010
- Woodville Gardens School (Inner West) - 19 January 2011
- Blair Athol North School (Inner North) - 29 December 2010
- Mark Oliphant College (Munno Para West) - 30 March 2011
- Roma Mitchell Secondary College (State Sports Park) - 10 May 2011.

Modifications

In August 2010 Cabinet approved modifications, estimated at $23.9 million, relating to the Education Works - New Schools PPP project. These modifications, comprising contract and/or State-initiated modifications, include matters such as development approvals (estimated cost $2.5 million), environmental sustainable design initiatives (estimated cost $7.4 million) and ICT equipment (estimated cost $8.4 million). The Cabinet approval noted that the modifications were to be funded through a combination of BER funding (subject to Commonwealth approval), Digital Education Revolution funding and through reallocation of the Department's capital budget.

In the context of completion and commercial acceptance of all schools (the last school in May 2011) Audit is in the process of reviewing the matter of modifications. In particular, aspects relating to the nature of the modifications, funding source and relevant approvals (Minister, Cabinet, Public Works Committee). Audit is also considering the matter of modifications from the perspectives of contract management and risk.

Financial disclosures

The completion and commercial acceptance of the schools facilities have given rise to asset, liability and commitment obligations that require disclosures in the Department's financial report. The disclosures are provided in notes 2(o), 24, 27 and 29(a) to the financial statements.

Statement of Comprehensive Income
for the year ended 30 June 2011

		Consolidated		DECS	
		2011	2010	2011	2010
	Note	$'000	$'000	$'000	$'000
Expenses:					
Employee benefits expenses	5	1 746 723	1 685 360	1 718 743	1 659 147
Supplies and services	6	653 513	637 665	393 222	352 771
Grants and subsidies	7	18 582	16 234	267 747	170 359
Depreciation and amortisation expense	8	81 829	70 481	78 328	67 484
Borrowing costs		8 376	18	8 376	-
Net loss from disposal of non-current assets	9	6 919	3 339	7 020	3 337
Other expenses	10	1 737	9 539	785	3 161
Total expenses		2 517 679	2 422 636	2 474 221	2 256 259
Income:					
Commonwealth revenues	11	489 065	669 169	489 065	669 169
Student and other fees and charges	12	131 257	124 474	20 946	18 916
Other grants and contributions		57 218	50 332	14 195	15 296
Interest revenues	13	16 564	16 080	13 143	12 551
Other revenues	14	43 814	42 736	43 950	14 826
Total income		737 918	902 791	581 299	730 758
Net cost of providing services		1 779 761	1 519 845	1 892 922	1 525 501
Revenues from (Payments to) SA Government:					
Revenues from SA Government	15	2 198 583	2 062 314	2 198 583	2 062 314
Payments to SA Government	15	-	(25 920)	-	(25 920)
Net result		418 822	516 549	305 661	510 893
Other comprehensive income:					
Changes in property, plant and equipment asset revaluation surplus		123 643	88 292	123 635	88 174
Total comprehensive result		542 465	604 841	429 296	599 067

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

		Consolidated		DECS	
		2011	2010	2011	2010
	Note	$'000	$'000	$'000	$'000
Current assets:					
Cash and cash equivalents	16	702 176	582 970	350 564	371 663
Receivables	17	48 663	52 919	67 592	52 106
Inventories	18	4 531	4 204	259	204
Other financial assets	19	1 002	-	-	-
Other current assets		146	91	-	-
		756 518	640 184	418 415	423 973
Non-current assets classified as held for sale	20	15 178	6 805	15 178	6 805
Total current assets		771 696	646 989	433 593	430 778
Non-current assets:					
Receivables	17	257	179	8 625	8 220
Other financial assets	19	439	121	-	-
Property, plant and equipment	21	3 913 869	3 279 042	3 899 886	3 266 395
Intangible assets	22	22 413	-	22 413	-
Total non-current assets		3 936 978	3 279 342	3 930 924	3 274 615
Total assets		4 708 674	3 926 331	4 364 517	3 705 393
Current liabilities:					
Payables	23	118 229	98 900	119 384	107 179
Borrowings	24	926	-	926	-
Employee benefits	25	169 160	167 096	168 314	166 238
Provisions	26	15 942	17 172	16 084	17 330
Other current liabilities	27	28 740	26 764	13 950	14 902
Total current liabilities		332 997	309 932	318 658	305 649
Non-current liabilities:					
Payables	23	28 753	26 759	28 732	26 728
Borrowings	24	175 987	121	175 987	121
Employee benefits	25	363 142	343 493	360 910	341 489
Provisions	26	68 090	71 679	68 090	71 679
Other non-current liabilities	27	24 252	1 359	23 476	359
Total non-current liabilities		660 224	443 411	657 195	440 376
Total liabilities		993 221	753 343	975 853	746 025
Net assets		3 715 453	3 172 988	3 388 664	2 959 368
Equity:					
Retained earnings	28	2 201 857	1 772 940	1 875 247	1 559 491
Asset revaluation surplus	28	1 513 596	1 400 048	1 513 417	1 399 877
Total equity		3 715 453	3 172 988	3 388 664	2 959 368

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	29
Contingent assets and liabilities	30

Statement of Changes in Equity
for the year ended 30 June 2011

		Consolidated		
		Asset revaluation surplus	Retained earnings	Total
	Note	$'000	$'000	$'000
Balance at 30 June 2009		1 319 471	1 248 676	2 568 147
Net result for 2009-10		-	516 549	516 549
Gain on revaluation of property during 2009-10		88 292	-	88 292
Transfer asset revaluation surplus on disposal of property, plant and equipment		(7 715)	7 715	-
Total comprehensive result for 2009-10		80 577	524 264	604 841
Balance at 30 June 2010	28	1 400 048	1 772 940	3 172 988
Net result for 2010-11		-	418 822	418 822
Gain on revaluation of property during 2010-11		123 643	-	123 643
Transfer asset revaluation surplus on disposal of property, plant and equipment		(10 095)	10 095	-
Total comprehensive result for 2010-11		113 548	428 917	542 465
Balance at 30 June 2011	28	1 513 596	2 201 857	3 715 453

		DECS		
		Asset revaluation surplus	Retained earnings	Total
		$'000	$'000	$'000
Balance at 30 June 2009		1 319 418	1 040 883	2 360 301
Net result for 2009-10		-	510 893	510 893
Gain on revaluation of property during 2009-10		88 174	-	88 174
Transfer asset revaluation surplus on disposal of property, plant and equipment		(7 715)	7 715	-
Total comprehensive result for 2009-10		80 459	518 608	599 067
Balance at 30 June 2010	28	1 399 877	1 559 491	2 959 368
Net result for 2010-11		-	305 661	305 661
Gain on revaluation of property during 2010-11		123 635	-	123 635
Transfer asset revaluation surplus on disposal of property, plant and equipment		(10 095)	10 095	-
Total comprehensive result for 2010-11		113 540	315 756	429 296
Balance at 30 June 2011	28	1 513 417	1 875 247	3 388 664

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

Statement of Cash Flows
for the year ended 30 June 2011

		Consolidated		DECS	
		2011	2010	2011	2010
		Inflows	Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000	$'000	$'000
Cash outflows:					
Employee benefit payments		(1 733 779)	(1 663 807)	(1 706 022)	(1 638 074)
Payments for supplies and services		(624 402)	(637 673)	(366 278)	(355 168)
Payments of grants and subsidies		(12 109)	(16 599)	(267 010)	(176 353)
Interest paid		(5 002)	(53)	(5 002)	(35)
GST payments on purchases		(105 831)	(110 712)	(75 774)	(80 533)
Other payments		(1 382)	(1 259)	(1 348)	(1 214)
Cash used in operations		(2 482 505)	(2 430 103)	(2 421 434)	(2 251 377)
Cash inflows:					
Receipts from Commonwealth		489 001	668 599	489 110	668 600
Student and other fees and charges		135 026	107 419	5 367	13 972
Other grants and contributions received		57 328	50 332	14 195	15 296
Interest received		16 859	13 957	13 436	10 417
GST recovered from the ATO		100 177	94 879	74 584	69 304
GST received on receivables		8 905	6 714	3 434	3 386
Other receipts		39 454	40 263	39 591	12 352
Cash generated from operations		846 750	982 163	639 717	793 327
Cash flows from SA Government:					
Receipts from SA Government		2 198 583	2 062 314	2 198 583	2 062 314
Payments to SA Government		-	(25 920)	-	(25 920)
Cash generated from SA Government		2 198 583	2 036 394	2 198 583	2 036 394
Net cash provided by (used in) operating activities	32	562 828	588 454	416 866	578 344
Cash flows from investing activities:					
Cash outflows:					
Purchase of property, plant and equipment		(446 355)	(493 695)	(441 304)	(490 008)
Purchase of investments		(1 320)	-	-	-
Loans advanced		-	-	(1 307)	(2 622)
Cash used in investing activities		(447 675)	(493 695)	(442 611)	(492 630)
Cash inflows:					
Proceeds from sale of property, plant and equipment		4 205	6 219	3 882	6 223
Proceeds from maturing term deposits		-	470	-	-
Receipt of loan repayments		-	10	916	556
Cash generated from investing activities		4 205	6 699	4 798	6 779
Net cash provided by (used in) investing activities		(443 470)	(486 996)	(437 813)	(485 851)
Cash flows from financing activities:					
Cash outflows:					
Repayment of finance leases		(146)	-	(146)	-
Repayments of borrowings		(6)	(213)	(6)	-
Cash used in financing activities		(152)	(213)	(152)	-
Net cash provided by (used in) financing activities		(152)	(213)	(152)	-
Net increase (decrease) in cash and cash equivalents		119 206	101 245	(21 099)	92 493
Cash and cash equivalents at 1 July		582 970	481 725	371 663	279 170
Cash and cash equivalents at 30 June	32	702 176	582 970	350 564	371 663

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2011

(Activities - refer note 4)	Consolidated					
	Early Years Education and Care (Birth to Preschool)				Education: Early Years Education	
	Early Childhood Education and Care (Birth to Preschool)		Preschool Services		Reception to Year 2 Education	
	2011	2010	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits expenses	11 175	11 435	98 644	94 180	396 432	378 206
Supplies and services	27 611	27 208	10 680	10 881	140 460	140 250
Grants and subsidies	801	770	4 150	3 417	2 466	1 883
Depreciation and amortisation expense	11	14	2 231	2 291	19 548	15 079
Borrowing costs	-	-	-	-	2 045	4
Net loss from disposal of non-current assets	-	-	-	-	1 689	806
Other expenses	132	186	132	188	359	2 213
Total expenses	39 730	39 613	115 837	110 957	562 999	538 441
Income:						
Commonwealth revenues	29 476	30 649	7 792	6 138	139 279	206 124
Student and other fees and charges	1 555	1 611	398	416	31 550	29 548
Other grants and contributions	1 085	1 357	120	7	13 524	12 015
Interest revenues	149	149	372	372	4 663	4 415
Other revenues	66	38	131	92	10 677	10 230
Total income	32 331	33 804	8 813	7 025	199 693	262 332
Net cost of providing services	7 399	5 809	107 024	103 932	363 306	276 109
Revenues from (Payments to) SA Government:						
Revenues from SA Government	8 937	8 384	132 950	147 008	439 657	371 583
Payments to SA Government	-	(105)	-	(1 848)	-	(4 670)
Net result	1 538	2 470	25 926	41 228	76 351	90 804

(Activities - refer note 4)	Education: Primary and Secondary Education							
	Year 3 to Year 7 Education		Year 8 to Year 10 Education		Year 11 to Year 12+ Education		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits expenses	625 113	615 524	362 696	360 545	252 663	225 470	1 746 723	1 685 360
Supplies and services	220 643	227 287	149 027	138 971	105 092	93 068	653 513	637 665
Grants and subsidies	3 894	3 062	2 235	1 788	5 036	5 314	18 582	16 234
Depreciation and amortisation expense	28 981	23 373	18 554	18 542	12 504	11 182	81 829	70 481
Borrowing costs	3 211	8	1 864	4	1 256	2	8 376	18
Net loss from disposal of non-current assets	2 653	1 307	1 539	765	1 038	461	6 919	3 339
Other expenses	563	3 584	329	2 101	222	1 267	1 737	9 539
Total expenses	885 058	874 145	536 244	522 716	377 811	336 764	2 517 679	2 422 636
Income:								
Commonwealth revenues	218 624	331 426	28 324	43 034	65 570	51 798	489 065	669 169
Student and other fees and charges	49 556	47 889	28 758	28 058	19 440	16 952	131 257	124 474
Other grants and contributions	21 243	19 472	12 327	11 067	8 919	6 414	57 218	50 332
Interest revenues	7 325	7 156	2 422	2 488	1 633	1 500	16 564	16 080
Other revenues	16 771	16 576	9 635	9 713	6 534	6 087	43 814	42 736
Total income	313 519	422 519	81 466	94 360	102 096	82 751	737 918	902 791
Net cost of providing services	571 539	451 626	454 778	428 356	275 715	254 013	1 779 761	1 519 845
Revenues from (Payments to) SA Government:								
Revenues from SA Government	692 315	607 734	534 255	565 921	390 469	361 684	2 198 583	2 062 314
Payments to SA Government	-	(7 638)	-	(7 113)	-	(4 546)	-	(25 920)
Net result	120 776	148 470	79 477	130 452	114 754	103 125	418 822	516 549

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2011 (continued)

(Activities - refer note 4)	DECS Early Years Education and Care (Birth to Preschool): Early Childhood Education and Care (Birth to Preschool) 2011 $'000	2010 $'000	Preschool Services 2011 $'000	2010 $'000	Education: Early Years Education: Reception to Year 2 Education 2011 $'000	2010 $'000
Expenses:						
Employee benefits expenses	11 175	11 435	98 644	94 180	389 602	371 878
Supplies and services	27 611	27 208	10 680	10 881	76 923	71 476
Grants and subsidies	1 096	1 164	11 593	8 228	50 892	36 476
Depreciation and amortisation expense	11	14	2 231	2 291	18 694	14 356
Borrowing costs	-	-	-	-	2 045	-
Net loss from disposal of non-current assets	-	-	-	-	1 714	806
Other expenses	132	186	132	188	126	673
Total expenses	40 025	40 007	123 280	115 768	539 996	495 665
Income:						
Commonwealth revenues	29 476	30 649	7 792	6 138	139 279	206 124
Student and other fees and charges	1 555	1 611	398	416	4 624	4 067
Other grants and contributions	1 085	1 357	120	7	3 022	3 557
Interest revenues	149	149	372	372	3 828	3 563
Other revenues	66	38	131	92	10 711	3 492
Total income	32 331	33 804	8 813	7 025	161 464	220 803
Net cost of providing services	7 694	6 203	114 467	108 743	378 532	274 862
Revenues from (Payments to) SA Government:						
Revenues from SA Government	8 937	8 384	132 950	147 008	439 657	371 583
Payments to SA Government	-	(105)	-	(1 848)	-	(4 670)
Net result	1 243	2 076	18 483	36 417	61 125	92 051

(Activities - refer note 4)	Education: Primary and Secondary Education: Year 3 to Year 7 Education 2011 $'000	2010 $'000	Year 8 to Year 10 Education 2011 $'000	2010 $'000	Year 11 to Year 12+ Education 2011 $'000	2010 $'000	Total 2011 $'000	2010 $'000
Expenses:								
Employee benefits expenses	614 385	605 270	356 471	354 537	248 466	221 847	1 718 743	1 659 147
Supplies and services	120 847	115 838	91 112	73 673	66 049	53 695	393 222	352 771
Grants and subsidies	80 564	59 058	37 697	26 074	85 905	39 359	267 747	170 359
Depreciation and amortisation expense	27 638	22 201	17 775	17 855	11 979	10 767	78 328	67 484
Borrowing costs	3 211	-	1 864	-	1 256	-	8 376	-
Net loss from disposal of non-current assets	2 691	1 305	1 562	765	1 053	461	7 020	3 337
Other expenses	198	1 090	118	639	79	385	785	3 161
Total expenses	849 534	804 762	506 599	473 543	414 787	326 514	2 474 221	2 256 259
Income:								
Commonwealth revenues	218 624	331 426	28 324	43 034	65 570	51 798	489 065	669 169
Student and other fees and charges	7 261	6 594	4 214	3 864	2 894	2 364	20 946	18 916
Other grants and contributions	4 747	5 765	2 755	3 037	2 466	1 573	14 195	15 296
Interest revenues	6 013	5 776	1 661	1 679	1 120	1 012	13 143	12 551
Other revenues	16 823	5 658	9 665	3 316	6 554	2 230	43 950	14 826
Total income	253 468	355 219	46 619	54 930	78 604	58 977	581 299	730 758
Net cost of providing services	596 066	449 543	459 980	418 613	336 183	267 537	1 892 922	1 525 501
Revenues from (Payments to) SA Government:								
Revenues from SA Government	692 315	607 734	534 255	565 921	390 469	361 684	2 198 583	2 062 314
Payments to SA Government	-	(7 638)	-	(7 113)	-	(4 546)	-	(25 920)
Net result	96 249	150 553	74 275	140 195	54 286	89 601	305 661	510 893

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2011

(Activities - refer note 4)	Consolidated					
	Early Years Education and Care (Birth to Preschool)				Education: Early Years Education	
	Early Childhood Education and Care (Birth to Preschool)		Preschool Services		Reception to Year 2 Education	
	2011	2010	2011	2010	2011	2010
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	4 655	1 865	19 470	16 829	162 506	135 765
Receivables	139	106	275	345	11 677	12 097
Inventories	-	-	-	-	1 105	1 014
Other financial assets	-	-	-	-	352	29
Other assets	-	-	-	-	36	22
Non-current assets classified as held for sale	-	710	358	1 006	5 670	1 871
Property, plant and equipment	39 897	34 276	116 899	102 101	873 954	717 976
Intangible assets	377	-	753	-	4 607	-
Total assets	45 068	36 957	137 755	120 281	1 059 907	868 774
Liabilities:						
Payables	618	558	5 314	5 233	37 124	32 532
Borrowings	3 012	-	6 018	-	37 412	28
Employee benefits	3 655	3 515	28 115	26 881	118 001	113 067
Provisions	586	617	4 348	4 626	18 536	19 628
Other liabilities	383	2	771	13	11 960	6 706
Total liabilities	8 254	4 692	44 566	36 753	223 033	171 961

(Activities - refer note 4)	Education: Primary and Secondary Education							
	Year 3 to Year 7 Education		Year 8 to Year 10 Education		Year 11 to Year 12+ Education		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Assets:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	255 088	219 180	150 404	123 299	110 053	86 032	702 176	582 970
Receivables	18 090	19 583	10 636	11 310	8 103	9 657	48 920	53 098
Inventories	1 730	1 636	1 014	968	682	586	4 531	4 204
Other financial assets	552	47	321	28	216	17	1 441	121
Other assets	56	35	32	21	22	13	146	91
Non-current assets classified as held for sale	9 100	3 032	32	116	18	70	15 178	6 805
Property, plant and equipment	1 575 549	1 328 425	795 984	669 712	511 586	426 552	3 913 869	3 279 042
Intangible assets	6 912	-	5 832	-	3 932	-	22 413	-
Total assets	1 867 077	1 571 938	964 255	805 454	634 612	522 927	4 708 674	3 926 331
Liabilities:								
Payables	55 180	52 907	25 907	19 821	22 839	14 608	146 982	125 659
Borrowings	56 027	42	44 467	31	29 977	20	176 913	121
Employee benefits	173 962	166 219	125 199	120 711	83 370	80 196	532 302	510 589
Provisions	26 564	28 286	20 372	21 370	13 626	14 324	84 032	88 851
Other liabilities	18 014	10 245	13 118	6 848	8 746	4 309	52 992	28 123
Total liabilities	329 747	257 699	229 063	168 781	158 558	113 457	993 221	753 343

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2011 (continued)

(Activities - refer note 4)	DECS					
	Early Years Education and Care (Birth to Preschool)				Education: Early Years Education	
	Early Childhood Education and Care (Birth to Preschool)		Preschool Services		Reception to Year 2 Education	
	2011	2010	2011	2010	2011	2010
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	4 655	1 865	19 470	16 829	76 677	84 755
Receivables	139	106	275	345	18 339	13 841
Inventories	-	-	-	-	62	48
Non-current assets classified as held for sale	-	710	358	1 006	5 670	1 871
Property, plant and equipment	39 897	34 276	116 899	102 101	870 541	714 923
Intangible assets	377	-	753	-	4 607	-
Total assets	45 068	36 957	137 755	120 281	975 896	815 438
Liabilities:						
Payables	619	558	5 314	5 233	37 401	34 522
Borrowings	3 012	-	6 018	-	37 412	28
Employee benefits	3 655	3 515	28 115	26 881	117 249	112 376
Provisions	586	617	4 349	4 626	18 571	19 667
Other liabilities	384	2	770	13	8 160	3 602
Total liabilities	8 256	4 692	44 566	36 753	218 793	170 195

(Activities - refer note 4)	Education: Primary and Secondary Education							
	Year 3 to Year 7 Education		Year 8 to Year 10 Education		Year 11 to Year 12+ Education		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Assets:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	120 281	136 518	72 170	74 867	57 311	56 829	350 564	371 663
Receivables	28 557	22 412	16 710	12 967	12 197	10 655	76 217	60 326
Inventories	92	72	64	51	41	33	259	204
Non-current assets classified as held for sale	9 100	3 032	32	116	18	70	15 178	6 805
Property, plant and equipment	1 570 189	1 323 478	792 872	666 813	509 488	424 804	3 899 886	3 266 395
Intangible assets	6 912	-	5 832	-	3 932	-	22 413	-
Total assets	1 735 131	1 485 512	887 680	754 814	582 987	492 391	4 364 517	3 705 393
Liabilities:								
Payables	55 614	56 135	26 159	21 711	23 009	15 748	148 116	133 907
Borrowings	56 027	42	44 467	31	29 977	20	176 913	121
Employee benefits	172 783	165 099	124 514	120 056	82 908	79 800	529 224	507 727
Provisions	26 618	28 347	20 403	21 406	13 647	14 346	84 174	89 009
Other liabilities	12 045	5 212	9 655	3 900	6 412	2 532	37 426	15 261
Total liabilities	323 087	254 835	225 198	167 104	155 953	112 446	975 853	746 025

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Education and Children's Services (the Department)

Legislation

The Department operates within the:

- *Education Act 1972* and Education Regulations 1997
- *Children's Services Act 1985* and Regulations
- PSA.

Purpose

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

Key functions

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, developing integrated policy in collaboration with key stakeholders, and planning for an effective workforce to meet current and future requirements.

Provide and regulate children's services

The Department is the SA Government's provider of public early childhood services and schooling. It plans, administers, coordinates and supports early childhood services and is also responsible for a range of associated government services including the licensing of child care providers.

Manage the State's education system

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

Goals

Connecting with communities

The Department improves relationships with families and communities, and works together to meet individual care and education needs.

Developing young people

The Department engages with and listens to young people as it nurtures their development in a way that provides a basis for life long learning.

Aiming for a better future

The Department helps young people gain the academic and social skills necessary to become capable, confident and productive members of society.

Strategic objectives

The Department will be accountable to young people, families and communities throughout South Australia. The Department will be transparent about its levels of achievement. The Department will foster a culture of evaluation and review to better direct its services.

The outcomes the Department is working towards reflect its commitments and those of South Australia's Strategic Plan, the National Education Agreement, national partnerships and national reforms.

Access

There will be improved access to quality services, and the people using the services will have a say about how they are delivered.

Connections

Services will focus on the individual learning needs of young people from diverse cultural and social backgrounds, particularly Aboriginal people.

Early foundation
Families and communities will have the confidence, knowledge and capacity to support the early development of their children.

Maximising potential
Young people will have access to services that provide the opportunity for them to reach their potential.

Focus on learning
Young people will be effective learners and will be supported to achieve their best.

Future opportunity
Young people will be guided through learning pathways that equip them for citizenship, employment and a strong future within a globalised economy.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provision of the PFAA.

Except for the amendments to AASB 2009-12, which the Department has early-adopted, 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 2011. These are outlined in note 3.

(b) Basis of preparation

The preparation of the financial statements 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 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 AASs 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 (as reported in the Statement of Comprehensive Income)
  - (c) employee TVSP information
  - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (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 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 Statement of Comprehensive Income, Statement of Financial Position 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 applicable valuation policy.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented.

(c) Reporting entity

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

The financial statements and accompanying notes include 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 statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

The economic entity of the Department 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 including:
  - preschools (including preschool councils/management committees)
  - 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 (eg preschools). Preschools have not been incorporated in the consolidated amounts as they are considered immaterial. 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 include material expenses paid on behalf of schools and preschools (eg salaries and wages, salary related on-costs and utilities expenses), and major assets and liabilities (eg land and buildings, employee benefits).

Financial data was collected from government schools for the school year ended 31 December 2010 for the purpose of consolidating it with data from the corporate department. Where material, adjustments have been made to the consolidated figures to take into account the effect of schools having a different reporting period to the corporate department. 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 the Minister for Early Childhood Development. 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 the Minister for Early Childhood Development

Funds are appropriated to the Minister for Education and the Minister for Early Childhood Development and are disbursed at the discretion of the Minister. The principal payments are:

- the State Government contribution to the operation of the SACE Board of South Australia
- payments to the Department for Transport, Energy and Infrastructure for the purposes of student travel
- the State Government contribution to the operation of non-government schools, organisations and services to students with disabilities
- the Commonwealth Government contribution to the operation of non-government schools, organisations and services to students with disabilities.

Minister's salary and allowances
The Minister's salary and allowances are funded by specific legislation and the Department has no control over this part of the annual appropriation.

Minister's borrowings
The Minister for Education is liable for funds borrowed from DTF. The funds were loaned to the Department and various schools by the Minister to undertake capital works projects.

(d) Comparative information
The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

Where the Department has applied an accounting policy retrospectively; retrospectively restated items in the financial statements; reclassified items in the financial statements, it has provided three Statements of Financial Positions and related notes.

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

(e) Rounding
All amounts in the financial statements and accompanying notes 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:

- 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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 the end of the reporting period
Adjustments are made to amounts recognised in the financial statements where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provides information about conditions that existed as at 30 June.

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

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

(h) ***Income (continued)***

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

The following are specific recognition criteria:

Fees and charges

Revenue from fees and charges is 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.

All contributions received by the Department have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

Resources received free of charge

Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

Revenues from SA Government

Appropriation for program funding is recognised as revenue when the Department obtains control over the funding. Control over appropriation is normally obtained upon receipt.

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

Net gain on 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 surplus is transferred to retained earnings.

Other income

Other income consists of fundraising and donations, assets recognised for the first time, and recoveries.

(i) ***Expenses***

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

Expenses have been aggregated 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 expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Employee benefit expenses

Employee benefit expenses include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by the Department to the superannuation plan in respect of current service of current departmental staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

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 non-current 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:

Class of asset	*Useful life (years)*
Buildings and improvements	20 to 170
Leasehold improvements	life of lease
Buildings under finance lease	life of lease
Buses/motor vehicles	7 to 20
Computing, communication equipment, furniture and equipment	3 to 15
Intangible assets	life of agreement
Other assets	7 to 10

Grants and subsidies
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 Statement of Comprehensive Income 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, taxation revenues and expiation fees received on behalf of the government and paid directly to the Consolidated Account.

(j) 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 item 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.

(k) Assets

Assets 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.

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

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

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position 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 Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

The SA Government introduced a policy in October 2003 with respect to aligning agency cash balances with appropriation and expenditure authority. During this financial year, the Department was not required to transfer any cash to the Consolidated Account.

Receivables

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

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

Collectability of 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.

Other financial assets

The Department measures financial assets and debt at historical cost. All interest free loans are recorded at the present value of expected repayment, being expected future cash payments discounted using the prevailing market rate of interest for similar instrument. As at 30 June 2011, there was not a prevailing interest rate. Accordingly the market yield on long-term Commonwealth bonds was used at the time of the loan plus a risk margin of 2.5 percent.

Inventories

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

Inventories held for distribution at no or nominal consideration are measured at cost and adjusted when applicable for any loss of service potential. Inventories held for sale 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 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 in the Statement of Comprehensive Income as an expense in the period the write-down or loss occurred. Any write-down reversals are also recognised in the Statement of Comprehensive Income.

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 Statement of Financial Position. The liabilities of a disposal group classified as held for sale are also presented separately from other liabilities in the Statement of Financial Position.

Non-current assets 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 fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value ie the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value equal to or in excess of $5000 are capitalised.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is equal to or in excess of $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 2011. The Valuer-General's values are deemed to be fair value for financial reporting purposes.

Buildings and improvements

Buildings and improvements are valued at current replacement cost less accumulated depreciation. Current replacement cost information on asset holdings was obtained from the Strategic Asset Management Information System maintained by the Department for Transport, Energy and Infrastructure. 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 2011, asphalt paved areas are current as at 30 June 2011 and swimming pools are current as at 30 June 2009. 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 Statement of Comprehensive Income.

Buses

Buses are recorded at current replacement cost as at 30 June 2009. Buses purchased after this date are recorded at cost.

Plant and equipment

Items are recorded at historical cost less accumulated depreciation.

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.

The Department revalues its land, buildings and improvements and bus fleet every three years. 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.

Revaluation of non-current assets (continued)
Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, 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 surplus to the extent of the credit balance existing in revaluations reserve for that asset class.

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

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 respective asset revaluation surplus. During the financial year, no impairments have been recognised.

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 internally developed 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 because the Department has been unable to attribute this expenditure to the intangible asset rather than to the Department as a whole.

(l) Liabilities
Liabilities 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.

Where a liability line item combine amounts expected to be settled within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be settled after more than 12 months.

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

Payables
Payables include creditors, accrued expenses, GST payable, employment on-costs and Paid Parental Leave Scheme payable.

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.

Payables (continued)
The Paid Parental Leave Scheme payable represents amounts which the Department has received from the Commonwealth Government to forward onto eligible employees via the Department's standard payroll processes. That is, the Department is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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.

Employee benefit on-costs include payroll tax, WorkCoverSA levies and superannuation contributions in 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 reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

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).

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

The Department has entered into finance leases and operating leases.

Finance leases
Finance leases which transfer to the Department substantially all the risks and benefits/rewards incidental to ownership of the leased assets, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Minimum lease payments are allocated between interest expense/borrowing costs and reduction of the lease liability to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Where there is no reasonable assurance that the Department will obtain ownership of the capitalised asset at the end of the lease term, the asset is amortised over the shorter of the lease term and its useful life.

In July 2009 the State of South Australia entered into a 30 year agreement under the Partnership's SA policy for the financing, design, construction and maintenance of six schools that opened during the 2010-11 financial year. At the completion of construction for each school a commitment in regard to these assets was recognised as a finance lease with related finance lease assets.

Operating leases
Operating lease payments are recognised as an expense in the Statement of Comprehensive Income 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.

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
The 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 6.5 years of service (previously seven years). An actuarial assessment of long service leave undertaken by DTF 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.

Country incentive leave
Permanent teachers that commenced in designated country schools prior to the end of the 2002 school year are entitled to country incentive leave after completing six years of continuous service at that school pursuant to the South Australian Education Staff (Government Preschools and Schools) Arbitrated Enterprise Bargaining Award 2010. The liability is recognised when the qualifying criteria has been met, and is measured at substantive remuneration rates current at reporting date.

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 Statement of Comprehensive Income 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 reporting 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.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2011 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Department is responsible for the payment of workers compensation claims.

(m) Insurance
The Department has insured for risks through SAICORP, a division of SAFA. Under these insurance arrangements the Department will meet the first $200 000 (except for fire claims $1 million) 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).

(n) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, 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.

(o) Public private partnership (PPP)
In July 2009 the State of South Australia entered into a 30 year agreement with Pinnacle Education SA2 Pty Ltd, under the Partnerships SA policy, for the financing, design, construction, and maintenance of six schools. This agreement includes the provision of operational and maintenance services by the operator for a specified period of time, and is referred to as a PPP.

Under the PPP agreement, the Department pays the operator over the period of the arrangement, subject to specified performance criteria being met. These estimated periodic payments are allocated between:

- a component related to the design and construction that is accounted for as a finance lease payment

(o) Public private partnership (PPP) (continued)

- a component for the provision and replacement of equipment and infrastructure accounted for a service right liability payment

- a component related to the ongoing operation and maintenance of the facilities accounted for as operating costs which are expensed in the Statement of Comprehensive Income.

The construction of all six schools was completed during the 2010-11 financial year and the State assumed responsibility for education provision, staffing, curriculum and teacher practice. On completion of construction, a finance leased asset was recognised for the facility assets and an intangible asset was recognised for the service right relating to the supply and use of equipment.

Applicable liability and future commitment disclosures relating to the components of the arrangements are provided in notes 24, 27 and 29.

The estimated outlay over the remaining life of the agreement in nominal terms is $868 million.

3. New or revised accounting standards and policies

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Department has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Department to disclose all employees whose normal remuneration was equal to or greater than $100 000. This change is reflected in note 5.

The Department did not voluntarily change any of its other accounting policies during 2010-11.

Except for the amending standard AASB 2009-12, which the Department has early-adopted, 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 period ending 30 June 2011. 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 statements of the Department.

4. Activities of the Department

In achieving its objective, the Department provides a range of services classified into the following activities:

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

The Department is the Government of South Australia's provider of public early childhood services and schooling. The Department plans, administers, coordinates, monitors and supports early childhood services for children from birth to school age. It is also responsible for a range of government services including the regulation of child care, and provides leadership in relation to early years curriculum, policy, programs and initiatives. Early childhood services are provided in a range of settings and locations around the State to support and improve the wellbeing and outcomes of children and their families.

Subactivity 1.1 Early Childhood Education and Care (Birth to Preschool)

Provide a flexible range of high quality programs and services to provide improved outcomes for children in South Australia and meet the changing needs of families through child care centres, children's centres, family day care, out of school hours care for school aged children, rural care and occasional care.

Subactivity 1.2 Preschool Services

Provide early childhood education in a range of settings and coordinate policy, planning, curriculum, quality regulation and funding of services. Preschool services are also provided through independent community organisations.

Activity 2: Education: Early Years Education (Reception-2)

Provide education programs to children in government schools in the first three years of schooling (Reception, Year 1 and Year 2) for between 10 and 14 terms in these years. Curriculum is based on the South Australian Curriculum Standards and Accountability Framework with eight learning areas which are arts, design and technology, English, health and physical education, languages, mathematics, science, and society and environment.

Activity 3: ***Education: Primary and Secondary Education (3-12)***

The Department delivers high quality primary and secondary education across the State. The Department is responsible for the education of children and students under the compulsory education age across all areas of the curriculum and for preparing young people to be active and productive members of society. The Department involves parents and local communities in the education of children and students.

Subactivity 3.1 *Year 3 to Year 7 Education Provision*

Provide educational programs for middle and upper primary years (Years 3 to 7) in a wide variety of school settings including primary schools and area schools in metropolitan, regional and remote areas across the State. Students are taught in a range of class settings including composite and multi-age classes and are provided with an integrated curriculum under the South Australian Curriculum Standards and Accountability Framework.

Subactivity 3.2 *Year 8 to Year 10 Education Provision*

Deliver Year 8 to Year 10 educational programs in a mix of secondary schools and combined primary/secondary schools across the State. The South Australian Curriculum Standards and Accountability Framework guarantees the curriculum offerings for all young people in Years 8 to 10.

Subactivity 3.3 *Year 11 to Year 12 Education Provision*

Year 11 and 12 education is designed to support students and personalise their learning through a variety of educational and other programs. The senior years aim to provide students with successful preparation for further study, training or work that expands their strengths, interests and aspirations. Students are offered a range of learning programs that utilise school, work and community resources and venues. This includes South Australian Certificate of Education (SACE) subjects, vocational education and training (VET) and community learning that contributes to the SACE, and intervention programs addressing learning needs. Students are also provided with opportunities to undertake learning related to a range of capabilities required for their roles in adult and community life.

5. Employee benefits expenses

	Consolidated		DECS	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Salaries and wages (including annual leave)	1 418 992	1 360 711	1 393 820	1 337 308
Employment on-costs - superannuation	154 967	151 230	152 787	149 093
Employment on-costs - payroll tax	80 162	76 823	80 162	76 823
Long service leave	71 163	56 331	70 615	55 743
Workers compensation	10 566	12 305	10 566	12 305
TVSPs	1 953	23 346	1 953	23 346
Country incentive leave	1 508	1 959	1 508	1 959
Board fees	35	21	35	21
Other employee related expenses	7 377	2 634	7 297	2 549
Total employee benefits expenses	1 746 723	1 685 360	1 718 743	1 659 147

TVSPs

Amounts paid to the employees:				
TVSPs	800	23 346	800	23 346
Annual leave and long service leave paid during the reporting period	261	6 110	261	6 110
	1 061	29 456	1 061	29 456
Recovery from DTF	583	13 754	583	13 754
Net cost to the Department	478	15 702	478	15 702

	Consolidated		DECS	
	2011	2010	2011	2010
	Number	Number	Number	Number
Number of employees who received a TVSP during the reporting period	5	183	5	183

Remuneration of employees

	DECS		DECS	
	2011	2011	2010	2010
The number of employees whose remuneration received or receivable falls within the following bands:	Number of executives*	Number of employees	Number of executives*	Number of employees
$127 500 - $130 699**	-	-	-	40
$130 700 - $140 699	2	114	1	81
$140 700 - $150 699	1	58	6	36
$150 700 - $160 699	1	36	-	34
$160 700 - $170 699	3	23	5	17
$170 700 - $180 699	4	17	4	13
$180 700 - $190 699	6	14	6	10
$190 700 - $200 699	3	9	-	-
$200 700 - $210 699	2	4	-	-
$210 700 - $220 699	4	4	4	4
$220 700 - $230 699	-	1	4	4
$230 700 - $240 699	2	2	-	1
$240 700 - $250 699	3	4	-	1
$270 700 - $280 699	1	2	-	-
$290 700 - $300 699	-	1	1	1
$300 700 - $310 699	-	-	1	1
$310 700 - $320 699	1	1	-	1
$330 700 - $340 699	-	-	-	1
$350 700 - $360 699	1	1	1	1
$410 700 - $420 699	-	1	-	-
$430 700 - $440 699	1	1	-	-
Total	35	293	33	246

* The number of executive officers disclosed in the above table includes employees appointed to executive positions during the financial year or acting in an executive position at 30 June 2011 and 30 June 2010, respectively. The numbers of executive officers separately disclosed are also included in the number of employee totals for 2010 and 2011.

** This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2009-10.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated FBT.

The total remuneration received by the above employees was $45.9 million ($37.4 million).

Salary rates during 2010-11 increased by 4 percent for *Education Act 1972* employees and 2.5 percent for PSA employees effective the first pay period on or after 1 October 2010. In addition, a 2.5 percent increase for executives was effective from 1 July 2010.

Accounting policy change

In accordance with the revised APF II, the Department has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 1648 (1201).

Number of employees as at the reporting date

As at 30 June, the Department employed 20 731 (20 402) full time equivalents.

6. Supplies and services

	Consolidated		DECS	
Supplies and services provided by entities within the SA Government:	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Minor works and maintenance	75 889	72 137	77 240	87 608
Rentals and leases	17 588	16 497	17 718	16 514
Management fees, fees and charges	14 474	14 718	15 045	15 198
Utilities	10 043	9 593	10 050	9 592
Shared Services SA charges	10 031	8 843	10 031	8 843
Vehicle and travelling expenses	6 842	5 806	7 064	7 185

6. Supplies and services (continued)

	Consolidated		DECS	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Security	4 891	4 429	4 891	4 437
Insurance (including self-insurance)	3 938	3 840	4 167	4 374
Contractors and other outsourced services	3 047	5 231	6 481	8 345
Telecommunications	2 399	2 116	2 400	2 120
Legal	724	1 292	724	1 292
Computer communications	278	309	289	314
School card and other allowances	1	-	11 437	11 648
Other	921	997	2 515	2 417
Total supplies and services - SA Government entities	151 066	145 808	170 052	179 887
Supplies and services provided by entities external to the SA Government:				
Minor works, maintenance and equipment	124 589	127 015	48 180	22 436
Printing, postage and consumables	75 178	70 711	4 425	5 928
Cleaning	33 254	29 568	3 760	3 403
Child care, school card and other allowances	28 744	29 261	28 744	29 261
Student learning materials	24 749	23 992	-	-
Vehicle and travelling expenses	24 122	23 772	22 023	19 923
Utilities	23 083	18 460	21 795	17 321
Contractors and other outsourced services	22 869	16 800	21 969	15 902
Bus contractors	18 545	17 912	18 545	17 912
Excursions and camps	18 351	17 740	-	-
Cost of goods sold	15 785	16 600	-	-
Computer communications	12 324	10 527	10 346	8 399
Telecommunications	12 081	13 739	10 898	12 250
Training and development	7 604	5 990	3 158	2 555
Rentals and leases	4 665	3 944	2 139	1 758
Copyright	3 630	3 572	3 617	3 567
Security	1 060	920	497	487
Other	51 814	61 334	23 074	11 782
Total supplies and services - non-SA Government entities	502 447	491 857	223 170	172 884
Total supplies and services	653 513	637 665	393 222	352 771

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 fees	DECS		DECS	
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2011		2010	
	Number	$'000	Number	$'000
Below $10 000	3	18	-	-
Between $10 000 and $50 000	4	109	1	14
Above $50 000	2	109	2	390
Total paid/payable to the consultants engaged	9	236	3	404

7. Grants and subsidies

	Consolidated		DECS	
Grants and subsidies paid/payable to entities within the SA Government:	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Recurrent grants paid to schools and units	-	-	161 364	106 177
Capital grants paid to schools and units	-	-	87 801	47 948
Recurrent grants paid to preschools	4 681	3 856	4 681	3 856
Capital grants paid to preschools	6	-	6	-
Recurrent grants paid to other organisations	3 157	1 057	3 157	1 057
Capital grants paid to other organisations	-	612	-	612
Total grants and subsidies - SA Government entities	7 844	5 525	257 009	159 650

		Consolidated		DECS	
		2011	2010	2011	2010
		$'000	$'000	$'000	$'000
7.	**Grants and subsidies (continued)**				
	Grants and subsidies paid/payable to entities external to the SA Government:				
	Recurrent grants paid to other organisations	10 733	10 709	10 733	10 709
	Capital grants paid to other organisations	5	-	5	-
	Total grants and subsidies - non-SA Government entities	10 738	10 709	10 738	10 709
	Total grants and subsidies	18 582	16 234	267 747	170 359
8.	**Depreciation and amortisation expense**				
	Depreciation:				
	Buildings and improvements	73 167	60 557	73 150	60 545
	Computing, communication, furniture and equipment	3 104	4 684	455	2 541
	Buses and motor vehicles	1 703	2 548	1 198	2 004
	Other	488	508	158	210
	Total depreciation	78 462	68 297	74 961	65 300
	Amortisation:				
	Leasehold improvements	1 474	1 313	1 474	1 313
	Intangible assets	-	871	-	871
	Facilities under finance lease	1 613	-	1 613	-
	Service right for equipment	280	-	280	-
	Total amortisation	3 367	2 184	3 367	2 184
	Total depreciation and amortisation expense	81 829	70 481	78 328	67 484
9.	**Net loss from disposal of non-current assets:**				
	Land and buildings:				
	Proceeds from disposal	3 780	6 223	3 780	6 223
	Net book value of assets disposed	(10 530)	(9 528)	(10 530)	(9 528)
	Net loss from disposal of land and buildings	(6 750)	(3 305)	(6 750)	(3 305)
	Vehicles, plant and equipment:				
	Proceeds from disposal	425	181	102	-
	Net book value of assets disposed	(594)	(215)	(372)	(32)
	Net loss from disposal of vehicles, plant and equipment	(169)	(34)	(270)	(32)
	Total assets:				
	Total proceeds from disposal	4 205	6 404	3 882	6 223
	Total value of assets disposed	(11 124)	(9 743)	(10 902)	(9 560)
	Total net loss from disposal of non-current assets	(6 919)	(3 339)	(7 020)	(3 337)
10.	**Other expenses**				
	Other expenses paid/payable to entities within the SA Government:				
	Auditor's remuneration - Auditor-General's Department*	521	420	521	420
	Total other expenses - SA Government entities	521	420	521	420
	Other expenses paid/payable to entities external to the SA Government:				
	Auditor's remuneration - school/preschool auditors	861	839	827	794
	Allowance for doubtful debts and debt write-offs	355	5 985	(563)	(348)
	Non-current assets written off	-	2 295	-	2 295
	Total other expenses - non-SA Government entities	1 216	9 119	264	2 741
	Total other expenses	1 737	9 539	785	3 161

Other services

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

11.	**Commonwealth revenues**				
	Recurrent revenue	100 268	90 423	100 268	90 423
	Capital revenue	388 797	578 746	388 797	578 746
	Total Commonwealth revenues	489 065	669 169	489 065	669 169

11. Commonwealth revenues (continued)

The following revenues have conditions that they be expended in a particular manner, but had yet to be applied in that manner at year end. These revenues were non-recourse and therefore recognised upon receipt.

	DECS	
	2011	2010
	$'000	$'000
Building Education Revolution	38 855	92 667
Digital Education Revolution	4 725	10 584
Trade Training Centre	4 251	13 708
Universal Preschool Access	4 172	1 220
National Partnerships - Supporting School Improvement (SSI)	1 466	3 383
Family Day Care Scheme	1 402	934
The Spencer Gulf and Outback Australia Technical College	1 130	1 475
Supporting Improved Literacy Achievement Literacy in SA	1 019	1 472
Indigenous Literacy and Numeracy	450	-
Major Works	416	-
National Education Reform	384	-
National Partnerships - Advanced Technology	280	1 427
Family Day Care Administration	273	-
Principals as Literacy Leaders	213	-
National Partnerships - Teacher Quality	198	436
Building an Indigenous Workforce	146	-
National Partnerships -Youth Attainment and Transition Program - Maximising Engagement, Attainment and Successful Transitions	106	-
Rural Expansion	91	-
National Partnerships - Low Socio-economic Status Parental Engagement	38	414
Central Operations Specific Purpose	37	-
National Solar Schools	36	126
SA Indigenous Education Consultative Committee	35	193
Indigenous Workforce Development	33	102
Standards and Investigation	9	-
Futures Connect	-	1 610
National Partnerships - Aboriginal Children's and Family Centres	-	1 099
National Partnerships - Commonwealth Literacy and Numeracy	-	1 092
Working Together Grant	-	1 040
National Asian Languages and Studies in Schools Program (NALSSP)	-	592
National Partnerships - Youth Attainment Maximising Engagement, Attainment and Successful Transitions	-	554
Accelerated Literacy Program	-	435
Early Literacy Component (AEDI)	-	383
Indigenous Education Strategic Initiatives Program Supplementary Recurrent Assistance Funding	-	290
Early Assistance (Reflect, Respect, Relate)	-	284
Wiltja Residential Program	-	205
Reading Assistance Voucher	-	127
National Partnerships - Youth Attainment and Transitions	-	34
Quality Teacher Program	-	27
Drug Education in Schools	-	3
Values Education	-	2
Total conditions over revenue	59 765	135 918

12. Student and other fees and charges

	Consolidated		DECS	
Fees and charges received/receivable from entities within the SA Government:	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Sales/fee for service revenue	292	349	563	1 243
Other user fees and charges	696	1 036	2 687	3 644
Total student and other fees and charges - SA Government entities	988	1 385	3 250	4 887

	Consolidated		DECS	
12. Student and other fees and charges (continued)	2011	2010	2011	2010
Fees and charges received/receivable from entities external to the SA Government:	$'000	$'000	$'000	$'000
Sales/fee for service revenue	13 447	13 346	2 806	3 176
Student enrolment fees and charges	86 850	81 485	2 172	960
Other user fees and charges	12 718	9 893	12 718	9 893
Canteen sales	17 254	18 365	-	-
Total student and other fees and charges - non-SA Government entities	130 269	123 089	17 696	14 029
Total student and other fees and charges	131 257	124 474	20 946	18 916
13. Interest revenues				
Interest from entities within the SA Government	16 116	15 922	13 085	12 515
Other	448	158	58	36
Total interest revenues	16 564	16 080	13 143	12 551
14. Other revenues				
Fundraising revenue	7 301	7 269	-	-
Assets recognised for the first time	4 282	2 542	4 282	2 542
Recoveries - other	3 746	1 076	32 973	1 144
Other revenue	28 485	31 849	6 695	11 140
Total other revenues	43 814	42 736	43 950	14 826
15. Revenues from (Payments to) SA Government				
Revenues from SA Government				
Appropriations from the Consolidated Account pursuant to the *Appropriation Act*	2 178 605	2 019 448	2 178 605	2 019 448
Transfers from contingencies	19 978	42 866	19 978	42 866
Total revenues from SA Government	2 198 583	2 062 314	2 198 583	2 062 314
Payments to SA Government				
Return of surplus cash pursuant to cash alignment policy	-	(25 920)	-	(25 920)
Total payments to SA Government	-	(25 920)	-	(25 920)
16. Cash and cash equivalents				
Deposits with the Treasurer - at call	114 453	147 420	114 453	147 420
Deposits with the Treasurer - Accrual Appropriation Excess Funds Account	235 513	223 564	235 513	223 564
SA School Investment Fund (SASIF)	328 733	189 785	-	-
Cash at bank and on hand	23 114	21 845	235	323
Section 21 Deposit Accounts	363	356	363	356
Total cash and cash equivalents	702 176	582 970	350 564	371 663

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 the funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

SA School Investment Fund

Represents the amount held in schools SASIF accounts at 31 December 2010, adjusted to account for additional grant expenditure that occurred between the school's calendar year and the Department's financial year.

The amount held in schools and units SASIF accounts as at 30 June 2011 was $343.1 million ($250.3 million) and does not include $16.7 million ($16.3 million) held in the account for preschools and some units as these have been treated as transactions with third parties (refer note 2(c)).

17. Receivables	Consolidated		DECS	
	2011	2010	2011	2010
Current:	$'000	$'000	$'000	$'000
Fees, charges and other receivables	29 672	37 842	28 701	28 160
Allowance for doubtful debts	(13 473)	(14 595)	(971)	(1 566)
GST recoverable from the ATO	14 051	17 303	11 682	13 925
Accrued revenues	15 403	9 880	25 761	9 475
Prepayments	3 010	2 489	1 729	1 486
Loan receivables	-	-	690	626
Total current receivables	48 663	52 919	67 592	52 106

17. Receivables (continued)

	Consolidated		DECS	
	2011	2010	2011	2010
Non-current:	$'000	$'000	$'000	$'000
Workers compensation receivable	238	160	238	160
Loan receivables	19	19	8 387	8 060
Total non-current receivables	257	179	8 625	8 220
Total receivables	48 920	53 098	76 217	60 326

Government/Non-government receivables

Receivables from SA Government entities:				
Fees, charges and other receivables	7 299	11 714	21 832	18 156
Allowance for doubtful debts	-	-	(894)	(917)
Prepayments	2	1	2	1
Loan receivables	-	-	9 058	8 667
Accrued revenues	10 495	8 150	24 819	8 723
Total receivables from SA Government entities	17 796	19 865	54 817	34 630
Receivables from non-SA Government entities:				
Fees, charges and other receivables	22 373	26 128	6 869	10 004
Allowance for doubtful debts	(13 473)	(14 595)	(77)	(649)
GST recoverable from the ATO	14 051	17 303	11 682	13 925
Workers compensation receivable	238	160	238	160
Accrued revenues	4 908	1 730	942	752
Prepayments	3 008	2 488	1 727	1 485
Loan receivables	19	19	19	19
Total receivables from non-SA Government entities	31 124	33 233	21 400	25 696
Total receivables	48 920	53 098	76 217	60 326

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client rating) that a receivable is impaired.

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

	Consolidated		DECS	
Movement in the allowance for doubtful debts	2011	2010	2011	2010
(impairment loss):	$'000	$'000	$'000	$'000
Carrying amount at 1 July	14 595	10 012	1 566	2 042
Increase (Decrease) in the allowance	355	5 985	(563)	(348)
Amounts written off	(1 477)	(1 402)	(32)	(128)
Carrying amount at 30 June	13 473	14 595	971	1 566

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. 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 note 33.3.
(b) Categorisation of financial instruments and risk exposure information - refer note 33.

18. Inventories

	Consolidated		DECS	
	2011	2010	2011	2010
Current:	$'000	$'000	$'000	$'000
Materials at net realisable value	4 531	4 204	259	204
Total current inventories	4 531	4 204	259	204
Total inventories	4 531	4 204	259	204

19. Other financial assets

	Consolidated		DECS	
	2011	2010	2011	2010
Current:	$'000	$'000	$'000	$'000
Term deposits	1 002	-	-	-
Total current investments	1 002	-	-	-
Non-current:				
Term deposits	439	121	-	-
Total non-current investments	439	121	-	-
Total other financial assets	1 441	121	-	-

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

20. Non-current assets classified as held for sale

Current:				
Land	10 974	4 688	10 974	4 688
Buildings and improvements	4 132	1 673	4 132	1 673
Buses	72	444	72	444
Total non-current assets held for sale	15 178	6 805	15 178	6 805

21. Property, plant and equipment

Land:				
Land at valuation	1 286 375	1 212 716	1 286 075	1 212 424
Land at cost	4 216	5 046	4 125	4 955
Total land	1 290 591	1 217 762	1 290 200	1 217 379
Buildings and improvements:				
Buildings and improvements at valuation	5 112 166	4 284 466	5 112 167	4 284 466
Accumulated depreciation	(3 336 587)	(2 858 216)	(3 336 587)	(2 858 216)
Buildings and improvements at cost	516 865	226 652	516 449	226 060
Accumulated depreciation	(4 375)	(2 952)	(4 248)	(2 824)
Total buildings and improvements	2 288 069	1 649 950	2 287 781	1 649 486
Buildings under finance lease				
Buildings under finance lease	176 938	-	176 938	-
Accumulated amortisation	(1 613)	-	(1 613)	-
Total buildings under finance lease	175 325	-	175 325	-
Construction work in progress:				
Construction work in progress at cost	108 512	380 465	108 512	380 465
Total construction work in progress	108 512	380 465	108 512	380 465
Leasehold improvements:				
Leasehold improvements at cost	27 326	13 331	27 326	13 331
Accumulated amortisation	(9 284)	(7 809)	(9 284)	(7 809)
Total leasehold improvements	18 042	5 522	18 042	5 522
Buses/motor vehicles:				
Buses at valuation	57 505	57 505	57 505	57 505
Accumulated depreciation	(49 079)	(47 946)	(49 079)	(47 946)
Buses at cost	16 067	9 400	7 060	1 174
Accumulated depreciation	(5 401)	(4 928)	(87)	(23)
Total buses/motor vehicles	19 092	14 031	15 399	10 710
Computing, communications, furniture and equipment:				
Computing, communications, furniture and equipment at valuation	1 835	1 835	1 835	1 835
Accumulated depreciation	(1 835)	(1 835)	(1 835)	(1 835)
Computing, communications, furniture and equipment at cost	42 137	37 996	20 282	17 875
Accumulated depreciation	(29 830)	(28 491)	(16 359)	(15 904)
Total computing, communications, furniture and equipment	12 307	9 505	3 923	1 971

21. Property, plant and equipment (continued)

	Consolidated 2011 $'000	Consolidated 2010 $'000	DECS 2011 $'000	DECS 2010 $'000
Other assets:				
Other assets at cost	7 660	7 247	4 312	4 312
Accumulated depreciation	(5 729)	(5 440)	(3 608)	(3 450)
Total other assets	1 931	1 807	704	862
Total property, plant and equipment	3 913 869	3 279 042	3 899 886	3 266 395

Valuation of non-current assets

The valuation of land, buildings and pavings was performed 30 June 2011, and swimming pools 30 June 2009. The land valuation was performed by the Valuer-General and the buildings, paving and swimming pools were revalued through reference to the Strategic Asset Management Information System which is maintained 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.

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2011.

DECS

2011	Land $'000	Buildings & imprvmnts $'000	Buildings under finance lease $'000	Construction work in progress $'000	Leasehold imprvmnts $'000	Buses/motor vehicles $'000
Carrying amount at 1 July	1 217 379	1 649 486	-	380 465	5 522	10 710
Additions	2 620	-	176 938	415 045	-	5 887
Disposals, eg sales, write-off	(11)	(8 549)	-	-	-	-
Assets reclassified to assets held for sale	(7 649)	(3 066)	-	-	-	-
Transfers to (from) WIP	-	673 004	-	(686 998)	13 994	-
Revaluation increment (decrement)	77 861	45 774	-	-	-	-
Depreciation and amortisation	-	(73 150)	(1 613)	-	(1 474)	(1 198)
Assets recognised for the first time	-	4 282	-	-	-	-
Carrying amount at 30 June	1 290 200	2 287 781	175 325	108 512	18 042	15 399

	Computing, communctn furniture and equipment $'000	Other assets $'000	Tangible assets total $'000	Service right for equipment $'000	Intangible assets total $'000
Carrying amount at 1 July	1 971	862	3 266 395	-	-
Additions	2 407	-	602 897	22 693	22 693
Disposals, eg sales, write-off	-	-	(8 560)	-	-
Assets reclassified to assets held for sale	-	-	(10 715)	-	-
Transfers to (from) WIP	-	-	-	-	-
Revaluation increment (decrement)	-	-	123 635	-	-
Depreciation and amortisation	(455)	(158)	(78 048)	(280)	(280)
Assets recognised for the first time	-	-	4 282	-	-
Carrying amount at 30 June	3 923	704	3 899 886	22 413	22 413

DECS

2010	Land $'000	Buildings $'000	Buildings under finance lease $'000	Construction work in progress $'000	Leasehold imprvmnts $'000	Buses/motor vehicles $'000
Carrying amount at 1 July	1 131 309	1 522 562	-	46 940	6 835	11 629
Additions	1 002	492	-	524 264	-	1 149
Disposals, eg sales, write-off	(1 410)	(5 519)	-	-	-	-
Assets reclassified to assets held for sale	(1 721)	(759)	-	-	-	(64)
Transfers to (from) WIP	-	190 739	-	(190 739)	-	-
Revaluation increment (decrement)	88 174	-	-	-	-	-
Depreciation and amortisation	-	(60 546)	-	-	(1 313)	(2 004)
Assets recognised for the first time	25	2 517	-	-	-	-
Carrying amount at 30 June	1 217 379	1 649 486	-	380 465	5 522	10 710

Impairment (continued)

2010	Computing, communctn furniture and equipment $'000	Other assets $'000	Tangible assets total $'000	Internally developed computer software $'000	Intangible assets total $'000
	DECS				
Carrying amount at 1 July	4 406	1 063	2 724 744	871	871
Additions	105	9	527 021	-	-
Disposals, eg sales, write-off	-	-	(6 929)	-	-
Assets reclassified to assets held for sale	-	-	(2 544)	-	-
Transfers to (from) WIP	-	-	-	-	-
Revaluation increment (decrement)	-	-	88 174	-	-
Depreciation and amortisation	(2 540)	(210)	(66 613)	(871)	(871)
Assets recognised for the first time	-	-	2 542	-	-
Carrying amount at 30 June	1 971	862	3 266 395	-	-

22. Intangible assets

	Consolidated 2011	Consolidated 2010	DECS 2011	DECS 2010
Computer software:	$'000	$'000	$'000	$'000
Internally developed computer software	4 354	4 354	4 354	4 354
Accumulated amortisation	(4 354)	(4 354)	(4 354)	(4 354)
Service right for the right to use equipment:				
Service right for equipment	22 693	-	22 693	-
Accumulated amortisation	(280)	-	(280)	-
Total intangible assets	22 413	-	22 413	-

The internally developed computer software relates to the Department's Human Resource Management System (VALEO). Prior to June 2003 costs associated with the development of VALEO were expensed, and after that date capitalised.

The service right to use equipment relates to the provision, maintenance and replacement of equipment under the PPP over the period of the agreement. The service right is amortised over the remaining period of the PPP agreement. The PPP arrangements have been detailed in note 2(o) above.

There were no indications of impairment on intangible assets at 30 June 2011.

23. Payables

	Consolidated 2011	Consolidated 2010	DECS 2011	DECS 2010
Current:	$'000	$'000	$'000	$'000
Creditors	83 915	69 860	88 969	81 270
Accrued expenses	11 933	6 588	8 080	3 507
Employment on-costs	22 356	22 414	22 335	22 402
Lease payables	25	38	-	-
Total current payables	118 229	98 900	119 384	107 179
Non-current:				
Employment on-costs	28 055	26 728	28 055	26 728
Lease payables	21	31	-	-
Accrued expenses	677	-	677	-
Total non-current payables	28 753	26 759	28 732	26 728
Total payables	146 982	125 659	148 116	133 907

Government/Non-government payables

	Consolidated 2011	Consolidated 2010	DECS 2011	DECS 2010
Payables to SA Government entities:				
Creditors	50 911	45 410	56 932	56 820
Accrued expenses	2 787	1 634	2 765	2 187
Total payables to SA Government entities	53 698	47 044	59 697	59 007
Payables to non-SA Government entities:				
Creditors	33 004	24 450	32 037	24 450
Accrued expenses	9 823	4 954	5 992	1 320
Employment on-costs	50 411	49 142	50 390	49 130
Lease payables	46	69	-	-
Total payables to non-SA Government entities	93 284	78 615	88 419	74 900
Total payables	146 982	125 659	148 116	133 907

Government/Non-government payables (continued)

As a result of an actuarial assessment performed by DTF, the average factor for the calculation of employer superannuation on-cost changed to 10.3 percent (10.5 percent). This rate is used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-costs of $468 000 and employee benefits expense of $468 000.

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.

(a) Maturity analysis of payables - refer note 33.3.
(b) Categorisation of financial instruments and risk exposure information - refer note 33.

24. Borrowings

	Consolidated		DECS	
	2011	2010	2011	2010
Current:	$'000	$'000	$'000	$'000
Obligations under finance leases (1)	926	-	926	-
Total current borrowings	926	-	926	-
Non-current:				
Obligations under finance leases (1)	175 866	-	175 866	-
Advances(2)	121	121	121	121
Total non-current borrowings	175 987	121	175 987	121
Total borrowings	176 913	121	176 913	121

(1) This finance lease is related to the PPP agreement and is interest bearing.
(2) The advance was to establish the imprest account and is non-interest bearing.

Finance leases are recognised at cost, and the interest rate implied based on the total payments due over the life of the finance lease, is 11.26 percent.

(a) Categorisation of financial instruments and risk exposure information - refer note 33.
(b) Defaults and breaches - there were no defaults or breaches on any of the above liabilities throughout the year.

25. Employee benefits

	Consolidated		DECS	
	2011	2010	2011	2010
Current:	$'000	$'000	$'000	$'000
Annual leave	82 655	90 593	82 302	90 268
Accrued salaries and wages	33 243	24 803	32 830	24 353
Long service leave	50 957	49 208	50 877	49 125
Country incentive leave	2 305	2 492	2 305	2 492
Total current employee benefits	169 160	167 096	168 314	166 238
Non-current:				
Long service leave	361 064	340 893	358 832	338 889
Country incentive leave	2 078	2 600	2 078	2 600
Total non-current employee benefits	363 142	343 493	360 910	341 489
Total employee benefits	532 302	510 589	529 224	507 727

Based on an actuarial assessment performed by DTF, the benchmark for the measurement of the long service leave liability has been calculated at 6.5 years (the benchmark applied in 2009-10 was seven years). The result of this has been an increase to the provision of $3.789 million.

As a result of the actuarial assessment performed by DTF the salary inflation rate remained unchanged in 2011 at 4 percent.

26. Provisions

	Consolidated		DECS	
	2011	2010	2011	2010
Current:	$'000	$'000	$'000	$'000
Provision for workers compensation	15 377	16 336	15 377	16 336
Provision for legal claims	565	836	565	836
Provision for fire claims	-	-	142	158
Total current provisions	15 942	17 172	16 084	17 330

26. Provisions (continued)

	Consolidated		DECS	
	2011	2010	2011	2010
Non-current:	$'000	$'000	$'000	$'000
Provision for workers compensation	65 905	70 578	65 905	70 578
Provision for legal claims	2 185	1 101	2 185	1 101
Total non-current provisions	68 090	71 679	68 090	71 679
Total provisions	84 032	88 851	84 174	89 009

Movements in provisions

Provision for workers compensation:				
Carrying amount at 1 July	86 914	95 552	86 914	95 552
Reductions arising from payments	(14 932)	(19 857)	(14 932)	(19 857)
Additional provision recognised	9 300	11 219	9 300	11 219
Carrying amount at 30 June	81 282	86 914	81 282	86 914

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 Relations Division of DPC. These claims are expected to be settled within the next financial year.

	Consolidated		DECS	
	2011	2010	2011	2010
Provision for legal claims:	$'000	$'000	$'000	$'000
Carrying amount at 1 July	1 937	3 087	1 937	3 087
Reductions arising from payments	(322)	(808)	(322)	(808)
Additional provision recognised	1 135	-	1 135	-
Decrease in provision	-	(342)	-	(342)
Carrying amount at 30 June	2 750	1 937	2 750	1 937
Provision for fire claims:				
Carrying amount at 1 July	-	12	158	204
Reductions arising from payments	1	(12)	(45)	(464)
Additional provision recognised	(1)	-	29	418
Carrying amount at 30 June	-	-	142	158

27. Other liabilities

Current:				
Deposits	14 066	15 300	13 238	14 473
Unearned revenue	8 348	5 487	585	207
Equipment service right	46	-	46	-
Other liabilities	6 280	5 977	81	222
Total current other liabilities	28 740	26 764	13 950	14 902
Non-current:				
Deposits	752	944	-	-
Equipment service right	22 641	-	22 641	-
Other liabilities	859	415	835	359
Total non-current other liabilities	24 252	1 359	23 476	359
Total other liabilities	52 992	28 123	37 426	15 261

28. Equity

Retained earnings	2 201 857	1 772 940	1 875 247	1 559 491
Asset revaluation surplus	1 513 596	1 400 048	1 513 417	1 399 877
Total equity	3 715 453	3 172 988	3 388 664	2 959 368

The asset revaluation surplus 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.

29. Unrecognised contractual commitments

(a) PPP related commitments

In July 2009 the State of South Australia entered into a 30 year agreement with Pinnacle Education SA2 Pty Ltd under the Partnerships SA policy, for the financing, design, construction and maintenance of six schools.

The construction of all six schools was completed and achieved commercial acceptance during the 2010-11 financial year, at which point the State assumed responsibility for education provision, staffing, curriculum and teacher practice.

(i) PPP operations and maintenance commitments

Future operations and maintenance commitments are payable in nominal terms as follows:

	Consolidated		DECS	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Within one year	4 906	4 817	4 906	4 817
Later than one year but not later than five years	20 893	19 857	20 893	19 857
Later than five years	170 258	170 979	170 258	170 979
Total PPP service commitments	196 057	195 653	196 057	195 653

(ii) PPP Finance lease commitments

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:

	2011		2010	
(DECS only)	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
Within one year	21 022	18 889	-	-
Later than one year and not later than five years	84 068	58 230	-	-
Later than five years	484 784	99 673	-	-
Total minimum lease payments	589 874	176 792	-	-
Less amounts representing finance charges	413 082	-	-	-
Present value of minimum lease payments	176 792	176 792	-	-

	2011	2010
Included in the financial statements as:		
Current borrowings (note 24)	926	-
Non-current borrowings (note 24)	175 866	-
Total included in borrowings	176 792	-

The PPP arrangements have been detailed in note 2(o) above. The weighted average interest rate implicit in the leases is 11.26 percent.

(b) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements are payable as follows:

	Consolidated		DECS	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Within one year	111 722	476 899	111 722	476 899
Later than one year but not later than five years	21 774	1 700	21 774	1 700
Total capital commitments	133 496	478 599	133 496	478 599

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

Capital commitments for 2009-10 and 2010-11 include commitments for projects associated with Commonwealth Government Building Education Revolution Program.

(c) 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Within one year	5 554	5 959	5 554	5 959
Later than one year but not later than five years	10 134	13 146	10 134	13 146
Total remuneration commitments	15 688	19 105	15 688	19 105

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

(d) Operating lease commitments for vehicles

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

	Consolidated		DECS	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Within one year	3 984	4 557	3 984	4 557
Later than one year but not later than five years	2 479	4 029	2 479	4 029
Total operating lease commitments for vehicles	6 463	8 586	6 463	8 586

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.

(e) Operating lease commitments for facilities

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

	Consolidated		DECS	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Within one year	8 485	8 283	8 485	8 283
Later than one year but not later than five years	6 313	9 456	6 313	9 456
Later than five years	1 296	460	1 296	460
Total operating lease commitments for facilities	16 094	18 199	16 094	18 199

The Department has entered into a number of operating leases for the provision of office accommodation and facilities used for the provision 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 CPI 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.

30. Contingent assets and liabilities

The Department is presently defending a claim seeking an interpretation of the allowable break in service (three months or two years) for accrual of long service leave for contract teachers and temporary relieving teachers under the *Education Act 1972*.

On 29 May 2009 a full court of the Industrial Relations Court of South Australia found in favour of the Department's position. The Australian Education Union appealed to the Supreme Court of South Australia. On 28 May 2010, the Supreme Court dismissed the appeal. On 25 June 2010 the Australian Education Union applied to the High Court of Australia for special leave to appeal the Supreme Court decision.

The application was granted and hearing of the appeal is listed for 28 September 2011. Until the legal challenges are settled, the potential for liability still remains.

30. Contingent assets and liabilities (continued)

The Department has received advice from the Crown Solicitor that Departmental bus drivers were eligible for long service leave under the former *Public Sector Management Act 1995* from 10 March 1994. Therefore payment from this date is being applied to each application for long service leave that is received.

31. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2010-11 financial year were:

Animal Ethics Committee

Ms Anne Clark
Dr John Hatch
Mr Manfred Heide
Mr Steve Lawrie
Ms Kay McGrath
Dr David Mason
Ms Pat Sprague

SA Aboriginal Education and Training Consultative Body

Mr Garth Agius
Ms Joanne Ashford
Mr Peter Buckskin
Mr Brian Butler
Ms Karen Buzzacott
Ms Cynthia Fielding
Ms Kylee Goldsmith
Ms Janis Koolmatrie
Ms Tracy Laughton
Ms Maryanne Scrutton
Mr Eddie Smith
Mr Lez Taylor
Mr Michael Wanganeen
Ms Kelly Wilson

DECS Audit and Risk Committee

Ms Yvonne Sneddon

The number of members whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$0	4	10
$1 - $9 999	18	11
Total	22	21

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 $36 927 ($22 004).

In accordance with DPC 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.

32. Cash flow reconciliation

	Consolidated		DECS	
Reconciliation of cash and cash equivalents - at 30 June as per:	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Statement of Financial Position	702 176	582 970	350 564	371 663
Statement of Cash Flows	702 176	582 970	350 564	371 663
Reconciliation of net cash provided by (used in) operating activities to net cost of providing services:				
Net cash provided by (used in) operating activities	562 828	588 454	416 866	578 344
Revenues from SA Government	(2 198 583)	(2 062 314)	(2 198 583)	(2 062 314)
Payments to SA Government	-	25 920	-	25 920
Non-cash items:				
Depreciation and amortisation expense	(81 829)	(70 481)	(78 328)	(67 484)
Bad and doubtful debts	(355)	(5 985)	563	348
Non-current assets derecognised/written off	-	(2 295)	-	(2 295)
Assets recognised for the first time	4 282	2 542	4 282	2 542
Gain (Loss) from disposal of non-current assets	(6 919)	(3 339)	(7 020)	(3 337)

32. Cash flow reconciliation (continued)

	Consolidated		DECS	
	2011	2010	2011	2010
Change in assets/liabilities:	$'000	$'000	$'000	$'000
Increase (Decrease) in receivables	(3 823)	29 695	14 937	21 583
Increase (Decrease) in other assets	55	57	-	-
Increase (Decrease) in inventories	327	181	55	23
Decrease (Increase) in payables	(36 666)	(3 234)	(29 554)	(2 820)
Decrease (Increase) in employee benefits	(21 713)	(27 379)	(21 498)	(26 906)
Decrease (Increase) in provisions	4 819	9 800	4 835	9 834
Decrease (Increase) in other liabilities	(2 184)	(1 467)	523	1 061
Net cost of providing services	(1 779 761)	(1 519 845)	(1 892 922)	(1 525 501)

33. Financial instruments/Financial risk management

DECS only

33.1 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.

		2011		2010	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	16,32	350 564	350 564	371 663	371 663
Receivables(1)	17	64 534	64 534	46 401	46 401
Total financial assets		415 098	415 098	418 064	418 064
Financial liabilities					
Payables(1)	23	141 307	141 307	116 903	116 903
Borrowings	24	176 913	176 913	121	121
Other liabilities	27	37 426	37 426	15 261	15 261
Total financial liabilities		355 646	355 646	132 285	132 285

(1) Receivables and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost except for employee on-costs which are determined via reference to the employee benefit liability to which they relate.

Credit risk

Credit risk arises when there is a 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 client credit rating. Currently, the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is not evidence to indicate that financial assets are impaired. Refer to note 17 for information on the allowance for impairment in relation to receivables.

The following table discloses the aging of financial assets, past due, including impaired assets past due.

33.2 Ageing analysis of financial assets

	Past due by			
2011	Overdue for less than 30 days $'000	Overdue for 30-60 days $'000	Overdue for more than 60 days $'000	Total $'000
Not impaired:				
Receivables	1 299	1 075	8 114	10 488
Impaired:				
Receivables	-	-	(971)	(971)
Total financial assets	1 299	1 075	7 143	9 517
2010				
Not impaired:				
Receivables	1 120	1 379	5 556	8 055
Impaired:				
Receivables	-	-	(1 566)	(1 566)
Total financial assets	1 120	1 379	3 990	6 489

The following table discloses the maturity analysis of financial assets and financial liabilities.

33.3 Maturity analysis of financial assets and liabilities

	Contractual maturities			
2011	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	350 564	350 564	-	-
Receivables	64 534	55 909	3 142	5 483
Total financial assets	415 098	406 473	3 142	5 483
Financial liabilities:				
Payables	141 307	112 575	28 732	-
Borrowings	176 913	926	4 953	171 034
Other liabilities	37 426	13 950	2 080	21 396
Total financial liabilities	355 646	127 451	35 765	192 430
2010				
Financial assets:				
Cash and cash equivalents	371 663	371 663	-	-
Receivables	46 401	38 181	2 834	5 386
Total financial assets	418 064	409 844	2 834	5 386
Financial liabilities:				
Payables	116 903	90 175	26 728	-
Borrowings	121	-	-	121
Other liabilities	15 261	15 261	-	-
Total financial liabilities	132 285	105 436	26 728	121

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 appropriation by the SA Government. The Department works with DTF to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through the 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 date the invoice is first received. In the event of a dispute, payment is made within 30 days from resolution.

The Department's exposure to liquidity risk is not considered a material issue based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in note 33.1 represent the Department's maximum exposure to financial liabilities.

Market risk

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

Sensitivity disclosure analysis

A sensitivity disclosure analysis has not been undertaken for the interest rate risk of the Department as it has been determined that the possible impact on, the profit and loss or total equity from fluctuations in interest rates is immaterial.

34. Events after the end of the reporting period

There were no events occurring after the end of the reporting period that have material financial implications on these financial statements.

Statement of Administered Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Administered expenses:			
Employee benefits expenses	A3	1 797	1 739
Supplies and services	A4	151	227
Transfer payments	A5	967 030	1 081 340
Borrowing costs		78	64
Depreciation expense		9	12
Total administered expenses		969 065	1 083 382
Administered income:			
Revenues from SA Government	A6	204 244	182 978
Commonwealth revenues	A7	769 189	868 144
Interest revenues	A8	77	63
Other revenues		88	13
Total administered income		973 598	1 051 198
Net result		4 533	(32 184)
Total comprehensive result		4 533	(32 184)

Statement of Administered Financial Position as at 30 June 2011

	Note	2011 $'000	2010 $'000
Administered current assets:			
Cash and cash equivalents	A9	15 674	15 618
Receivables	A10	663	675
Total current assets		16 337	16 293
Administered non-current assets:			
Plant and equipment	A11	25	29
Total non-current assets		25	29
Total assets		16 362	16 322
Administered current liabilities:			
Payables	A12	3 221	103
Employee benefits	A13	134	143
Borrowings	A14	-	1 500
Other liabilities	A15	-	6 120
Total current liabilities		3 355	7 866
Administered non-current liabilities:			
Payables	A12	32	31
Employee benefits	A13	416	399
Total non-current liabilities		448	430
Total liabilities		3 803	8 296
Net assets		12 559	8 026
Administered equity:			
Accumulated surplus		12 559	8 026
Total equity		12 559	8 026
Contingent assets and liabilities	A16		

Statement of Administered Changes in Equity for the year ended 30 June 2011

	Accumulated surplus $'000	Total $'000
Balance at 30 June 2009	40 210	40 210
Net result for 2009-10	(32 184)	(32 184)
Total comprehensive result for 2009-10	(32 184)	(32 184)
Balance at 30 June 2010	8 026	8 026
Net result for 2010-11	4 533	4 533
Total comprehensive result for 2010-11	4 533	4 533
Balance at 30 June 2011	12 559	12 559

Statement of Administered Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(1 789)	(1 807)
Supplies and services		(131)	(336)
Transfer payments		(963 930)	(1 085 274)
Borrowing costs		(76)	(64)
GST payments on purchases		(17 171)	(15 439)
Cash used in operations		(983 097)	(1 102 920)
Cash inflows:			
Receipts from SA Government		204 244	182 978
Receipts from Commonwealth		763 063	867 869
Interest received		77	94
GST input tax credits		17 185	15 056
GST receipts on receivables		1	-
Other receipts		88	13
Cash generated from operations		984 658	1 066 010
Net cash provided by (used in) operating activities	A18	1 561	(36 910)
Cash flows from investing activities:			
Cash outflows:			
Payments for plant and equipment		(5)	-
Cash used in investing activities		(5)	-
Net cash provided by (used in) investing activities		(5)	-
Cash flows from financing activities:			
Cash outflows:			
Repayment of borrowings		(1 500)	-
Cash used in financing activities		(1 500)	-
Net cash provided by (used in) financing activities		(1 500)	-
Net increase (decrease) in cash and cash equivalents		56	(36 910)
Cash and cash equivalents at 1 July		15 618	52 528
Cash and cash equivalents at 30 June	A9	15 674	15 618

Schedule of Expenses and Income attributable to Administered Activities for the year ended 30 June 2011

	Minister's other payments		Minister's borrowings		Minister's salary and allowances		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Administered expenses:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits expenses	1 540	1 514	-	-	257	225	1 797	1 739
Supplies and services	151	227	-	-	-	-	151	227
Transfer payments	967 030	1 081 340	-	-	-	-	967 030	1 081 340
Borrowing costs	-	-	78	64	-	-	78	64
Depreciation expense	9	12	-	-	-	-	9	12
Total administered expenses	968 730	1 083 093	78	64	257	225	969 065	1 083 382
Administered income:								
Revenue from SA Government	203 988	182 753	-	-	256	225	204 244	182 978
Commonwealth revenues	769 189	868 144	-	-	-	-	769 189	868 144
Interest revenues	-	-	77	63	-	-	77	63
Other revenues/income	88	13	-	-	-	-	88	13
Total administered income	973 265	1 050 910	77	63	256	225	973 598	1 051 198
Net result	4 535	(32 183)	(1)	(1)	(1)	-	4 533	(32 184)

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Summary of significant accounting policies

All Department of Education and Children's Services (the Department) 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 Department 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. Employee benefits expenses

	2011	2010
	$'000	$'000
Salaries and wages (including annual leave)	1 459	1 454
Superannuation expense	126	130
Payroll tax expense	66	59
Workers compensation	1	1
Long service leave	17	(58)
Board and committee fees	128	152
Other employee related expenses	-	1
Total employee benefit expenses	1 797	1 739

TVSPs

No employees were paid TVSPs during the reporting period.

Remuneration of employees

No employees remuneration received or receivable exceeded the executive base level remuneration rate for the 2009-10 and 2010-11 reporting periods.

Accounting policy change

In accordance with the revised APF II, the Department has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed would have been 6 (4).

Number of employees as at the reporting date

As at 30 June, 16 (16) full time equivalents were employed to manage the Department's administered items.

A4. Supplies and services

	2011	2010
Supplies and services provided by entities within SA Government:	$'000	$'000
Contractors and other outsourced services	1	11
Vehicle and travelling expenses	7	8
Other	1	-
Total supplies and services to SA Government entities	9	19
Supplies and services provided by entities external to SA Government:		
Contractors and other outsourced services	69	112
Printing, postage and consumables	16	28
Vehicle and travelling expenses	13	16
Conference expenses	8	6
Rentals and leases	7	4
Minor works, maintenance and equipment	1	2
Advertising, publicity and promotions	1	1
Computer communications	1	1
Telecommunications	-	1
Other	26	37
Total supplies and services to non-SA Government entities	142	208
Total supplies and services	151	227

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 fees

There were no consultants paid/payable in the last two financial years.

A5. Transfer payments

	2011	2010
Transfer payments paid/payable to entities within SA Government:		
SACE Board of South Australia	17 826	13 047
Transport concessions	14 016	14 253
Special schools	2 520	2 569
Government schools	224	340
Government pre-schools	15	24
Other organisations	180	104
Total transfer payments to SA Government entities	34 781	30 337
Transfer payments paid/payable to entities external to SA Government:		
Non-government schools	925 663	1 044 728
Special schools	4 013	4 034
Multicultural grants	1 230	1 269
Other organisations	1 343	972
Total transfer payments to non-SA Government entities	932 249	1 051 003
Total transfer payments	967 030	1 081 340

A6. Revenues from SA Government

	2011	2010
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	200 461	182 639
Appropriations under other Acts	256	225
Transfers from contingencies	3 527	114
Total revenues from SA Government	204 244	182 978

A7. Commonwealth revenues

	2011	2010
Recurrent grants	619 623	544 039
Capital grants	149 566	324 105
Total Commonwealth revenues	769 189	868 144

A8. Interest revenues

	2011	2010
Interest from entities within SA Government	77	63
Total interest revenues	77	63

A9. Cash and cash equivalents

	2011 $'000	2010 $'000
Deposits with the Treasurer - at call	15 674	15 618
Total cash and cash equivalents	15 674	15 618

A10. Receivables

	2011 $'000	2010 $'000
Current:		
Interest receivable	5	5
GST recoverable from the ATO	654	670
Other receivables	4	-
Total current receivables	663	675
Total receivables	663	675

Government/Non-government receivables

	2011 $'000	2010 $'000
Receivables from SA Government entities:		
Interest receivable	5	5
Total receivables from SA Government entities	5	5
Receivables from non-SA Government entities:		
GST recoverable from the ATO	654	670
Other receivables	4	-
Total receivables from non-SA Government entities	658	670
Total receivables	663	675

A11. Plant and equipment

	2011 $'000	2010 $'000
Computing, furniture and equipment:		
Computing, furniture and equipment at cost	110	105
Accumulated depreciation	(85)	(76)
Total computing, furniture and equipment	25	29
Total plant and equipment	25	29

Valuation of non-current assets

Valuations of computing, furniture and equipment are based on current replacement cost in accordance with DTF policy on valuations of non-current assets.

Impairment

There were no indications of impairment of plant and equipment at 30 June 2011.

Reconciliation of plant and equipment

The following table shows the movement of plant and equipment:

	Computing, furniture and equipment	
	2011 $'000	2010 $'000
Carrying amount at 1 July	29	41
Additions	5	-
Depreciation	(9)	(12)
Carrying amount at 30 June	25	29

A12. Payables

	2011 $'000	2010 $'000
Current:		
Creditors	3 193	76
Employment on-costs	17	18
Accrued expenses	11	9
Total current payables	3 221	103
Non-current:		
Employment on-costs	32	31
Total non-current payables	32	31
Total payables	3 253	134

Government/Non-government payables	2011	2010
	$'000	$'000
Payables to SA Government entities:		
Creditors	3 173	70
Accrued expenses	11	9
Total payables to SA Government entities	3 184	79
Payables to non-SA Government entities:		
Creditors	20	6
Employment on-costs	49	49
Total payables to non-SA Government entities	69	55
Total payables	3 253	134

A13. Employee benefits

Current:		
Accrued salaries and wages	23	17
Annual leave	54	70
Long service leave	57	56
Total current employee benefits	134	143
Non-current:		
Long service leave	416	399
Total non-current employee benefits	416	399
Total employee benefits	550	542

A14. Borrowings

Current:		
Borrowings from SA Government	-	1 500
Total current borrowings	-	1 500
Total borrowings	-	1 500

A15. Other liabilities

Current:		
Unearned revenue	-	6 120
Total current other liabilities	-	6 120
Total other liabilities	-	6 120

A16. 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.

A17. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2010-11 financial year were:

Non-Government Schools Registration Board

Mr Robin Anderson
Mr Gordon Baker
Ms Kathleen Cotter
Mr Russell Eley
Ms Mary Jacquier
Mr Garry Le Duff
Ms Margaret Linke
Ms Helen O'Brien
Mr Paul Rijken
Dr Paul Sharkey
Ms Elizabeth Swift
Dr Vincent Thomas
Ms Doreen Yam
Mr Alan Young
Dr Dale Wasley

Ministerial Advisory Committee; Students with Disabilities

Ms Gabby Aschberger
Ms Erica Baker
Ms Mary Bambacas
Dr Kerry Bissaker
Mr Clive Budden
Ms Libby Burns
Ms Vivian Cagliuso
Ms Stephanie Grant
Ms Cathie Home
Dr Brian Matthews
Mr Glenn Rappensberg
Mr Nick Schumi
Ms Wendy Wake-Dyster
Ms Margaret Wallace

A17. Remuneration of board and committee members (continued)

Multicultural Education Committee

Ms Suzanne Mashtoub Abimosleh	Mr Paul Hine
Mr Archie Andrews	Mr John Kiosoglous
Mr Edgar Peter Bliss	Mr Lewis O'Brien
Ms Deb Dalwood	Ms Lynda Secombe
Ms Diana Glenn	Assoc Prof, Dr My-Van Tran

Ethnic Schools Board

Ms Raniah Daou	Ms Ursula McGowan
Mr Paul Demetriou	Mr Jude Jeevaratna Nirmalaraja
Mrs Chandra Kumari Eriyagama	Mr Abdi Ali Osman
Mr Paul Hine	Ms Goranka Pilja
Mr John Kiosoglous	Mr Brian Turner

Ministerial Planning Committee for Non-Government Schools

Sr Catherine Clark	Mrs Mary Jackson
Mr John Connell	Mr Garry Le Duff
Mr Kenneth Hinkly	Mr Brian Simons
Ms Jan Hurley	Dr Vincent Thomas

Ministerial Advisory Committee on Non-Government Schools

Ms Ann Bliss	Mr Garry Le Duff
Mr Jeffery Croser	Mrs Nicola Mullins
Ms Louise Firrell	Mr Glen Seidel
Ms Fiona Godfrey	Dr Paul Sharkey
Mr Don Grimmett	Ms Elizabeth Swift
Mr Michael Honey	Ms Katherine Teague
Ms Jan Hurley	Dr Vincent Thomas
Mr Barry Kahl	

The number of members whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$0	9	16
$1 - $9 999	60	51
$10 000 - $19 999	2	1
$20 000 - $29 999	-	1
$30 000 - $39 999	1	-
$40 000 - $49 999	-	1
Total	72	70

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 $136 842 ($160 277).

In accordance with the DPC 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.

A18. Cash flow reconciliation

	2011	2010
Reconciliation of cash and cash equivalents - at 30 June as per:	$'000	$'000
Statement of Administered Financial Position	15 674	15 618
Statement of Administered Cash Flows	15 674	15 618

A18. Cash flow reconciliation (continued)

	2011	2010
Reconciliation of net cash provided by (used in) operating activities to net result:	$'000	$'000
Net cash provided by (used in) operating activities	1 561	(36 910)
Non-cash items:		
Depreciation	(9)	(12)
Change in assets/liabilities:		
Increase (Decrease) in receivables	(12)	351
Decrease (Increase) in payables	(3 119)	4 254
Decrease (Increase) in employee benefits	(8)	57
Decrease (Increase) in other liabilities	6 120	76
Net result	4 533	(32 184)

A19. Financial instruments/Financial risk management

A19.1 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. The policies outlined in note 2 apply to both the Department and administered financial statements.

		2011		2010	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	A9	15 674	15 674	15 618	15 618
Receivables(1)	A10	9	9	5	5
Total financial assets		15 683	15 683	15 623	15 623
Financial liabilities					
Payables(1)	A12	3 248	3 248	130	130
Borrowings	A14	-	-	1 500	1 500
Other liabilities	A15	-	-	6 120	6 120
Total financial liabilities		3 248	3 248	7 750	7 750

(1) AASs exclude from the definition of financial instruments, assets and liabilities resulting from statutory requirements imposed by governments.

Credit risk

Credit risk arises when there is a 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 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 financial assets are impaired.

Refer to note A10 for information on the allowance for impairment in relation to receivables.

The following table discloses the maturity analysis of financial assets and financial liabilities.

A19.2 Maturity analysis of financial assets and liabilities

		Contractual maturities		
2011	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	15 674	15 674	-	-
Receivables	9	9	-	-
Total financial assets	15 683	15 683	-	-

A19.2 Maturity analysis of financial assets and liabilities (continued)

	Contractual maturities			
2011	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial liabilities:	$'000	$'000	$'000	$'000
Payables	3 248	3 248	-	-
Total financial liabilities	3 248	3 248	-	-
2010				
Financial assets:				
Cash and cash equivalents	15 618	15 618	-	-
Receivables	5	5	-	-
Total financial assets	15 623	15 623	-	-
Financial liabilities:				
Payables	130	99	31	-
Borrowings	1 500	1 500	-	-
Other liabilities	6 120	6 120	-	-
Total financial liabilities	7 750	7 719	31	-

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 appropriation by the SA Government. The Department works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through the 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 date the invoice is first received. In the event of a dispute, payment is made within 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 in note A19.1 represent the Department's maximum exposure to financial liabilities.

Market risk

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

Sensitivity disclosure analysis

A sensitivity disclosure analysis has not been undertaken for the interest rate risk of the Department as it has been determined that the possible impact on the profit and loss or total equity from fluctuations in interest rates is immaterial.

A20. Events after the end of the reporting period

There were no events occurring after the end of the reporting period that have material financial implications on these financial statements.

Department of Environment and Natural Resources

Functional responsibility

Establishment

On 1 July 2010 the Department for Environment and Heritage was retitled the Department of Environment and Natural Resources (DENR). The Natural Resources Management (NRM) Group and State Flora were also transferred from the Department for Water (DFW) to DENR on this date. Note 32 to the financial statements further explains the nature and impact of this restructure.

DENR is an administrative unit established under the PSA, and is responsible to the Minister for Environment and Conservation.

Functions

DENR is responsible for:

- nature conservation, heritage conservation, animal welfare and NRM policy and planning
- collecting and providing information and knowledge about the State's environment
- managing the State's public land, including national parks, marine parks, botanic gardens and coastline.

Note 1 to the financial statements provides further explanation on the objectives of DENR.

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 DENR 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 DENR 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 internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

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 2010-11, areas of review included:

- payroll
- accounts payable
- revenue, receipting and banking
- grants
- property, plant and equipment
- general ledger.

Audit findings and comments

Auditor's report on the financial report

The following is an extract from the 2010-11 Independent Auditor's Report, which details the qualification to DENR's financial statements.

> ***Basis for Qualified Opinion***
>
> *Property, Plant and Equipment reported in the Statement of Administered Financial Position excludes unallotted Crown Land as DENR 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 Crown Land Property, Plant and Equipment included in the Statement of Administered Financial Position.*
>
> *This is disclosed in Note A1(c) to the Administered Financial Statements.*
>
> *It is not practicable to quantify the financial effect of the excluded Crown Land or the unreliable base information used to determine the valuation of Crown Land Property, Plant and Equipment included in the Administered Financial Statements.*
>
> *As the integrity of Crown Land holdings and values administered by DENR has not been ascertained, I am unable to form an opinion on the reasonableness of the values of Property, Plant and Equipment relating to Crown Land, brought to account in the Statement of Administered Financial Position.*
>
> ***Qualified Opinion***
>
> *In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraphs, the financial report gives a true and fair view of the financial position of the Department of Environment and Natural Resources as at 30 June 2011, 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.*

Fixed assets - accounting for Crown land

Background

Over a number of years, Audit has commented on the accounting treatment of Crown land and the completeness and accuracy of Crown land base information.

DENR has not been able to formulate a suitable methodology for determining a reliable measure of the value of unallotted Crown land. Hence these land holdings have not been reflected in the administered financial statements.

Certain leased and licensed Crown land is included in the Statement of Administered Financial Position. However there have been limitations on the reliability of base information used to value this land.

As a result, the Independent Auditor's Report on DENR's financial statements in past years qualified administered property, plant and equipment relating to Crown lands.

DENR commenced a Crown land database project in 2007-08 to address audit qualification issues. The scope of this project included:

- 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 an interface between TABS and Masterpiece fixed assets.

During 2008-09, the project team completed the transfer of Crown land data from the Land Ownership and Tenure System (LOTS) database to TABS. The team also completed a data cleansing exercise to ensure the integrity of Crown lands data reflected in TABS.

In 2009-10, initial discussions were held between DENR and Shared Services SA (SSSA) regarding the accounting methodologies to be adopted for the various types of Crown land.

2010-11 developments

In 2010-11 DENR has not completed any further work on the development of an appropriate valuation methodology for all Crown land. DENR has also not made progress in determining appropriate accounting methodologies for the various types of Crown land.

DENR advised this was due to competing resource demands related to the restructure and the departure of key staff associated with the project. DENR will seek to finalise appropriate accounting treatments and valuations for all Crown land in 2011-12 if required resources to complete the work become available.

2010-11 Independent Auditor's Report

Unallotted Crown land is not yet reflected in the administered financial statements. Limitations on the base information used to value leased and licensed Crown land included in the administered financial statements also remain.

In addition, DENR has not finalised an appropriate valuation methodology for all Crown land.

As a result, the Independent Auditor's Report to the financial statements again qualifies the completeness and valuation of Crown land included in the Statement of Administered Financial Position.

Assessment of controls

In my opinion, the controls exercised by the Department of Environment and Natural Resources 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 under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Environment and Natural Resources have been conducted properly and in accordance with law.

Communication of audit matters

Matters identified during the course of the audit were detailed in a management letter to the Chief Executive of DENR. DENR's response to the letter indicated that appropriate action would be taken to address the matters raised. The main matters raised with DENR and the related responses are detailed below.

Governance

Financial Management Compliance Plan (FMCP)

Audit noted scope for improvement in the update, monitoring and maintenance of DENR's FMCP. The FMCP had not been updated since July 2010, with several of the scheduled compliance activities being out of date. A maintenance plan to support the ongoing implementation of the FMCP was also not yet finalised.

DENR responded that ongoing review of the FMCP will occur on an annual basis. The FMCP maintenance plan will be completed by 30 November 2011.

Departmental and directorate risk profiles

Audit noted that departmental and directorate risk profiles were not formally updated during 2010-11. As a result, these risk profiles were not updated to reflect the transfer of NRM and State Flora functions.

DENR responded that a risk profile for each directorate will be completed by December 2011. The new departmental risk profile will be finalised at the same time.

Contract management

Internal audit completed a review of DENR contract management practices in 2010-11. The review indicated that contract management practices could be improved by:

- more clearly defining required deliverables in contracts
- formally monitoring contract variations and waived tenders
- ensuring key documentation for high risk and high value contracts is maintained
- ensuring appropriate current information is maintained on the contract register.

DENR responded that contract management training will be provided to staff which communicates key documentation and monitoring requirements. DENR will also review all contracts valued over $100 000 to ensure relevant contract details have been accurately entered on the contracts register.

Business continuity plan

Audit noted that DENR did not have current business continuity or disaster recovery plans during 2010-11. DENR responded that a draft business continuity framework has been developed. It is anticipated that this framework will be completed and approved by December 2011.

Asset management

A DTEI review of building asset management implementation and performance completed in July 2010 and an internal asset management system review completed in November 2010 identified recommendations for improvement in the following areas:

- asset management planning
- the allocation of asset management roles and responsibilities
- asset management performance reporting
- maintenance of asset management system information
- timely review and consolidation of asset management policies and procedures.

Audit review indicated DENR had made limited progress in implementing these recommendations.

DENR responded that a project plan is being developed to address the recommendations. It is anticipated that this project plan will be completed in March 2012.

Cash

During 2010-11 and consistent with prior years, revenue related reconciling items on the bank reconciliation were not adequately explained and cleared in a timely manner. Relevant reconciling items were corrected in the 30 June 2011 bank reconciliation.

Payroll

As noted in prior years, DENR does not perform formal monitoring to ensure all pay points have reviewed and returned their bona fide certificates in a timely manner.

DENR responded that it is currently investigating an automated solution through the Timewise system for the bona fide certificate return process.

Expenditure

Audit notes there are no regular documented checks to ensure the approval limits in the e-Procurement system accurately reflect the current DENR financial delegations.

DENR responded that it will liaise with SSSA to identify a solution for performing regular checks of expenditure approvals.

Expenditure - the e-Procurement control environment at SSSA

The audit review of DENR's expenditure processes considered controls implemented by SSSA for the common e-Procurement systems. The e-Procurement systems were implemented during 2010-11 and provide a common automated systems platform for processing procurement and accounts payable transactions.

The review identified a number of areas of control weakness in the e-Procurement systems control environment at SSSA. The audit findings were communicated to SSSA and agencies at the conclusion of the review. SSSA has advised proposed action to address the audit findings and recommendations. This matter is discussed in more detail in the Department of Treasury and Finance section of this Report.

Interpretation and analysis of the financial report

Highlights of the financial report	2011 $'million	2010 $'million
Expenses		
Employee benefits	100	92
Supplies and services	84	64
Depreciation and amortisation	17	18
Other expenses	16	9
Total expenses	217	183
Income		
Fees and charges	22	18
Grants and contributions	34	27
Other revenue	2	2
Total income	58	47
Net cost of providing services	159	136
Revenues from SA Government		
Revenues from SA Government	149	129
Net result	(10)	(7)
Other comprehensive income	2	-
Total comprehensive result	(8)	(7)
Net cash provided by (used in) operating activities	8	16
Assets		
Current assets	112	110
Non-current assets	315	308
Total assets	427	418
Liabilities		
Current liabilities	32	27
Non-current liabilities	22	19
Total liabilities	54	46
Total equity	373	372

Statement of Comprehensive Income

Expenses

Total expenses increased by $34 million (19 percent). The major items causing this change were:

- employee benefits increased by $8 million due mainly to additional costs associated with transferred NRM Group and State Flora employees

- supplies and services increased by $20 million due mainly to an increase in fee for service expenditure ($13.7 million). This increase primarily relates to Coorong, Lower Lakes and Murray Mouth projects, additional costs associated with the transferred NRM Group and business improvement projects
- grants and subsidies increased by $8 million due mainly to new grant programs associated with the transferred NRM Group.

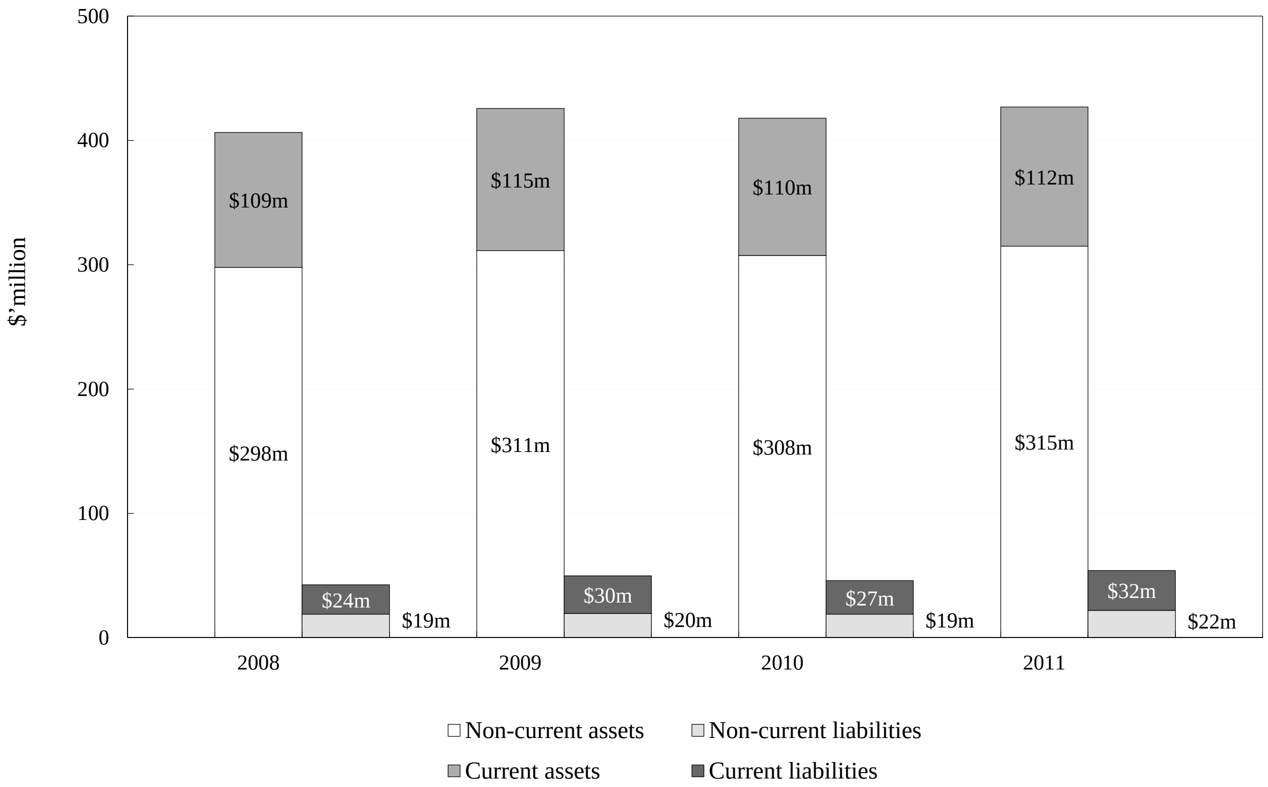
Income

Total income increased by $11 million (23 percent). The major items causing this change were:

- fees and charges increased by $4 million due mainly to an increase in property rental and related income ($1.5 million) and sale of goods ($1.9 million). The increase in property rental and related income primarily relates to pastoral lease income, which DENR now collects following the restructure on 1 July 2010. The increase in sale of goods is mainly due to additional plant sales associated with the transfer of State Flora
- grants and contributions increased by $7 million due mainly to an increase in Commonwealth grants ($2.6 million) and grants received from other entities within the SA Government ($3.4 million). These increases primarily relate to additional grant programs associated with the transferred NRM Group.

Statement of Financial Position

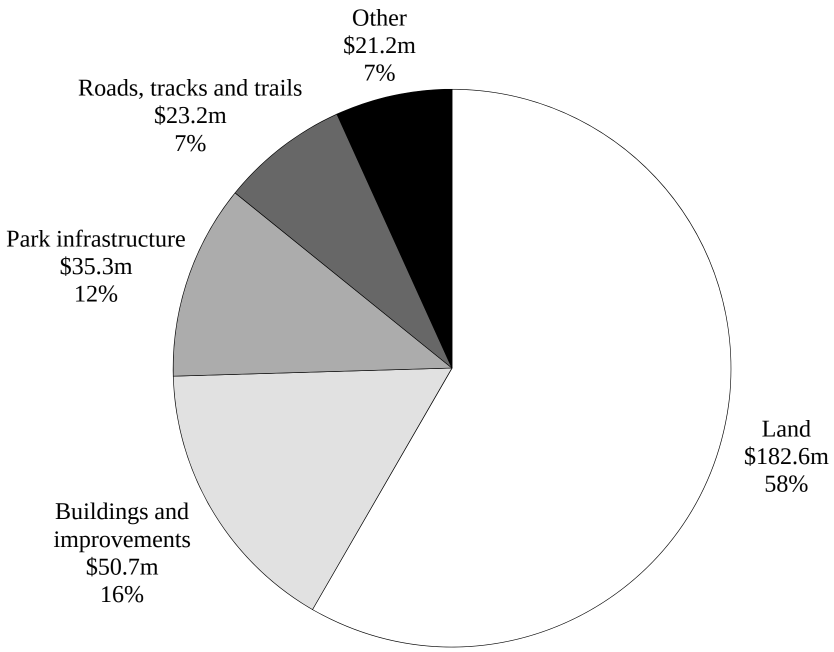
For the four years to 2011, a structural analysis of assets and liabilities is shown in the following chart.



DENR's assets comprise two main items, property, plant and equipment and cash.

Non-current assets - property, plant and equipment

In 2011 this item makes up 73 percent (73 percent) of total assets. Land, buildings and improvements and park infrastructure are the dominant items of property, plant and equipment. The split of property, plant and equipment by asset category is detailed in the following pie chart:



Property, plant and equipment assets are primarily located in national parks managed by DENR. Note 22 to the financial statements provides further details of items and amounts.

Property, plant and equipment increased from $305 million to $313 million, due mainly to additions ($15 million), first time recognition of assets ($4 million) and ARAMIS (asset management system) revisions ($5 million), offset partly by depreciation ($17 million).

Current assets - cash

This item, $95 million ($102 million) represents 85 percent (93 percent) of total current assets and 22 percent (25 percent) of total assets. The main component of cash in 2010-11 is the accrual appropriation account of $77 million (81 percent).

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Net cash flows				
Operating	8	16	17	5
Investing	(15)	(17)	(15)	(12)
Financing	-	-	-	(38)
Change in cash	(7)	(1)	2	(45)
Cash at 30 June	95	102	103	101

DENR's cash at 30 June 2011 comprises operating deposit accounts ($18 million) and an accrual appropriation account ($77 million). Access to the accrual appropriation account is subject to the Under Treasurer's approval.

Administered items

The transfer of the NRM Group on 1 July 2010 has resulted in DENR taking responsibility for the following administered items:

- NRM Fund
- National Action Plan for Salinity and Water Quality (NAP) grant program
- Natural Heritage Trust grant program
- Caring for our Country grant program
- Pastoral Board.

The Schedule of Administered Expenses and Income attributable to Administered Activities provides further details on these items and amounts.

NRM Boards and NRM Fund

From 1 July 2010, DENR is the administrative unit with primary responsibility for assisting the Minister in the administration of the NRMA. The main purposes of the NRMA are to promote sustainable and integrated management of the State's natural resources and to make provision for the protection of the State's natural resources.

The NRMA provides for a range of entities with specific responsibilities including eight regional NRM Boards.

The raising and collection of water levies, penalties and expiation fees under the NRMA is performed by DFW. These funds are then transferred to DENR to administer through the NRM Fund.

In 2010-11, $8.9 million in water levies, penalties and expiation fees was transferred to DENR from DFW. DENR also received $4.9 million in appropriation funding for the NRM Boards.

Payments to NRM Boards from the NRM Fund during the year were $13.8 million.

Administered grant programs

DENR administers the following grant programs.

NAP

Under an agreement between the Commonwealth Government and the State, the NAP aims to prevent, stabilise and reverse trends in salinity, improve water quality and secure reliable allocations for human uses, industry and the environment.

The NAP items administered by DENR include revenues from SA Government of $1.9 million, interest revenue of $364 000, grant expenses of $7.4 million and cash balances of $2.9 million.

Natural Heritage Trust (NHT)

The NHT was established by the *Natural Heritage Trust of Australia Act 1997* (Cwlth) and section 5 of the *Natural Resources Management (Financial Assistance) Act 1992* (Cwlth).

The Bilateral Agreement to deliver the NHT Extension to South Australia was signed by Commonwealth and State Ministers on 17 April 2003.

Under agreements between the Commonwealth Government and the State, the NHT's overarching objectives are biodiversity conservation and the sustainable use of natural resources.

The NHT items administered by DENR include grant revenues of $183 000, interest revenues of $52 000, grant expenses of $904 000 and cash balances of $1.6 million.

Funding for the NAP and NHT grant programs ceased on 30 June 2008. These programs have been replaced by Caring for our Country (refer below).

While funding for NAP and NHT Extension has ceased, these programs received approval to continue until existing approved projects were completed.

Commonwealth and State Ministers agreed that two infrastructure programs (Upper South East Flood Management and Drainage Program and Salt Interception Schemes) be extended until 30 June 2011. All funding due has been paid to the program proponents prior to 30 June 2011 and the programs are currently meeting their final reporting obligations under their funding agreements.

Caring for our Country

The Caring for our Country program is administered by the Commonwealth and State Governments pursuant to section 19(2) of the *Natural Heritage Trust of Australia Act 1997* (Cwlth) and section 5 of the *Natural Resources Management (Financial Assistance) Act 1992* (Cwlth).

The Transitional Arrangement and Financial Agreement between the Commonwealth and State Governments for implementation of the Caring for our Country agreement was signed on 14 October 2008.

The goal of Caring for our Country is to provide an environment that is healthy, better protected, well managed, resilient and provides essential ecosystem services in a changing climate. The Caring for our Country program has six national priority areas for investment:

- a national reserve system
- biodiversity and natural icons
- coastal environments and critical aquatic habitats
- sustainable farm practices
- natural resource management in remote and northern Australia
- community skills, knowledge and engagement.

The Caring for our Country items administered by DENR include grant revenues from the Commonwealth Government of $17.7 million, grant expenses of $17.3 million and cash balances of $707 000.

The Commonwealth Government has decided to utilise unspent Commonwealth Government funds held within the NAP, NHT Extension and Caring for our Country accounts to fund existing State agency and NRM Board Caring for our Country competitive projects.

Pastoral Board

The Pastoral Board is responsible for the administration of the *Pastoral Land Management and Conservation Act 1989*. The Board provides advice to the Minister for Environment and Conservation on the policies that should govern the administration of pastoral land.

The Statement of Administered Financial Position reflects all Crown land under pastoral leases managed by the Pastoral Board. The independent valuation of this land performed by the Valuer-General as at 1 November 2010 was $43.5 million.

Further commentary on operations

Coorong, Lower Lakes and Murray Mouth projects

At the end of 2008, DENR was given responsibility for developing a long-term plan and business case for managing the Coorong, Lower Lakes and Murray Mouth (CLLMM) region. The long-term plan was developed during 2008-09 and 2009-10 with input from the community, scientists and industry and aims to secure a future for the region as a healthy, productive and resilient wetland of international importance.

The final CLLMM long-term plan and business case was released in June 2010. The Commonwealth Government has since completed its due diligence process in respect of the plan and 2011-12 activity work plans are currently being compiled.

The Commonwealth Government has advised that $118.5 million will be made available over the next five years for the implementation stage of the plan, commencing in 2011-12.

Adelaide’s Living Beaches project

The Government of South Australia approved a strategy in November 2005 for managing Adelaide’s metropolitan beaches - ‘Adelaide’s Living Beaches - A Strategy for 2005-25’. The aim of the strategy is to ensure the long-term viability of Adelaide’s costal assets by maintaining beach quality for recreation, amenity and protection purposes.

The Sand Transfer Infrastructure project is a major component of the strategy. In September 2010, Cabinet endorsed the construction of two sand transfer pipelines totalling nine kilometres. The pipelines will be built between Glenelg and Kingston Park and Torrens Outlet and West Beach Harbour. The pipelines will move sand across these sections of metropolitan coastline to maintain sandy beaches. Sand trucking activities will replenish other beaches along the metropolitan coastline as required.

The total budget for the construction of the sand transfer infrastructure is $22.6 million. The construction of the infrastructure is due to commence in September 2012 with completion expected in September 2013.

The estimated annual operational budget for the Adelaide’s Living Beaches strategy following completion of the sand transfer infrastructure is $5.8 million.

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Expenses:			
Employee benefits	5	99 561	92 401
Supplies and services	6	83 736	64 255
Grants and subsidies	7	12 420	4 214
Depreciation and amortisation	8	17 163	17 522
Net loss from disposal of non-current assets	9	2 806	3 624
Other expenses	10	1 449	1 027
Total expenses		217 135	183 043
Income:			
Revenues from fees and charges	11	21 862	17 796
Grants and contributions	12	34 563	27 402
Interest revenue	13	238	160
Resources received free of charge	14	147	-
Other income	15	1 576	2 061
Total income		58 386	47 419
Net cost of providing services		158 749	135 624
Revenues from SA Government:			
Revenues from SA Government	16	148 555	128 729
Total revenues from SA Government		148 555	128 729
Net result		(10 194)	(6 895)
Other comprehensive income:			
Changes in property, plant and equipment asset revaluation surplus	28	2 441	(279)
Total other comprehensive income		2 441	(279)
Total comprehensive result		(7 753)	(7 174)

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets:			
Cash and cash equivalents	17	95 116	102 639
Receivables	18	14 726	5 790
Inventories	19	1 567	1 202
Other assets	20	895	861
Total current assets		112 304	110 492
Non-current assets:			
Receivables	18	41	42
Other financial assets	21	3	3
Property, plant and equipment	22	312 912	305 096
Intangible assets	23	1 941	2 357
Total non-current assets		314 897	307 498
Total assets		427 201	417 990
Current liabilities:			
Payables	24	24 296	17 979
Employee benefits	25	6 722	8 388
Provisions	26	404	354
Other liabilities	27	683	834
Total current liabilities		32 105	27 555
Non-current liabilities:			
Payables	24	1 707	1 650
Employee benefits	25	17 930	14 893
Provisions	26	1 371	1 167
Other liabilities	27	889	1 220
Total non-current liabilities		21 897	18 930
Total liabilities		54 002	46 485
Net assets		373 199	371 505
Equity:			
Asset revaluation surplus	28	187 111	184 751
Retained earnings	28	186 088	186 754
Total equity		373 199	371 505

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	30
Contingent assets and liabilities	31

Statement of Changes in Equity
for the year ended 30 June 2011

	Note	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2009	28	185 656	190 502	376 158
Asset adjustments previously recognised:				
First time recognition of assets	28	-	3 169	3 169
ARAMIS revisions	28	-	2 581	2 581
Asset adjustments this reporting period:				
Asset capitalisation threshold change	28	-	(3 235)	(3 235)
Adjustments to reflect vehicles, plant and equipment and other asset classes at cost	28	(626)	632	6
Restated balance at 1 July 2009		185 030	193 649	378 679
Net result for 2009-10	28	-	(6 895)	(6 895)
Loss on revaluation of property, plant and equipment	28	(279)	-	(279)
Total comprehensive result for 2009-10		(279)	(6 895)	(7 174)
Balance at 30 June 2010	28	184 751	186 754	371 505
Net result for 2010-11	28	-	(10 194)	(10 194)
Gain on revaluation of PPE	28	2 441	-	2 441
Total comprehensive result for 2010-11		2 441	(10 194)	(7 753)
Asset adjustments - first time recognition of assets	28	-	4 468	4 468
Asset adjustments - ARAMIS revisions	28	-	4 537	4 537
Asset adjustments - asset revaluation surplus corrections	28	(81)	81	-
Net assets received from an administrative restructure	28	-	442	442
Balance at 30 June 2011	28	187 111	186 088	373 199

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

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(100 908)	(93 992)
Payments for supplies and services		(90 256)	(75 046)
Payments of grants and subsidies		(13 144)	(4 349)
Other payments		(593)	(2)
Cash used in operations		(204 901)	(173 389)
Cash inflows:			
Fees and charges		16 332	23 158
Receipts from grants and contribution		37 514	29 762
Interest received		246	145
GST recovered from the ATO		8 982	6 027
Other receipts		1 576	2 061
Cash generated from operations		64 650	61 153
Cash flows from SA Government:			
Receipts from SA Government		148 555	128 729
Cash generated from SA Government		148 555	128 729
Net cash provided by (used in) operating activities	29	8 304	16 493
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(15 453)	(17 289)
Cash used in investing activities		(15 453)	(17 289)
Cash inflows:			
Proceeds from sale of property, plant and equipment		6	27
Cash generated from investing activities		6	27
Net cash provided by (used in) investing activities		(15 447)	(17 262)
Cash flows from financing activities:			
Cash inflows:			
Cash received from restructuring activities		(380)	-
Cash generated from financing activities		(380)	-
Net cash provided (used in) by financing activities		(380)	-
Net increase (decrease) in cash and cash equivalents		(7 523)	(769)
Cash and cash equivalents at 1 July		102 639	103 408
Cash and cash equivalents at 30 June	17	95 116	102 639

Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2011

(Activities - refer note 4)	1	2	3	Total
	2011	2011	2011	2011
Expenses:	$'000	$'000	$'000	$'000
Employee benefits	75 400	18 884	5 277	99 561
Supplies and services	60 523	19 440	3 773	83 736
Grants and subsidies	12 101	211	108	12 420
Depreciation and amortisation	16 847	170	146	17 163
Net loss (gain) from disposal of non-current assets	1 317	1 490	(1)	2 806
Other expenses	1 298	71	80	1 449
Total expenses	167 486	40 266	9 383	217 135
Income:				
Fees and charges	20 781	454	627	21 862
Grants and contributions	29 199	2 625	2 739	34 563
Interest	234	4	-	238
Resources received free of charge	-	147	-	147
Other income	968	551	57	1 576
Total income	51 182	3 781	3 423	58 386
Net cost of providing services	116 304	36 485	5 960	158 749
Revenues from SA Government:				
Revenues from SA Government	250	148 305	-	148 555
Total net revenues from SA Government	250	148 305	-	148 555
Net result	(116 054)	111 820	(5 960)	(10 194)

Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2010

(Activities - refer below)	1	2	3	4
	2010	2010	2010	2010
Expenses:	$'000	$'000	$'000	$'000
Employee benefits	13 710	12 077	6 422	8 038
Supplies and services	14 507	8 727	2 230	2 642
Grants and subsidies	1 229	64	-	815
Depreciation and amortisation	7 750	7 749	77	163
Net loss (gain) from disposal of non-current assets	-	-	-	-
Other expenses	-	623	-	-
Total expenses	37 196	29 240	8 729	11 658
Income:				
Fees and charges	1 124	9 767	1 004	3 004
Grants and contributions	6 873	89	12	643
Interest	75	80	-	5
Other income	64	331	484	25
Total income	8 136	10 267	1 500	3 677
Net cost of providing services	29 060	18 973	7 229	7 981
Revenues from SA Government:				
Revenues from SA Government	-	-	-	-
Total net revenues from SA Government	-	-	-	-
Net result	(29 060)	(18 973)	(7 229)	(7 981)

(Activities - refer below)	5	6	7	8
	2010	2010	2010	2010
Expenses:	$'000	$'000	$'000	$'000
Employee benefits	5 543	5 255	1 775	185
Supplies and services	4 686	3 028	1 059	36
Grants and subsidies	66	90	570	660
Depreciation and amortisation	149	87	150	-
Net loss (gain) from disposal of non-current assets	-	-	-	-
Other expenses	42	103	60	-
Total expenses	10 486	8 563	3 614	881
Income:				
Fees and charges	708	571	321	3
Grants and contributions	561	1 903	113	-
Interest	-	-	-	-
Other income	194	27	10	-
Total income	1 463	2 501	444	3
Net cost of providing services	9 023	6 062	3 170	878
Revenues from SA Government:				
Revenues from SA Government	-	-	250	-
Total net revenues from SA Government	-	-	250	-
Net result	(9 023)	(6 062)	(2 920)	(878)

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2010 (continued)

(Activities - refer below)	9	10	11	Total
	2010	2010	2010	2010
Expenses:	$'000	$'000	$'000	$'000
Employee benefits	25 590	2 887	10 919	92 401
Supplies and services	14 260	5 591	7 489	64 255
Grants and subsidies	274	91	355	4 214
Depreciation and amortisation	661	4	732	17 522
Net loss (gain) from disposal of non-current assets	3 624	-	-	3 624
Other expenses	199	-	-	1 027
Total expenses	44 608	8 573	19 495	183 043
Income:				
Fees and charges	160	-	1 134	17 796
Grants and contributions	3 218	13 805	185	27 402
Interest	-	-	-	160
Other income	503	4	419	2 061
Total income	3 881	13 809	1 738	47 419
Net cost of providing services	40 727	(5 236)	17 757	135 624
Revenues from SA Government:				
Revenues from SA Government	128 479	-	-	128 729
Total net revenues from SA Government	128 479	-	-	128 729
Net result	87 752	5 236	(17 757)	(6 895)

1. Nature Conservation
2. Public Land - Visitor Management
3. Public Land - Fire Management
4. Public Land - Stewardship
5. Coast and Marine Conservation
6. Botanic Gardens Management
7. Heritage Conservation
8. Animal Welfare
9. Agency Support Services
10. Adaptive Management of the Lower Lakes and Coorong
11. Knowledge and Information

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Environment and Natural Resources (the Department or DENR)

The Department brings conservation and management of natural resources together. The Department is responsible for nature conservation, heritage conservation, animal welfare and natural resources management policy and planning. 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. Our vision is a sustainable and prosperous South Australia where natural resources are used wisely and a healthy environment is understood to be the basis of a good quality of life.

This is achieved through commitment to the following goals:

The environment is conserved and natural resources are used sustainably

Improving South Australia's rich heritage and diverse natural environments across public and private lands, and effective planning and delivery to maintain the natural resource assets that underpin the State's economy.

The environment is valued and enjoyed
Encouraging all people to experience and value the environment, through management of public lands including investment in visitor infrastructure and facilities, and projects to build community capacity in natural resources management.

The environment is integral to development decisions
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.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provisions of the PFAA.

Except for AASB 2009-12, which DENR has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by DENR for the reporting period ending 30 June 2011.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying DENR's accounting policies. Areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- the selection and application of accounting policies 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 these financial statements:
  - (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. DENR has elected to utilise this threshold in relation to transactions applicable to revenue and expense items. The threshold has not been applied to financial assets and financial liabilities, ie all financial assets and financial liabilities relating to SA Government have been separately disclosed
  - (b) expenses incurred as a result of engaging consultants
  - (c) employee TVSP information
  - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (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 member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

DENR's Statement of Comprehensive Income, Statement of Financial Position 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 Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented.

(c) Reporting entity

DENR is a government department of the State of South Australia, established pursuant to the PSA. DENR is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes include all the controlled activities of DENR. Transactions and balances relating to administered resources are not recognised as departmental income, expenses, assets and liabilities. As administered items are significant in relation to DENR'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 statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

(d) Transferred functions

The Public Sector (Reorganisation of Public Sector Operations) Notice 2010 (dated 1 July 2010) transferred the Natural Resources Management (NRM) Group and State Flora from the Department for Water (formerly the Department of Water, Land and Biodiversity Conservation) to the Department for Environment and Heritage, effective from 1 July 2010. In addition, the Department's name was changed to the Department of Environment and Natural Resources on this date. Refer to note 32 for further information in respect of this machinery of government change.

(e) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

(f) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars ($'000).

(g) Taxation

DENR is not subject to income tax. DENR 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 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

DENR prepares a business activity statement on behalf of its controlled entities, administered items and other clients to which it provides business services, under the grouping provisions of the GST legislation. Under the grouping provisions, DENR is liable for the GST payments and entitled to the GST receipts associated with these entities and items. The GST applicable forms part of the receivables and payables recorded in DENR's Statement of Financial Position and the GST cash flows recorded in DENR's Statement of Cash Flows.

(h) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

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.

(i) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to DENR will occur and can be reliably measured.

Income has been aggregated according to its nature and has 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 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 DENR 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, DENR 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.

All contributions received by DENR have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

Resources received free of charge

Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

Net gain on 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 is determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Revenues from SA Government

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

Other income

Other income consists of salaries and wages recoveries, sponsorships and donations, recoveries of insurance claims lodged with SAICORP and other sundry income.

(j) *Expenses*

Expenses are recognised to the extent that it is probable that the flow of economic benefits from DENR will occur and can be reliably measured.

Expenses have been aggregated 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 following are specific recognition criteria:

Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements and non-monetary benefits. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by DENR to the superannuation plan in respect of current services of current departmental staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Grants and subsidies

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

(k) *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, DENR has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(l) *Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position 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 Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

(m) *Receivables*

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

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are generally settled within 30 days after the issue of an invoice.

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

(n) *Inventories*

Inventories include goods held either for sale or distribution at no or nominal cost in the ordinary course of business.

Inventories held for distribution at no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential. Inventories held for sale 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.

(n) Inventories (continued)

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 in the Statement of Comprehensive Income as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction in the Statement of Comprehensive Income.

(o) Financial assets

DENR measures financial assets at historical cost.

(p) 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 fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recognised at book value, ie the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value of $10 000 or greater are capitalised.

Heritage assets

In accordance with APF III, heritage assets are recognised in the Statement of Financial Position as part of the aggregate value of classes of 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 has restrictions on use imposed by statute or regulation. These restrictions have been taken into account by the independent valuers.

Administered property, plant and equipment relates to the Crown's interest in land leased to third parties under perpetual and other leases and annual licenses. However, limitations exist on the reliability of the base information used to determine the valuation of this land.

DENR is also custodian of unallotted Crown land, by virtue of its responsibilities under the *Crown Land Management Act 2009.* This land is considered to be an administered asset. Unallotted Crown land is not included in the Statement of Administered Financial Position as DENR has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings.

(q) Revaluation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value). Revaluation of a non-current asset 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.

DENR revalues its land, buildings and improvements, park infrastructure and roads, tracks and trails 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 due for revaluation are assessed 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. The data dictionary model is contained within DENR's ARAMIS (asset management system). The data dictionary model calculates a value for an asset based on description, grade/composition, condition and size/quantity. The model value is adjusted by a locality factor to take into account climatic conditions. The valuation model itself is reviewed every three years.

(q) Revaluation of non-current assets (continued)

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.

The valuers used by DENR are as follows:

- 1 July 2008, valuation of land and unique property, plant and equipment items - Valcorp Australia Pty Ltd, Mr A J Lucas, MBA, BAppSc(Val), DipAcc, AAPI
- 1 July 2009, valuation of building ruins on national park lands - Valcorp Australia Pty Ltd, Mr A J Lucas, MBA, BAppSc(Val), DipAcc, AAPI, ASA and Mr F Taormina, BAppSc(Val), AAPI
- 1 July 2010, valuation of Mutton Cove levee bank, lands and aviary - Valcorp Australia Pty Ltd, Mr A J Lucas, MBA, BAppSc(Val), DipAcc, AAPI, ASA and 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 surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, 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 surplus to the extent of the credit balance existing in revaluation surplus for that asset class.

(r) Impairment

All non-current tangible and intangible 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 respective asset revaluation surplus.

(s) 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 is not depreciated.

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

Class of asset	*Useful life (years)*
Buildings and improvements	5-70
Computing equipment	3-5
Furniture and fittings	5-20
Vehicles	3-40
Park infrastructure	4-60
Plant and equipment	3-25
Roads, tracks and trails	4-60
Other	3-60
Intangible assets:	
Computer software (externally acquired)	3
Computer software (internally generated)	3-10
War services leases	45

(t) 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. DENR 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 $10 000.

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

(u) Payables

Payables include creditors, accrued expenses, GST payable 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 DENR.

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.

Employee benefit on-costs include superannuation contributions, WorkCover levies and payroll tax in respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

DENR 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 reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

(v) 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

Salaries and wages for the pay period ending 1 July 2011 were prepaid on 30 June 2011 (refer note 20). The liability for salaries and wages as at 30 June 2010 was measured as the amount 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 annual leave is 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 five years of service. An actuarial assessment of long service leave undertaken by DTF 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 DENR’s experience of employee retention and leave taken.

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

Provisions
Provisions are recognised when DENR 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 DENR 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 Statement of Comprehensive Income 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 reporting 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.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2011 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of the ongoing payments to employees as required under current legislation.

DENR is responsible for the payment of workers compensation claims.

(w) Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

DENR has entered into one or more operating leases.

Operating leases
Operating lease payments are recognised as an expense in the Statement of Comprehensive Income 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
All incentives for the agreement of a new or renewed operating lease 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 benefit of lease incentives received by DENR in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

(x) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating lease, capital and remuneration commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, 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. New and revised accounting standards and policies
In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, DENR has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required DENR to disclose all employees whose normal remuneration was equal to or greater than $100 000. This change is reflected in note 5.

In 2010-11, DENR has changed its asset recognition threshold from $5000 to $10 000 in accordance with guidance detailed in APS 2.15 of APF III. As a result, items with a purchase cost of less than $10 000 have been fully expensed upon acquisition. The impact of this change on retained earnings is disclosed in note 28.

3. New and revised accounting standards and policies (continued)

Except for AASB 2009-12, which DENR has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by DENR for the period ending 30 June 2011. DENR 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 statements of the Department.

4. Activities of the Department

In achieving its objectives, DENR provides a range of services classified into the following activities:

Activity 1: Natural Resource Stewardship

Aims to conserve natural systems and ensure the sustainable use of natural resources. It includes policy development, land-use decision making and delivery of the government's environmental and natural resources management agenda across the state.

Activity 2: Agency Leadership and Support

Provides strategic direction and positioning of DENR, the development of organisational capability, evaluation and reporting of its performance and the provision of a range of business support services.

Activity 3: Botanic Gardens

Manages the natural and cultural resources of the Botanic Gardens and State Herbarium to advance plant appreciation, knowledge and conservation through our natural and cultural collections and programs.

The disaggregated disclosures schedules of expenses and income present information regarding DENR's activities for the years ended 30 June 2011 and 30 June 2010.

Following the transfer of the NRM Group and State Flora to DENR on 1 July 2010, DENR revised its program structure. Given the additional functions transferred during the year, it is impracticable to present comparative figures for the disaggregated disclosures using the new 2010-11 program structure. Therefore comparative figures for the disaggregated disclosures are presented in accordance with the 2009-10 program structure.

AASB 1052 requires government departments to disclose the assets deployed and liabilities incurred that are reliably attributable to each of their activities. DENR cannot currently reliably attribute assets and liabilities across activities. Hence this additional disclosure has not been made.

5. Employee benefits

	2011	2010
	$'000	$'000
Salaries and wages	70 306	61 595
Annual leave	6 603	5 430
Long service leave	2 318	2 708
Employment on-costs - superannuation	8 172	6 857
Employment on-costs - other	5 229	4 530
TVSPs	4 275	8 288
Board and committee fees	176	84
Other employment related expenses	2 482	2 909
Total employee benefits	99 561	92 401

TVSPs

Amount paid to these employees:		
TVSPs	4 275	8 288
Annual leave and long service leave paid during the reporting period	1 518	2 805
	5 793	11 093
Recovery from DTF	(3 445)	(7 146)
Net cost to the Department	2 348	3 947

The number of employees who received a TVSP during the reporting period was 44 (81).

Employee remuneration

The table below includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $8.135 million ($6.29 million).

Employee remuneration (continued)	2011	2010
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$127 500 - $130 699*	-	3
$130 700 - $140 699	9	5
$140 700 - $150 699	4	7
$150 700 - $160 699	4	1
$160 700 - $170 699	4	1
$170 700 - $180 699	1	2
$180 700 - $190 699	3	1
$190 700 - $200 699	-	3
$200 700 - $210 699	3	1
$210 700 - $220 699	1	1
$220 700 - $230 699	-	1
$230 700 - $240 699	2	-
$240 700 - $250 699**	-	1
$250 700 - $260 699**	1	1
$260 700 - $270 699**	-	1
$280 700 - $290 699**	1	-
$290 700 - $300 699**	1	-
$300 700 - $310 699**	-	1
$310 700 - $320 699**	1	-
$330 700 - $340 699	1	1
$340 700 - $350 699**	1	1
$350 700 - $360 699**	1	1
$380 700 - $390 699	1	-
$430 700 - $440 699**	1	-
Total	40	33

* This remuneration band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2009-10.

** This remuneration band includes an employee who received a TVSP payment.

The table includes TVSPs paid where the employee's normal remuneration exceeds the executive base level threshold. Six employees (six employees) in the table received a TVSP.

Accounting policy change

In accordance with the revised APF II, DENR has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than $100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 113 (62).

6. Supplies and services

	2011	2010
	$'000	$'000
Accommodation and property management	10 465	9 066
Consultants	169	93
Contractors	4 306	4 196
Cost of goods sold	1 010	766
Auditors remuneration	256	264
Fee for service	35 609	21 888
General administration	7 739	6 292
Heritage advisers	441	472
Information technology and communication expenses	6 732	6 082
Minor works, maintenance and equipment	4 708	4 092
Monitoring fees	242	214
Sand replenishment	637	1 387
Scientific and technical services	861	618
Transportation	317	281
Travel and accommodation	1 563	1 342
Vehicle and aircraft	5 522	4 943
Other	3 159	2 259
Total supplies and services	83 736	64 255

Consultants

The number and dollar amount of consultancies paid/payable (included in supplies and services expense shown above) fell within the following bands:	2011 Number	2011 $'000	2010 Number	2010 $'000
Below $10 000	5	32	8	38
Between $10 000 and $50 000	6	137	4	55
Total paid/payable to the consultants engaged	11	169	12	93

Auditor's remuneration

Auditor's remuneration (included in supplies and services expense) represents amounts paid/payable to the Auditor-General's Department for audit services.

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

	2011 $'000	2010 $'000
Audit fees paid/payable to the Auditor-General's Department	256	264
Total external auditor's remuneration	256	264

Supplies and services provided to entities within the SA Government

Accommodation and property management	4 908	5 065
Auditors remuneration	256	264
Fee for service	7 339	6 285
General administration	3 809	2 125
Information technology and communication expenses	223	-
Scientific and technical services	222	-
Total supplies and services provided by entities within the SA Government	16 757	13 739

7. Grants and subsidies

Community organisations and associations	4 030	2 552
Grant refunds - entities within the SA Government	231	3
Individuals - heritage, fencing and other agreements	178	169
Local Government	408	607
Entities within the SA Government	6 942	586
Universities	612	297
Other	19	-
Total grants and subsidies	12 420	4 214

Grants and subsidies paid/payable to entities within the SA Government

Grant refunds:		
Entities within the SA Government	231	3
State Government	6 942	586
Total grants and subsidies paid/payable to entities within the SA Government	7 173	589

8. Depreciation and amortisation

Depreciation:		
Buildings and improvements	3 134	3 167
Computing equipment	420	591
Furniture and fittings	468	448
Vehicles	559	791
Park infrastructure	5 656	5 770
Roads, tracks and trails	6 122	5 957
Plant and equipment	371	353
Other	18	29
Total depreciation	16 748	17 106
Amortisation:		
Application software - internally generated	385	385
Application software - externally purchased	8	9
Other - war services leases	22	22
Total amortisation	415	416
Total depreciation and amortisation	17 163	17 522

Revision of accounting estimates

During the year, DENR reassessed the useful lives of property, plant and equipment assets, resulting in an increase in the estimated useful life of certain assets. This has resulted in a decrease of $403 000 in the amount of depreciation calculated on these assets in 2010-11 compared to the amount that would have been expensed based on previous estimates of useful lives. The lower depreciation expense will also be reflected in future years.

Change in accounting policy

In 2010-11, DENR changed its asset capitalisation threshold from $5000 to $10 000. This has resulted in a decrease of $471 000 in annual depreciation.

9. Net loss from disposal of non-current assets

	2011 $'000	2010 $'000
Buildings:		
Proceeds from disposal	-	6
Net book value of assets disposed	(338)	(449)
Net gain (loss) from disposal	(338)	(443)
Park infrastructure:		
Proceeds from disposal	-	-
Net book value of assets disposed	(865)	(1 691)
Net gain (loss) from disposal	(865)	(1 691)
Roads, tracks and trails:		
Proceeds from disposal	-	-
Net book value of assets disposed	(1 337)	(1 256)
Net gain (loss) from disposal	(1 337)	(1 256)
Vehicles:		
Proceeds from disposal	6	8
Net book value of assets disposed	(15)	(57)
Net gain (loss) from disposal	(9)	(49)
Computing equipment:		
Proceeds from disposal	-	11
Net book value of assets disposed	-	-
Net gain (loss) from disposal	-	11
Furniture and fittings:		
Proceeds from disposal	-	2
Net book value of assets disposed	(9)	(82)
Net gain (loss) from disposal	(9)	(80)
Plant and equipment:		
Proceeds from disposal	-	-
Net book value of assets disposed	(248)	(116)
Net gain (loss) from disposal	(248)	(116)
Total assets:		
Total proceeds from disposal	6	27
Total value of assets disposed	(2 812)	(3 651)
Total net gain (loss) from disposal	(2 806)	(3 624)

Assets transferred free of charge

These figures include the following assets transferred to the Board of the Botanic Gardens and State Herbarium free of charge. These assets primarily relate to the upgrade of Plane Tree Drive infrastructure ($1.944 million).

	2011 $'000	2010 $'000
Park infrastructure	743	1 639
Roads, tracks and trails	1 306	1 241
Vehicles	-	44
Furniture and fittings	11	-
Plant and equipment	227	157
Total assets transferred free of charge	2 287	3 081

10. Other expenses

	2011 $'000	2010 $'000
Bad and doubtful debts	(16)	(27)
Capital project costs not capitalised	871	859
Inventory revaluation decrement	594	-
Other	-	195
Total other expenses	1 449	1 027

Other expenses paid/payable to entities within the SA Government

	2011 $'000	2010 $'000
Capital project costs not capitalised	871	859
Total other expenses paid/payable to entities within the SA Government	871	859

11. Revenues from fees and charges

	2011 $'000	2010 $'000
Admissions and guided tours	6 392	5 925
Fees, levies and licences	779	739
Property rental and related income	5 024	3 538
Other property related income	133	177
Sale of goods	3 803	1 899
Sale of professional services	2 693	1 330
Sale of support services	2 047	3 287
Sale of spatial information	842	828
Sale of freehold titles	149	73
Total revenues from fees and charges	21 862	17 796

Fees and charges received/receivable from entities within the SA Government

	2011 $'000	2010 $'000
Sale of professional services	863	-
Sale of support services	-	387
Sale of spatial information	200	200
Total fees and charges received/receivable from entities within the SA Government	1 063	587

12. Grants and contributions

	2011 $'000	2010 $'000
Commonwealth Government	8 076	5 522
Grants received from administered entities	2 107	1 439
Grants received from other entities within the SA Government	23 092	19 641
Private industry and local government	1 288	800
Total grants and contributions	34 563	27 402

Grants and contributions received/receivable from entities within the SA Government

	2011 $'000	2010 $'000
Administered entities	2 107	1 439
Other entities within the SA Government	23 092	19 641
Total grants and contributions received/receivable from entities within the SA Government	25 199	21 080

Contributions with conditions of expenditure

Contributions which have conditions of expenditure still to be met as at reporting date total $6.573 million ($6.314 million).

DENR is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to DENR on the premise that these funds are expended in a manner consistent with the terms of the agreement. At reporting date these contributions relate to:

	2011 $'000	2010 $'000
Resource conservation and management	6 573	6 314
Total contributions with conditions of expenditure	6 573	6 314

Conditions attached to these contributions include the completion of program milestones, project acquittal and other project specific requirements.

13. Interest revenue

	2011 $'000	2010 $'000
Interest on deposit accounts from entities within the SA Government	231	154
Interest on deposit accounts from entities external to the SA Government	7	6
Total interest revenue	238	160

14. Resources received free of charge

	2011 $'000	2010 $'000
Land and improvements	147	-
Total resources received free of charge	147	-

During the year, the Department for Families and Communities (Housing SA) transferred two transportation houses located on the Witjira National Park reserve to DENR at no cost.

15. Other income

	2011	2010
Insurance recoveries	211	808
Salaries and wages recoveries	1 024	904
Sponsorships, donations, commissions and bequests	89	30
Other sundry revenue	252	319
Total other income	1 576	2 061

Insurance recoveries consist of monies received as a result of claims lodged with SAICORP. Insurance claims are recognised as income when a claim has been lodged with SAICORP.

Other income received/receivable from entities within the SA Government

	2011	2010
Insurance recoveries	211	808
Salaries and wages recoveries	817	312
Total other income received/receivable from entities within the SA Government	1028	1 120

16. Revenues from SA Government

	2011	2010
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	144 763	120 564
Appropriation from contingency funds	3 792	8 165
Total revenues from SA Government	148 555	128 729

Total revenues from government consist of $129.105 million ($105.137 million) for operational funding and $15.658 million ($15.427 million) for capital projects. There was no material variance between the amount appropriated and the expenditure associated with this appropriation.

17. Cash and cash equivalents

	2011 $'000	2010 $'000
Deposits with the Treasurer	94 923	102 479
Cash on hand/imprest accounts	193	160
Total cash and cash equivalents	95 116	102 639

Deposits with the Treasurer

This includes $77.491 million ($90.42 million) held within the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use and can only be used in accordance with the Treasurer's or Under Treasurer's approval.

Other short-term deposits

These are funds held on an at call basis with various commercial banking entities, and result from banking deposits in regional locations. Funds are only held in these accounts pending imminent transfer to DENR's normal banking arrangements with Treasury.

Interest rate risk

Cash deposits are recognised at their nominal amounts and interest is credited to revenue as it accrues. DENR invests surplus funds with the Treasurer. Interest is earned on the average monthly balance of the Wildlife Conservation Fund, General Reserves Trust account and SA Lower Lakes Bioremediation and Revegetation (CLLMM) account. Interest is paid quarterly at DTF's 90 day average overnight cash interest rate. All other deposits with the Treasurer do not earn interest.

18. Receivables

	2011 $'000	2010 $'000
Current:		
Receivables	11 179	3 767
Allowance for doubtful debts	(75)	(90)
	11 104	3 677
Accrued revenues	14	22
GST input tax recoverable	3 596	2 079
Workers compensation recoveries	12	12
Total current receivables	14 726	5 790

Receivables from entities within the SA Government	2011	2010
Current:	$'000	$'000
Receivables	3 084	2 329
Accrued revenues	14	22
Total current receivables from entities within the SA Government	3 098	2 351
Non-current:		
Workers compensation recoveries	41	42
Total non-current receivables	41	42

Movements in the allowance for doubtful debts (impairment loss)

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired. An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2011	2010
	$'000	$'000
Carrying amount at 1 July	90	119
Amounts written off	-	(2)
Increase (Decrease) in the allowance	(15)	(27)
Carrying amount at 30 June	75	90

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 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

	2011	2010
Inventories held for distribution at no nominal amount:	$'000	$'000
Inventories held for distribution - at cost	413	375
Other inventories - at cost	-	20
Total inventories held for distribution at no or nominal amount	413	395
Inventories:		
Finished goods held for resale - at cost	1 154	807
Total held for resale at cost	1 154	807
Total inventories	1 567	1 202

20. Other assets

Current:		
Prepaid supplies and services	547	861
Prepaid employee benefits	346	-
Other	2	-
Total current other assets	895	861

21. Other financial assets

Non-current:		
Equity in listed entities	3	3
Total non-current other financial assets	3	3

22. Property, plant and equipment

Land:		
Independent valuation[(i)]	175 233	171 557
At cost[(ii)]	7 349	5 832
Total land	182 582	177 389
Buildings and improvements:		
Independent valuation[(i)]	125 051	128 547
At cost[(ii)]	6 796	1 721
Accumulated depreciation	(81 186)	(81 320)
Total buildings and improvements	50 661	48 948

22. **Property, plant and equipment (continued)**	2011	2010
Park infrastructure:	$'000	$'000
Independent valuation(i)	160 097	158 355
At cost(ii)	18 027	10 188
Accumulated depreciation	(142 850)	(132 646)
Total park infrastructure	35 274	35 897
Road, tracks and trails:		
Independent valuation(i)	162 506	161 604
At cost(ii)	8 344	5 989
Accumulated depreciation	(147 605)	(144 641)
Total road, tracks and trails	23 245	22 952
Capital works in progress	10 852	9 676
Total capital works in progress	10 852	9 676
Vehicles:		
At cost (deemed fair value)(iii)	10 816	9 726
Accumulated depreciation	(7 228)	(6 513)
Total vehicles	3 588	3 213
Computing equipment:		
At cost (deemed fair value)(iii)	3 241	2 870
Accumulated depreciation	(2 225)	(2 048)
Total computing equipment	1 016	822
Furniture and fittings:		
At cost (deemed fair value)(iii)	6 350	6 231
Accumulated depreciation	(3 448)	(2 980)
Total furniture and fittings	2 902	3 251
Plant and equipment:		
At cost (deemed fair value)(iii)	5 176	5 097
Accumulated depreciation	(3 675)	(3 458)
Total plant and equipment	1 501	1 639
Other:		
At cost (deemed fair value)(iii)	1 867	1 874
Accumulated depreciation	(576)	(565)
Total other	1 291	1 309
Total property, plant and equipment	312 912	305 096

Carrying amounts of property, plant and equipment

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

(i) Independent valuation: Generic assets are valued using the data dictionary model. Unique assets are items which can not be categorised within the standard data dictionary groups. These assets are valued separately by independent professional valuers. Refer note 2(q) for further details.

(ii) At cost (acquisition cost): This class includes one or more items that have an acquisition cost exceeding $1 million. All assets within this class are temporarily held at cost pending revaluation that occurs no later than three years from acquisition date.

(iii) At cost (deemed fair value): These assets have an acquisition cost below $1 million and are deemed held at fair value pursuant to APF III.

Movement reconciliation of property, plant and equipment

2011	Land $'000	Buildings $'000	Park infra-structure $'000	Roads, tracks and trails $'000	Vehicles $'000	Computing equipment $'000
Carrying amount at 1 July	177 389	48 948	35 897	22 952	3 213	822
Opening balance adjustments - machinery of government assets	1 196	620	16	-	66	-
Additions	1 220	(22)	30	-	733	614
Transfers to (from) capital works in progress	-	3 412	2 498	3 617	-	-
Depreciation expense	-	(3 134)	(5 656)	(6 122)	(559)	(420)
Net revaluation increment (decrement)	2 393	-	48	-	-	-
Assets received for nil consideration	-	147	-	-	-	-
Asset - first time recognition	384	84	2 139	1 682	162	-
Disposals	-	(338)	(122)	(31)	(15)	-
Disposals - transfers for nil consideration	-	-	(743)	(1 306)	-	-
ARAMIS revisions upwards (downwards)	-	944	1 167	2 453	(12)	-
Capital works in progress - expensed in current period	-	-	-	-	-	-
Carrying amount at 30 June	182 582	50 661	35 274	23 245	3 588	1 016

	Furniture and fittings $'000	Plant and equipment $'000	Other $'000	Capital works in progress $'000	2011 Total $'000
Carrying amount at 1 July	3 251	1 639	1 309	9 676	305 096
Opening balance adjustments - machinery of government assets	1	41	-	-	1 940
Additions	-	235	-	11 904	14 714
Transfers to (from) capital works in progress	129	201	-	(9 857)	-
Depreciation expense	(468)	(371)	(18)	-	(16 748)
Net revaluation increment (decrement)	-	-	-	-	2 441
Assets received for nil consideration	-	-	-	-	147
Asset - first time recognition	-	17	-	-	4 468
Disposals	2	(21)	-	-	(525)
Disposals - transfers for nil consideration	(11)	(227)	-	-	(2 287)
ARAMIS revisions upwards (downwards)	(2)	(13)	-	-	4 537
Capital works in progress - expensed in current period	-	-	-	(871)	(871)
Carrying amount at 30 June	2 902	1 501	1 291	10 852	312 912

2010	Land $'000	Buildings $'000	Park infra-structure $'000	Roads, tracks and trails $'000	Vehicles $'000	Computing equipment $'000
Carrying amount at 1 July	174 808	50 724	35 150	23 703	3 448	1 101
Transfers between classes	-	118	52	(341)	114	-
Additions	1 748	31	10	2	514	311
Transfers to (from) capital works in progress	-	404	6 767	4 867	-	-
Depreciation expense	-	(3 167)	(5 770)	(5 957)	(791)	(591)
Net revaluation increment (decrement)	40	114	(224)	(47)	-	-
Asset - first time recognition	793	432	1 126	568	5	1
Disposals	-	(449)	(52)	(15)	(13)	-
Disposals - transfers for nil consideration	-	-	(1 639)	(1 241)	(44)	-
ARAMIS revisions upwards (downwards)	-	741	477	1 413	(20)	-
Capital works in progress - expensed in current period	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-
Carrying amount at 30 June	177 389	48 948	35 897	22 952	3 213	822

Movement reconciliation of property, plant and equipment (continued)

	Furniture and fittings $'000	Plant and equipment $'000	Other $'000	Capital works in progress $'000	2010 Total $'000
Carrying amount at 1 July	3 090	1 956	1 334	10 186	305 500
Transfers between classes	-	(109)	166	-	-
Additions	-	179	-	13 316	16 111
Transfers to (from) capital works in progress	691	238	-	(12 967)	-
Depreciation expense	(448)	(353)	(29)	-	(17 106)
Net revaluation increment (decrement)	-	-	(162)	-	(279)
Asset - first time recognition	-	69	-	-	2 994
Disposals	(82)	(4)	-	-	(615)
Disposals - transfers for nil consideration	-	(112)	-	-	(3 036)
ARAMIS revisions upwards (downwards)	-	(30)	-	-	2 581
Capital works in progress - expensed in current period	-	-	-	(859)	(859)
Other adjustments	-	(195)	-	-	(195)
Carrying amount at 30 June	3 251	1 639	1 309	9 676	305 096

23. Intangible assets

	2011 $'000	2010 $'000
Computer software - internally generated:		
Computer software - at cost (deemed fair value)	3 189	3 189
Accumulated amortisation	(2 137)	(1 752)
Total computer software	1 052	1 437
Computer software - externally generated:		
Computer software - at cost (deemed fair value)	95	96
Accumulated amortisation	(87)	(79)
Total computer software	8	17
Other:		
Revenue stream (war services freehold leases) - at cost (deemed fair value)	1 000	1 000
Accumulated amortisation	(119)	(97)
Total other	881	903
Total intangible assets	1 941	2 357

Computer software

Internally developed computer software includes the Department's Crown lands system ($289 000), ARAMIS Solution software ($724 000) and topographical database ($39 000). Externally acquired computer software relates to ARCGIS software ($8000).

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 DENR was negotiated during the 2005-06 year, and is being amortised in accordance with the expected life of the revenue stream.

Intangible asset movement reconciliation schedule

	Computer software (internal) $'000	Computer software (external) $'000	Revenue stream $'000	Total $'000
2011				
Carrying amount at 1 July	1 437	17	903	2 357
Transfers between classes	-	(1)	-	(1)
Amortisation	(385)	(8)	(22)	(415)
Carrying amount at 30 June	1 052	8	881	1 941
2010				
Carrying amount at 1 July	1 822	-	925	2 747
Additions - acquisitions	-	26	-	26
Amortisation	(385)	(9)	(22)	(416)
Carrying amount at 30 June	1 437	17	903	2 357

24. Payables

	2011	2010
Current:	$'000	$'000
Accrued expenses	737	512
Creditors	22 040	16 170
Employee benefit on-costs	1 519	1 297
Total current payables	24 296	17 979

Current payables to entities within the SA Government

Accrued expenses	255	244
Creditors	4 026	3 845
Employee benefit on-costs	1 519	1 297
Total current payables to entities within the SA Government	5 800	5 386

Non-current payables:		
Employee benefit on-costs	1 707	1 650
Total non-current payables	1 707	1 650

Non-current payables to entities within the SA Government

Employee benefit on-costs	1 707	1 650
Total non-current payables to entities within the SA Government	1 707	1 650

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of long service leave taken as leave has changed from the 2010 rate of 45 percent to 35 percent and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2010 rate 10.5 percent to 10.3 percent. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of $246 000 and employee benefit expense of $246 000.

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.

25. Employee benefits

	2011	2010
Current:	$'000	$'000
Accrued salaries and wages	11	2 261
Annual leave	6 003	5 038
Short-term long service leave	708	1 089
Total current employee benefits	6 722	8 388

Non-current:		
Long service leave	17 930	14 893
Total non-current employee benefits	17 930	14 893

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2011 is $30.94 million ($26.228 million).

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2010 benchmark of 5.5 years to five years.

The net financial effect of the changes in the current financial year is an increase in the long service leave liability of $241 000 and employee benefit expense of $241 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term rate is experiencing significant movement.

26. Provisions

	2011	2010
Current:	$'000	$'000
Provision for workers compensation	404	354
Total current provisions	404	354

Non-current:		
Provision for workers compensation	1 371	1 167
Total non-current provisions	1 371	1 167

26. Provisions (continued)

Provision movement:	2011 $'000	2010 $'000
Carrying amount at 1 July	1 521	1 362
Additional provisions recognised	254	424
Reductions arising from payments	-	(265)
Carrying amount at 30 June	1 775	1 521

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 Relations Division of DPC.

27. Other liabilities

Current:	2011 $'000	2010 $'000
Lease incentive	314	326
Unearned revenue	206	164
Other	163	344
Total current other liabilities	683	834
Current other liabilities payable to entities within the SA Government		
Unearned revenue	116	42
Total current other liabilities payable to entities within the SA Government	116	42
Non-current:		
Lease incentive	872	1 173
Unearned revenue	17	47
Total non-current other liabilities	889	1 220
Non-current other liabilities payable to entities within the SA Government		
Unearned revenue	17	47
Total non-current other liabilities payable to entities within the SA Government	17	47

28. Equity

Equity represents the residual interest in the net assets of DENR. The State Government holds the equity interest in DENR on behalf of the community. The asset revaluation surplus is used to record increments and decrements in the fair value of property, plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

2011	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 1 July	184 751	186 754	371 505
Adjustments - first time recognition of assets: (i)			
Land	-	384	384
Buildings and improvements	-	84	84
Park infrastructure	-	2 139	2 139
Road, tracks and trails	-	1 682	1 682
Vehicles	-	162	162
Plant and equipment	-	17	17
First time recognition of assets	-	4 468	4 468
Asset adjustments - ARAMIS revisions: (ii)			
Buildings and improvements	-	944	944
Park infrastructure	-	1 167	1 167
Road, tracks and trails	-	2 453	2 453
Vehicles	-	(12)	(12)
Furniture and fittings	-	(2)	(2)
Plant and equipment	-	(13)	(13)
Asset adjustments - ARAMIS revisions	-	4 537	4 537
Adjustments - error corrections:			
Furniture and fittings - (asset revaluation surplus) adjustment	(39)	39	-
Computing equipment - (asset revaluation surplus) adjustment	(42)	42	-
Error corrections	(81)	81	-
Net result for the 2010-11 year	-	(10 194)	(10 194)

28. Equity (continued)

2011	Asset revaluation surplus $’000	Retained earnings $’000	Total $’000
Net assets received from and administrative restructure	-	442	442
Net increment (decrement) related to revaluations: (iii)			
Land	2 393	-	2 393
Park infrastructure	48	-	48
Net increment (decrement) related to revaluations	2 441	-	2 441
Balance at 30 June	187 111	186 088	373 199

(i) First-time recognition of assets

Stocktakes and physical inspections of fixed assets located in parks and reserves during the year identified a number of pre-existing assets that were not recognised, in error, in prior reporting periods. These assets have been recognised for the first time in 2010-11.

(ii) ARAMIS revisions

ARAMIS revisions are changes to an asset’s description, grade/composition, condition or size/quantity on the data dictionary system identified through regular infrastructure stocktakes and park re-surveys.

(iii) Net increments (decrements) related to revaluations

During the year DENR revalued items of property, plant and equipment due for revaluation in accordance with its three year revaluation cycle. The valuations were obtained from Valcorp, Certified Practising Valuers and primarily related to the Mutton Cove Levee Bank and other unique land assets.

2010	Asset revaluation surplus $’000	Retained earnings $’000	Total $’000
Balance at 1 July	185 656	190 502	376 158
Adjustments - error correction previously recognised:			
Adjustments - first-time recognition of assets: (i)			
Land	-	793	793
Buildings and improvements	-	432	432
Park infrastructure	-	1 258	1 258
Road, tracks and trails	-	568	568
Vehicles	-	5	5
Computing equipment	-	1	1
Plant and equipment	-	112	112
First-time recognition of assets	-	3 169	3 169
Asset adjustments - ARAMIS revisions: (ii)			
Buildings and improvements	-	741	741
Park infrastructure	-	477	477
Road, tracks and trails	-	1 413	1 413
Vehicles	-	(20)	(20)
Plant and equipment	-	(30)	(30)
ARAMIS revisions	-	2 581	2 581
Adjustments previously recognised	-	5 750	5 750
Adjusted balance 1 July	185 656	196 252	381 908
Adjustments - this reporting period:			
Asset capitalisation threshold change(iii)			
Buildings and improvements	-	(311)	(311)
Park infrastructure	-	(1 893)	(1 893)
Roads, tracks and trails	-	(15)	(15)
Vehicles	-	(236)	(236)
Computing equipment	-	(108)	(108)
Furniture and fittings	-	(60)	(60)
Plant and equipment	-	(612)	(612)
Asset capitalisation threshold change	-	(3 235)	(3 235)

28. Equity (continued)

2010 Adjustments to reflect vehicles, plant and equipment and other asset classes at cost: (iv)	Asset revaluation surplus $’000	Retained earnings $’000	Total $’000
Vehicles	(481)	416	(65)
Plant and equipment	-	168	168
Other	(145)	48	(97)
Adjustments to reflect asset classes at cost:	(626)	632	6
Adjustments this reporting period	(626)	(2 603)	(3 229)
Restated balance 1 July	185 030	193 649	378 679
Net result for the 2009-10 year:			
Result prior year financial statements	-	(7 382)	(7 382)
Asset capitalisation threshold change: (iii)			
Depreciation	-	591	591
Net gain (loss) from disposal of non-current assets	-	45	45
Supplies and services - minor works, maintenance and equipment	-	(149)	(149)
Net result for the financial year	-	(6 895)	(6 895)
Net increment (decrement) related to revaluations: (v)			
Land	40	-	40
Buildings and improvements	114	-	114
Park infrastructure	(224)	-	(224)
Road, tracks and trails	(47)	-	(47)
Other	(162)	-	(162)
Net increment (decrement) related to revaluations	(279)	-	(279)
Balance at 30 June	184 751	186 754	371 505

(i) *First-time recognition of assets*
Stocktakes and physical inspections of fixed assets located in parks and reserves during 2009-10 identified a number of pre-existing assets that were not recognised, in error, in prior reporting periods.

(ii) *ARAMIS revisions*
ARAMIS revisions are changes to an asset’s description, grade/composition, condition or size/quantity on the data dictionary system identified through regular infrastructure stocktakes and park re-surveys.

(iii) *Asset capitalisation threshold change*
In 2010-11, DENR changed its asset recognition threshold from $5000 to $10 000 in accordance with guidance detailed in APS 2.15 of APF III. As a result, items with a purchase cost of less than $10 000 have been fully expensed upon acquisition.

(iv) *Adjustments to reflect vehicles, plant and equipment and other asset classes at cost*
The vehicles, plant and equipment and other asset classes were independently revalued in prior years. However the fair value at the time of acquisition for all assets in these classes does not exceed $1 million. Hence, in order to comply with guidance detailed in APS 3.3 of APF III, assets in these classes have been deemed to have been revalued to their fair values immediately following recognition at cost.

(v) *Net increments (decrements) related to revaluations*
During the year the Department revalued items of property, plant and equipment due for revaluation in accordance with its three year revaluation cycle. The valuations were obtained from Valcorp, Certified Practising Valuers and primarily related to building ruins on National Park lands.

29. Cash flow reconciliation

Reconciliation of cash and cash equivalents:	2011 $’000	2010 $’000
Cash and cash equivalents at 30 June as per:		
Statement of Financial Position	95 116	102 639
Statement of Cash Flows	95 116	102 639

29. Cash flow reconciliation (continued)

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services	2011 $'000	2010 $'000
Net cash provided by (used in) operating activities	8 304	16 493
Revenues from SA Government	(148 555)	(128 729)
Non-cash items:		
Depreciation and amortisation expense of non-current assets	(17 163)	(17 522)
Assets received free of charge	147	-
Capital works in progress expensed	(871)	(859)
Revaluation decrements expensed	-	(195)
Net gain (loss) from disposal of non-current assets	(2 806)	(3 624)
Movement in assets and liabilities:		
Increase (Decrease) in receivables	8 477	(3 707)
Increase (Decrease) in inventories	(908)	61
Increase (Decrease) in other assets	(169)	425
Decrease (Increase) in payables	(6 759)	1 211
Decrease (Increase) in employee benefits	1 305	765
Decrease (Increase) in provisions	(233)	(159)
Decrease (Increase) in other liabilities	482	216
Net cost of providing services	(158 749)	(135 624)

30. Unrecognised contractual commitments

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date not recognised as liabilities in the financial statements are payable as follows:		
Within one year	5 194	5 445
Later than one year but not later than five years	9 906	14 903
Later than five years	3 399	3 594
Total operating lease commitments	18 499	23 942

During the 2005-06 financial year, DENR 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 operating leases held by DENR are related to 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 DENR has the right of renewal. There are no existing or contingent rental provisions.

Capital commitments	2011	2010
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements is payable as follows:	$'000	$'000
Within one year	2 490	2 364
Total capital commitments	2 490	2 364

DENR's capital commitments include amounts associated with the Adelaide's Living Beaches pipeline ($1.679 million), Seal Bay boardwalk ($374 000), Belair infrastructure/facilities upgrade ($271 000) and Botanic Gardens aquifer storage and recovery ($166 000).

Remuneration commitments	2011	2010
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:	$'000	$'000
Within one year	4 394	3 184
Later than one year but not later than five years	6 481	4 017
Total remuneration commitments	10 875	7 201

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

31. Contingent assets and liabilities

DENR is not aware of the existence of any contingent assets and contingent liabilities.

32. Transferred functions

Transferred in

Under the Public Sector (Reorganisation of Public Sector Operations) Notice 2010, the NRM Group and State Flora were transferred from the Department for Water (formerly the Department of Water, Land and Biodiversity Conservation) to DENR (formerly the Department for Environment and Heritage). This included the transfer of 143 employees.

The effective date of the transfer was 1 July 2010.

Total income and expenses attributable to the NRM Group and State Flora were:

2011	State Flora $'000	NRM controlled $'000	NRM administered $'000	Total $'000
Expenses:				
Employee benefits expenses	1 483	3 153	-	4 636
Supplies and services	982	2 925	170	4 077
Grants and subsidies	-	8 337	42 304	50 641
Depreciation	68	-	-	68
Other expenses	594	-	-	594
Total expenses	3 127	14 415	42 474	60 016
Income:				
Revenues from fees and charges	1 906	247	1 415	3 568
Grants and contributions	-	138	26 791	26 929
Interest revenue	-	-	910	910
Other income	-	51	-	51
Total income	1 906	436	29 116	31 458
Net cost of providing services	1 221	13 979	13 358	28 558
Revenues from SA Government	-	-	7 774	7 774
Total revenues from SA Government	-	-	7 774	7 774
Net result	(1 221)	(13 979)	(5 584)	(20 784)

On transfer of the NRM Group and State Flora, DENR recognised the following assets and liabilities:

Assets:	NRM Alliance* $'000	State Flora $'000	NRM controlled $'000	NRM administered $'000	Total $'000
Cash	203	(388)	8	18 658	18 481
Receivables	-	386	72	395	853
Inventories	-	1 273	-	-	1 273
Property, plant and equipment	-	1 654	286	32 938	34 878
Total assets	203	2 925	366	51 991	55 485
Liabilities:					
Payables	-	69	287	824	1 180
Employee benefits	-	356	2 319	-	2 675
Provisions	-	21	-	-	21
Total liabilities	-	446	2 606	824	3 876
Total net assets transferred	203	2 479	(2 240)	51 167	51 609

Net assets assumed by DENR as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to the transfer. The net assets transferred were treated as a contribution by the Government as owner.

* Cash includes $203 000 of unspent funds previously held under the NRM Alliance agreement. It was agreed by the NRM Alliance Board that a new agreement would be reached with the establishment of the NRM Research and Innovation Network to replace the NRM Research Alliance. It was further agreed that the unspent funds should be applied to the new Network.

33. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2010-11 financial year were:

South Australian National Parks and Wildlife Council

Carr P F
Fleming A I (term ended 08/04/11)
McIntosh W R
Miller S (appointed 07/10/10)#
Mills R J
Podaliak J (appointed 23/06/11)*
Russel V J

South Australian Heritage Council

Brine J M C
Carr J M#
Donaldson R T
Garnaut C M
Leydon G J
O'Connell M B
Staniforth M
Wigg C A

South Australian Heritage Council Register Committee

Bell P G
Brine J M C
Burke H D
Klenke A T
Marsden S E
McDougall K (term ended 16/02/11)
Queale M W
Savva M
Wigg C A

Witjira National Park Board of Management

Ah Chee A
Ah Chee M R
Halliday L#
Magor A B#
Naismith T L#
Naylon-Fuschtei V T
Tjami H

Adelaide Dolphin Sanctuary Advisory Board

Andrews D J
Bossley M I
Cugley J A
Ditter S L S
Gibbs S E
Higgins-Desbiolles B F
Holt P R
Kavina C B
Watts T J (term ended 29/03/11)

Kangaroo Management Reference Group

Ackland T M
Borda R
Dodd C
Gyss A J
Lawrie S (resigned 29/4/11)
Lester K
Lewis A G
Lindner J D
McBride M P
Mould J
Pfitzner D B
Starick S
Tansell G*
Vickery F J
Warwick R M

ALB Steering Group

Foreman G
Iasiello W N
Roberts I N

Coorong and Lower Lakes RAMSAR Taskforce *(Coorong Taskforce wound up 30/06/10)*

Ball V M (term ended 30/06/10)
Frears A P (term ended 30/06/10)#
Geddes M C (term ended 30/06/10)
Hill H (term ended 30/06/10)#
Jones G E (term ended 30/06/10)
Owen R D (term ended 30/06/10)
Scobie K L (term ended 30/06/10)

Vulkathunha-Gammon Ranges National Park Cooperative Management Committee

Axford G B#
Coulthard C C
Coulthard J M
Coulthard R R
De Preu N D#
Leaman E G#
McKenzie P
Toscano M#

Animal Welfare Advisory Committee
(Committee has expired and no reappointments have yet been made)
Allery L A (term ended 12/12/10)
Carmichael I H (term ended 12/12/10)#
Hazel S J (term ended 12/12/10)*
Kidman S (term ended 12/12/10)
Lawrie S R (term ended 12/12/10)
Noonan D E (term ended 12/12/10)#
Robb G (term ended 12/12/10)
Starick W J (term ended 12/12/10)

Ngaut Ngaut Conservation Park Co-management Committee
(Committee has expired and no reappointments have yet been made)
Campbell I L (term ended 29/10/10)
Campbell I M (term ended 29/10/10)
Gitsham J (term ended 29/10/10)#
Hutchinson C (term ended 29/10/10)
Martin M S (term ended 29/10/10)#
Nussio D M (term ended 29/10/10)#

Scientific Working Group
Behergaray L*
Connell S D
Cheshire A C*
Fairweather P*
Gillanders B*
Huveneers C#
Kemper C (term ended 30/11/10)#
Kinloch M A#
Kirkman H*
Moller L*
Shepherd S A#
Vandeleur H M

Wilderness Advisory Committee
Bills C E M
Cohen B L (appointed 21/09/10)
Leaman E G#
Lesslie R G
Whalen M A

Wildlife Ethics Committee
Boardman W (resigned 28/02/11)*
Bentley J (appointed 31/10/10)#
Davis K L#
Duffy A M (term ended 30/10/10)#
Hough I J#
Hutchinson M N#
Jensen D M (term ended 30/10/10)#
Johnson L M
Kemper C (appointed 18/03/11)#
Long K I (term ended 30/10/10)#
Manning B C
McGrath K R
Peters M D
Pullen F M
Schultz D (resigned 30/10/10)*
Smith I (appointed 18/03/11)*
Taylor L U
West C D*

Marine Parks Council of SA
Cheshire A C (term ended 21/05/11)*
Coleman P S (term ended 21/05/11)
Ellis D C (appointed 01/07/10)
Grady M
Milera D N J (appointed 01/07/10, resigned 19/10/10)
Owen P - (term ended 21/05/11)
Pyke C (term ended 21/05/11)
Stovell S (term ended 21/05/11) #
Vandeleur H M (term ended 21/05/11)
Watts T J (term ended 21/05/11)

YYPA Committee Coongie Lakes National Park
Allen C R
Axford G B#
Crimes A C#
Guttie S L (term ended 14/06/11)
Linton V M#
Nicholls F M (term ended 14/06/11)
Singleton R#
Wilson D L#

Natural Resources Management Council
Ashby C D (appointed 16/06/11)
Bell W A
Cheshire A C (term ended 29/04/11)*
Colbung K P (appointed 16/06/11)
Foster B J (appointed 16/06/11)
Inglis A R (appointed 16/06/11)
Keynes J L
Leake J E (term ended 29/04/11)
Lester K J (term ended 29/04/11)
Lewis F
Milne T I (appointed 16/06/11)
Russell V (term ended 29/04/11)
Starick S R (term ended 29/04/11)
Wickes R B

Natural Resources Management Volunteer Committee

This committee is currently in recess until future direction is determined.

Keynes J L (term ended 29/04/11)
Liddle L M (term ended 30/04/11)
MacDonald H C (term ended 30/04/11)
Martin N K (term ended 30/04/11)
Mitchell D E (term ended 30/04/11)
Pedler J (term ended 30/04/11)
Todd A J (term ended 30/04/11)
Vickery F J (term ended 30/04/11)
Woolford C (term ended 30/04/11)

Natural Resources Management Council - Aboriginal Statewide Advisory Committee

This committee is currently in recess until new members are determined.

Binnell M R (term ended 29/04/11)
Chester J (term ended 29/04/11)#
Dodd C E (term ended 29/04/11)
Gollan M E (term ended 29/04/11)*
Hartman T J (term ended 29/04/11)#
Lester K J (term ended 29/04/11)
Lester R H (term ended 30/04/11)*
Liddle L M (term ended 29/04/11)
Lovegrove G (appointed 04/09/10)
Smith C L (term ended 30/04/11)
Vickery F J (term ended 29/04/11)
Wanganeen K B (term ended 29/04/11)#

Pastoral Board

Bartsch B D (term ended 04/07/10)
Iwanicki I
Linton V M#
Lillecrapp D G*
McBride M P
Paulson L P (appointed 12/08/10)
Wickes R B

Natural Resources Management Council Assessment Sub-Committee

This committee has expired as the NRM Council no longer has a requirement for advice on regional NRM plans investment strategies, processes and procedures. If regional plans need to be reviewed again then the NRM Council may reconvene the former committee or seek a new membership

Ball C D*
Crisp A*
Leake J E
Melland R L*
Russell V
Starick S R
Stokes K J*

* Denotes nil remuneration.
\# Denotes government employees.

The number of members whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
$0	58	20
$1 - $9 999	97	90
$10 000 - $19 999	1	-
$20 000 - $29 999	1	-
Total	157	110

Individuals may be members of more than one board, committee or group associated with the Department.

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees and super contributions. The total remuneration received or receivable by members was $140 000 ($86 000).

During the 2010-11 financial year, board members were paid superannuation of $6000 ($2000).

On 1 July 2010, machinery of government changes resulted in NRM functions being absorbed into DENR. Accordingly, the number of members and the total amounts for remuneration and superannuation payments have increased.

In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

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

33. Remuneration of board and committee members (continued)

For the purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct out-of-pocket expenses incurred by relevant members.

34. Events subsequent to reporting date

There are no known events after balance date that affect these financial statements in a material manner.

35. 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.

		2011		2010	
	Note	Carrying amount $’000	Fair value $’000	Carrying amount $’000	Fair value $’000
Financial assets					
Cash and cash equivalents	17	95 116	95 116	102 639	102 639
Receivables	18	14 767	14 767	5 832	5 832
Financial assets	21	3	3	3	3
Financial liabilities					
Payables	24	26 003	26 003	19 629	19 629

Fair value

DENR does not recognise any financial assets or financial liabilities at fair value (refer note 2 and notes relevant to financial assets and financial liabilities).

Credit risk

Credit risk arises when there is the possibility of DENR’s debtors defaulting on their contractual obligations resulting in financial loss to the Department. DENR measures credit risk on a fair value basis and monitors risk on a regular basis.

DENR has minimal concentration of credit risk. DENR has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. DENR 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 DENR does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 18 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, past due, including impaired assets past due:

	Past due by				
2011	Current	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
Not impaired:	$’000	$’000	$’000	$’000	$’000
Receivables	13 296	357	91	1 023	14 767
Financial assets	3	-	-	-	3
Impaired:					
Receivables	-	-	-	75	75
2010					
Not impaired:					
Receivables	4 939	478	86	329	5 832
Financial assets	3	-	-	-	3
Impaired:					
Receivables	-	-	-	90	90

Maturity analysis of financial assets and liabilities

The following table discloses the maturity analysis of financial assets and financial liabilities:

	Contractual maturity		
	Less than		Carrying
2011	1 year	1-5 years	amount
Financial assets:	$'000	$'000	$'000
Cash and cash equivalents	95 116	-	95 116
Receivables	14 726	41	14 767
Financial assets	-	3	3
Total financial assets	109 842	44	109 886
Financial liabilities:			
Payables	24 296	1 707	26 003
Total financial liabilities	24 296	1 707	26 003
2010			
Financial assets:			
Cash and cash equivalents	102 639	-	102 639
Receivables	5 790	42	5 832
Financial assets	-	3	3
Total financial assets	108 429	45	108 474
Financial liabilities:			
Payables	17 979	1 650	19 629
Total financial liabilities	17 979	1 650	19 629

Liquidity risk

Liquidity risk arises where DENR is unable to meet its financial obligations as they are due to be settled. DENR is funded principally from appropriations by the SA Government. DENR works with DTF 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. DENR 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.

DENR's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk

DENR 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 DENR as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

36. South Australian Heritage Fund

The South Australian Heritage Fund (formerly the State Heritage 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.

Statement of Comprehensive Income for the year ended 30 June 2011

	2011	2010
	$'000	$'000
Expenses:		
Supplies and services	1	-
Grants and subsidies	239	244
Total expenses	240	244
Net cost of providing services	240	244
Revenues from SA Government	250	250
Net result	10	6

Statement of Financial Position as at 30 June 2011

	2011 $'000	2010 $'000
Current assets:		
Cash	343	442
Total assets	343	442
Current liabilities:		
Payables	-	109
Total liabilities	-	109
Net assets	343	333
Equity:		
Retained earnings	343	333
Total equity	343	333

Statement of Changes in Equity for the year ended 30 June 2011

	Retained earnings $'000	Total $'000
Balance at 1 July 2009	327	327
Net result for 2009-10	6	6
Balance at 30 June 2010	333	333
Net result for 2010-11	10	10
Balance at 30 June 2011	343	343

Statement of Cash Flows for the year ended 30 June 2011

	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:		
Cash outflows:		
Supplies and services	(1)	-
Grants and subsidies payments	(348)	(164)
Cash used in operations	(349)	(164)
Cash generated from SA Government	250	250
Net cash provided by (used in) operating activities	(99)	86
Cash at 1 July	442	356
Cash at 30 June	343	442

Statement of Administered Comprehensive Income for the year ended 30 June 2011

	2011	2010
	$'000	$'000
Expenses:		
Employee benefits expenses	256	243
Board member expenses	150	169
Supplies and services	1 900	2 323
Grants and subsidies	50 557	6 442
Depreciation	2 313	2 144
Other expenses	52	(40)
Total expenses	55 228	11 281
Income:		
Revenues from fees and charges	3 546	2 110
Grants and contributions	26 910	190
Interest revenue	1 124	155
Resources received free of charge	3 347	3 036
Net gain from disposal of non-current assets	4 258	3 444
Other income	260	1 308
Total income	39 445	10 243
Net cost of providing services	15 783	1 038
Revenues from (payments to) SA Government:		
Revenues from SA Government	14 998	5 347
Payments to SA Government	(5 137)	(3 655)
Total revenues from (payments to) SA Government	9 861	1 692
Net result	(5 922)	654
Other comprehensive income:		
Changes in property, plant and equipment asset revaluation surplus	13 269	1 057
Total other comprehensive income	13 269	1 057
Total comprehensive result	7 347	1 711

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Administered Financial Position
as at 30 June 2011

	2011	2010
	$'000	$'000
Current assets:		
Cash and cash equivalents	18 137	9 207
Receivables	2 124	298
Inventories	155	207
Other current assets	3	-
Total current assets	20 419	9 712
Non-current assets:		
Receivables	4	12
Property, plant and equipment	136 067	89 092
Total non-current assets	136 071	89 104
Total assets	156 490	98 816
Current liabilities:		
Payables	1 987	789
Other current liabilities	911	2 930
Total current liabilities	2 898	3 719
Total liabilities	2 898	3 719
Net assets	153 592	95 097
Equity:		
Asset revaluation surplus	65 144	51 875
Retained earnings	88 448	43 222
Total equity	153 592	95 097

Total equity is attributable to the SA Government as owner

Statement of Administered Changes in Equity for the year ended 30 June 2011

	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2009	50 821	41 295	92 116
Asset adjustments previously recognised:			
First-time recognition of assets	-	252	252
ARAMIS revisions	-	1 395	1 395
Error corrections	(3)	3	-
Asset adjustments this reporting period:			
Asset capitalisation threshold change	-	(403)	(403)
Adjustments to reflect vehicles, plant and equipment and other asset classes at cost	-	26	26
Restated balance at 1 July 2009	50 818	42 568	93 386
Net result for 2009-10	-	654	654
Gain on revaluation of property, plant and equipment	1 057	-	1 057
Total comprehensive result for 2009-10	1 057	654	1 711
Balance at 30 June 2010	51 875	43 222	95 097
Net result for 2010-11	-	(5 922)	(5 922)
Gain on revaluation of property, plant and equipment	13 269	-	13 269
Total comprehensive result for 2010-11	13 269	(5 922)	7 347
Asset adjustments - ARAMIS revisions	-	(19)	(19)
Net assets received from administrative restructure	-	51 167	51 167
Balance at 30 June 2011	65 144	88 448	153 592

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

Statement of Administered Cash Flows
for the year ended 30 June 2011

	2011 Inflows (Outflows) $'000	2010 Inflows (Outflows) $'000
Cash flows from operating activities:		
Cash outflows:		
Employee benefit payments	(260)	(309)
Board member remuneration payments	(118)	(103)
Payments for supplies and services	(4 401)	(2 211)
Payments of grants and subsidies	(49 733)	(6 442)
Cash used in operations	(54 512)	(9 065)
Cash inflows:		
Fees and charges	3 065	2 355
Receipts from grants and contributions	25 962	190
Interest received	1 131	149
Other receipts	260	1 308
Cash generated from operations	30 418	4 002
Cash flows from SA Government:		
Receipts from SA Government	14 998	5 347
Payments to SA Government	(5 137)	(3 655)
Cash generated from SA Government	9 861	1 692
Net cash provided by (used in) operating activities	(14 233)	(3 371)
Cash flows from investing activities:		
Cash outflows:		
Purchase of property, plant and equipment	(91)	(200)
Cash provided by (used in) investing activities	(91)	(200)
Cash inflows:		
Proceeds from sale of property, plant and equipment	4 596	6 629
Cash generated from investing activities	4 596	6 629
Net cash provided by (used in) investing activities	4 505	6 429
Cash flows from financing activities:		
Cash inflows:		
Cash received from restructuring activities	18 658	-
Cash generated from finance activities	18 658	-
Net cash provided by (used in) financing activities	18 658	-
Net increase (decrease) in cash and cash equivalents	8 930	3 058
Cash and cash equivalents at 1 July	9 207	6 149
Cash and cash equivalents at 30 June	18 137	9 207

Schedule of Administered Expenses and Income attributable to Administered Activities for the year ended 30 June 2011

	Botanic Gardens and State Herbarium	Crown lands	Minister's other payments	Special Acts allocation	Dog and Cat Management
Expenses:	$'000	$'000	$'000	$'000	$'000
Employee benefits expenses	-	-	-	256	-
Board member expenses	109	-	-	-	32
Supplies and services	495	374	-	-	751
Grants and subsidies	1 280	-	6 477	-	160
Depreciation	2 293	10	-	-	10
Other expenses	52	-	-	-	-
Total expenses	4 229	384	6 477	256	953
Income:					
Revenues from fees and charges	964	-	-	-	1 146
Grants and contributions	119	-	-	-	-
Interest revenues	169	-	-	-	45
Resources received free of charge	2 287	1 060	-	-	-
Net gain from disposal of non-current assets	-	4 258	-	-	-
Other income	258	2	-	-	-
Total income	3 797	5 320	-	-	1 191
Net surplus from (cost of) providing services	(432)	4 936	(6 477)	(256)	238
Revenues from (payments to) SA Government:					
Revenues from SA Government	-	-	6 478	228	-
Payments to SA Government	-	(5 137)	-	-	-
Total revenues from (payments to) SA Government	-	(5 137)	6 478	228	-
Net result	(432)	(201)	1	(28)	238
Other comprehensive income:					
Changes in property, plant and equipment asset revaluation surplus	-	2 090	-	-	-
Total other comprehensive income	-	2 090	-	-	-
Total comprehensive result	(432)	1 889	1	(28)	238

Schedule of Administered Expenses and Income attributable to Administered Activities for the year ended 30 June 2011 (continued)

	Coast Protection Board	Caring for our Country	Natural Heritage Trust grants	NRM Fund
Expenses:	$'000	$'000	$'000	$'000
Employee benefits expenses	-	-	-	-
Board member expenses	9	-	-	-
Supplies and services	110	-	-	17
Grants and subsidies	336	17 346	904	13 804
Depreciation	-	-	-	-
Other expenses	-	-	-	-
Total expenses	455	17 346	904	13 821
Income:				
Revenues from fees and charges	21	-	-	-
Grants and contributions	-	17 672	183	8 924
Interest revenues	-	62	52	77
Resources received free of charge	-	-	-	-
Net gain from disposal of non-current assets	-	-	-	-
Other income	-	-	-	-
Total income	21	17 734	235	9 001
Net surplus from (cost of) providing services	(434)	388	(669)	(4 820)
Revenues from (payments to) SA Government:				
Revenues from SA Government	518	-	-	4 886
Payments to SA Government	-	-	-	-
Total revenues from (payments to) SA Government	518	-	-	4 886
Net result	84	388	(669)	66
Other comprehensive income:				
Changes in property, plant and equipment asset revaluation surplus	657	-	-	-
Total other comprehensive income	657	-	-	-
Total comprehensive result	741	388	(669)	66

Schedule of Administered Expenses and Income attributable to Administered Activities for the year ended 30 June 2011 (continued)

	Native Vegetation Fund	Pastoral Board	National Action Plan for Salinity and Water Quality	2011 Total
Expenses:	$'000	$'000	$'000	$'000
Employee benefits expenses	-	-	-	256
Board member expenses	-	-	-	150
Supplies and services	153	-	-	1 900
Grants and subsidies	2 865	-	7 385	50 557
Depreciation	-	-	-	2 313
Other expenses	-	-	-	52
Total expenses	3 018	-	7 385	55 228
Income:				
Revenues from fees and charges	1 415	-	-	3 546
Grants and contributions	-	-	12	26 910
Interest revenues	355	-	364	1 124
Resources received free of charge	-	-	-	3 347
Net gain from disposal of non-current assets	-	-	-	4 258
Other income	-	-	-	260
Total income	1 770	-	376	39 445
Net surplus from (cost of) providing services	(1 248)	-	(7 009)	(15 783)
Revenues from (payments to) SA Government:				
Revenues from SA Government	956	13	1 919	14 998
Payments to SA Government	-	-	-	(5 137)
Total revenues from (payments to) SA Government	956	13	1 919	9 861
Net result	(292)	13	(5 090)	(5 922)
Other comprehensive income:				
Changes in property, plant and equipment asset revaluation surplus	-	10 522	-	13 269
Total other comprehensive income	-	10 522	-	13 269
Total comprehensive result	(292)	10 535	(5 090)	7 347

Schedule of Administered Expenses and Income attributable to Administered Activities for the year ended 30 June 2010

	Botanic Gardens and State Herbarium	Crown lands	Minister's other payments	Special Acts allocation
Expenses:	$'000	$'000	$'000	$'000
Employee benefits expenses	-	-	-	243
Board member expenses	91	-	-	-
Supplies and services	595	692	-	-
Grants and subsidies	1 376	18	4 450	-
Depreciation	2 119	21	-	-
Other expenses	(40)	-	-	-
Total expenses	4 141	731	4 450	243
Income:				
Revenues from fees and charges	982	(10)	-	-
Grants and contributions	180	-	-	-
Interest revenues	119	-	-	-
Resources received free of charge	3 036	-	-	-
Net gain from disposal of non-current assets	(86)	3 530	-	-
Other income	1 307	-	-	-
Total income	5 538	3 520	-	-
Net surplus from (cost of) providing services	1 397	2 789	(4 450)	(243)
Revenues from (payments to) SA Government:				
Revenues from SA Government	-	90	4 449	243
Payments to SA Government	-	(3 655)	-	-
Total revenues from (payments to) SA Government	-	(3 565)	4 449	243
Net result	1 397	(776)	(1)	-
Other comprehensive income:				
Changes in property, plant and equipment asset revaluation surplus	(201)	1 258	-	-
Total other comprehensive income	(201)	1 258	-	-
Total comprehensive result	1 196	482	(1)	-

Schedule of Administered Expenses and Income attributable to Administered Activities for the year ended 30 June 2010 (continued)

	Dog and Cat Management	Coast Protection Board	2010 Total
Expenses:	$'000	$'000	$'000
Employee benefits expenses	-	-	243
Board member expenses	66	12	169
Supplies and services	909	127	2 323
Grants and subsidies	165	433	6 442
Depreciation	4	-	2 144
Other expenses	-	-	(40)
Total expenses	1 144	572	11 281
Income:			
Revenues from fees and charges	1 115	23	2 110
Grants and contributions	10	-	190
Interest revenues	36	-	155
Resources received free of charge	-	-	3 036
Net gain from disposal of non-current assets	-	-	3 444
Other income	-	1	1 308
Total income	1 161	24	10 243
Net surplus from (cost of) providing services	17	(548)	(1 038)
Revenues from (payments to) SA Government:			
Revenues from SA Government	-	565	5 347
Payments to SA Government	-	-	(3 655)
Total revenues from (payments to) SA Government	-	565	1 692
Net result	17	17	654
Other comprehensive income:			
Changes in property, plant and equipment asset revaluation surplus	-	-	1 057
Total other comprehensive income	-	-	1 057
Total comprehensive result	17	17	1 711

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Administered items of the Department of Environment and Natural Resources (DENR or 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 of the Botanic Gardens and State Herbarium 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 *Botanic Gardens and State Herbarium Act 1978* and with the objectives of the Minister for Environment and Conservation.

Board of the Botanic Gardens and State Herbarium (continued)
The Department performs the following functions required for the operation of the Botanic Gardens and State Herbarium:

- managing, planning, accounting and control of recurrent, capital appropriation and funds allocated by the Board of the Botanic Gardens and State Herbarium
- monitoring the performance of the staff of the Botanic Gardens and State Herbarium
- valuing and maintaining assets (including all public, recreational, institutional and administration buildings) not specifically controlled, bequeathed, vested in or assigned to the board
- determining risk management and occupational health and safety and welfare procedures.

However, the Department cannot direct the Board of the Botanic Gardens and State Herbarium to perform its functions and duties in a particular manner. As a result, the Board of the Botanic Gardens and State Herbarium is not controlled by the Department and has therefore been reflected in the administered financial statements.

Crown lands
Crown lands is comprised of an account established by the Treasurer of South Australia to record receipts and payments associated with the sale of Crown land and other surplus SA Government land and property. The net revenues from these sales are returned to DTF's Consolidated Account.

Minister's other payments
Grants and subsidies payments of $6.477 million ($4.45 million) approved by the Minister for Environment and Conservation were made to community organisations, associations and local government. This includes grants made to Zoos SA ($5.126 million), Adelaide City Council ($1.343 million) and other organisations ($8000).

Special Acts allocation
This item comprises salary and allowance payments for the Minister for Environment and Conservation.

Dog and Cat Management Board
The Dog and Cat Management Board was established under the *Dog and Cat Management Act 1995* to plan for, promote, and provide advice about the effective management of dogs and cats throughout South Australia, and oversee the administration and enforcement of the provisions of the *Dog and Cat Management Act 1995*.

The financial activities of the Dog and Cat Management Board are administered through the Dog and Cat Management Fund in accordance with the *Dog and Cat Management Act 1995*.

All activities and functions of the Dog and Cat Management Board are performed by DENR employees.

Coast Protection Board
The Coast Protection Board was established under the *Coast Protection Act 1972* to manage, maintain, develop and improve coast facilities that are vested in, or are under the care, control and management of the Coast Protection Board.

The financial activities of the Coast Protection Board are administered through the Coast Protection Fund in accordance with the *Coast Protection Act 1972*.

All activities and functions of the Coast Protection Board are performed by DENR employees.

Transferred administered activities
Effective from 1 July 2010, under the machinery of government changes, a number of natural resource management and related administered activities were transferred from the Department for Water to DENR. These are:

- *Caring for our Country*
  The Caring for our Country program is administered by the Commonwealth and SA Governments pursuant to clause 19(2) of the *Natural Heritage Trust of Australia Act 1997* (Commonwealth) and section 5 of the *Natural Resources Management (Financial Assistance) Act 1992* (Commonwealth).

- *Caring for our Country (continued)*

  In March 2008 the Commonwealth announced Caring for our Country as an ongoing and integrated program, bringing together the delivery of the Natural Heritage Trust, National Landcare Program, Environmental Stewardship and Working on Country Programs. This program is fully Commonwealth funded and disbursed based on Commonwealth approval.

  The goal of Caring for our Country is to provide an environment that is healthy, better protected, well-managed, resilient and provides essential ecosystem services in a changing climate. Caring for our Country has six national priority areas for investment:

  (a) a national reserve system
  (b) biodiversity and natural icons
  (c) coastal environments and critical aquatic habitats
  (d) sustainable farm practices
  (e) natural resource management in remote and northern Australia
  (f) community skills, knowledge and engagement.

- *Natural Heritage Trust (NHT) and NHT Extension*

  The NHT was established by the *Natural Heritage Trust of Australia Act 1997*. The Bilateral Agreement to deliver the NHT Extension reflects the intention of the Commonwealth and SA Governments to work as joint investment partners, with the community and other stakeholders, in natural resource management activities including biodiversity conservation, sustainable use of natural resources and community capacity building and institutional change. Funding for NHT ceased on 30 June 2008 and all projects were completed by 31 December 2009.

  Post 31 December 2009, program finalisation continued with the receipt of project final reports and acquittals including the return of unspent funds by project proponents. In addition, the Commonwealth requested unspent funds held be returned and elected to allocate remaining funds held in the NHT holding account to existing State agency and Natural Resources Management (NRM) Board competitive projects approved under the Caring for our Country Program in accordance with clause 13.2c and 20.4 of the 'Transitional Arrangement and Financial Agreement between the Australian Government and State of South Australia for implementation of Caring for our Country' during 2011-12.

- *NRM Fund*

  The NRM Fund was established pursuant to subsection 117(1) of the NRMA. The Minister for Environment and Conservation (the Minister) administers the NRM Fund and may apply any part of the NRM Fund in making payments to the regional NRM Boards; in paying subsidies or making grants or other payments to NRM authorities or other persons or bodies for the purposes of the NRMA. This may also include making any payment required, or authorised by or under the NRMA or any other law. The balance of the NRM Fund at 30 June 2011 was $268 000 ($3.375 million).

- *NRM Boards*

  The NRM Boards were established pursuant to subsection 23(1) of the NRMA. The Department administers various revenues and expenses on account of the NRM Boards.

  Specific provisions of the NRMA require that the following revenues be paid into the NRM Fund prior to being applied for the purposes of the NRMA:

  - government appropriations (controlled and administered allocated in respect of the regional NRM Boards)
  - water levies
  - penalties relating to water levies
  - expiation fees and other penalties.

  The raising and collection of water levies, penalties and expiation fees are undertaken by the Department for Water. These funds are paid to DENR to administer through the NRM Fund.

  (i) Government appropriations

  The Department receives recurrent funding, which is administered through the NRM Fund and provided to regional NRM Boards to support business operations and the administration of the NRMA.

(i) Government appropriations (continued)	(2) 2011	(1) 2010
Regional NRM Board	$'000	$'000
SA Murray-Darling Basin NRM Board	100	200
South East NRM Board	321	295
Northern and Yorke NRM Board	490	465
Kangaroo Island NRM Board	560	530
Alinytjara Wilurara NRM Board	740	700
South Australian Arid Lands NRM Board	1 000	1 000
Eyre Peninsula NRM Board	640	610
	3 851	3 800

(1) Administered through Department for Water.
(2) Administered through DENR.

(ii) Water levies
Water levies are collected for prescribed water resources under section 101 of the NRMA. The levies are subsequently paid to the regional NRM Boards pursuant to subsection 116(1)(a)(ii)(A) of the NRMA.

(iii) Penalties
Penalties declared in relation to the unauthorised or unlawful taking or use of water were raised pursuant to section 115 of the NRMA.

(iv) Reimbursement of payroll tax
NRM Boards are compensated for the anticipated payroll tax expense they incur, with provisions having been made in the administered items of the department's budget. An appropriation of $1.035 million ($1.002 million) was received to fund the payroll tax expenses of the NRM Boards for 2010-11.

(v) Expiation fees and other penalties
Expiation fees and penalties are recovered in respect of offences against the NRMA (eg for unlawful possession of animals or plants).

Unlike penalties declared under section 115 of the NRMA, they are not required to be paid to regional NRM Boards.

- *Native Vegetation Fund*
  The Native Vegetation Fund is established under section 21 of the *Native Vegetation Act 1991*. The Native Vegetation Fund is applied in achieving the following objectives:

(a) the conservation, protection and enhancement of the native vegetation of the State and, in particular, remnant native vegetation

(b) the provision of incentives and assistance to landowners to encourage the commonly held desire of landowners to preserve, enhance and properly manage the native vegetation on their land

(c) the limitation of the clearance of native vegetation to circumstances in which the clearance will facilitate the management of other native vegetation or will facilitate the sustainable use of land for primary production

(d) the encouragement of research into the preservation, enhancement and management of native vegetation

(e) the encouragement of the re-establishment of native vegetation in those parts of the State where native vegetation has been cleared or degraded.

All activities and functions associated with the Native Vegetation Fund are performed by DENR employees.

- *Pastoral Board*
  The Pastoral Board is responsible for the administration of the *Pastoral Land Management and Conservation Act 1989*. The Pastoral Board provides advice to the Minister for Environment and Conservation on the policies that should govern the administration of pastoral land.

- *National Action Plan for Salinity and Water Quality (NAP)*
  The NAP is a bilateral agreement between the Commonwealth and SA Governments signed in 2001 providing funds to address issues associated with salinity and water quality in priority regions in South Australia. The Commonwealth and the SA Governments make progressive contributions to a single holding account. Disbursement of funds from the account is by agreement between the parties. Funding for NAP ceased on 30 June 2008 with the majority of projects completed by 31 December 2009.

  Post 31 December 2009, Commonwealth and State Ministers agreed that two infrastructure programs: Upper South East Flood Management and Drainage Program and Salt Interception Scheme be extended to 30 June 2011. All funding due has been received by the program proponents and final reporting obligations under the funding agreements are being finalised.

(b) Administered items' financial arrangements

The financial activities of the administered items are conducted through a number of deposit accounts with DTF pursuant to the PFAA. The financial activities of administered items that do not have their own deposit account 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 financial statements.

(c) Administered items' summary of significant accounting policies

The administered financial statements detail the sum of the individual administered items' revenues, expenses, assets, liabilities, changes in equity and cash flows. As such the principles of consolidation have not been applied in preparing the financial statements as the definition of an economic entity has not been satisfied. Accordingly, transactions 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

Administered property, plant and equipment includes the Crown's interest in land leased to third parties under perpetual and other leases and annual licenses. However limitations exist on the reliability of the base information used to determine the valuation of this land.

The Department is also custodian of unallotted Crown land, by virtue of its responsibilities under the *Crown Land Management Act 2009*. This land is considered to be an administered asset. Unallotted Crown land is not included in the Statement of Administered Financial Position as the Department has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings.

Total property, plant and equipment as disclosed in the Statement of Administered Financial Position consists of assets belonging to the Botanic Gardens and State Herbarium ($59.594 million), Crown lands ($26.877 million), Dog and Cat Management Board ($133 000), Coast Protection Board ($6.004 million) and Pastoral Board ($43.46 million).

- *Pastoral land revaluation*
  Under the *Pastoral Land Management and Conservation Act 1989* the Valuer-General must determine the rents to be paid on all pastoral leases. This requires the Valuer-General to determine the unimproved value of each pastoral lease and the appropriate rate of return for the land as a percentage of the unimproved value, considering the purpose for which it is used.

  The land lease assets were revalued at $43.46 million as at 1 November 2010 by Mark William Kay and Andrew Weinmann, Supervising Valuers, State Valuation Office, Land Services Group, Department for Transport, Energy and Infrastructure. Rentals and unimproved values for the period 1 November 2009 to 31 October 2010 were determined with regards to:

- *Pastoral land revaluation (continued)*
    - the most recent land type classifications and associated information
    - carrying capacities
    - property sales and price movements within the pastoral industry
    - prevailing market conditions
    - climatic conditions
    - property locations
    - access to markets.

Employee benefits

In general, administered items utilise the services of contractors or DENR employees rather than recruiting and appointing employees in their own right. In the majority of cases, the services provided by DENR employees are provided free of charge. If, however, the services provided by DENR 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. The liability for employee benefits arising from services rendered by DENR employees is not recognised in the administered financial statements as DENR is obligated to pay employees for services provided. Accordingly, employee benefits are recognised in DENR's financial statements.

Net gain (loss) from disposal of non-current assets

The net gain (loss) from disposal of non-current assets is determined by comparing proceeds with carrying amount. Given a suitable methodology for determining a reliable measure of the value of unallotted Crown land has not been identified, the carrying amount of all unallotted Crown land sold is $nil.

Part B

Glossary of terms

Australian Accounting Standards - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting 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	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
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 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 1048	Interpretation 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 2009-12	Amendments to Australian Accounting Standards

Australian 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

Treasurer's Instructions – TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management
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 Creditors' Accounts
TI 12	Government Purchase Cards and Stored Value 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 19	Financial Reporting
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Taxation Policies
TI 28	Financial Management Compliance Program

Accounting Policy Framework - APF

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

Legislation

Reference	Title
ITAA	*Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997*
NRMA	*Natural Resources Management Act 2004*
PCA	*Public Corporations Act 1993*
PFAA	*Public Finance and Audit Act 1987*
PSA	*Public Sector Act 2009*
WRCA	*Workers Rehabilitation and Compensation Act 1986*

Acronyms

Reference	Title
AASs	Australian Accounting Standards[1]
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer processing environment
CPI	Consumer Price Index
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
EFT	Electronic funds transfer
FBT	Fringe benefits tax
GST	Goods and services tax
ICT	Information and communications technology
SAFA	South Australian Government Financing Authority
TI	Treasurer's Instruction
TVSP	Targeted voluntary separation package

[1] 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board which are in force in relation to the reporting period to which the financial report relates.

Part B

General index

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