

SOUTH AUSTRALIA

Report

of the

Auditor-General

for the

Year ended 30 June 2002

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PART B

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

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

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VOLUMES I, II AND III

ACCOUNTS OF PUBLIC AUTHORITIES

INTRODUCTION

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

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

AGENCIES NOT INCLUDED IN THIS REPORT

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

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

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

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

SUPPLEMENTARY REPORT

There are also agencies whose Financial Statements have not been finalised or the audit has not been completed in time for inclusion in this Report. The Financial Statements for and commentary on the operations of, the following agencies and superannuation schemes will be included in a Supplementary Report to be presented to Parliament later in this financial year.

- National Wine Centre
- Parliamentary Superannuation Scheme
- Police Superannuation Scheme
- XTAB Pty Ltd

AUDIT OF THE AUDITOR-GENERAL'S DEPARTMENT

The *Public Finance and Audit Act 1987* requires that the accounts of the Auditor-General's Department be audited by an auditor appointed by the Governor. The audit for the financial year ended 30 June 2002 was conducted by Grant Thornton, Chartered Accountants, who have issued an unqualified Independent Audit Report.

QUALIFIED AUDIT OPINION REPORTS

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

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

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

For the financial year ended 30 June 2002 qualified opinions were expressed on the Financial Statements of the following agencies:

- Administrative and Information Services — Department for
- Education, Training and Employment — Department of
- Environment and Heritage — Department for
- South Australian Forestry Corporation
- South Australian Metropolitan Fire Service
- South Australian Motor Sport Board
- University of Adelaide
- University of South Australia
- Water, Land and Biodiversity Conservation — Department of

CONTROLS OPINION

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

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

REFERENCES TO MATTERS OF SIGNIFICANCE

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

MINISTER FOR ADMINISTRATIVE SERVICES; MINISTER FOR ABORIGINAL AFFAIRS AND RECONCILIATION; MINISTER FOR INDUSTRIAL RELATIONS; MINISTER FOR RECREATION, SPORT AND RACING; MINISTER FOR SCIENCE AND INFORMATION ECONOMY

PORTFOLIO – ADMINISTRATIVE AND INFORMATION SERVICES

INTRODUCTION

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

- Minister for Administrative Services
- Minister for Aboriginal Affairs and Reconciliation
- Minister for Industrial Relations
- Minister for Recreation, Sport and Racing
- Minister for Science and Information Economy

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

- Administrative and Information Services — Department for
- State Supply Board

DEPARTMENT FOR ADMINISTRATIVE AND INFORMATION SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment of the Department

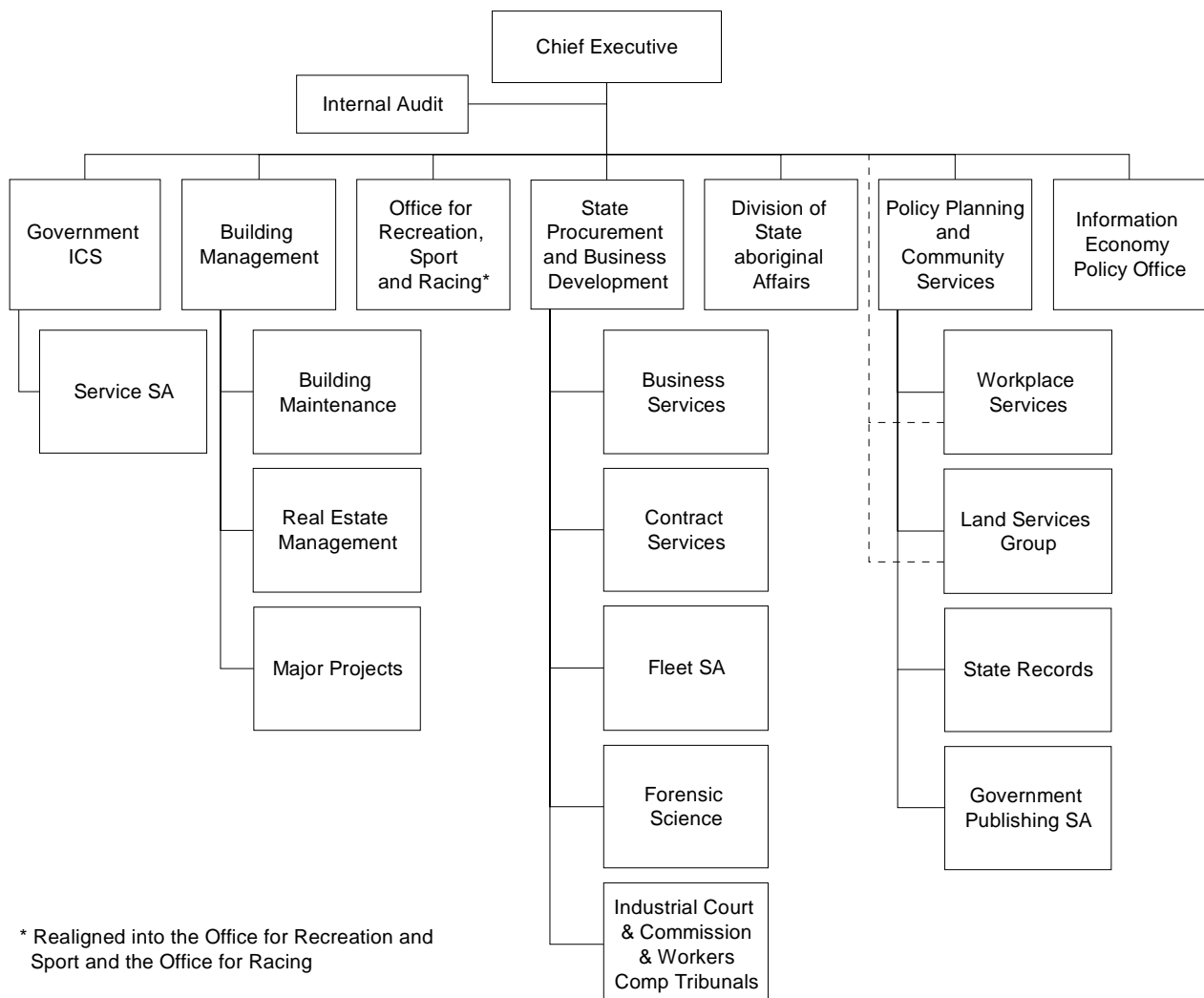
The Department for Administrative and Information Services (DAIS) is an administrative unit established under the *Public Sector Management Act 1995*.

Role and Structure of the Department

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

- project risk management, building asset management, procurement and contract services;
- capital building works and major projects delivery;
- information technology policy, support and management services;
- internal services to government, for example forensic services and fleet management;
- land valuation, survey and registration;
- workplace registration and regulation and industrial relations services;
- information economy;
- policy and programs in relation to Aboriginal affairs;
- administration and assistance to the recreation, sport and racing industries.

The structure of the Department is represented as follows:



* Realigned into the Office for Recreation and Sport and the Office for Racing

Note 34 to the Department's Financial Statements provides a summary of the functions, and a breakdown of financial information in relation to the business unit operations of the Department. In addition Note 35 presents information relating to funds and financial transactions administered by the Department.

CHANGES TO AGENCY ORGANISATIONAL STRUCTURE

On 4 December 2001 by proclamation of the Governor the following public service operations were transferred to DAIS:

- Office for Recreation, Sport and Racing from the Department for Environment and Heritage
- Division of State Aboriginal Affairs from the Department for Transport, Urban Planning and the Arts.

The transfers of these operations included the transfer of net assets to the Department of \$60.8 million and \$3.7 million respectively.

The proclamation on 4 December 2001 also resulted in the transfer of the operations of the Government Business Group (including the Office of Government Enterprises) from DAIS to the Department of Treasury and Finance. The transfer of this activity included the transfer of net liabilities amounting to \$15 000.

Note 4(c) to the Department's financial statements provides a detailed financial breakdown of the net asset transfers to and from the Department.

SIGNIFICANT FEATURES

- The Department received funds appropriation in 2001-02 of \$164.7 million, comprising \$126.9 million towards operations and \$37.8 million as an equity contribution towards certain capital projects.
- Total assets employed at 30 June 2002 were \$846 million (\$760 million). With respect to the increase in assets, analysis is detailed later in this section of the Report under 'Interpretation and Analysis of Financial Statements'.
- In 2001-02 dividends paid to the Treasurer totalled \$49.5 million (\$55.6 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

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

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

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

- diverse nature and risks of those areas;
- integrity of the stand alone and subsidiary financial systems;
- materiality of the financial operations of that area with respect to the Department's overall operations and associated implications in regard to financial statement reporting on the Department's operations;
- requirements of the Financial Management Framework.

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

- revenue collection, accounts payable, and personnel/payroll functions;
- maintenance of the general ledger and associated reconciliations and subsidiary systems;
- asset and liability identification, valuation and managements;
- tendering and contract management processes;
- procurement and distribution operations;
- residential and commercial property management;
- motor vehicle fleet management;
- management of whole-of-government contracts, including maintenance and information technology;
- management and financial reporting;
- operations of the Division of State Aboriginal Affairs;
- operations of the Office for Recreation, Sport and Racing.

Audit Communications to Management

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

AUDIT FINDINGS AND COMMENTS

Financial Management Framework

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

As mentioned previously the external audit activity of DAIS has not been executed in isolation of the review of DAIS adherence with the requirements of the FMF. Prior year reports conveyed a number of issues regarding the status of implementation of elements of the FMF within DAIS. During the 2001-02 financial year audit process, Audit has followed up certain matters regarding implementation progress. Audit observations and comments arising from an understanding of the status of the application of some of the key elements of the FMF are outlined below.

Planning and Analysis

The Department's charter sets out strategic directions which are supported by strategic plans for each of the Department's individual business units. This established strategic planning process comprises elements consistent with those of the FMF.

Reporting

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

Audit has primarily focused on the annual external reporting requirements of DAIS to produce quality statutory financial statements. Audit has noted progressive improvement over recent financial reporting periods with respect to the efficiency of preparation by DAIS of the annual statutory financial statements.

Asset and Liability Management

This component of the FMF covers the efficient and effective management of assets and liabilities through establishment of best practice management policies and systems.

The audit for the year identified examples of non compliance with some principles in relation to asset management. These matters are the subject of further comment later on in this section of the Report.

Transaction Processing

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

Control

This component of the FMF is both integral to the FMF and to the annual opinion assessment of the Auditor-General on the reasonableness of controls exercised by DAIS in the conduct of its financial affairs. The following provides comments in respect of some important aspects associated with the control component of the FMF.

Risk Management

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

In relation to DAIS, developments have proceeded over several years that align with certain requirements for risk management practice under the FMF. These developments have included the formulation of a Risk Management Policy, appointment of a Principal Adviser Risk Management and Audit Services, and the completion of a Risk Management Scoping Study.

As part of the annual strategic planning cycle, individual business units are required to undertake a risk analysis. The main output from this analysis is a list of the main risks to be addressed in each respective business unit's strategic plan and the establishment of strategies to manage these risks.

The 2000-01 Report noted that the Department intended to engage a consultant with respect to an assessment of the Department's strategic risk exposures. This risk assessment was to be aimed at clearly identifying and categorising strategic risks of the Department, identifying existing departmental wide risk mitigation strategies and recommending other possible risk mitigation strategies. This exercise was conducted in 2001-02 and involved the input of executives from across the Department. The resulting report identified risks and associated mitigation strategies. The Department prepared a management response to each of the matters identified in the report including an analysis of existing and/or proposed risk mitigation strategies.

Last year's Report also considered the importance of the development of an overall departmental risk management plan and process that clearly identifies the risk management strategies established and provides for an effective reporting and monitoring framework. Notwithstanding the department wide review of strategic risk exposures, as mentioned, the Department has not documented an organisation wide risk management plan. Audit reiterates that documentation reflecting an overarching risk management plan is a critical element in the establishment of a risk management process. More specifically, the consolidation of existing documentation and reporting processes into an overall organisational risk management document requires attention during 2002-03.

Monitoring and Reporting

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

DAIS has in operation elements consistent with these important requirements of the FMF. The Department has an Audit and Risk Management Advisory Committee supported by senior risk management and internal audit resource expertise. During the year internal reviews of a risk and control related nature were conducted and reported on to the Audit and Risk Management Advisory Committee.

Control Environment

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

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

In prior years, Audit has commented that DAIS may need to undertake some form of project review to establish the status concerning the completeness and adequacy of policy and procedural documentation and to determine priority areas for upgrade (where applicable) and timeframes for completion of upgrades.

In June 2001 DAIS established a project group to facilitate, coordinate and monitor the progressive implementation of the FMF across DAIS in a consistent and systematic manner

Audit review during 2001-02 revealed that the project group had conducted an evaluation of the application of the FMF across each of the Department's business units. The evaluation required a management self assessment of each business unit's application of the mandatory elements of the FMF. The results of the evaluation were documented detailing analysis of compliance for management review. In 2002-03 the group propose to develop generic department wide policies. These policies are to be included in a framework for the development and maintenance of financial management policies and procedures, implementation of systems and processes and aspects relating to ongoing monitoring and review. A review of the progress of the group will form part of the audit in 2002-03.

General Control Environment

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

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

Asset Management

The Department manages a significant and diverse range of fixed assets. This necessitates the use of a number of fixed asset registers maintained by the respective business and operating units of the Department. The audit for the year identified examples of non compliance with some important control principles in relation to fixed asset management. These matters included instances of inadequate maintenance of asset registers and lack of formalised asset recognition and depreciation policies. In this regard audit raised matters relating to the following classifications of fixed assets:

- The Government's portfolio of commercial, heritage and industrial land and buildings as maintained by Real Estate Management business unit. Matters raised with the Department in August 2002 included issues relating to the need to document process regarding asset register maintenance and to regularly perform updates of asset register details. The Department is in the process of considering these issues.
- The Department's corporate fixed asset register as maintained by the Business Services unit. Matters raised with the Department in April 2002 included issues regarding system access controls, timely update of the register and delays in the reconciliation of the register to the general ledger. The Department has acknowledged these issues and have implemented, or are in the process of implementing controls to address them.
- The Government Radio Network infrastructure assets as maintained by the Government ICS business unit. Matters raised with the Department in August 2002 included issues regarding asset recognition/depreciation policy and delays in update and maintenance of the financial asset register. The Department has responded satisfactorily to these issues.

During the year end review process Audit noted that issues with regard to asset register maintenance and reconciliations to the general ledger had been adequately resolved in time for annual reporting requirements.

Management and Financial Accounting Systems - Key Reconciliation Processes

The varied nature of the activities and associated financial operation arrangements undertaken within the Department requires the use of numerous systems to generate and maintain financial information. For financial management and reporting purposes the Department consolidates this information into a Corporate Financial Ledger. Consequently there are a number of automated and manual transfers of data between major and minor systems.

In this regard audit of the various functional areas of the Department included ensuring processes and controls were at a level which provided assurance as to the integrity of the transfer of financial data between systems. The reviews noted instances where:

- data transfer confirmation processes (such as reconciliations) were not undertaken;
- significant delays in data transfer confirmation processes were experienced;
- management monitoring of the control processes were not evident.

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

Government Information and Communication Services (Government ICS)

Audit review of the financial operations of Government ICS in 2001-02 focused on expenditure and revenue raising in relation to information technology and telecommunications functions. The audit revealed that there was scope to improve controls over the following areas:

- The dependability of data used to generate revenue.
- Ensuring expenditure corresponds with usage details.
- Management overview of expenditure and revenue items.
- Adoption by the Public Sector of a telecommunication billing enquiry tool.

These matters were communicated to the Department in August 2002 and satisfactory responses received.

Outsourcing of Warehouse Operations

Prior Year's Audit Recap

In the previous two year's Reports comment has been included on some salient matters associated with outsourced provision of warehousing and logistic services including certain aspects of the contractual arrangements. Comments covered issues relating to contractual arrangements, stock management control and information systems arrangements. Audit considered that these issues needed to be resolved as a matter of priority, particularly as the warehousing arrangements involve private sector participation.

The Contracts original term of two years was extended by a further one year in October 2001. As part of the one year extension a letter of variation was executed principally to provide for resolution of certain aspects of the original agreement.

Audit Review - 2001-02

Aspects of the 2001-02 audit focussed on obtaining an up-to-date status of issues in relation to the outsourced arrangements including contract variations executed. While the Department has managed and addressed various aspects of the warehousing contract reported in prior years the follow up audit identified certain matters which remain risks to the Department and warranted attention. These matters are discussed below.

Establishment of Benchmarks to Control Costs

The cost to the State of the provision of warehousing logistic services by the Contractor involves a management fee plus reimbursement of operational costs for services provision. The contract provides for the operational costs component to be determinable through establishment of benchmarks agreed between the State and the Contractor. As the contract relied upon a relationship between the established 'benchmarks' and the payment of operational costs Audit suggested that the Department and the Contractor agree to reasonable and defensible benchmarks.

In last year's Report it was communicated that the process of managing reimbursement of service provision costs, including a proper process of establishing and agreeing on benchmarks was inadequate, and had led to a dispute over the extent of contract expenditure recoverable from the Contractor. Audit's review revealed that the dispute regarding the payment of operational costs has since been resolved and all outstanding monies settled.

As mentioned a letter of variation was executed at the time of the one year extension agreement. The letter, among other things, provided for changes in the payment of operational costs and benchmarking of costs based on a percentage of turnover. A review of these changes to the contract revealed that benchmarks and their relationship with operational costs are not reasonably defined in the contract or variations thereto. As a consequence difficulty in the interpretation of key financial clauses within the contract still remain.

Contract Conditions

In last year's Report it was noted that in addition to contract non-compliance regarding determination and agreement on benchmarks, other contract provisions were not being followed. These included matters related to the costs estimation and payment processes and establishment of a Contracts Operations Team and a Contract Management Committee. In 2001-02 the Department has satisfactorily addressed the cost estimation and payment process through an agreed variation to contract conditions. The Contract Operations Team did not meet regularly as required by provisions of the Contract. However, Audit noted that during the year the Contract Management Committee met regularly and the Department had instituted regular meetings with the Contractor to perform the function of the Contract Operations Team.

Contract Renewal

As discussed the Contract provided for an initial term of two years plus a one year extension. The Contract extension expired on 31 August 2002. The Department sought a further extension of the Contract while consideration is given to the future direction in relation to the provision of warehousing and logistic operations. Audit noted that the responsible Minister has approved an extension of the Contract by a period of up to six months (effective 1 September 2002).

Stock Management

Audit considers that a significant risk associated with the outsourced warehousing agreement is the process of adjustment of stock levels and related information. It is therefore essential that management at Contract Services review all such adjustments to the stock levels on the system.

Last year's Report made comment as to the need for enhancements with respect to review of stock quantity adjustments, stock levels and stock price adjustments. During 2001-02 the Department has implemented processes which have satisfactorily increased control over the latter two areas of concern. With respect to the Department's review of stock adjustments made by the Contractor, an audit review in 2001-02 noted a delay in the performance of complete analysis and cost allocation. During the year the Department had performed an assessment of stock adjustments and advised the Contractor of the costs of stock related losses for recovery.

DAIS have indicated that their present review of the existing contractual arrangements will ensure that all outstanding matters are resolved prior to determining new arrangements. Audit review of the position regarding recovery status will form part of the audit in 2002-03.

Contractor's Computing Environment and System

During the year, Audit undertook a review of the Berger inventory management system and control aspects of the computer processing operations of the Contractor. Audit's review entailed examination of the following matters:

- DAIS Security Policy and supporting procedures, including a general review of contract arrangements between DAIS Contract Services and the Contractor.
- Security control arrangements of the inventory system, including database security controls.
- Network security controls.
- Controls supporting the operating systems security and configuration.

A number of important areas were identified that were considered in need of management attention to effect required control improvements and these were discussed and communicated to the Department in August 2002. The Department at the time of preparation of this Report has advised Audit that the matters identified are in the process of being fully considered prior to forwarding a detailed response.

Land Services Group - Land Ownership and Tenure System - Management Arrangements

Previous Reports have made comment concerning resolution of management issues pertaining to the future management and funding arrangements of the Land Ownership and Tenure System (LOTS). These issues have in recent years been the subject of discussion between DAIS and the Department for Environment and Heritage (DEH).

During this year Audit has again communicated with the departments seeking clarification regarding a number of outstanding issues. Audit has been advised that an inter-agency working party was established to finalise outstanding arrangements and all business operations are covered by formal management arrangements over the next twelve months. In addition, the inter-agency working party will examine the functional alignment of land administration information systems and land management information systems between the two agencies.

Real Estate Management

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

Audit review of this area during the last two years identified that a number of important reconciliation control procedures were not being performed.

Audit review during 2001-02 revealed that the Department had implemented appropriate reconciliation processes with regard to a number of the matters raised in past years. Notwithstanding this, the year end audit process noted an adequate reconciliation process had not been performed between the Business Unit's ledger and the Department's Corporate Ledger. The lack of regular performance of such critical reconciliations continue to raise concerns regarding the integrity of system operation, particularly the reliability of system produced financial data.

As a result, Audit has undertaken alternative verification procedures to enable account balance confirmation for DAIS financial statement purposes. DAIS has indicated that reconciliation issues are to be addressed through systems upgrade to be completed in 2003.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Operating Result

The Department recorded a profit from ordinary activities before restructuring and tax of \$55.1 million compared to \$69.9 million in the previous year. The reduced profit result reflects the separation from the Department of the ForestrySA business unit which was corporatised as a separate legal and reporting entity as from January 2001 (in the 2000-01 financial year). The ForestrySA business unit contributed \$ 16.3 million to the 2000-01 profit of DAIS.

Notwithstanding the effect of corporatisation of ForestrySA in 2000-01, areas of reduced profit or increased loss experience were recorded in Government ICS, Fleet SA and Business and Corporate Services. The results of these three business units was effectively offset by increased profit performance in Land Services and the recognition of the Office for Recreation, Sport and Racing for the first time in 2001-02.

Note 34 to the financial statements provides operating performance information in relation to the business and operating units of the Department. The results of the Office for Recreation Sport and Racing and the Division of State Aboriginal Affairs only includes operations since 4 December 2001, as prior to this date the results have been consolidated into the Department for Environment and Heritage and the Department for Transport, Urban Planning and the Arts respectively.

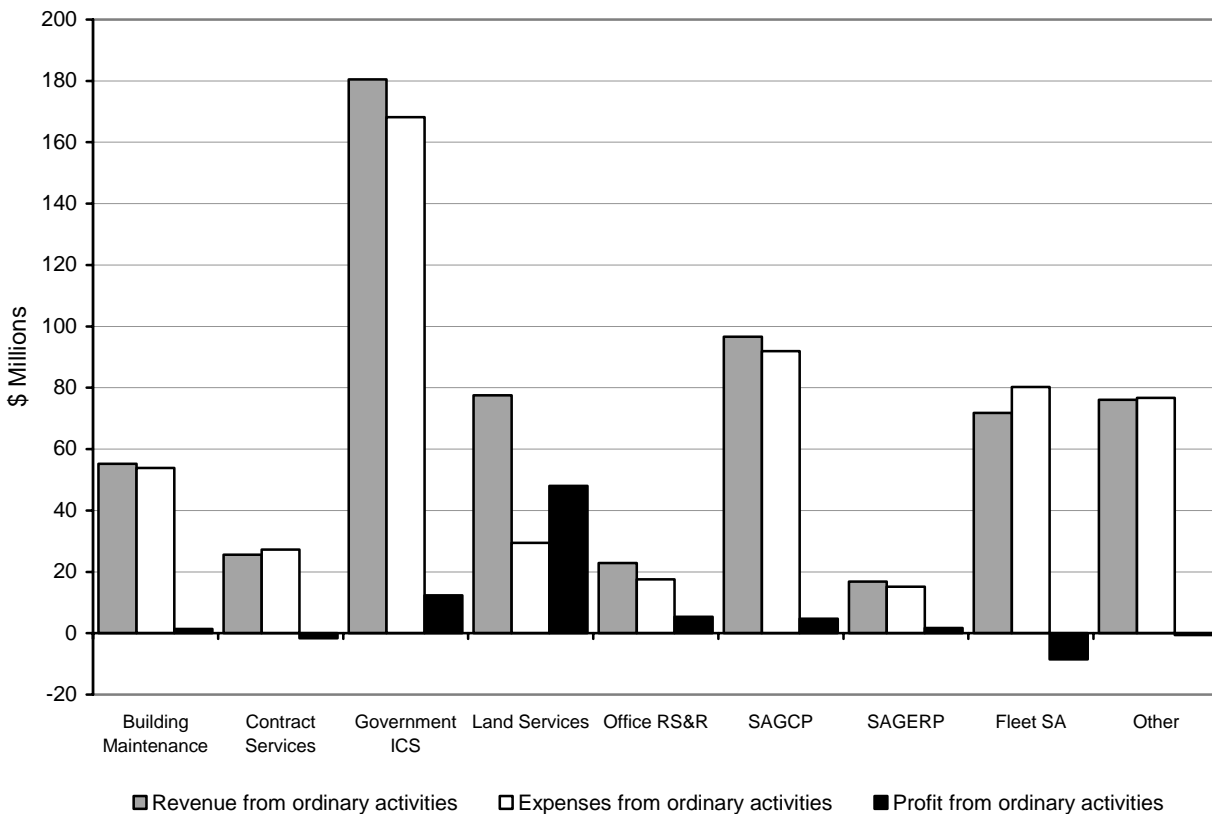
The results for the Office of Government Enterprises only includes operations for the period 1 July 2001 to 3 December 2001, as after this date the Office has been consolidated into the results of the Department of Treasury and Finance.

Net Revenues from Restructure of Administrative Arrangements

Revenues as a result of Government restructures of the Department’s administrative arrangements amounted to \$64.5 million. These revenues principally comprise net amounts transferred for the Offices for Recreation, Sport and Racing of \$60.8 million and the Division for State Aboriginal Affairs of \$3.7 million. Refer to Note 4(c) to the Department’s Financial Statements.

Contributions to Profits

The following graph provides a summary of the contribution to the profit by the major business and operating units of the Department. Business and Corporate Services has been excluded from this analysis as a large portion of their costs are recovered through re-charges to the other business units.



Statement of Financial Position

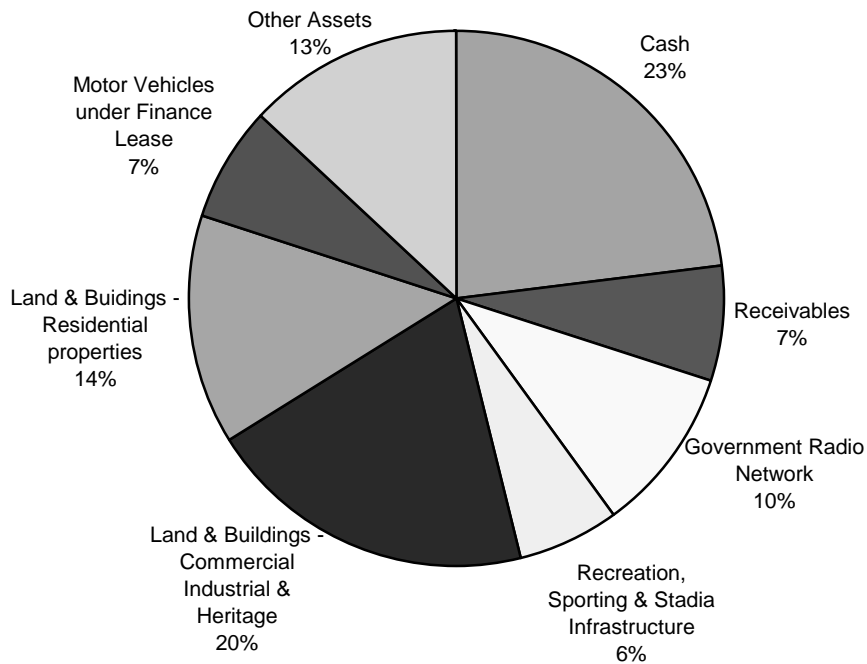
Assets

Assets under the control of the Department amounted to \$846 million at 30 June 2002 compared to \$760 million in the previous year. The increase in assets primarily relates to the following events:

- Transfer of net assets to the Department with respect to the Office for Recreation, Sport and Racing and the Division of State Aboriginal Affairs. The more significant assets as at 30 June 2002 in relation to this transfer include Recreation, Sporting and Stadia Infrastructure amounting to \$50 million and cash balances amounting to \$20.6 million.
- Land and Buildings with respect to Commercial, Industrial, Heritage and Residential properties were revalued during the year amounting to a net revaluation increment of \$43.6 million.
- The continued construction of the Government Radio Network resulted in additional assets of \$24.2 million.

Note 21 to the financial statements provides detail as to the movement during the year in the carrying amount of fixed assets under the control of the entity.

The following chart provides a summary of the major asset categories to the total assets of the Department as at 30 June 2002.



Motor Vehicle Fleet Finance Lease

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

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

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

Assets

Motor vehicles under finance lease.

Liabilities

Current borrowings - finance lease on motor vehicles.

Non-current borrowings - finance lease on motor vehicles.

Other current liabilities - deferred profit on sale and leaseback of motor vehicles.

The Department for Administrative and Information Services (DAIS) has maintained, in respect of this year's financial statements, the reporting treatment adopted in respect of last year's financial statements. As such, Audit has again included a qualification in the Independent Audit Report for the year ended 30 June 2002 in

respect of the aforementioned financial statement disclosure items. In Audit's view had there been compliance with the requirements of the Standard, assets of DAIS would increase by \$92 million and liabilities would increase by \$85 million.

2002 World Congress on Information Technology

In October 2000 the Minister for Information Economy signed an agreement with the Australian Information Industry Association Limited to, in partnership, stage the 2002 World Congress on Information Technology (the Congress) in Adelaide. The agreement outlines the organisation, staging and management requirements associated with the Congress, including:

- establishment of an Executive Committee to manage the staging of the Congress;
- establishment of a Secretariat to carry out certain prescribed functions;
- appointment of a Chief Executive Officer;
- independent external audit of the Congress accounts.

Under the Agreement the Minister undertook to provide funding of \$1.3 million to support the planning and staging of the Congress. The Agreement also provides for the distribution of any surplus in accordance with specified percentages and the preparation of audited annual financial statements.

The Congress was held in Adelaide between 27 February and 1 March 2002 and the unaudited results of its operations are disclosed as an administered item in the financial statements of the Department. Refer Notes 3.10 and 35 to the financial statements of DAIS herein.

At 30 June 2002 the financial statements of the Congress were progressing to finalisation to enable the external audit of the accounts and the financial statements to be completed.

EXTRACT FROM INDEPENDENT AUDIT REPORT

Qualification

Light Motor Vehicles

Note 2.11 to the Financial Statements sets out the accounting policy with respect to the sale and leaseback of motor vehicles previously owned by the Department. In my opinion the approach adopted by the Department is not consistent with the principles of Australian Accounting Standard AAS 17 'Accounting for Leases', and in the absence of a superior standard does not appropriately reflect the value of the underlying assets and liability of the transaction. Financial statement balances affected are:

Assets

Motor Vehicles under finance lease.

Liabilities

Current borrowings – Finance lease on motor vehicles.

Non-current borrowings – Finance lease on motor vehicles.

Other Current liabilities – Deferred profit on sale and leaseback of motor vehicles.

In my opinion, had the standard been properly adopted assets would increase by \$92 million and liabilities would increase by \$85 million.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department for Administrative and Information Services as at 30 June 2002, its financial performance and its cash flows for the year then ended.

FURTHER COMMENTARY ON OPERATIONS

Information Technology Management and Initiatives

The Department has responsibility for the planning and coordination activity associated with the whole-of-government direction in regard to Information Technology. In relation to the review of management arrangements and developments associated with Government IT initiatives, Audit's observations on aspects of certain key initiatives subject to review during 2001-02 are commented on below.

IT Infrastructure Contract Management

Last year's Report made specific comment in respect to two important matters concerning management of the EDS Infrastructure contract, notably reviews undertaken by DAIS with respect to the EDS Mainframe Billing System, and a Market Price Review.

The following commentary provides an update status of developments pertaining to those reviews.

EDS Mainframe Billing System Review

This review gave rise to certain issues that prevented a firm conclusion being reached regarding the Mainframe billing calculations performed by EDS.

Since the review, DAIS has advised an approach to reviewing Mainframe system billing and the approach is to be examined by Audit in 2002-03.

Market Price Review

This review assessed the prices charged by EDS for the Mainframe and Wide Area Network segments of agency services in consideration of market price availability.

DAIS expects the next Market Price Review process for Mainframe, Midrange, Wide and Local Area Network Services to be completed by mid 2003.

Economic Development Reporting

At the time of preparation of this Report, DAIS advised Audit that the latest EDSCAR Report had been assessed by DAIS and the Department of Industry and Trade and was considered acceptable. That report is yet to be reviewed by Audit.

DAIS Management and Review Activities

During the year, DAIS maintained its focus on aspects of the Market Price Review process, the Mainframe Billing process, and revision of the agency contract management manual used to facilitate agency management of the arrangements in place with EDS.

Review of Selected EDS Glenside IPC Managed Environments

EDS is principally responsible for the processing of public sector financial and operational systems, including certain mandated whole-of-government financial systems under contracted arrangements with the State Government. EDS operational controls are of primary importance in ensuring that Government systems are secure when resident on EDS's infrastructure.

To enable Audit to form an opinion on the adequacy of the controls within EDS's managed environments, focused reviews of selected aspects of EDS operations have been undertaken since introduction of the IT Infrastructure outsourcing arrangements with the Government.

Audit undertook a review of certain EDS Glenside managed computer processing environments during 2002. The environments reviewed essentially related to the Justice agencies mainframe operations environment, and the Unix environment for the Department of Human Services. Other areas addressed related to gaining an understanding of the security controls pertaining to a number of agencies specific computer processing environments at the EDS Glenside IPC

Specifically, Audit's review addressed three principal areas as follows:

- the security of the Justice portfolio computer processing environments SYS C and SYS J with a focus on the Attorney General's Department, Department for Correctional Services, Courts Administration Authority and South Australian Police Department (Justice Agencies);
- the security of the Department of Human Services (DHS) EDS managed Unix computer processing environments and the communications network used for the processing of the OACIS system, and
- gathering of certain information and broad consideration and documentation of the control arrangements for the computer processing environments of a number of other agencies managed by EDS at the EDS Glenside site.

At the time of preparation of this Report the review had not been finalised. Outcomes from the review and action taken will be included in a subsequent Report to Parliament.

StateNet Communications Network

With respect to the State Government Wide Area Network (StateNet), last year's Report identified significant weaknesses in a number of important management, design and security matters associated with StateNet. Those matters were of a policy and ownership, network gateway design and management, and network operation nature. At that time, DAIS indicated certain actions being taken to address the matters raised.

DAIS has since progressed action to improve a number of aspects of StateNet operations.

EDS, as requested by DAIS, have completed two vulnerability assessment scans of the StateNet network operation. Those scans revealed vulnerabilities which were subsequently being addressed by DAIS.

Another important action taken was the finalisation in June 2002 of planning for an upgrade of StateNet central Internet gateway security and accessibility, through a number of discrete components. The upgrade is estimated to cost in the vicinity of \$1 million and represents vital protection for all agencies using StateNet.

DAIS expect that the upgrade will provide an auditable, scalable, secure and reliable environment to support Government corporate requirements and provide for future growth in agency Internet services.

Business Resumption Planning

Last year's Report noted that DAIS had requested EDS to provide a price for a whole-of-government mainframe disaster recovery test. The continuity of operations of key government financial systems is highly dependent on the ability to successfully recover mainframe operations.

This matter still remains under consideration by DAIS.

Government Radio Network Contract

The South Australian Government Radio Network (SA-GRN) comprises voice, paging and mobile data. Implementation of the project is scheduled for completion in October 2002.

Last year's Report commented on some aspects of the project development, including the concept design deliverable and retention of contract payments, and a proposed Deed of Amendment to the GRN contract. During the latter part of the year Audit obtained an update on these matters.

Concept Design Deliverable and Retention of Contract Payments

The Concept Design document is a fundamental component in completion of the SA-GRN. Last year an amount of \$500 000 was withheld pending completion of that component. DAIS advised Audit that this component has been substantially completed. Audit in early 2002-03 will review the completion status and finalisation of payments.

Deed of Amendment to the GRN Contract

Last year it was agreed that the Government Radio Network would operate under a Deed of Amendment as of 1 July 2001 to reflect agreed altered practices and redefinition of certain aspects of the scope of the contract. However, the Deed had not been finalised at that time.

The Deed of Amendment was finalised in January 2002.

Automated Torrens Land Administration System (ATLAS)

ATLAS is a redevelopment of the Land Ownership and Tenure System (LOTS) which commenced in late 1999 with envisaged completion in four years. The ATLAS project's objectives are, at a whole-of-government level, to deliver electronic land administration to South Australia, and to transform the processes and service delivery of the Land Services Group within DAIS.

Last year's Report commented on the status of arrangements and development with regard to governance, funding approvals and the staged approach for the project. Late this year, Audit obtained some understanding of the status and certain information with respect to developments concerning the ATLAS project.

The following summarises Audit's understanding of the status of arrangements and developments for the project.

- stage 1 of the project involved key electronic service delivery re-engineering projects and business process re-engineering matters. DAIS advised Audit that Stage 1, originally targeted for conclusion in December 2001, is scheduled to be completed towards the end of 2002;
- a business case and Cabinet Submission for Stage 2 of the project is expected to reach finalisation in late 2002;
- three projects for Electronic Land Dealings, Valuation Quality Program and Information Technology Planning, part of Stage 2 of the project, were in early stages of planning or execution.

As commented last year, this is a major project of Government. Delays have been incurred in the project with the third and final stage now expected to be completed in 2006. It is important that effective risk management techniques are used to mitigate any detrimental impact on land administration services from delays in meeting staged implementation timeframes of the project.

Government HRMS Payroll Systems

The Department for Administrative and Information Services (DAIS), acting as the lead agency for the Concept sector agencies (now known as the Shared HRMS sector), is responsible for managing the contract and the project implementation of a new Human Resource Management Service (HRMS) on behalf of a number of participating agencies of government. The Government has contracted a private sector IT service provider to implement the Complete Human Resource Information System (CHRIS) and provide a bureau service for ongoing payroll and human resource information processing.

Audit has been monitoring the progress of this strategically important project which involve the management of payroll and personnel functions for many thousands of government employees. In particular, Audit has sought to determine the reliance of controls over the computer processing environment, managed by the private sector IT service provider bureau service.

As a part of its due diligence process, DAIS has initiated a security audit of the bureau service computer processing environment to be undertaken by an external consultancy.

During 2002-03, Audit will review the outcome of the security audit of the bureau service operations and action taken by DAIS in response. Commentary regarding the implementation of the CHRIS HRMS payroll system, including outcomes and any appropriate action taken as a result of the Security Audit will be included in a subsequent Report to Parliament.

South Australian Government Light Vehicle Fleet - Sale and Leaseback Arrangement

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

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

In the latter part of 1999-2000 the Department of Treasury and Finance (DTF) initiated a review of the facility to determine whether it remains economic, particularly in light of the changes to the taxation system. With respect to this review DTF received in 2000-01 a report from an external finance agency, which had been engaged by DTF to assist its review process. Last year's Report commented that DTF was evaluating a range of options, involving further inquiry and consideration of matters with both the authors of the report and one of the leasing facility participants. DTF did not indicate a time for completion of the evaluation process but advised of their intention to formulate a position to the Treasurer/Cabinet once the evaluation process is finalised.

During the year a review of the facility arrangement was completed by the South Australian Government Financing Authority (SAFA) and a report submitted to the SAFA Advisory Body in February 2002 and the Treasurer in March 2002. The Treasurer considered the conclusions and recommendations of the report and approved that SAFA evaluate options of continuing or terminating the lease arrangements.

Audit follow up in August 2002 indicated that this evaluation is yet to be finalised.

Capital Works - Adelaide Convention Centre Extension

Last year's Report included comment regarding the major extension to the Adelaide Convention Centre. The Centre opened in September 2001.

In May 1999 Cabinet approved the extension at \$85 million. In October 1999 the Public Works Committee issued its report in relation to the project recommending that the project proceed.

In August 2001 Cabinet approved a submission from the then Minister for Tourism and the former Premier. Cabinet approved additional appropriation of up to \$7.4 million and expenditure approval up to a limit of \$92.4 million in relation to the project. Cabinet was advised in the submission that a formal recommendation regarding final project funding and expenditure would be submitted to Cabinet after completion of construction and reconciliation of all outstanding contractor and consultant claims.

A final submission on project funding and expenditure has not yet been finalised for submission to Cabinet.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Sales	34	339 241	384 827
Fees for regulatory services		77 065	61 618
Whole-of-Government contracts		85 432	84 871
Appropriation for operating purposes		126 895	92 736
Grants	2.21	5 521	260
Other revenue	4(b)	18 658	15 029
Total Revenue		652 812	639 341
EXPENSES FROM ORDINARY ACTIVITIES:			
Cost of sales	4(a)	238 953	270 273
Whole-of-Government contracts		87 781	91 608
Employee expenses	2.3	103 378	81 298
Grant Payments	2.21	14 564	1 466
Administration	4(a)	93 087	70 954
Depreciation/Amortisation charges		35 896	30 108
Other expenses from ordinary activities	4(a)	15 850	13 787
Total Expenses		589 509	559 494
Borrowing costs		8 195	9 974
PROFIT FROM ORDINARY ACTIVITIES BEFORE RESTRUCTURING		55 108	69 873
NET REVENUE (EXPENSE) FROM RESTRUCTURING	4(c)	64 533	(770 888)
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		119 641	(701 015)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	2.15	(835)	7 555
NET PROFIT (LOSS) AFTER TAX AND RESTRUCTURE		120 476	(708 570)
Increase in asset revaluation reserve arising on revaluation of non-current assets		41 810	3 463
TOTAL REVENUE, EXPENSE AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		41 810	3 463
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		162 286	(705 107)

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash	12	198 423	204 104
Receivables	13	56 124	82 105
Inventories	11	6 464	8 755
Accrued revenue	14	26 793	24 596
Other	15	12 631	8 112
Total Current Assets		300 435	327 672
NON-CURRENT ASSETS:			
Land, buildings and fitouts	16,21	350 427	250 608
Assets under finance lease	17	80 889	92 318
Plant and equipment	18,21	17 555	16 406
Motor vehicles	20,21	6 273	-
Government radio network	2.8,19,21	81 594	65 253
Receivables	2.19,13	1 001	-
Other	22	7 799	7 799
Total Non-Current Assets		545 538	432 384
Total Assets		845 973	760 056
CURRENT LIABILITIES:			
Creditors and accrued expenses	23	57 129	94 929
Borrowings	24	12 157	10 881
Provisions	25	2 207	16 074
Employee entitlements	26	10 465	8 153
Other	27	13 976	29 534
Total Current Liabilities		95 934	159 571
NON-CURRENT LIABILITIES:			
Borrowings	24	168 274	182 346
Provisions	25	549	1 293
Employee entitlements	26	26 442	25 662
Total Non-Current Liabilities		195 265	209 301
Total Liabilities		291 199	368 872
NET ASSETS		554 774	391 184
EQUITY:			
Reserves	28	120 227	80 663
Capital funds	29	204 088	166 249
Retained profits	6	230 459	144 272
TOTAL EQUITY		554 774	391 184
Commitments and Contingent Obligations			

2.8,2.20,30,31,37

Statement of Cash Flows for the year ended 30 June 2002

	2002	2001
	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:		
INFLOWS:		
	Note	
	\$'000	\$'000
Receipts from customers	523 253	634 363
Receipts from appropriation/Department of the Premier and Cabinet	126 894	93 277
Interest receipts	13 476	14 822
Receipts from taxation authority	21 524	6 292
Departmental restructuring	16 469	-
GST received	60 927	59 943
	762 543	808 697
OUTFLOWS:		
Payments to suppliers and employees	(565 350)	(521 919)
Finance lease interest payments	(8 388)	(8 959)
Income tax payments	(3 122)	(9 878)
GST paid	(77 123)	(59 764)
Payments to taxation authority	(825)	(5 946)
Departmental restructuring	(226)	(23 696)
Interest payments	(8 648)	(9 863)
	(663 682)	(640 025)
Construction works - Reimbursements	124 299	159 292
- Less: Payments	113 413	150 786
	10 886	8 506
Net Cash provided by Operating Activities	32(b) 109 747	177 178
CASH FLOWS FROM INVESTING ACTIVITIES:		
INFLOWS:		
Proceeds from the sale of plant, equipment and motor vehicles	10	229
Proceeds from the sale of land, buildings and fitouts	7 444	4 740
	7 454	4 969
OUTFLOWS:		
Purchase of plant, equipment and motor vehicles	(53 249)	(30 556)
Purchase of land, buildings and fitouts	(21 939)	(10 872)
	(75 188)	(41 428)
Net Cash used in Investing Activities	(67 734)	(36 459)
CASH FLOWS FROM FINANCING ACTIVITIES:		
INFLOWS:		
Increase in prepayment of motor vehicle fleet operating expenses	-	1 222
Increase in capital funds	37 839	23 554
	37 839	24 776
OUTFLOWS:		
Repayment of long-term borrowings	(3 509)	(2 899)
Decrease in prepayment of motor vehicle fleet operating expenses	(21 342)	-
Decrease in lease liability	(11 145)	(9 981)
Dividends paid	(49 537)	(55 636)
	(85 533)	(68 516)
Net Cash used in Financing Activities	(47 694)	(43 740)
NET (DECREASE) INCREASE IN CASH HELD	(5 681)	96 979
CASH AT 1 JULY	204 104	107 125
CASH AT 30 JUNE	32(a) 198 423	204 104

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Role of the Department

The Department for Administrative and Information Services (DAIS) is an agency that undertakes a broad range of functional responsibilities on behalf of the Government of South Australia. It plays a significant leadership role by providing community and specialist government services, quality infrastructure, information provision and policy advice. These activities support the creation of sustainable economic and social value for the Government and community. To achieve this DAIS will focus on delivering quality services to community and Government stakeholders by pursuing the following strategic challenges;

- positioning DAIS as a recognised strategic partner and service provider
- collaborating with, and being accessible to, community, customers and stakeholders
- applying innovative technologies and leading business practices
- developing whole of government services and strategies to achieve economies of scale
- achieving the best utilisation of government assets
- adopting transparent and accountable management and information practices.

The Department provides direct support to the Minister for Administrative Services, the Minister for Industrial Relations, the Minister for Recreation, Sport and Racing, the Minister for Aboriginal Affairs and Reconciliation, and the Minister for Science and Information Technology. In addition to the Ministers, the Department's key stakeholders included the Government, government agencies, key industry groups, government boards and committees and members of the public.

1. Role of the Department (continued)

Within DAIS there is a cluster of capabilities and competencies that support the delivery of the Government's broader strategic priorities, such as community services, project management, contract management, e-business and management of information technology and government assets.

The functional areas of the Department are as follows:

Administered Activities

Minister, Valuer-General, Senior Judge and Judges of the Industrial Relations Commission and Employee Ombudsman salaries
Gaming machines operations deposit account
CBA Special Deposit Account
State Government Auctions
Land Services Trust Funds
Major Administered Projects
World Congress on Information Technology 2002
Aboriginal Advancement Works (ATSIC)
Sport and Recreation Fund
Recreation and Sport Fund

Controlled Activities

Building Maintenance
Building Management
Business Services
Contract Services
Division of State Aboriginal Affairs
Fleet SA
Forensic Science
Government Information and Communication Services
Government Publishing SA
Industrial Relations Court and Commission and Workers Compensation Tribunal
Information Economy Policy Office
Land Services Group
Major Projects
Office for Recreation, Sport and Racing
Policy, Planning and Community Services
Real Estate Management (including SA Government Commercial and Employee Residential Properties)
State Records
Workplace Services

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

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

The number of full time equivalent employees at reporting date is 1 856.07 (1 647.90). Of this total, 12 (19) are full-time equivalent employees for Administered Activities.

The principal registered office is Level 2, Wakefield House, 30 Wakefield Street, Adelaide SA 5000. Telephone number is 08 8226 5060.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

Accounting Standards

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

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

Reporting Period

The financial report has been prepared for the period 1 July 2001 to 30 June 2002.

Comparative Information

The Department has adopted the presentation and disclosure requirements of Australian Accounting Standards AASB 1018 'Statement of Financial Performance', AAS 37 'Financial Report Presentation and Disclosure' and AAS 36 'Statement of Financial Position' in the preparation of this financial report.

The previous year's figures are provided in the Financial Statements for comparative purposes. Where applicable, comparative figures have been adjusted to conform with any changes in presentation and classification in the current year.

2.2 Principles of Consolidation

The financial statements consolidate the activities of all operational business units of the Department as detailed in Note 1 as controlled activities.

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

2.3 Cost of Sales

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

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

Employee expenses not directly involved in generating sales are included in employee expenses in the body of the Statement of Financial Performance.

2.4 Inventories

(a) Work in Progress - Construction Projects

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

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

(b) Stock on Hand - Government Supplies Warehouse

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

2.5 Outstanding Contractor Reimbursement (Contractor Reimbursements in Advance)

The Department undertakes a number of capital projects on behalf of other agencies. Client agencies receive an invoice listing all costs including the professional contractor costs incurred in completing the capital project. Contractor costs in relation to projects managed by the Department are reimbursed by clients and are recorded as either Contractor Reimbursements in Advance (other current liabilities) or outstanding contractor reimbursements (receivables).

2.6 Accrued Revenue

Revenue is accrued across all business units in the Department for work which has been performed but not billed as at 30 June 2002.

2.7 Non-Current Assets

Cost and Valuation

Valuation Methodology - Freehold Land, Buildings and Fitouts

Freehold land, buildings and fitouts have been brought to account at cost or valuation in accordance with Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'.

Recreation, Sporting and Stadia Infrastructure

Recreation, Sporting and Stadia Infrastructure have been brought to account at current cost. Current cost has been determined on the following basis:

- All classes of physical non-current assets with fair values at the time of acquisition equal to or greater than \$1 million and estimated lives equal to or greater than three years are revalued by independent valuers at intervals not exceeding three years using deprival value methodology. Under this method, the assets are valued at the replacement cost of procuring assets with similar functions and which provide comparable future service potential.
- All classes of physical non-current assets, other than land, with fair values at the time of acquisition of less than \$1 million are valued at acquisition cost or fair value. The value of the assets is reduced to reflect the portion of economic benefits that have been consumed since the asset was acquired.

Commercial, Industrial and Heritage Properties

The valuation policy adopted in relation to property, and building plant is to revalue all owned properties on a progressive basis over three years.

In accordance with this policy properties were revalued as at 31 December 2001.

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

Independent valuations of land and buildings were conducted by the Valuer-General (Valuation SA), FPD Savills or by Taylor Brooke Pty Ltd. Independent valuations of plant and equipment were conducted by Edward Rushton Australia Pty Ltd.

Residential Properties

The valuation policy adopted in relation to property is to revalue all owned properties on an annual basis.

Asset values are determined in the following manner:

The Valuer-General estimates are used as the base valuation and then discounted by the average losses experienced over an average of the last five years. This management valuation has been adopted to ensure the value of assets is not stated at a balance in excess of recoverable amount. The discount rate used for the reporting period is 4.27 percent (6.68 percent).

Fitouts

Fitouts are valued at cost and depreciated over an average life of five years.

Valuation Methodology - Plant and Equipment

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

Change in Policy

In previous years, the Department has capitalised and depreciated assets with a purchase price greater than \$2 000. On 30 June 2002, this policy was changed to capitalise and depreciate assets with a cost greater than \$10 000. Consequently, assets with a cumulative book value to \$4.287 million were written-off. There was no effect on depreciation expense for the reporting period. The financial effect of this change in policy, assuming the assets were held until the end of their estimated useful lives, is to decrease depreciation expense for the next five years as follows: 2003 - \$2.029 million; 2004 - \$1.438 million; 2005 - \$0.808 million; 2006 - \$0.009 million and 2007 - \$0.003 million.

Valuation Methodology - Motor Vehicles

On 28 June 2002, the Department purchased, from AH Plant, Transport SA's passenger and light commercial fleet. These vehicles, approximately 424, were previously leased by Transport SA from AH Plant as part of a 1997 arrangement. These vehicles have been brought to account at cost.

Valuation Methodology - Government Radio Network

Infrastructure or plant and equipment assets that have been constructed or purchased for the provision of government radio network services are recorded at their cost of acquisition and are brought to account from the time a region is operationally available for use and are depreciated on a straight line basis over their estimated service lives.

Disposal of Non-Current Assets

The gain or loss on disposal of all non-current assets, including revalued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the operating profit in the year of disposal. Any realised amounts within the Asset Revaluation Reserve are transferred to accumulated surplus on disposal.

Depreciation

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

The following maximum years are generally used for the life of the assets:

	Years
<i>Recreation, Sporting and Stadia Infrastructure</i>	
Buildings and improvements	80
Sporting equipment	10
Scientific equipment	10
Other equipment	20
 <i>Commercial, Industrial and Heritage</i>	
Years	
Buildings	40
Building plant:	
Air conditioning	15
Transportation	20
Plant room	20
 <i>Residential Properties</i>	
Years	
Fitouts	5
Residential Properties	40
 <i>Plant and equipment</i>	
Computers	3
PABX	5
Office Equipment	5
Motor Vehicles	2
 <i>Government Radio Network</i>	
Years	
Huts	15
Towers	40
Terminal equipment	10

Information Technology Assets - Land Services

Negotiations are continuing between DAIS and the Department for Environment and Heritage (DEH) regarding ownership, operation and associated financial management matters relating to information technology assets and data shared with the Land Service Group. A Heads of Agreement document was signed between DAIS and DEH along with a number of Service Level Agreements that have established the on-going management arrangements for the provision of key services between DAIS and DEH. An inter-agency working party has been formed with senior representatives from both Departments. Over the next twelve months this inter-agency working party will examine the functional alignment of land administration information systems and land management information systems between the two agencies.

2.8 Government Radio Network Contract

On 29 April 1999 the South Australian Government signed a contract with Telstra Corporation Ltd to design, construct, operate and maintain the South Australian Government Radio Network (SA-GRN) for a period of seven years with a commencement date of 24 May 1999.

2.8 **Government Radio Network Contract (continued)**

The contract is directed to the establishment of a single integrated government-owned, radio network providing voice, and for the first time, wide area data and paging communications to support public safety and other Government operations and includes a significant industry development program.

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

- Greater Metropolitan Area of R1 construction completed January 2000;
- Remainder of R1 (Fleurieu Peninsula and Kangaroo Island) construction completed July 2000;
- R2 (South East) construction completed January 2001;
- R4 (Yorke Peninsula and the Mid North) substantial construction completed October 2001. (Extension of time due to native title issue);
- R3 (Riverland) substantial construction completed March 2002 (Extension of time due to acquisition of Monash Site);
- R5 (Eyre Peninsula and the West Coast) construction scheduled for completion December 2002.

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

As at 30 June 2002 approximately 15 030 (9000) terminal units were active on the system.

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

As from 1 July 2000 the Department commenced charging entities for utilising the SA-GRN in order to recover recurrent project costs in accordance with agreed cost recovery principles. Entities that are partially or fully funded through the Community Emergency Services Levy Fund also make a capital contribution to the recovery of network infrastructure costs as the network has been dimensioned primarily to meet their needs.

2.9 **Investments**

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

2.10 **Client Monies Received in Advance**

The Department enters into advance payment arrangements with specific agencies for minor and major works undertaken by the Department on behalf of the agency. As at 30 June 2002 this liability was shown under Creditors and Borrowings and amounted to \$5.728 million (\$5.728 million).

2.11 **Leases**

Operating Leases

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

Finance Leases

- *Light Motor Vehicles - Arrangement*

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

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

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

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

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

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

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

These reviews, based on past market performance, have resulted in an increase in lease payments over time.

The amount of contingent rentals brought to account in 2001-02 as an expense was \$35.563 million (\$28.898 million).

- **Plant and Equipment**
In June 1999, Forensic Science entered into a finance lease agreement with Hewlett-Packard for a Mass Spectrometer. This is used to identify trace quantities of complex chemicals such as illicit drugs. This lease is being accounted for in accordance with AAS 17.

Commencing July 1999, the Department has progressively taken up numerous leases with EDS for Information Technology servers.

As at 30 June 2002, the Department had 53 separate leases that are being used by various business units as required. These leases are being accounted for in accordance with AAS 17.

- **Accommodation Leases**
The Department is responsible for the finance lease in relation to Roma Mitchell House, North Terrace and Glenside Computing facilities building. Both leases are accounted for in accordance with AAS 17.

2.12 Provision for Whole-of-Government Initiatives

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

- Whole-of-Government Procurement Review - Balance at 30 June 2002 \$0.356 million (\$0.356 million);
- Outsourcing of facilities maintenance - Balance at 30 June 2002 \$1.001 million (\$2.230 million)

2.13 Employee Entitlements

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

Annual Leave

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

Long Service Leave

As at 30 June 2002 the provision for long service leave has been determined for the Department's employees who have completed eight or more years of service. A separate allowance has been made for on-costs. This policy is consistent with the requirements of Accounting Standard AASB 1028 'Employee Benefits'.

The current component of long service leave is determined based on departmental estimates of long service leave due to be taken during the 12 months ending 30 June 2003.

2.14 Workers Compensation

DAIS is responsible for all Workers Compensation with an actuarial estimate of the outstanding liability as at 30 June 2002 provided by a consulting actuary through the Government Workers Rehabilitation and Compensation Office (GWRCO).

These figures reflect an apportionment of the whole-of-government estimate of Workers Compensation liability according to GWRCO's experience of claims numbers and payments over the period 1 July 1987 to 30 June 2002. A separate valuation of the liabilities of this Department has not been undertaken.

The whole-of-government estimate can be found in a report prepared by Taylor Fry Consulting Actuaries, dated August 2002 and submitted to the Public Sector Occupational Health and Injury Management branch (PSOHIM) of the Department of the Premier and Cabinet.

This report conforms to WorkCover Guidelines for Actuaries, Australian Accounting Standard AAS 26 'Financial Reporting of General Insurance Activities', Accounting Guidance Release AAG 13 'Determination of Discount Rates for Measuring Certain Liabilities at Present Value' and Professional Standard PS 300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance', of the Institute of Actuaries of Australia.

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

2.15 Taxation Equivalents

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

2.15 Taxation Equivalents (continued)

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

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

In relation to Company tax equivalents the 'Accounting Profits model' is applied.

Under the Accounting Profits Model, income tax expense is calculated separately for each business unit by applying the income tax rate (currently 30 percent) to the individual business unit's accounting profit for the year.

2.16 Goods and Services Tax (GST)

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

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

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

The Department prepares a Business Activity Statement on behalf of its administered entities and for clients provided with bureau services under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payments and entitled to the receipt of GST. As such, the GST applicable to these entities forms part of the Statement of Financial Position and Cash Flow Statement of the Department

2.17 Prepaid Revenue

Prepaid Revenue has been recognised by all business units for work which has been billed but not performed as at 30 June 2002.

2.18 Incentives Monies Owing

Surplus Incentive Funds Reserve

Where incentives are provided by private building owners in relation to office accommodation contracts for government entities these monies are to be applied to refitting relevant accommodation. Once the fitout project is completed, any unspent monies are transferred to the Surplus Incentives Funds Reserve. Funds are applied from this reserve to fund approved fitout projects.

EDS Centre Incentives

Monies were receipted into the DAIS operating account on behalf of the Minister for Administrative Services during the 1998-99 to 2001-02 financial years for the management and administration of the design and construction of the EDS fitout works. Approval is required from the Minister before these monies can be committed for expenditure in relation to fitout works in the EDS Centre.

Monies receipted in relation to the management and administration of the EDS fitout works have initially been recognised through the Statement of Financial Position as part of incentive monies owing. Monies spent during a financial year on the management and administration of the EDS fitout works will be recognised through the Statement of Financial Performance as income and expenditure in the financial year in which the expenditure has been incurred. The balance of monies unspent at the end of the financial year is included in the incentive monies owing within the Statement of Financial Position.

2.19 Financial Instruments Disclosure

The Department recognises two classes of debtors:

Trade accounts receivable being debtors from the general credit sale of goods and services. Trade accounts receivable generally settled within 60 days are carried at amounts due.

Loan payments receivable - debtors receiving financial assistance in the form of advances and loan agreements made by the Minister for Recreation, Sport and Racing. The terms of these agreements are contained in Deeds of Agreement between the Minister and the borrower. The carrying amount of these receivables are considered to approximate their net fair values.

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

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

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

Interest on loans is recognised as an expense and is based on the common public sector interest rate plus a guaranteed margin, 6.75 percent as at 30 June 2002 (8.45 percent).

2.19 Financial Instruments Disclosure (continued)

Forward foreign exchange contracts are used to reduce the risk associated with the purchase of foreign currency denominated goods and services.

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

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

2.20 Major Contractual Commitments

Facilities Maintenance Contract

The Department holds two contracts with private Facility Management Contractors to undertake minor works and maintenance on behalf of government agencies. The contracts commenced in April 1998 for a period of three years plus two years plus two years. These contracts have been renewed for a further two years.

For both these contracts, the Department incurs expenditure on behalf of other government agencies and recovers these costs from those agencies.

The value of these contracts annually is approximately \$70 million (\$60 million) excluding management fees.

Information Technology Services

In October 1995, the South Australian Government signed an 'Information Technology Services and State Economic Development Agreement' with EDS (Australia) Pty Ltd that has a term of slightly more than nine years. It expires in mid 2005.

The agreement requires EDS to provide information technology infrastructure services across five 'business segments' (ie mainframe, midrange, local area network, wide area network and workstation segments) to most of the South Australian Government agencies.

The Department also incurs expenditure for this contract on behalf of other government agencies and recovers these costs from those agencies.

Telecommunication Services Agreement (TSA)

On 23 October 2001, the South Australian Government signed a 'Telecommunications Services Agreement' with Telstra over a term of three years with options to extend. The contract expires in October 2004. The contract requires a minimum whole-of-government spend. If the Government does not meet this minimum spend, the three year period will be extended until the minimum spend is achieved.

This is a whole-of-government agreement which requires Telstra to provide a broad range of telecommunication services to SA Government agencies. The commercial relationship exists between Telstra and the individual agencies directly, including the agencies' payment of individual accounts, while DAIS manages the contractual obligations.

Capital Works Program

The Department undertakes a risk management role within the Capital Work Program (ie Building). As a consequence of this role, building contractors are engaged to construct government assets on behalf of agencies. The annual value of construction work managed by the Department is approximately \$250 million.

Government Radio Network (GRN)

On 29 April 1999 the South Australian Government signed a contract with Telstra Corporation Ltd to design, construct, operate and maintain the South Australian Government Radio Network (SA - GRN) for a period of seven years with a commencement date of 24 May 1999 (refer Note 2.8).

Internet Services Provision

This initiative commenced on 1 November 2001, with the State entering into an Agreement with Agile Pty Ltd and Internode Systems Pty Ltd for the provision of internet services to the SA Government central corporate internet gateway for a period of 12 months. The State reserves the right to extend the Agreement for a further twelve months.

South Australia, particularly in regional areas, will benefit from the significant investment commitment already commenced by Agile Communications in deploying an 'IP' network offering next generation telephony services and broadband internet access via xDSL technology.

2.21 Grant Receipts and Payments

Recreation and Sport

• *Management Development Program*

This program provides assistance to organisations that provide leadership, direction and competition support for sport and active recreation in this state. The objective of the program is to assist the Government to work in partnership with State sporting and recreation organisations and other approved lead agencies to implement projects which: increase participation by the community in sport and recreation; provide high quality sport and recreation services and programs to all South Australians; encourage healthy, active lifestyles, promote the health benefits of participation in sport and active recreation; increase the growth in the commercial sector of the sport and recreation industry; develop world class athletes, coaches and programs; and increase community recognition of the social, health, physical and economical benefits of recreation and sport.

• *Active Club Program*

This program provides financial assistance to those organisations that provide sporting and/or recreational facilities and deliver competition and activity experience in the community. The objective of these grants is to assist community based sporting and active recreation organisations to develop and expand the services which they provide, thereby increasing the community's access to quality sport and active recreation activities and facilities.

- **Facilities Grants Program**
The Community Recreation and Sport Facilities Program has been established to allocate funds to community-based organisations, Local Government and State sporting and active recreation associations which develop facilities for a wide range of recreation and sporting activities. The program aims to increase participation in sport and active recreation by providing an improved range of services and facilities at community and regional levels.

Information Economy

- **NetWorks For You**
The NetWorks For You program operates throughout rural, regional and remote South Australia. It is a community development program designed to both raise internet awareness and develop internet skills in local communities. The Commonwealth Government, through the Networking the Nation fund, and the SA Government fund the program.

NetWorks For You is built on multiple collaborative relationships in local communities. Libraries, schools, councils, hospitals, health centres, regional development boards and community groups come together under the NetWorks For You banner to enable their communities to join the online world.

Aboriginal Affairs

- **Grant Programs**
The Department receives funding and makes payments for a number of grants under the operations of the Division of State Aboriginal Affairs. All grants have the condition that any funds not expended in the agreed manner are to be repaid, and this is verified by the requirement for audited financial statements to be provided for large grants and the provision of source documents for the smaller grants.

The grant funding received from ATSIC, Commonwealth Department of Education, Science and Training (DEST), Department of Primary Industry and Resources (PIRSA) and other government departments is generally applied to the purposes of essential services such as roads, electricity and water in Aboriginal remote communities, Aboriginal Visitors Scheme, economic development and administration, Aboriginal reconciliation, heritage and legal rights.

3. Administered Items

The following funds and financial transactions are administered by the Department as at 30 June 2002. They do not represent controlled transactions of the Department. As such they are not recognised in the financial statements as transactions of the Department, rather they are disclosed by way of Note as Administered items. Refer Note 35.

3.1 Gaming Machines Operations Deposit Account

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

3.2 Auctions

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

3.3 Commonwealth Bank of Australia (CBA) Deposit Account

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

3.4 Special Acts Salaries

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

- Minister for Administrative Services;
- Presidents, Deputy Presidents and Magistrates of the Industrial Relations Court and Commission and Workers Compensation Tribunals;
- Valuer-General;
- Employee Ombudsman.

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

3.5 Land Services Trust Funds

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

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

3.6 ATSIC Capital Works Fund

The Department is responsible for the administration of the funds described below, primarily on behalf of the Aboriginal and Torres Strait Islanders Commission. These funds are not recorded in the Department's Statement of Financial Performance or Statement of Financial Position, as the Department acts only as a project manager and does not have control over how these funds are to be spent.

The administered items are listed below:

- Commonwealth Government grants for construction of infrastructure in Aboriginal communities.
- State Government Grants for construction of infrastructure in Aboriginal communities.
- State Government Grants for employment and training in Aboriginal communities.

3.7 Sport and Recreation Fund

The Department administers this fund on behalf of the Minister for Recreation, Sport and Racing.

In accordance with provisions of the Gaming Machines (*Miscellaneous Amendments*) Act 1966, monies are paid into the fund for the following programs:

- Community Sport and Recreation Grants
- SASI Talent Scholarship Program
- State Facilities Fund.

3.8 Recreation and Sport Fund

The Department Administers this fund on behalf of the Minister for Recreation Sport and Racing. In accordance with provisions of the *Soccer Football Pools Act 1981, Racing Act 1976 and State Lotteries Act 1966*, monies are paid into the Fund for the purpose of supporting and developing such recreational and sporting facilities and services within the state, as are approved by the Minister.

The major sources of annual income are receipts from licensee's to promote, conduct and operate soccer pools, and income derived from designated sport lotteries. Soccer pool income is returned to the Treasurer at the end of each financial year under an administrative arrangement agreed to in 1995.

3.9 Major Administered Projects

The Department holds funds in trust for capital works on behalf of other agencies for certain major projects. The Department holds any carry forward funds on behalf of the Government and applies expenditure to these projects subject to project manager approval. This arrangement has been established for the following:

- Torrens Parade Ground (to be transferred to DAIS REM May 2003);
- SARDI Pipeline (to be transferred to the Minister for Agriculture, Food and Fisheries May 2003);
- Patawalonga Infrastructure (transferred to the Minister for Water Resources December 2001);
- Riverbank Promenade (to be transferred to the Minister for Tourism pending finalisation of a formal documentation).

All projects, excluding the Torrens Parade Ground do not contribute to the asset base of the Department, in that the Department has no control over these assets once they are completed. The finished capital projects are transferred to the controlling agency.

In addition funds are held on behalf of the Department of the Premier and Cabinet in relation to the construction of the National Wine Centre.

3.10 World Congress on Information Technology 2002 (WCIT2002)

The WCIT 2002 was the 13th Biennial Congress of the World Information Technology and Services Alliance, held in Adelaide between 27 February 2002 and 1 March 2002, and co-hosted by the Government of South Australia and the Australian Information Industry Association (AIIA).

The agreement between the AIIA and the South Australian Government provides for the preparation and audit of financial statements covering the activities of the WCIT 2002.

At 30 June 2002 the financial statements were progressing to finalisation to enable the external audit of the accounts and financial statements to be completed. The disclosures in Note 35 relating to the WCIT 2002 represent unaudited figures.

3.11 Asset Sales Deposit Account

From 1 July to 3 December 2001, the Department administered funds in relation to the following scoping reviews:

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

From 4 December 2001, this responsibility was transferred to the Department of Treasury and Finance as a result of administrative restructuring by the Government.

4. Net Profit		2002	2001
Profit from Ordinary Activities has been arrived at after:	Note	\$'000	\$'000
(a) Debiting as Expense			
Cost of Sales:	2.3		
Contract costs		39 323	76 438
Employee costs		11 009	13 626
Administration costs		82 960	77 517
Commercial property costs		76 569	77 289
Residential property costs		10 281	6 975
Materials		18 811	18 428
		238 953	270 273
Administration:			
Finance charges on finance lease	2.11	8 388	8 959
Administration costs		84 648	61 967
Overseas travel		51	28
		93 087	70 954
Depreciation and Amortisation Charges:			
Amortisation of leased assets	2.11	11 380	10 347
Depreciation	2.7	24 516	19 761
		35 896	30 108
Other Expenses:			
Accommodation and power		12 421	11 557
Loss on disposal of assets		3 429	2 230
		15 850	13 787

(b) Crediting as Revenue	2002	2001
Other Revenue:	\$'000	\$'000
Interest on cash	13 313	14 672
Assets recognised for the first time	2 510	-
Other revenue	2 835	357
	18 658	15 029

(c) Net Expenses from Restructuring of Administrative Arrangements		
The net revenues (expenses) relating to the restructuring of Administrative arrangements recognised in the Statement of Financial Performance are the following:		
Office of Government Enterprises	15	-
Office for Recreation, Sport and Racing	60 779	-
Division of State Aboriginal Affairs	3 739	-
ForestrySA	-	(770 888)
	64 533	(770 888)

Office of Government Enterprises

On 4 December 2001, it was published in the Government Gazette that the Office of Government Enterprises (OGE), a Business Unit of DAIS, would be transferred to the Department of Treasury and Finance (DTF). As of this date, all the assets and liabilities of OGE have been transferred to the DTF and have been reported in accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments' relevant Accounting Policy Statements and Urgent Issues Group Abstract 38, 'Contributions by Owners to Wholly-Owned Public Sector Entities'.

During the reporting period assets and liabilities amounting to \$0.239 million and \$0.254 million respectively were transferred from the Department.

In respect of the activities relinquished, the following assets and liabilities were transferred out of the Department:

<i>Office of Government Enterprises</i>	2002	2001
Assets:	\$'000	\$'000
Current assets	226	-
Non-current assets	13	-
Total assets	239	-
Liabilities:		
Current liabilities	71	-
Non-current liabilities	183	-
Total liabilities	254	-
NET (LIABILITIES)	(15)	-

Office for Recreation, Sport and Racing

On 4 December 2001, it was also published in the Government Gazette that the Office for Recreation and Sport and the Office for Racing would be transferred from the Department for Environment and Heritage (DEH) to DAIS. All the assets and liabilities of these units have been transferred to DAIS and have been reported in accordance with Australian Accounting Standard AAS 29, relevant Accounting Policy Statements and Urgent Issues Group Abstract 38.

During the reporting period assets and liabilities amounting to \$65.041 million and \$4.262 million respectively were transferred to the Department.

In addition to the transfer of net assets to the Department, the administration of two special deposit account operations ('Recreation and Sport Fund' and 'Sport and Recreation Fund') were also transferred and are recognised as administered amounts in the financial statements as at 30 June 2002. Refer Notes 3 and 36.

In respect of the activities taken up, the following assets and liabilities were transferred to the Department:

Assets:	2002	2001
	\$'000	\$'000
Current assets	12 838	-
Non-current assets	52 203	-
Total assets	65 041	-
Liabilities:		
Current liabilities	3 097	-
Non-current liabilities	1 165	-
Total liabilities	4 262	-
NET ASSETS	60 779	-

Summary of total Revenues and Expenses from Ordinary Activities for the period of 1 July 2001 to 30 June 2002 for the activities transferred to the Department

The amounts in the financial statements only include the 'DAIS' column (ie only the operations of Recreation, Sport and Racing relating to the period from 4 December 01 to 30 June 02).

	Recorded in DEH 1.7.01 to 3.12.01 \$'000	Recorded in DAIS 4.12.01 to 30.6.02 \$'000	Total 2002 \$'000
Appropriation	10 170	17 983	28 153
Grants	750	2 663	3 413
Other Revenue	679	2 270	2 949
Total Revenue	11 599	22 916	34 515
Employee Expenses	2 061	2 941	5 002
Grant Payments	7 828	8 262	16 090
Administration	1 447	4 276	5 723
Depreciation and Amortisation Charges	511	1 345	1 856
Other expenses from Ordinary Activities	312	732	1 044
Total Expenses	12 159	17 556	29 715
Borrowing Costs	11	23	34
(Loss) Profit from Ordinary Activities	(571)	5 337	4 766

Division of State Aboriginal Affairs

On 4 December 2001, it was published in the Government Gazette that the Division of State Aboriginal Affairs was transferred from the Department for Transport, Urban Planning and the Arts (DTUPA) to DAIS. All the assets and liabilities of this unit have been transferred to DAIS and have been reported in accordance with Australian Accounting Standard AAS 29, relevant Accounting Policy Statements and Urgent Issues Group Abstract 38.

During the reporting period assets and liabilities amounting to \$6.437 million and \$2.698 million respectively were transferred to the Department.

In addition to the transfer of net assets to the Department, the administration of the ATSI operations was also transferred and is recognised as administered amounts in the financial statements as at 30 June 2002. Refer Notes 3 and 36.

In respect of the activities relinquished, the following assets and liabilities were transferred in to the Department:

	2002 \$'000	2001 \$'000
Assets:		
Current assets	5 386	-
Non-current assets	1 051	-
Total assets	6 437	-
Liabilities:		
Current liabilities	1 924	-
Non-current liabilities	774	-
Total liabilities	2 698	-
NET ASSETS	3 739	-

Summary of total Revenues and Expenses from Ordinary Activities for the period of 1 July 2001 to 30 June 2002 for the activities transferred to the Department:

The amounts in the financial statements only include the 'DAIS' column (ie only the operations of the Division of State Aboriginal Affairs relating to the period from 4 December 01 to 30 June 02).

	Recorded in DTUPA 1.7.01 to 3.12.01 \$'000	Recorded in DAIS 4.12.01 to 30.6.02 \$'000	Total 2002 \$'000
Appropriation	5 040	4 594	9 634
Grants	666	782	1 448
Other Revenue	162	936	1 098
Total Revenue	5 868	6 312	12 180
Employee Expenses	1 424	1 782	3 206
Grant Payments	2 355	2 855	5 210
Administration	1 470	1 740	3 210
Depreciation and Amortisation Charges	101	155	256
Other expenses from Ordinary Activities	158	179	337
Total Expenses	5 508	6 711	12 219
Profit (Loss) from Ordinary Activities	360	(399)	(39)

Corporatisation of ForestrySA (2001 Comparative Only)

The ForestrySA business unit of DAIS was corporatised pursuant to the *South Australian Forestry Corporation Act 2000* and commenced trading under the Act as ForestrySA from 1 January 2001. (Refer to Note 4(c)).

The comparative amounts in the financial statements for 2001 only include the operations of the ForestrySA business unit from 1 July 2000 to 31 December 2000.

<i>Corporatisation of ForestrySA (2001 Comparative Only) (continued)</i>		2002	2001
		\$'000	\$'000
Net assets transferred		-	795 872
Less: Return of capital		-	24 984
Net Expenses from the Restructuring of Administrative Arrangements		-	770 888

During the reporting period, as a result of the corporatisation of ForestrySA, assets and liabilities amounting to \$816.837 million and \$20.965 million respectively were transferred from the Department during the 2000-01 reporting period.

In respect of the activities relinquished, the following assets and liabilities were transferred:

Assets:	Note	2002	2001
		\$'000	\$'000
Current assets		-	34 349
Non-current assets		-	782 488
Total assets		-	816 837
Liabilities:			
Current liabilities		-	16 911
Non-current liabilities		-	4 054
Total liabilities		-	20 965
NET ASSETS		-	795 872

Workplace Services

During the year, public service administrative unit restructures affected the Workplace Services Branch of the Department. A restructure effective in December 2001 designated the transfer of the Branch from DAIS to the Attorney-General's Department. A subsequent restructure, approved by Cabinet in April 2002 and to be effected in July 2002, designated that the Branch be transferred back to DAIS from Attorney-General's Department. Effective control over Workplace Services did not pass from DAIS to the Attorney-Generals Department during 2001-02. As such the financial statements of DAIS include Workplace Services' operations for the full financial year.

5. Targeted Voluntary Separation Packages (TVSPs)

In accordance with Government policy to reduce the public sector workforce, 98 (34) employees of the Department were paid TVSPs during 2001-02.

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

TVSP payments	2002	2001
	\$'000	\$'000
Recovered from the Department of the Premier and Cabinet in respect of TVSPs	6 974	1 579
Annual and long service leave accrued over the period of employment paid to employees who received TVSPs	5 857	4 693
	2 123	559

6. Retained Profits

Retained profits at 1 July	144 272	167 297
Net profit (loss)	120 476	(708 570)
Dividend declared	(36 537)	(53 996)
Transfers to and from reserves:		
Transfer from Insurance Loss Reserve	-	11 033
Transfer from Asset Revaluation Reserve	2 248	180 713
Transfer from Growing Timber Revaluation Reserve	-	547 795
Retained Profits at 30 June	230 459	144 272

7. Superannuation

Amount paid to the Department of Treasury and Finance towards the accruing Government liability for superannuation in respect of its employees

10 275	9 495
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8. Redeployees

The Department funds the cost of redeployees within a corporate Placement Services Unit. The net cost for 2001-02 includes accommodation, training and outplacement services. This amount is included under expenses from ordinary activities.

4 321	5 763
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9. Auditors' Remuneration

Estimated amounts payable to the auditors of the Department

498	510
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10. Fees Paid to Consultants

Fees paid or payable to consultants as reflected in the Statement of Financial Performance

3 421	3 106
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Administrative and Information Services

		2002 \$'000	2001 \$'000
11. Inventories			
Work in progress - Construction Projects:	Note 2.4(a)		
Cost to date plus profit recognised		66 394	66 039
Less: Progress billings		<u>62 391</u>	<u>60 354</u>
		4 003	5 685
Stock:			
Other stock on hand	2.4(b)	<u>2 461</u>	<u>3 070</u>
		<u>6 464</u>	<u>8 755</u>
12. Cash	2.19		
Cash held with Treasury		198 164	203 920
Cash held in imprest account and petty cash		<u>259</u>	<u>184</u>
		<u>198 423</u>	<u>204 104</u>
13. Receivables (Current)	2.19		
Trade debtors		57 612	76 135
Less: Provision for doubtful debts		<u>1 404</u>	<u>846</u>
		56 208	75 289
Contractor reimbursements:	2.5		
Contractor payments		-	366 055
Less: Contractor recoveries		<u>-</u>	<u>359 239</u>
		-	6 816
Loans receivable		101	-
Loan payments receivable		3 010	-
Less: Provision for doubtful debts		<u>3 195</u>	<u>-</u>
		(84)	-
		<u>56 124</u>	<u>82 105</u>
Receivables (Non-Current)	2.19		
Loans Receivable		<u>1 001</u>	<u>-</u>
		1 001	-
14. Accrued Revenue			
TVSPs and incentive payments	5	2 377	2 063
Other accrued revenue	2.6	<u>24 416</u>	<u>22 533</u>
		<u>26 793</u>	<u>24 596</u>
15. Other Current Assets			
Accrued interest on bank		1 415	1 152
Prepaid expenses		<u>11 216</u>	<u>6 960</u>
		<u>12 631</u>	<u>8 112</u>
16. Land, Buildings and Fitouts	2.7		
Recreation, Sporting and Stadia Infrastructure:			
Land		21 755	-
Building and facilities		39 516	-
Less: Accumulated depreciation		<u>11 264</u>	<u>-</u>
		50 007	-
Commercial Properties:			
Land		27 031	24 923
Building plant		9 399	11 318
Buildings		103 390	83 217
Less: Accumulated depreciation		<u>3 730</u>	<u>10 338</u>
		<u>136 090</u>	<u>109 120</u>
Industrial Properties:			
Land		5 635	4 636
Building plant		1 447	1 863
Buildings		15 190	11 330
Less: Accumulated depreciation		<u>313</u>	<u>1 427</u>
		<u>21 959</u>	<u>16 402</u>
Heritage Properties:			
Land		5 788	7 593
Building plant		626	872
Buildings		5 334	2 733
Less: Accumulated depreciation		<u>98</u>	<u>247</u>
		<u>11 650</u>	<u>10 951</u>
Residential Properties:			
Land		21 709	19 493
Buildings		95 741	87 986
Less: Accumulated depreciation		<u>-</u>	<u>-</u>
		<u>117 450</u>	<u>107 479</u>

16. Land, Buildings and Fitouts (continued)										2002	2001
Fitouts:										\$'000	\$'000
In owned buildings - At cost										5 614	4 773
Less: Accumulated depreciation										2 962	2 179
										2 652	2 594
In leased buildings - At cost										15 923	9 121
Less: Accumulated depreciation										5 304	5 059
										10 619	4 062
Total Fitouts										13 271	6 656
Total Freehold Land, Buildings and Fitouts										350 427	250 608
17. Assets under Finance Lease											
Motor Vehicles:											
At valuation										111 278	111 279
Less: Accumulated amortisation										50 709	40 652
										60 569	70 627
Accommodation:											
At valuation										19 121	22 539
Less: Accumulated amortisation										311	1 589
										18 810	20 950
Plant and Equipment:											
At valuation										2 374	1 025
Less: Accumulated amortisation										864	284
										1 510	741
Total Assets under Finance Lease										80 889	92 318
18. Plant and Equipment											
At cost										45 149	42 213
Less: Accumulated depreciation										27 594	25 807
										17 555	16 406
19. Government Radio Network											
Assets held ready for use										82 888	52 940
Less: Accumulated depreciation										13 303	5 472
										69 585	47 468
Assets under construction										12 009	17 785
										81 594	65 253
20. Motor Vehicles											
At cost										6 273	-
Less: Accumulated depreciation										-	-
										6 273	-
21. Movement in Carrying Amounts of Non-Current Assets as at 30 June 2002											
	Balance at	Reclas-	Additions	Asset	Disposals	Revalu-	Restruct-	Write-off	Depreci-	Carrying	
	1.7.01	sification		Recogn-		ation	ure		ation	Amount at	
	\$'000	\$'000	\$'000	ised	\$'000	Incrmnts/	Transfer	\$'000	Expense	30.6.02	
				for First		(Decre-			\$'000	\$'000	
				Time		ments)					
				\$'000		\$'000					
Land, Buildings and Fitouts											
Recreation, Sporting and											
Stadia Infrastructure:											
Land	-	-	510	-	-	-	17 717	-	(147)	18 080	
Buildings and Improvements	-	-	-	-	-	-	32 280	-	(353)	31 927	
	-	-	510	-	-	-	49 997	-	(500)	50 007	
Commercial Properties:											
Land	24 923	-	-	1 420	(687)	1 375	-	-	-	27 031	
Building Plant	6 891	(614)	2 933	-	(32)	985	-	(146)	(1 947)	8 070	
Buildings	77 306	(479)	3 396	1 090	(282)	23 839	433	(579)	(3 735)	100 989	
	109 120	(1 093)	6 329	2 510	(1 001)	26 199	433	(725)	(5 682)	136 090	
Industrial Properties:											
Land	4 636	-	-	-	-	999	-	-	-	5 635	
Building Plant	1 016	-	369	-	-	246	-	-	(289)	1 342	
Buildings	10 750	-	685	-	-	3 904	-	-	(357)	14 982	
	16 402	-	1 054	-	-	5 149	-	-	(646)	21 959	
Heritage Properties:											
Land	7 593	-	-	-	(813)	(1 015)	23	-	-	5 788	
Building Plant	736	-	14	-	-	(84)	-	-	(68)	598	
Buildings	2 622	-	618	-	(324)	2 462	-	-	(114)	5 264	
	10 951	-	632	-	(1 137)	1 363	23	-	(182)	11 650	
Residential Properties:											
Land	19 493	-	953	-	(807)	2 070	-	-	-	21 709	
Buildings	87 986	-	3 902	-	(3 618)	8 808	-	-	(1 337)	95 741	
	107 479	-	4 855	-	(4 425)	10 878	-	-	(1 337)	117 450	
Fitouts:											
In Owned Buildings	2 594	-	842	-	(2)	-	-	-	(782)	2 652	
In Leased Buildings	4 062	1 093	6 624	-	(1)	-	64	-	(1 223)	10 619	
	6 656	1 093	7 466	-	(3)	-	64	-	(2 005)	13 271	
Total Land, Buildings and Fitouts	250 608	-	20 846	2 510	(6 566)	43 589	50 517	(725)	(10 352)	350 427	

21. Movement in Carrying Amounts of Non-Current Assets as at 30 June 2002 (continued)								
	Balance at	Additions	Transfer from assets under Construction	Restructure Transfer	Write-off	Depreciat- ion Expense	Carrying Amount at	
Other Fixed Assets:	1.07.01 \$'000	\$'000	\$'000	\$'000	\$'000	\$'000	30.06.02 \$'000	
Plant and Equipment	16 406	10 194	-	1 604	(4 316)	(6 333)	17 555	
Motor Vehicles	-	6 273	-	-	-	-	6 273	
Government Radio Network								
Assets held ready for use	47 468	-	29 948	-	-	(7 831)	69 585	
Assets under construction	17 785	24 172	(29 948)	-	-	-	12 009	
	65 253	24 172	-	-	-	(7 831)	81 594	
22. Other Non-Current Assets								
Asset replacement investment account					Note	2002 \$'000	2001 \$'000	
Investments in Ngapartji					2.9	7 499	7 499	
						300	300	
						7 799	7 799	
23. Creditors and Accrued Expenses								
Client monies received in advance					2.10	5 728	5 728	
Trade creditors					2.19	4 690	12 418	
Accrued expenses						44 222	73 108	
Incentive monies owing					2.18	2 489	3 675	
						57 129	94 929	
24. Borrowings								
Current:								
Finance leases					2.11,30	12 127	10 881	
Other						30	-	
						12 157	10 881	
Non-Current:								
Borrowings from State Government					2.19	91 777	94 807	
Finance leases					2.11,30	76 497	87 539	
						168 274	182 346	
25. Provisions								
Current:								
Whole-of-Government initiatives					2.12	808	1 293	
Provision for dividend						-	13 000	
Provision for income tax					2.15	1 399	1 781	
						2 207	16 074	
Non-Current:								
Whole-of-Government initiatives					2.12	549	1 293	
						549	1 293	
26. Employee Entitlements								
Current:								
Annual leave					2.13	5 990	4 984	
Workers compensation					2.14	1 157	1 035	
Long service leave					2.13	3 318	2 134	
						10 465	8 153	
Non-Current:								
Workers Compensation					2.14	3 614	3 351	
Long service leave					2.13	22 828	22 311	
						26 442	25 662	
27. Other Current Liabilities								
Prepaid reimbursements relating to the sale and leaseback of motor vehicles					2.11	98	21 441	
Prepaid revenue					2.17	6 531	3 848	
Contractor Reimbursements in Advance:					2.5,13			
Contractor Recoveries						392 073	-	
Less: Contractor Payments						388 002	-	
						4 071	-	
Deferred profit on sale and leaseback of motor vehicles					2.11	2 769	3 285	
Accrued interest						507	960	
						13 976	29 534	
28. Reserves								
Asset Revaluation Reserve:								
Balance at the beginning of the reporting period						74 451	251 702	
Forestry restructure transfer						-	(179 697)	
Other movements						39 564	2 446	
Closing balance						114 015	74 451	

28. Reserves (continued)		2002	2001
Surplus Incentive Funds Reserve:		\$'000	\$'000
Balance at the beginning of the reporting period		666	803
Net movement during the year		-	(137)
Closing balance		<u>666</u>	<u>666</u>
Capital Reserves:			
Due to the corporatisation of ForestrySA, capital funds of \$24.983 million were recognised during 2000-01 as a return on capital (a direct reduction against equity) in accordance with Urgent Issue Group Abstract 38.			
		2002	2001
		\$'000	\$'000
Balance at the beginning of the reporting period		5 546	30 529
Forestry restructure transfer		-	(24 983)
Closing balance		<u>5 546</u>	<u>5 546</u>
Insurance Loss Reserve (2001 comparative only)			
Commencing 1996-97 the Department set aside \$3 million per year to create over five years, a \$15 million risk exposure reserve in relation to the Department's then owned plantation forests. This reserve was created with the Treasurer's consent and covered risk exposure, over and above the Department's insurance excess arrangement, up to a total loss aggregate of \$15 million, in any one insurance year.			
		2002	2001
		\$'000	\$'000
Balance at the beginning of the reporting period		-	11 033
Movement during the year		-	(11 033)
Closing balance		<u>-</u>	<u>-</u>
Growing Timber Revaluation Reserve (2001 comparative only)			
Balance at the beginning of the reporting period		-	547 794
Movement during the year		-	(547 794)
Closing balance		<u>-</u>	<u>-</u>
Total Reserves		120 227	80 663
29. Capital Funds provided by the South Australian Government			
During the current year additional funds of \$37.839 million were provided to the Department as equity funding for the Strategic Asset Management Information System (SAMIS), the Automated Torrens Land Title Administration System (ATLAS) and the Government Radio Network (GRN) Project.			
	Note	2002	2001
		\$'000	\$'000
Balance at the beginning of the reporting period		166 249	142 695
Movement during the year		37 839	23 554
Closing balance		204 088	166 249
30. Finance Lease Commitments	2.11		
Motor Vehicles:			
Not later than one year		15 395	15 395
Later than one year and not later than five years		47 163	54 067
Later than five years		13 288	21 779
		<u>75 846</u>	<u>91 241</u>
Deduct future finance charges		15 277	20 614
		<u>60 569</u>	<u>70 627</u>
Classified as:			
Current		10 900	10 058
Non-Current		49 669	60 569
		<u>60 569</u>	<u>70 627</u>
Accommodation:			
Not later than one year		3 573	3 478
Later than one year and not later than five years		14 281	13 910
Later than five years		69 217	70 965
		<u>87 071</u>	<u>88 353</u>
Deduct future finance charges		60 540	61 304
		<u>26 531</u>	<u>27 049</u>
Classified as:			
Current		550	518
Non-Current		25 981	26 531
		<u>26 531</u>	<u>27 049</u>
Plant and Equipment:			
Not later than one year		754	348
Later than one year and not later than five years		897	469
Later than five years		-	-
		<u>1 651</u>	<u>817</u>
Deduct future finance charges		127	73
		<u>1 524</u>	<u>744</u>
Classified as:			
Current		677	305
Non-Current		847	439
		<u>1 524</u>	<u>744</u>
Total Finance Lease Commitments			
Current		12 127	10 881
Non-current		76 497	87 539
		<u>88 624</u>	<u>98 420</u>

		Note	2002	2001
31. Operating Lease Commitments		2.11	\$'000	\$'000
Not later than one year			60 726	55 159
Later than one year and not later than five years			177 203	168 397
Later than five years			113 996	143 192
			351 925	366 748
32. Statement of Cash Flows				
(a) Reconciliation of Cash				
For the purposes of the Statement of Cash Flows, cash is cash at Bank		12	198 423	204 104
(b) Reconciliation of Operating Profit to Net Cash provided by Operating Activities				
Operating profit			120 476	(708 570)
Non cash items:				
Depreciation of buildings, plant and equipment			24 516	19 761
Assets recognised for the first time			(2 510)	-
Loss on disposal of assets			3 429	2 798
Net (Revenue) expenses on restructuring			(48 290)	747 192
Amortisation of finance lease			11 380	10 347
Profit on sale and leaseback			(516)	(517)
Change in assets and liabilities:				
Decrease in debtors			19 168	88 427
Increase in provision for doubtful debts			1 477	119
Decrease (Increase) in inventories			2 296	(2 469)
(Increase) Decrease in accrued revenue			(2 246)	2 862
(Increase) in prepaid expenses			(847)	(1 784)
Increase in creditors			317	12 302
(Decrease) Increase in accrued expenses			(16 722)	13 254
Increase (Decrease) in prepaid revenue			2 662	(2 360)
(Decrease) in incentive monies owing			(93)	(563)
(Decrease) in provisions			(4 750)	(3 621)
Net Cash provided by Operating Activities			109 747	177 178

33. Remuneration of Employees

Amounts received or receivable by employees of the Department whose remuneration is greater than \$100 000.

The amounts include salaries and related payments, superannuation benefits and motor vehicle benefits: 7 731 6 587

	2002	2001
The number of employees of the Department whose remuneration falls within the following bands for the year ended were:	Number of Employees	Number of Employees
\$100 000 - \$109 999	11	7
\$110 000 - \$119 999	10	12
\$120 000 - \$129 999	6	4
\$130 000 - \$139 999	5	4
\$140 000 - \$149 999	6	4
\$150 000 - \$159 999	1	4
\$160 000 - \$169 999	4	4
\$170 000 - \$179 999	6	2
\$180 000 - \$189 999	-	2
\$190 000 - \$199 999	2	2
\$200 000 - \$209 999	2	-
\$230 000 - \$239 999	1	-
\$240 000 - \$249 999	1	-

During the year, four employees who transferred to the Department as a result of government administrative restructures, had remuneration exceeding \$100 000. In relation to these employees, the full year total remuneration amounting to \$0.545 million was included in the calculation of this remuneration note. This remuneration included \$0.318 million paid by this Department and \$0.227 million paid by the transferor departments.

During the year, one employee who transferred from the Department as a result of government administrative restructures, had remuneration exceeding \$100 000. Prior to their transfer from the Department, \$58 000 was paid to this employee. This amount has not been included in this remuneration note.

34. Business Unit Information

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

- Building Maintenance - Provides a comprehensive facilities management service to government agencies.
- Building Management and Major Projects - Building Management works with government agencies and the building and construction industry to promote excellence in delivery of building projects and management of built assets. Major Projects unit provides specialist project management services in strategic partnership with other government agencies to deliver major and complex projects that support the economic development of the State.
- Contract Services - Delivers procurement solutions to Government by providing strategic contract development and management, advisory services to government agencies and supply, and distribution and disposal operations. The unit also provides secretariat support to the State Supply Board in the area of government procurement and training.
- Division of State Aboriginal Affairs - Plans, implements and monitors policies and programs within Government that contribute to Aboriginal people being able to function with a sense of dignity and equality with all Australians.

34. Business Unit Information (continued)

- Government ICS (includes Services SA) - Supports the efficient electronic delivery of government services and takes a strategic leadership role in the planning, management and delivery of information and communication services across the public sector. Provides a common first line service delivery point for South Australians to conduct financial transactions with government, access government related information services or receive referral for more specialised government services.
- Land Services - Provides a government guaranteed system of land titling, land boundary security, and a viable and impartial property valuation service for the benefit of business, government and the community.
- Office for Recreation, Sport and Racing - Promotes growth and excellence in recreation and sport for South Australia by providing leadership, services and assistance to State bodies, local government, community and private sector organisations servicing the recreation, sport and racing industries.
- Real Estate Management - Provides expert services to manage all aspects of government agencies' commercial office accommodation and housing services for government employees who provide essential public services in country areas. The portfolio of owned and leased office accommodation is represented by SA Government Commercial Properties and the portfolio of housing assets is represented by SA Government Employee Residential Properties.
- Policy, Planning and Community Services - Enhances organisational performance by facilitating departmental strategy, planning, policy and communications so that the Department is responsive to stakeholders and the community.
- State Records - Provides records management services across all State Government agencies and local councils and provides a range of archival services for preservation of and access to official records.
- Information Economy Policy Office - Advises Government on policies that should be adopted and projects that should be undertaken to enable the State to succeed in the new economy. The unit also develops, initiates and manages projects to completion.
- Fleet SA - Provides fleet management services to government for its passenger and light commercial motor vehicles, including: policy advice; vehicle leasing; car-pooling service; maintenance; accident and fuel management; vehicle fit-out and preparation for disposals. The unit also provides a chauffeured VIP fleet service for Ministers, Members of Parliament and visiting dignitaries.
- Forensic Science - Provides independent pathology and scientific analysis services to the justice system and the community.
- Workplace Services - Promotes and encourages effective occupational health, safety and welfare and workplace relations practices by informing and educating employees and employers of their responsibilities, rights and obligations, and ensuring compliance with relevant legislation.
- Government Publishing SA - Manages the publication and dissemination of a range of key parliamentary and government publications for the South Australian Government.
- Industrial Relations Court, Commission and Workers Compensation Tribunals - Provides administrative and financial management support and carries out the registry functions for the Industrial Relations Court and Commission and Workers Compensation Tribunal.
- ForestrySA - Comparative only. Refer Note 4(c)
- Business and Corporate Services - Delivers a range of corporate business functions and services, project managements services, and business policy and planning services, to DAIS and other governments agencies on a 'shared services' basis. Corporate Services includes the activities of the Office of the Chief Executive, Employee Ombudsman and the Ministers' Office.

Abridged Statement of Financial Performance

	Revenue from Ordinary Activities			Expenses from Ordinary Activities			2002	2001	
	Sales and Misc Revenue \$'000	Appropriations \$'000	Total Revenues from Ordinary Activities \$'000	Employee Expenses \$'000	Goods and Services \$'000	Depreciatn and Amortisatn \$'000	Total Expenses from Ordinary Activities \$'000	Profit from Ordinary Activities Restrctring \$'000	Profit from Ordinary Activities Before Restrctring \$'000
Building Maintenance	54 620	598	55 218	6 588	47 239	5	53 832	1 386	1 104
Building Management and Major Projects	9 916	5 921	15 837	7 385	8 536	152	16 073	(236)	586
Contract Services	24 097	1 490	25 587	4 067	23 011	179	27 257	(1 670)	(3 125)
Division of State									
Aboriginal Affairs	1 718	4 594	6 312	1 782	4 771	155	6 708	(396)	-
Government ICS	142 227	38 299	180 526	8 463	149 020	10 689	168 172	12 354	19 753
Land Services	75 510	1 978	77 488	18 526	10 867	90	29 483	48 005	32 214
Office for Recreation, Sport and Racing	4 926	17 983	22 909	2 941	13 286	1 345	17 572	5 337	-
Real Estate Management	6 106	228	6 334	3 339	2 192	105	5 636	698	453
SA Government Commercial Properties	94 273	2 356	96 629	-	84 708	7 234	91 942	4 687	2 504
SA Government Employee Residential Properties	16 806	-	16 806	-	12 996	2 120	15 116	1 690	1 674

Abridged Statement of Financial Performance (continued)

	Revenue from Ordinary Activities			Expenses from Ordinary Activities			2002	2001	
	Sales and Misc Revenue \$'000	Appropriations \$'000	Total Revenues from Ordinary Activities \$'000	Employee Expenses \$'000	Goods and Services \$'000	Depreciatn and Amortisatn \$'000	Total Expenses from Ordinary Activities \$'000	Profit from Ordinary Activities Before Restrctring \$'000	Profit from Ordinary Activities Before Restrctring \$'000
Policy	6	1 794	1 800	1 301	995	115	2 411	(611)	-
State Records	1 027	2 878	3 905	2 155	3 648	20	5 823	(1 918)	(308)
Government Business Group	-	-	-	286	-	24	310	(310)	483
Information Economy Policy Office	2 328	3 027	5 355	2 627	1 809	54	4 490	865	1 036
Fleet SA	64 811	6 974	71 785	4 056	66 101	10 108	80 265	(8 480)	(4 429)
Forensic Science	2 471	5 935	8 406	4 828	3 048	427	8 303	103	1 384
Workplace Services	8 973	7 609	16 582	10 950	5 869	158	16 977	(395)	(1 689)
Government Publishing SA	2 163	741	2 904	733	1 662	5	2 400	504	352
Industrial Relations Court, Commission and Workers Compensation Tribunal	5 050	3 619	8 669	4 858	2 944	67	7 869	800	143
Business and Corporate Services	32 857	20 871	53 728	29 502	28 687	2 844	61 033	(7 305)	1 397
ForestrySA	-	-	-	-	-	-	-	-	16 341
Eliminations	(23 968)	-	(23 968)	-	(23 968)	-	(23 968)	-	-
Consolidation	525 917	126 895	652 812	114 387	447 421	35 896	597 704	55 108	69 873

Abridged Statement of Financial Position

	Assets			Liabilities			2002	2001
	Current Assets \$'000	Non-Current Assets \$'000	Total Assets \$'000	Current Liabilities \$'000	Non-Current Liabilities \$'000	Total Liabilities \$'000	Net Assets \$'000	Net Assets \$'000
Building Maintenance	16 660	28	16 688	5 057	5 635	10 692	5 996	5 624
Building Management and Major Projects	50 416	3 254	53 670	22 038	2 351	24 389	29 281	25 641
Contract Services	3 043	576	3 619	1 668	761	2 429	1 190	2 285
Division of State Aboriginal Affairs	4 403	938	5 341	1 189	811	2 000	3 341	-
Government ICS	58 456	90 887	149 343	20 961	1 515	22 476	126 867	102 892
Land Services	60 563	3 690	64 253	6 337	4 773	11 110	53 143	52 146
Office for Recreation, Sport and Racing	16 977	51 525	68 502	1 346	1 040	2 386	66 116	-
Real Estate Management	2 458	420	2 878	487	709	1 196	1 682	935
Policy	172	-	172	202	303	505	(333)	-
SA Government Commercial Properties	31 699	195 157	226 856	6 324	77 169	83 493	143 363	113 400
SA Government Employee Residential Properties	7 287	120 102	127 389	898	37 332	38 230	89 159	79 177
State Records	2 482	322	2 804	364	153	517	2 287	4 203
Government Business Group	-	-	-	-	-	-	-	1 014
Information Economy Policy Office	2 074	462	2 536	252	206	458	2 078	1 201
Fleet SA	(3 999)	67 169	63 170	16 694	50 540	67 234	(4 064)	2 209
Forensic Science	1 710	6 168	7 878	542	959	1 501	6 377	6 258
Workplace Services	1 301	329	1 630	1 762	2 000	3 762	(2 132)	(1 758)
Government Publishing SA	950	11	961	457	225	682	279	738
Industrial Relations Court, Commission and Workers Compensation Tribunal	2 225	449	2 674	570	761	1 331	1 343	570
Business and Corporate Services	41 558	4 051	45 609	8 786	8 022	16 808	28 801	(5 351)
Eliminations	-	-	-	-	-	-	-	-
Consolidation	300 435	545 538	845 973	95 934	195 265	291 199	554 774	391 184

**35. Schedule of Administered items
Statement of Financial Performance**

	Revenue from Ordinary Activities			Expenses from Ordinary Activities			Net Profit (Loss) from Ordinary Activities before Restructuring	Net Revenue from Restructuring	2002 Net Profit (Loss) from Ordinary Activities after Restructuring	2001 Net Profit (Loss) from Ordinary Activities after Restructuring
	Receipts and Other Revenue	Receipts from Govt	Total Revenue from Ordinary Activities	Employee Expenses	Other Operating Expenses	Total Operating Expenses				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000				
Asset Sales Deposit Account	3 961	10 142	14 103	250	13 881	14 131	(28)	-	(28)	3 010
Gaming Machines	34 399	-	34 399	-	34 505	34 505	(106)	-	(106)	3 610
State Government Auctions	76 836	-	76 836	-	76 892	76 892	(56)	-	(56)	1 741
CBA Vehicles	100 529	-	100 529	-	97 514	97 514	3 015	-	3 015	994
Special Acts Salaries	-	1 932	1 932	1 915	-	1 915	17	-	17	-
Lands Services										
Group Trust Funds	196	-	196	-	146	146	50	-	50	55
Major Administered Projects	1 772	12 692	14 464	-	18 079	18 079	(3 615)	-	(3 615)	(24 826)
World Congress on IT 2002	8 433	-	8 433	880	6 894	7 774	659	-	659	53
ATSIC	2 809	-	2 809	-	1 628	1 628	1 181	3 242	4 423	-
Sport and Rec Fund	-	1 458	1 458	-	2 037	2 037	(579)	2 472	1 893	-
Rec & Sport Fund	332	-	332	-	194	194	138	100	238	-
Total	229 267	26 224	255 491	3 045	251 770	254 815	676	5 814	6 490	(15 363)

Statement of Financial Position

	Assets			Liabilities			2002 NET ASSETS	2001 NET ASSETS
	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Asset Sales Deposit Account	2 440	-	2 440	475	197	672	1 768	1 797
Gaming Machines	3 349	-	3 349	(2)	-	(2)	3 351	3 458
State Government Auctions	19	-	19	-	-	-	19	75
CBA Vehicles	11 660	-	11 660	6 697	-	6 697	4 963	1 949
Special Acts Salaries	70	-	70	11	25	36	34	17
Lands Services								
Group Trust Funds	4 396	-	4 396	-	-	-	4 396	4 346
Major Administered Projects	3 288	-	3 288	-	-	-	3 288	6 903
World Congress on IT 2002	957	-	957	329	-	329	628	(31)
ATSIC	4 423	-	4 423	-	-	-	4 423	-
Sport and Rec Fund	1 893	-	1 893	-	-	-	1 893	-
Rec & Sport Fund	238	-	238	-	-	-	238	-
Total	32 733	-	32 733	7 510	222	7 732	25 001	18 514

Statement of Cash Flows

	Operating Activities			Investing Activities			Cash Balance as at 1 July	Cash Balance as at 30 June
	Inflows	Outflows	Net Cash from Operating Activities	Cash from Investing Activities	Net Increase (Decrease) Cash Held			
	\$'000	\$'000	\$'000	\$'000	\$'000			
Asset Sales Deposit Account	4 000	15 893	(11 893)	-	(11 893)	2 990	(8 903)	
Gaming Machines	34 403	34 530	(127)	-	(127)	3 469	3 342	
State Government Auctions	76 836	76 892	(56)	-	(56)	75	19	
CBA Vehicles	103 833	105 612	(1 779)	-	(1 779)	8 203	6 424	
Special Acts Salaries	1 995	1 879	116	-	116	(1 942)	(1 826)	
Lands Services								
Group Trust Funds	196	157	39	-	39	4 357	4 396	
Major Administered Projects	14 467	18 468	(4 001)	-	(4 001)	7 277	3 276	
World Congress on IT 2002	6 296	5 422	874	-	874	83	957	
ATSIC	2 844	1 628	1 216	-	1 216	3 195	4 411	
Sport and Rec Fund	1 458	2 037	(579)	-	(579)	2 472	1 893	
Rec & Sport Fund	332	194	138	-	138	100	238	
Total 2002	246 660	262 712	(16 052)	-	(16 052)	30 279	14 227	

36. Administered Units: Remuneration of Employees

	2002 \$'000	2001 \$'000
Amounts received or receivable by employees included under administered items whose remuneration is greater than \$100 000. The amounts include salaries, related payments and superannuation benefits	1 988	2 416

36. Administered Units: Remuneration of Employees (continued)	Number of	Number of
The number of employees of the Department whose remuneration falls within	Employees	Employees
The following bands for the year ended were:		
\$120 000 - \$129 999	-	1
\$130 000 - \$139 999	2	2
\$160 000 - \$169 999	1	2
\$190 000 - \$199 999	-	1
\$200 000 - \$209 999	1	-
\$220 000 - \$229 999	-	1
\$240 000 - \$249 999	-	1
\$250 000 - \$259 999	1	3
\$260 000 - \$269 999	3	-
\$270 000 - \$279 999	-	1
\$280 000 - \$289 999	1	1

During the year, one employee who transferred from the Department was a result of government administrative restructures, had remuneration exceeding \$100 000. Prior to their transfer from the Department, \$79 000 was paid to this employee. This amount has not been included in this remuneration note.

37. Contingent Obligations

37.1 Hindmarsh Stadium

In 1996 and 1997 the Government entered into formal arrangements with the South Australian Soccer Federation (SASF), regarding the capital redevelopments and fit out works associated with stage 1 construction of the Stadium. The arrangements resulted in the SASF securing two loans from an external banking institution, \$4.1 million (Stage 1 Construction) and \$2 million (Stage 1 Fit Out), to be applied with the government funding to the abovementioned works.

As part of the arrangements the loans of the SASF are underwritten by the Government. As such the Department is contingently liable for the outstanding balance of the loans of the SASF. At balance date the outstanding balance of the respective loans were \$3.65 million and \$1.78 million.

During the reporting period the Department met the loan obligations of the SASF, consistent with the loan and underwriting arrangements, as follows:

Stage 1 Construction

Payments relating to the loan obligations totalling \$421 500 (\$409 500). Interest totalling \$182 500 (\$122 500) was charged during the reporting period. These amounts are recoverable from the SASF.

Stage 1 Fit Out

Payments relating to the loan obligations totalling \$194 500 (\$195 000). Interest totalling \$62 000 (\$39 500) was charged during the reporting period. These amounts are recoverable from the SASF.

37.2 Netball Stadium - ETSA Park

In 1997 the Government entered into formal arrangements with the South Australian Netball Association (SANA), regarding the construction of a netball stadium at Mile End. The arrangements resulted in the SANA securing a loan of \$3.5 million from an external banking institution to be applied with Government funding toward the stadium construction.

As part of the arrangements the loan of SANA is underwritten by the Government. As such the Department is contingently liable for the outstanding balance of the loan of the SANA. At balance date the outstanding balance of the loan was \$3.3 million.

During the reporting period the SANA met its loan obligations and the Department was not required to underwrite any payment shortfalls.

STATE SUPPLY BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The State Supply Board, a statutory authority established under the *State Supply Act 1985* (the Act), is principally responsible for providing a framework for public sector supply.

An amendment to the Act was effected in January 2002. The important aspect of the amendment is to extend the definition of supply operations to cover not only goods but also services and other commodities, namely energy and intellectual property. In so doing the amendment makes it clear that the Board's statutory ambit regarding supply operations covers public authorities in relation to the management, procurement, disposal and control of goods and services.

The Board is also responsible for the purchase and on selling of gaming machines under the *Gaming Machines Act 1992*.

The Board comprises six members appointed by the Governor and, except as provided by the Act, is not subject to ministerial control and direction. The Board receives policy, administrative and financial accounting support from the Department for Administrative and Information Services (DAIS). The Contract Services Business Unit within DAIS administers the strategic and complex whole-of-government contracts on behalf of the Board.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 21(2) of the *State Supply Act 1985* provides that the accounts of the Board must be audited at least once in every year by the Auditor-General.

Scope of Audit

During 2001-02 specific areas of Audit attention included:

- Supply Operations framework
- contract management
- expenditure
- salaries
- Board Minutes.

The accounts and financial transactions of the Board are maintained and processed by DAIS. In addition, in relation to the contract management activity, the Contract Services Business Unit of DAIS undertakes certain aspects of this activity on behalf of the Board.

Audit reviews of the financial operations and contract management activity of the Board was covered as part of the examination of the operations, systems and processes of DAIS.

AUDIT FINDINGS AND COMMENTS

The review of the accounts and financial transactions of the Board revealed a generally satisfactory position.

Previous reports have included comment concerning the legal, regulatory and policy framework for procurement in the South Australian public sector. The issues of importance that have been the subject of comment have included the matter of doubt concerning the statutory ambit of the Board's functions regarding the procurement of 'services' as distinct from 'goods' and the limited instructive guidance available to agencies concerning best practice procurement policies and procedures.

As mentioned the *State Supply Act 1985* was amended, effective from January 2002. The amendment made it clear that the Board's functions extended to 'services' procurement. In addition, the Board has recently commenced the promulgation of various procurement guidelines.

Last year's Report also indicated that audit review in 2001-02 would be directed to the quality of execution of aspects of the tendering and contracting components of the procurement process cycle undertaken within agencies.

These reviews have either been completed or are in the process of finalisation. Where appropriate, issues identified by Audit have been communicated in management letters to the applicable government agencies and have been included in respective agency commentary in Part B of this Report.

Audit intends in the immediate future, to communicate to the Board matters arising from the various reviews, that may need to be considered and addressed by the Board because of their significance and/or government wide implications. Following that communication and consideration process and notification from the Board on any remedial actions, these matters will be presented in a separate Report to Parliament.

CONTROLS OPINION

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

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

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Appropriation for operating purposes	2.3	423	423
Interest on cash at bank		14	10
Total Revenue		437	433
EXPENSES FROM ORDINARY ACTIVITIES:	2.4		
Employee expenses	3	106	164
Administration expenses	3,4	232	135
Other expenses from ordinary activities	3	20	30
Total Expenses		358	329
SURPLUS FROM ORDINARY ACTIVITIES		79	104
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		79	104

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash	5	306	310
Other	6	1	38
Total Current Assets		307	348
NON-CURRENT ASSETS:			
Fit outs	7	6	19
Total Non-Current Assets		6	19
Total Assets		313	367
CURRENT LIABILITIES:			
Provisions	8	-	12
Accrued Sundry Expenses	9	10	110
Prepayments	9	-	6
Total Current Liabilities		10	128
NON-CURRENT LIABILITIES:			
Provisions	8	-	15
Total Non-Current Liabilities		-	15
Total Liabilities		10	143
NET ASSETS		303	224
EQUITY:			
Accumulated surplus	13	303	224
TOTAL EQUITY		303	224

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from appropriation		423	423
Interest received		14	10
Payments to suppliers and employees		(441)	(204)
Net Cash (used in) provided by Operating Activities	12(b)	(4)	229
NET (DECREASE) INCREASE IN CASH HELD		(4)	229
CASH AT 1 JULY		310	81
CASH AT 30 JUNE	12(a)	306	310

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Purpose of the Board**
The Board's mission is:

To guide, manage and control the supplies acquisition, management, distribution and disposal activities of public authorities by direct action on behalf of agencies, where appropriate, and by the development and promulgation of supply policies and guidelines for application by those agencies subject to the *State Supply Act 1985*.

2. Statement of Significant Accounting Policies

2.1 Basis of Accounting

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

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

The Board's principal source of funds is monies appropriated by Parliament. Appropriations are recognised as revenues in the period in which the Board gains control of the appropriated funds.

2.2 Gaming Machines

The State Supply Board is also responsible for the purchase and on-selling of gaming machines under the *Gaming Machine Act 1992*. Administration of the responsibilities of the Board is undertaken by the Contract Services Business Unit of the Department for Administrative and Information Services (DAIS).

2.3 Appropriations

Reconciliation of appropriations to government revenues:

Total appropriations	2002	2001
	\$'000	\$'000
	423	423
Total Government Revenues	423	423

2.4 Expenses from Ordinary Activities

During the year the small staff compliment of the Board was reduced to nil. The Board is now completely serviced for policy, administrative and financial accounting matters by DAIS under a fee for service arrangement.

The introduction of the changed staffing and service support arrangements has resulted in the following:

- Reduced 'employee expenses' as reflected in the Statement of Financial Performance due to staff number decrease and write back of employee entitlement provision, as recorded in the Statement of Financial Position as at 30 June 2001.
- Increased 'Administrative Expenses' as a consequence of an increase in the fee for service arrangement with DAIS, as reflected in the Statement of Financial Performance.

2.5 Non-Current Assets

Cost and Valuation

Fit outs have been brought to account at cost or valuation. The gain or loss on disposal of all non-current assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is recorded as revenue or expense in the year of disposal.

Depreciation

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

2.6 Employee Entitlements

As at 30 June 2001 the provision for long service leave has been determined for the Board's employees who have completed eight or more years of service and includes an allowance for employee on-costs. This policy is consistent with the requirements of Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

As at 30 June 2002 the Board employed no staff. As a consequence no employee entitlement provisions have been recognised. Refer Note 2.4

2.7 Superannuation

During 2001-02, amounts paid or payable by the Board to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of its employees was \$14 100 (\$11 500).

2.8 Accommodation

The Board occupies leased premises administered by the Department for Administrative and Information Services. Payments during the year to the Real Estate Management Unit for leasing and associated services amounted to \$5 600 (\$5 800).

2.9 Consulting

The Board has paid \$Nil (\$55 900) for expenditure on consultants to assist the Board in the conduct of whole-of-government reviews of supply activities, including the whole-of-government Procurement Review. These costs are included in the operating expenses in the financial statements.

2.10 Leases

Operating Leases

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

2.11 Receivables, Accounts Payable and Borrowings

Trade accounts receivables are settled within 30 days and are carried at amounts due. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

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

2.12 Goods and Services Tax

The Department for Administrative and Information Services (DAIS) prepares a Business Activity Statement on behalf of the Board under the grouping provisions of the GST legislation. Under these provisions, DAIS is liable for the payments and entitled to the receipts of GST. As such, the GST applicable to the Board forms part of the Statement of Financial Position and Statement of Cash Flows of DAIS.

3. Surplus from Ordinary Activities		2002	2001
Surplus has been arrived at after:	Note	\$'000	\$'000
<i>Debited as Expenses</i>			
Administration:			
Salaries and related payments		106	164
Administration expenses		232	135
		338	299
Other expenses:			
Accommodation and power	2.8	7	6
Depreciation		13	24
		20	30
		358	329
4. Auditors' Remuneration		10	5
Estimated amounts payable to the auditors of the State Supply Board			
5. Cash		306	310
Cash held with Treasury			
6. Other Current Assets		1	38
Accrued revenue			
7. (a) Fitouts			
In leased buildings:			
At cost		122	121
Less: Accumulated depreciation		116	102
Total Fitouts	7(b)	6	19
(b) Reconciliation of Carrying Amount			
		Fitouts	Accumulated
		\$'000	Depreciation
		\$'000	\$'000
Carrying value at beginning of year		122	103
Disposals		(103)	(103)
Depreciation expense		-	13
Balance at 30 June 2002		19	13
		19	6
8. Provisions		2002	2001
Current:	Note	\$'000	\$'000
Annual leave		-	12
Non-Current:			
Long service leave	2.6	-	14
Workers compensation		-	1
		-	15
9. Other Current Liabilities		10	110
Accrued sundry expenses		-	1
Trade creditors		-	5
Prepayments		10	116
10. Operating Lease Commitments	2.10	6	6
Not later than one year		-	-
Later than one year and not later than five years		-	-
Later than five years		6	6

11. Related Party Disclosures

During the year the following persons occupied the position of Board member (or Deputy Board Member) of the State Supply Board:

Mr B Miller (Chair)	Ms F Miller*
Ms P Crook *	Mr L Oxlad *
Ms J Deveraux (resigned effective 26.10.01)	Ms J Riedstra *
Mr P Gardner*	Mr G Spence*
Mr P Jackson*	Mr L Thompson *

* The term of appointment relating to these members expired on 12 April 2002. Their reappointment was approved by the Governor effective from 1 August 2002.

During the period, a total of \$22 900 (\$29 200) was paid to Board Members in Board fees.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

12. Notes to the Statement of Cash Flows

For the purpose of the Statement of Cash Flows cash is Cash at Bank

	2002	2001
	\$'000	\$'000
(a) Reconciliation of Cash		
Cash	306	310
(b) Reconciliation of Surplus to Net Cash provided by Operating Activities		
Surplus	79	104
Non cash flows in surplus:		
Depreciation	13	25
Change in assets and liabilities:		
(Decrease) Increase in trade creditors	(1)	1
Decrease in accrued revenue	37	-
(Decrease) in prepayment	(5)	-
(Decrease) Increase in accrued expenses	(23)	8
(Decrease) Increase in accrued salaries and wages	(77)	77
(Decrease) Increase in provision for annual leave	(12)	11
(Decrease) Increase in provision for long service leave	(14)	2
(Decrease) Increase in provision for Workers Compensation	(1)	1
Net Cash (used in) provided by Operating Activities	(4)	229
13. Movement in Equity		
Items relating to the Net Change in Equity:		
Opening retained earnings	224	120
Current year surplus	79	104
Accumulated surplus	303	224

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

PORTFOLIO – EDUCATION, TRAINING AND EMPLOYMENT

INTRODUCTION

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

- Minister for Education and Children's Services
- Minister for Employment, Training and Further Education
- Minister for Youth

The agencies included herein relating to the portfolio of Education, Training and Employment are:

- Construction Industry Training Board
- Education, Training and Employment — Department of
- Flinders University of South Australia
- University of Adelaide
- University of South Australia

CONSTRUCTION INDUSTRY TRAINING BOARD

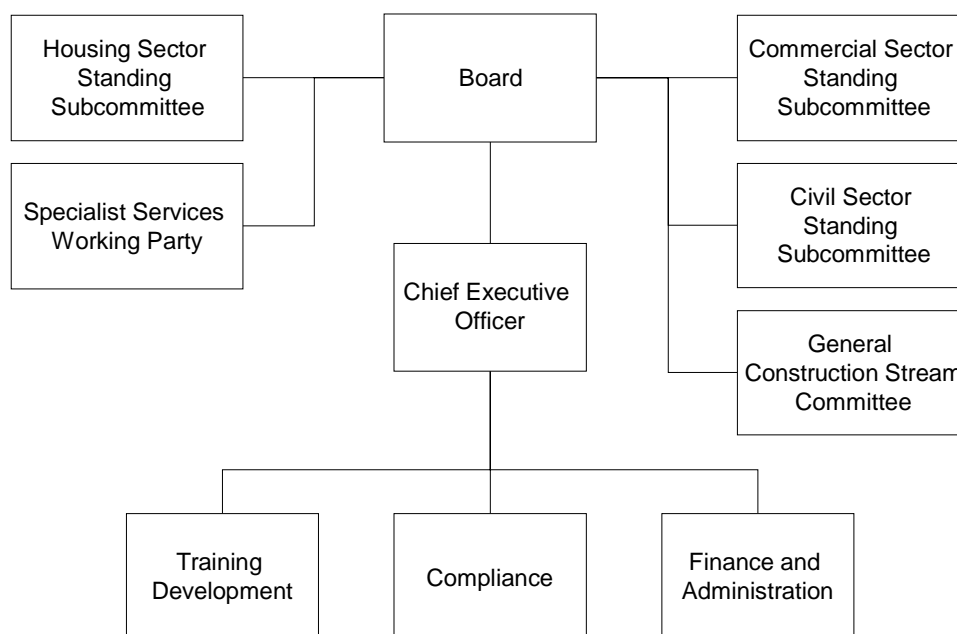
FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Construction Industry Training Board (the Board), is a body corporate established under the *Construction Industry Training Fund Act 1993*.

The Board's principal responsibility is to manage the Construction Industry Training Fund. This involves the imposition and collection of a levy on construction projects and the coordination of appropriate training plans and programs for the building and construction industry.

The Board also acts as a principal adviser to the relevant South Australian and Federal Ministers on any matter relating to training in the building and construction industry.

The Board's organisational structure is shown in the following diagram.



SIGNIFICANT FEATURES

- Industry levies were \$8.1 million, an increase of \$1.4 million, 20.7 percent.
- Training and related expenditure was \$7.4 million (\$6.3 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 16(2) of the *Construction Industry Training Fund Act 1993* specifically provides for the Auditor-General to audit the accounts of the Board in respect of each financial year.

Scope of Audit

The audit program covered all major business cycles and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control.

During 2001-02 specific areas of audit attention included:

- levy collection, including compliance with legislative requirements
- expenditure, including accounts payable, corporate credit card usage and salaries and wages
- training expenditure, including the sufficiency of the procedures associated with the acquittal of funds paid.

Audit Communications to Management

An audit management letter outlining the scope and findings of the audit was forwarded to the Chief Executive Officer and a satisfactory response detailing the Board's resolution of all matters raised has been received.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

While the review of the specific areas of financial activity revealed a satisfactory standard of accounting, record keeping and control, a number of suggestions were made to strengthen the Board's acquittal procedures for training claims particularly under the User Selected Funding mechanism.

Commentary on Legislative Review

In accordance with section 38 of the *Construction Industry Training Fund Act 1993* the Minister must, as soon as practicable after 1 January 2003, appoint an independent person to carry out an investigation and review concerning the effectiveness of the Board and its attainment of the objectives of the Act. Audit will report on the outcome of the Minister's review in subsequent reports.

Commentary on Computer Information Systems (CIS) Environment

The Board utilises a small network of personal computers. During the year the Board implemented a new Levy and Training Administration System for use in the processing and authorising of User Selected Funding training claims. The audit included a review of the control environment over this system and subsequent recommendations were made to enhance the control environment. The Board has advised that all recommendations are being actioned.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Income from industry levies was \$8.1 million, an increase of \$1.4 million. Levies from the housing sector of \$4.2 million (\$2.8 million) accounted for this increase. The increase in industry levies in the housing sector reflect the level of activity in this sector during 2001-02.

Housing Sector funds not utilised at 30 June 2002 accounted for 61.8 percent of the accumulated surplus of \$5.3 million.

Statement of Financial Performance for the year ended 30 June 2002

	Note	Housing Sector	Commercial Sector	Civil Sector	Other	2002 Total	2001 Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:							
Industry levies		4 206	2 763	1 130	-	8 099	6 712
Interest on deposits		156	117	48	-	322	421
Grants	3(a)	-	-	-	143	143	134
Proceeds from disposal of assets	3(b)	44	32	13	-	89	48
Other		9	6	3	-	18	36
Total Revenues		4 415	2 918	1 194	144	8 671	7 351
EXPENSES FROM ORDINARY ACTIVITIES:							
ADMINISTRATION EXPENSES:							
Salaries and related payments		204	153	63	-	420	423
Bad debt expense		-	3	-	-	3	-
Collection Agents fees		48	9	-	-	57	61
Depreciation	4(a)	62	47	20	-	129	108
Occupancy		30	23	9	-	62	58
Other		227	170	70	-	467	331
Total Administration Expenses		571	405	162	-	1 138	981
TRAINING RESEARCH ACCESS AND EQUITY EXPENSES:							
Salaries and related payments		99	83	64	-	246	228
Promotion		63	48	38	-	149	204
Training claims	4(b)	3 087	2 667	1 029	-	6 783	5 676
Other		46	38	14	-	98	61
Access and equity		20	24	37	-	81	124
Research		32	21	21	-	74	50
Total Training Research Access and Equity Expenses		3 347	2 881	1 203	-	7 431	6 343
GRANT EXPENSES:							
Salaries and related payments		-	-	-	109	109	120
Depreciation	4(a)	-	-	-	20	20	16
Promotion and occupancy		-	-	-	11	11	10
Other		-	-	-	47	47	35
Total Grant Expenses		-	-	-	187	187	181
Total Expenses		3 918	3 286	1 365	187	8 756	7 505
NET OPERATING (DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES		497	(368)	(171)	(43)	(85)	(154)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	17	497	(368)	(171)	(43)	(85)	(154)

Statement of Financial Position as at 30 June 2002

	Note	2002	2001
		\$'000	\$'000
CURRENT ASSETS:			
Cash assets		284	345
Receivables	5	846	654
Investments	6	6 744	6 463
Total Current Assets		7 874	7 462
NON-CURRENT ASSETS:			
Property, plant and equipment	7(a) & (b)	379	502
Total Non-Current Assets		379	502
Total Assets		8 253	7 964
CURRENT LIABILITIES:			
Training expenditure approved but not yet paid	8	1 015	663
Payables		145	142
Employee entitlements and related provisions	9	87	111
Total Current Liabilities		1 247	916
NON-CURRENT LIABILITIES:			
Employee entitlements and related provisions	10	57	14
Total Non-Current Liabilities		57	14
Total Liabilities		1 304	930
NET ASSETS		6 949	7 034
ACCUMULATED FUNDS:			
Reserve	17	1 614	1 718
Accumulated funds	17	5 335	5 316
TOTAL ACCUMULATED FUNDS		6 949	7 034
Commitments	11		

Statement of Cash Flows for the year ended 30 June 2002

		2002	2001
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:	Note	\$'000	\$'000
Industry training levies		7 911	6 631
Interest received		32	27
Other		10	48
Grant from Government		158	137
GST refund from Australian Taxation Office		590	459
Total Receipts		8 701	7 302
PAYMENTS:			
Payments to employees and suppliers		(1 484)	(1 471)
Training, access and equity expenditure		(7 089)	(6 266)
Grants		(173)	(168)
Total Payments		(8 746)	(7 905)
Net Cash used in Operating Activities	18.2	(45)	(603)
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Proceeds from term deposits		40 768	39 465
Proceeds from sale of plant and equipment		98	48
Total Receipts		40 866	39 513
PAYMENTS:			
Payment for term deposits		(40 748)	(38 217)
Payment for plant and equipment		(134)	(388)
Total Payments		(40 882)	(38 605)
Net Cash (used in) provided by Investing Activities		(16)	908
NET (DECREASE) INCREASE IN CASH HELD		(61)	305
CASH AT 1 JULY		345	40
CASH AT 30 JUNE	18.1	284	345

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. General

1.1 Objectives

The Board's responsibilities include:

- management and administration of the Construction Industry Training Fund and the South Australian Construction Industry Training Advisory Body;
- to act as a principal adviser to the Minister for Employment, Training and Further Education and the Minister for Education, Science and Training for the Commonwealth on training related matters for the Building and Construction Industry in South Australia;
- preparation of training plans;
- co-ordination of training and review and evaluation of employment related training programs.

The Fund collects revenue by way of a levy of 0.25 percent of the value of building and construction work. This revenue is invested back into the industry in the form of expenditure on training.

2. Summary of Accounting Policies

2.1 General System of Accounting Underlying the Financial Statements

The general purpose financial statements have been prepared in accordance with Statements of Accounting Concepts, applicable Accounting Standards issued in Australia, Urgent Issues Group Consensus Views, the Treasurer's Instructions for Authorities and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987* and the requirements of the *Construction Industry Training Fund Act 1993*. The following is a summary of the significant accounting policies adopted by the Board in the preparation of the accounts.

The accrual accounting basis has been used for the preparation of the financial statements whereby items are brought to account as they are earned or incurred and included in the statements for the accounting periods to which they relate.

The accounts are prepared on the basis of historical cost and are not adjusted to take account of either changing money values or current valuations of non-current assets unless otherwise disclosed in these notes.

2.2 Income Recognition

Industry levies are recognised as income when the Board obtains control of the levies. Control is normally obtained upon their receipt by the Board or its collection agents.

Interest income is recognised as it accrues.

Grant monies for specific projects are recognised as revenue in the financial year when monies are received, in accordance with Department of Treasury and Finance Accounting Policy Statement APS 11 'Contributions'. However, where specific conditions relating to the grant are not met and the amount is required to be repaid, a liability is recognised in the Statement of Financial Position as a result of a present obligation arising to the grantor.

2.3 Depreciation

Depreciation of assets is calculated on a straight line basis for each class of depreciable asset so as to write-off the cost of the asset over its expected useful life.

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

- furniture and fittings 20 percent and 12.5 percent
- computer equipment 25 percent
- office machines 20 percent
- motor vehicles 15 percent

2.4 Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount.

2.5 Income Tax

The Board is exempt from Income Tax in terms of subsection 23(d) of the *Income Tax Assessment Act 1936*, as amended.

2.6 Employee Entitlements

Provision has been made in the financial statements, where stated, for the Board's liability for employee entitlements arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees (viz, workers compensation insurance premiums and payroll tax) have been included in the determination of the liability. Payroll tax and workers compensation insurance premiums are classified as payables.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on current salary rates and includes an allocation of relevant on-costs recorded as payables.

Sick Leave

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

Long Service Leave

In calculating long service leave entitlements the Board has used a benchmark of five years as it more accurately reflects the long service leave liability. The provision includes employer superannuation contributions. Related on-costs are reported as payables.

Superannuation

The Board has contributed 8 percent of employees' base salary into a prescribed superannuation fund. This amount represents the Board's full liability for superannuation for the year.

2.7 Creditors and Accrued Expenses

The Board has brought to account accrued expenses at year end.

2.8 Leases

The Board leases premises and equipment for its administrative and operating activities. The leases are classified as non-cancellable operating leases and lease payments are included as expenditure in equal instalments over the accounting periods covered by the respective lease terms.

2.9 Accrued Levy Income

Accrued levy income includes all amounts held by collection agents at balance date.

2.10 Training Expenditure Approved but Not Yet Paid

Training expenses are recognised as an expense in the financial year that the expenditure was approved. The balance of unexpended training approval is included in the Statement of Financial Position as 'Training expenditure approved but not yet paid'.

2.11 Sector Allocation of Income and Expenditure

The following income and expenditure items have been allocated between sectors based on the level of Industry Levy Income and Training Expenditures:

- interest income
- other income
- salaries and related payments
- depreciation
- gain on disposal of non-current assets
- promotion and occupancy costs
- other administration costs

Industry levy income, collection agents fees, sector administration fees, and training, access and equity expenditures have been allocated between sectors based on actual amounts received/incurred for that sector.

2.12 Receivables

Receivables in respect of accrued levy income and debtors are due for settlement within 30 days and are recorded at their recoverable amount. At the end of each reporting period the receivable balances are reviewed and a provision is raised in respect of any balance where recovery is considered doubtful.

2.13 Investments

Investments represent investments in term deposits. Interest income is brought to account on an accruals basis.

2.14 Accounting for the Goods and Services Tax (GST)

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

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

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

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

3. Operating Revenues

(a) Grants

The Board receives funding of \$116 000 per annum from the Department for Education, Training and Employment to perform its Industry Training Advisory Body (ITAB) functions. At balance date the Board has contracted with the Department to receive funding covering the quarter to the end of September 2002. It is not certain whether any additional funding will be received after this date.

(b) Proceeds and Expenses from Sale of Assets

	2002 \$'000	2001 \$'000
Non-financial assets - Plant and equipment		
Revenue (proceeds) from sale	89	48
Expense from sale	97	43
	<u>(8)</u>	<u>5</u>

4. Operating Expenses

(a) Depreciation

The aggregate amounts of depreciation expensed during the reporting period for each class of depreciable asset are as follows:

	2002	2001
Furniture and fittings	4	5
Computer equipment	126	100
Office machines	4	4
Motor vehicles	15	15
Total	<u>149</u>	<u>124</u>

(b) Write Back of Training Contract Amounts

Training contract amounts which were unspent from previous Annual Training Plan years have been written back and are included in training claims expenditure. The amounts written back are as follows:

Write back of training expenses	205	9
---------------------------------	-----	---

5. Current Receivables

The receivables due to the Board at balance date comprise:

	2002 \$'000	2001 \$'000
Accrued levy income	547	444
Accrued interest	10	21
Prepayments	15	6
Trade debtors	119	
Less: Allowance for doubtful debts	(1)	
	<u>118</u>	40
Sundry debtors	16	6
GST receivables	140	137
Total Current Receivables	<u>846</u>	<u>654</u>

6. Current Investments

The investments of the Board at balance date comprise:

	2002 \$'000	2001 \$'000
Westpac Term Deposits	1 623	-
National Australia Bank term deposits	5 121	6 463
Total Current Investments	<u>6 744</u>	<u>6 463</u>

7. Property, Plant and Equipment

(a) Plant and Equipment:

	2002 \$'000	2001 \$'000
Furniture and fittings at cost	31	
Less: Accumulated depreciation	(26)	
	<u>5</u>	17
Computer equipment at cost	554	
Less: Accumulated depreciation	(277)	
	<u>277</u>	375
Office machines at cost	25	
Less: Accumulated depreciation	(8)	
	<u>17</u>	13
Motor vehicles at cost	85	
Less: Accumulated depreciation	(5)	
	<u>80</u>	97
Total Plant and Equipment	<u>379</u>	<u>502</u>

(b) **Analysis of Plant and Equipment**

	Furniture And Fittings \$'000	Computer Equipment \$'000	Office Machines \$'000	Motor Vehicles \$'000	Total \$'000
Gross value at 1 July 2001	66	609	27	108	810
Additions - Purchase of assets	-	27	13	83	123
Disposals	(35)	(82)	(15)	(106)	(238)
Gross value at 30 June 2002	31	554	25	85	695
Accumulated depreciation as at 30 June 2001	49	234	14	11	308
Disposals	(27)	(83)	(10)	(21)	(141)
Depreciation charge for the year	4	126	4	15	149
Accumulated depreciation at 30 June 2002	26	277	8	5	316
Net Book Value as at 30 June 2002	5	277	17	80	379
Net Book Value as at 1 July 2001	17	375	13	97	502

8. **Training Expenditure Approved but Not Yet Paid**

	2002 \$'000	2001 \$'000
Housing sector	490	305
Commercial sector	340	252
Civil sector	185	106
	1 015	663

9. **Current Provision**

	2002 \$'000	2001 \$'000
Provision for employee entitlements:		
Accrued salaries and superannuation	21	17
Long service leave	14	56
Annual leave	52	38
	87	111

10. **Non-Current Provision**

	2002 \$'000	2001 \$'000
Provision for employee entitlements:		
Long service leave	57	14

11. **Expenditure Commitments**

	2002 \$'000	2001 \$'000
Lease commitments:		
Operating leases:		
Not later than one year	86	78
Later than one year but not later than five years	350	13
Later than five years	7	-
Aggregate lease expenditure contracted for at balance date but not provided for (including GST)	443	91
GST included in the Operating Lease commitments	40	8

The leases for office accommodation are non-cancellable leases, with rental payable monthly in advance. Lease payments are subject to an annual increase of 4 percent.

12. **Auditors' Remuneration**

	2002 \$'000	2001 \$'000
Amounts receivable by the auditors for auditing the accounts	24	23

13. **Remuneration of Directors**

Total income received, or due and receivable during the financial year, by Directors was \$17 000 (\$17 000).

	2002 Number of Directors	2001 Number of Directors
The number of Directors whose income from the entity falls within the following band is:		
\$0 - \$20 000	1	1

Prescribed benefits given by the Board to a prescribed superannuation fund or otherwise in connection with the retirement of a Director was \$1 395.

14. **Remuneration of Executives**

	2002 Number of Executive	2001 Number of Executive
Employees received remuneration in the year in the following band:		
\$100 000 - \$110 000	-	1
\$110 001 - \$120 000	1	-

15. **Consultant Fees**

	2002 \$'000	2001 \$'000
Total expenditure on consultants	33	50

16. **Related Party Disclosures**

16.1 **Directors of the Construction Industry Training Board**

The Directors of the Construction Industry Training Board appointed for the period 1 July to 30 June 2002:

Richard McKay	Chairperson	Christopher Michelmore
Susan Frazer		Martin O'Malley
Robert Stewart		Graeme Lawler
Trevor Trewartha		Anne Howe
Brenton Gardner		Stephen Hall
Robert Geraghty		

16.2 Transactions with Director-Related Entities

The following related party transactions occurred during the financial year:

- (a) Three of the Directors are Deputy Directors of Construction Benefit Services (CBS) and one Deputy Director is a Director of CBS from whom the Construction Industry Training Board leases premises for its operating activities under normal terms and conditions.
- (b) During the year training funds were allocated to associated entities of the Directors of the Construction Industry Training Board. Such transactions were within terms and conditions no more favourable than those available on similar transactions to other parties.

17. Equity

The purpose of this note is firstly to explain the nature of individual reserves and secondly to explain movements in these amounts during the period.

Accumulated Surplus (Deficit)	Housing	Commercial	Civil	Other	2002	2001
	Sector	Sector	Sector		Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	2 786	964	1 589	(23)	5 316	5 468
Transfer (to) from - Strategic Reserve	12	75	17	-	104	2
Surplus (deficit) for the year	497	(368)	(171)	(43)	(85)	(154)
Balance at 30 June	3 295	671	1 435	(66)	5 335	5 316

Reserve

The Board has provided for a reserve to address any strategic needs that may arise which the Board considers warrant an allocation of funds.

In developing its policy in 2001-02 for the maintenance of a strategic reserve, the Board has reviewed the level of the reserve. The Board has decided to reduce the level of its strategic reserve in accordance with its annual policy review.

	2002	2001
	\$'000	\$'000
Strategic reserve	1 614	1 718

18. Notes to the Statement of Cash Flows

18.1 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, the Board considers cash to include cash on hand and in banks and investments readily convertible to cash within two working days.

Cash at the end of the reporting period, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

	2002	2001
	\$'000	\$'000
Cash on hand and at bank	240	302
Term deposits	44	43
	284	345

18.2 Reconciliation of Net Operating (Deficit) Surplus from Ordinary Activities to Net Cash (used in) provided by Operating Activities

Net operating (deficit) surplus from ordinary activities	(85)	(154)
Depreciation	149	124
Bad Debts Expense	3	-
Interest on term deposits	(302)	(407)
Increase in annual leave provision	14	3
Increase in long service leave provision	1	37
(Increase) in debtors and accrued levy income	(191)	(52)
(Increase) Decrease in prepayments	(9)	12
Decrease in accrued interest	11	14
Increase in creditors and accrued expenses	7	45
Loss (Gain) on disposal of assets	8	(5)
(Increase) in GST paid	(3)	(137)
Increase (Decrease) in training liability	352	(83)
Net Cash used in Operating Activities	(45)	(603)

19. Financial Instruments

(a) Accounting Policies and Terms and Conditions Affecting Future Cash Flows

Financial Assets

Cash deposits are recognised at their nominal amounts, interest is credited to revenue as it accrues. Interest is earned on a daily balance at the prevailing daily rate for money on call and is paid at month end.

Receivables are generally settled within 30 days and are carried at amounts due. Credit terms are net 30 days. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

Term deposits are recognised at cost. Interest is accrued as it is earned. Term deposits are with the Board's bank with interest being paid on maturity.

Financial Liabilities

Accounts payable and training expenditure approved but not yet paid are recognised when the Board becomes obliged to make future payments as a result of a purchase of assets or services at their nominal amounts. Accounts are generally settled within 30 days.

(b) Credit Risk Exposures

The credit risk on the Board's financial assets which have been recognised in the Statement of Financial Position is generally the carrying amount, net of any provision for doubtful debts.

The Board is of the opinion that it does not have any material credit risk exposure to any single debtor or group of debtors.

(c) Interest Rate Risk Exposures

The Board's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out as follows:

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Fixed Interest Maturing within 1 year \$'000	Non- Interest Bearing \$'000	2002 Total \$'000	2001 Total \$'000
Financial Assets:						
Cash	3.62	284	-	-	284	345
Receivables		-	-	846	846	654
Investments	4.41	-	6 744	-	6 744	6 463
		284	6 744	846	7 874	7 462
Financial Liabilities:						
Training expenditure approved but not paid		-	-	1 015	1 015	663
Creditors and accrued expenses		-	-	145	145	142
Net Financial Assets (Liabilities)		284	6 744	(314)	6 714	6 657

(d) Net Fair Value of Financial Assets and Liabilities

The net fair value of financial assets and financial liabilities of the Board approximates their carrying value.

DEPARTMENT OF EDUCATION, TRAINING AND EMPLOYMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

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

The mission of the Department is to provide high quality learning, teaching, care, employment and youth services within an integrated, responsive and supporting learning organisation which strives for continuous improvement in service and performance.

This is the final general purpose financial report for the Department. With effect from 1 July 2002 the Department of Education, Training and Employment (DETE) changed its name to the Department of Education and Children's Services. In addition, a new administrative unit titled the Department of Employment, Further Education, Science and Small Business was established on 1 July 2002 that comprised a number of former units within the Department of Education, Training and Employment.

SIGNIFICANT FEATURES

- Net cost of services was \$1.5 billion, an increase of 2 percent.
- Revenues from the State Government were \$1.5 billion (comprising recurrent appropriations \$1.4 billion and capital appropriations \$92 million).
- Employee expenses totalled \$1.4 billion or 69 percent of the total cost of services.
- Commonwealth grants, \$273 million, represented 58 percent of total operating revenues.
- The written down value of the Department's non-current assets is \$2.1 billion.
- The liability for employee entitlements is \$438 million, an increase of \$35.1 million, 8.7 percent.

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

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

During 2001-02, specific areas of audit attention included:

- expenditure, including accounts payable, salaries and wages and leave management systems
- non-current assets, including the adequacy of asset register maintenance
- revenue, including general ledger recording
- TAFE Institute transactions
- Computing environment operations.

Audit Communications to Management

At the time of preparation of this Report, a number of management letters were in the process of being finalised. Outcomes arising from the audit will be communicated to the Department and included in a subsequent report to Parliament.

AUDIT FINDINGS AND COMMENTS

Commentary on Computer Information Systems (CIS) Environment

Review of School Administration System (EDSAS)

The EDSAS system is used to manage school staff and student records, and the school financial and profiling requirements for individual schools. The system also provides for information to be input into DETE's main financial and operational systems.

In the latter part of the year Audit commenced a review of the EDSAS system in a number of South Australian public schools.

The purpose of the review is to assess the overall adequacy of the EDSAS system and its associated CPE environment to ensure that appropriate controls are in place with regard to the management of the financial information and the collection and processing of school student census information. The review principally entails an assessment of key management, security and integrity aspects of the EDSAS system and the computer processing environment (CPE).

At the time of preparation of this Report, the review had not been completed. Outcomes arising from the finalised review will be communicated to the Department and included in a subsequent Report to Parliament along with outcomes relating to other agency reviews presently in progress.

Human Resource Management System (HRMS)

Last year's Report included comment concerning the Department's progress regarding the development of a human resource management system.

It was conveyed in the Report that Cabinet approved in October 2000 the development at an estimated cost of approximately \$16 million, and that a joint development contract between the Department and Concept Systems International was imminent.

The signing of the contract occurred in October 2001, and in the latter part of 2001-02 Audit commenced a review of some aspects of the project development. This review is being conducted in conjunction with audit reviews of the implementation of the new Complete Human Resource Management System (CHRIS) within Health Sector agencies and non-education government department agencies.

Any issues that arise out of the review will be communicated to the Department and in a subsequent Report to Parliament.

EXTRACT FROM INDEPENDENT AUDIT REPORT

Qualification

The Department of Education, Training and Employment economic entity comprises the Corporate Department, TAFE Institutes and other non-corporate operational units including preschools, long day care centres (those referred to as 'Bowen Funded Centres' only), neighbourhood houses, toy libraries, government schools and child parent centres. As disclosed in Note 2(b) to the financial statements, the Department has concluded that the financial data of the other non-corporate operational units was not considered reliable at this time. Accordingly, the financial statements do not include funds generated by the other non-corporate entities as required by Australian Accounting Standard AAS 24 'Consolidated Financial Reports'. Whilst these transactions and balances are available to the Department and are summarised in Note 32 to the Financial Statements, I am not in a position to assess whether principles of Financial Statement preparation and accounting policies have been consistently applied by the other non-corporate operational units. Accordingly, I cannot attest to the reliability of the financial data of the non-corporate operational units outlined in Note 32 to the Financial Statements.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraph, the financial report presents fairly in accordance with Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the Department of Education, Training and Employment as at 30 June 2002, the results of its operations and its cash flows for the year then ended.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Operating Expenses

Employee Expenses

Employee expenses for the year were \$1.4 billion, an increase of \$50.7 million. Reflected in this increase was:

- an increase in salary and wage expenditure of \$27.1 million, 2.6 percent to \$1.1 billion;
- targeted voluntary separation payments of \$44.2 million (\$29.8 million).

Supplies and Services

Included in supplies and services expenditure, \$383.5 million, is an amount of \$87.1 million (\$91.5 million) relating to minor works maintenance and equipment. The principal component of this amount relates to expenditure on schools.

Grants and Subsidies

Expenditure relating to grants and subsidies of \$153.1 million, includes grants to pre-schools, primary and secondary schools of \$128.7 million. Partnerships 21 grants were \$80.5 million (\$72.1 million). Detail is provided later under the heading 'Further Commentary on Operations' regarding grants and subsidies.

Operating Revenues

Student and Other Fees and Charges

This amount, \$83.6 million, includes \$31.8 million (\$29.1 million) for student enrolment fees and charges, of which \$30 million (\$26.7 million) relates to students attending TAFE Institutes. TAFE Institutes fee for service charges were \$30.6 million a decrease of \$3.7 million.

Statement of Financial Position

Non-Current Assets

Property, Plant and Equipment

The written down value of property, plant and equipment is \$2.1 billion an increase of \$140.8 million. Reflected in this increase were net revaluation increments of \$160.1 million, in line with the valuation methodology as outlined in Note 2(j). The note to the financial statements states how the valuation was derived with respect to buildings and improvements.

The note also indicates the reasons for the non-inclusion of certain improvements.

Liabilities

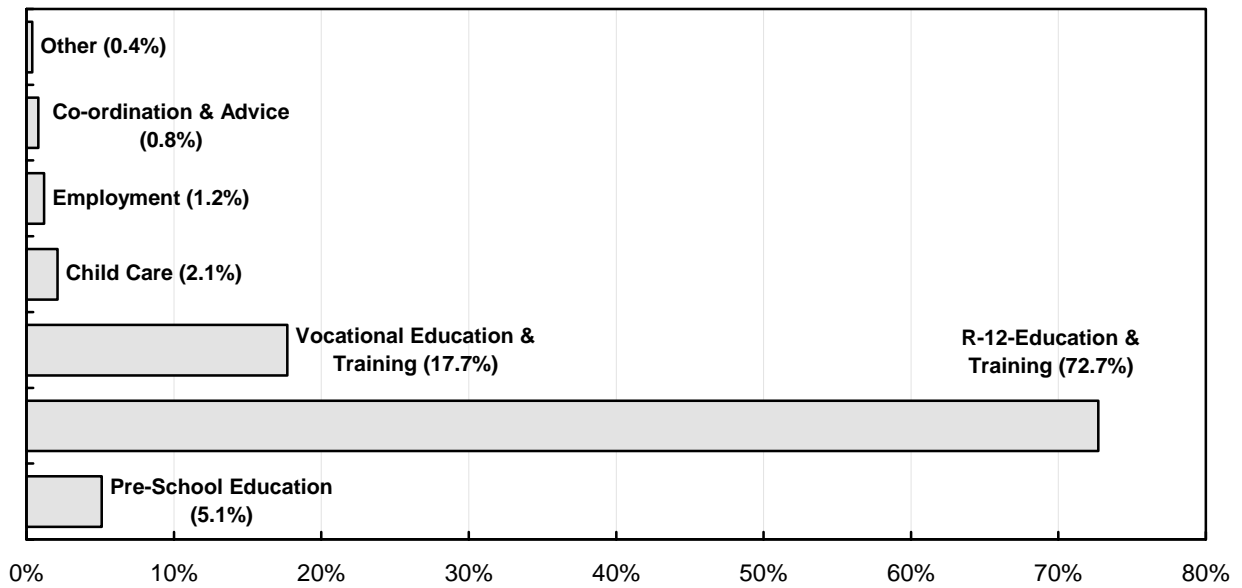
Employee Entitlements

Employee entitlements total \$437.9 million (\$402.8 million), with the principal component being a provision of \$271.8 million (\$253.3 million) for long service leave. The increase is predominantly due to a lowering of the benchmark from 13 years to 11 years. Note 2(d) to the financial statements details the effect of this change in estimation.

Results of Operations

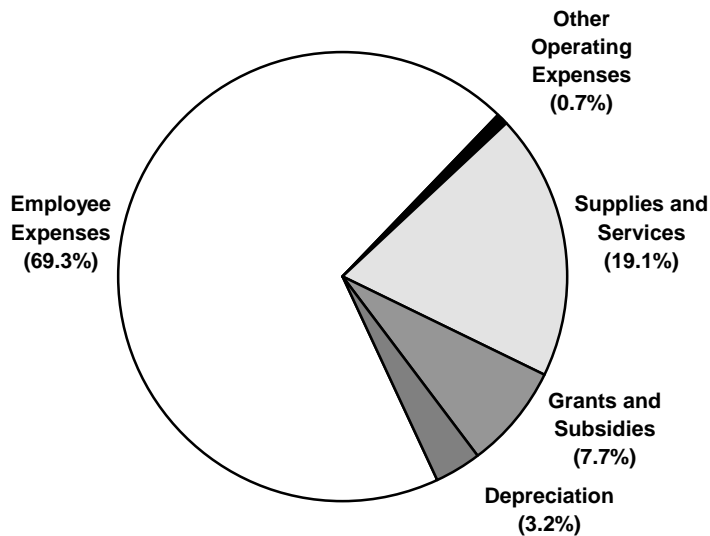
Output costs (\$1.5 billion) for primary and secondary education accounted for 72.7 percent of the total cost of services. The output elements of the total cost of services are represented in the following diagram.

Output Classes - Expenses Expressed in Percentage Terms



Employee expenses accounted for 69.3 percent (69 percent) of total cost of services. The nature of expenses, as a percentage of the total cost of services, are represented in the following chart.

Nature of Expenses



RISK FUND

The Financial Management Framework requires agencies to take full responsibility for managing any risk exposures to their operations. Whilst the Department has an annual Agreement with the South Australian Government Captive Insurance Corporation (SAICORP), the Department still retains a significant degree of risk in relation to levels of excess for specific types of claims. In accordance with the Financial Management Framework directive, and in response to potential losses not covered by SAICORP, the Department has established a Risk Fund.

A Risk Fund Steering Committee, chaired by the Department's Executive Director, Corporate Services, is responsible for overseeing the management and operation of this Fund.

The Risk Fund applies to all Partnerships 21 and non-Partnerships 21 sites, and to the TAFE Institutes.

To coincide with the implementation of Partnerships 21, the Department has resolved that costs relating to vandalism will be met by the Risk Fund. In this way, the Department is developing a profile of those costs to determine ways in which preventative action can be taken.

During 2001-02, Risk Fund expenditure was \$31.6 million (\$25.3 million) and included:

- \$9.2 million (\$6.8 million) was paid to fund repair work for damage caused to schools by out of hours vandalism and theft;
- \$3.1 million (\$3.3 million) was paid as Temporary Relieving Teacher supplementation beyond school entitlements;
- \$3.1 million (\$2.8 million) was paid to cover costs of unplanned major plant and equipment failure;
- \$2 million (\$2.4 million) was paid for emergency school accommodation;
- \$3.5 million (\$2.3 million) was paid to fund the replacement of Departmental material and equipment as a result of fire.

The Department has an outstanding liability for fire claims yet to be finalised estimated to be \$6.1 million as at 30 June 2002.

FURTHER COMMENTARY ON OPERATIONS

Financial Management Framework

The Financial Management Framework (FMF) became operative in July 1998 under the mandate of the Treasurer's Instructions. The FMF requires agencies to implement and document policies, systems and processes that will assist the Chief Executive and responsible Minister to discharge accountability in relation to financial management and reporting, internal control and risk management.

During 2001-02, the Department progressed the Financial Management and Accountability project. This project provides a coordinated framework for improvement in the following:

- planning and budgeting
- transaction processing
- management reporting
- accountability
- change facilitation.

The completion of these initiatives will provide the critical basis for the effective implementation of many of the prescribed elements of the FMF, including the establishment of an ongoing Risk Management Plan.

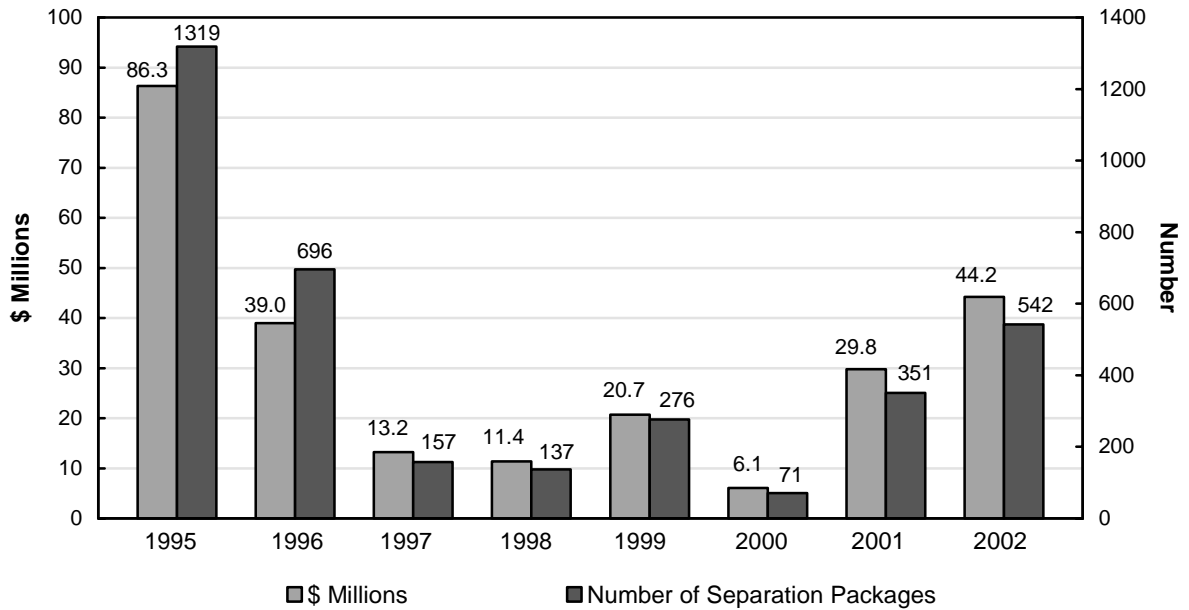
Recurrent Operations

Separation Packages

The workforce of the Department has been reduced through the use of targeted separation packages (from 1993-94 to 2001-02) and voluntary separation packages (prior to 1993-94). The following chart illustrates the

number of packages taken and the cost since 1994-95. The total number of packages taken and the cost since their inception has been 4673 and \$351.7 million respectively.

Total Number of Separation Packages Taken



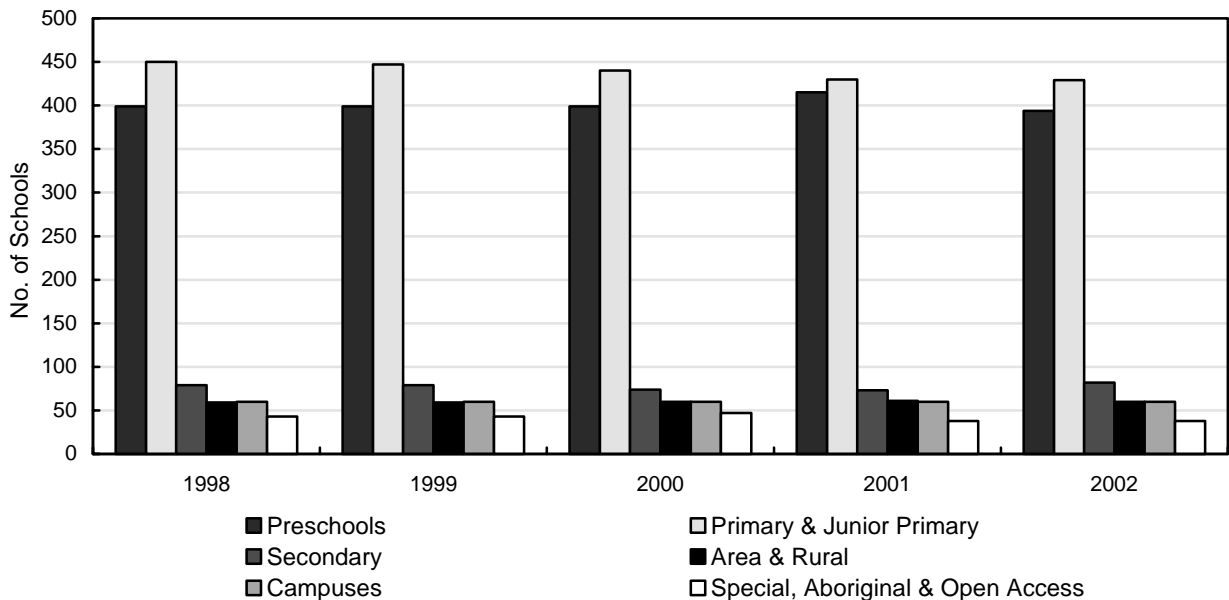
Payment and financing arrangements relating to targeted separation packages are outlined in Note 24 of the financial statements.

Numbers of Preschools, Schools, Campuses, Children, Students and Teaching Staff

Preschools, Schools and Campuses

State preschools and schools and TAFE campuses in South Australia at 30 June are illustrated below:

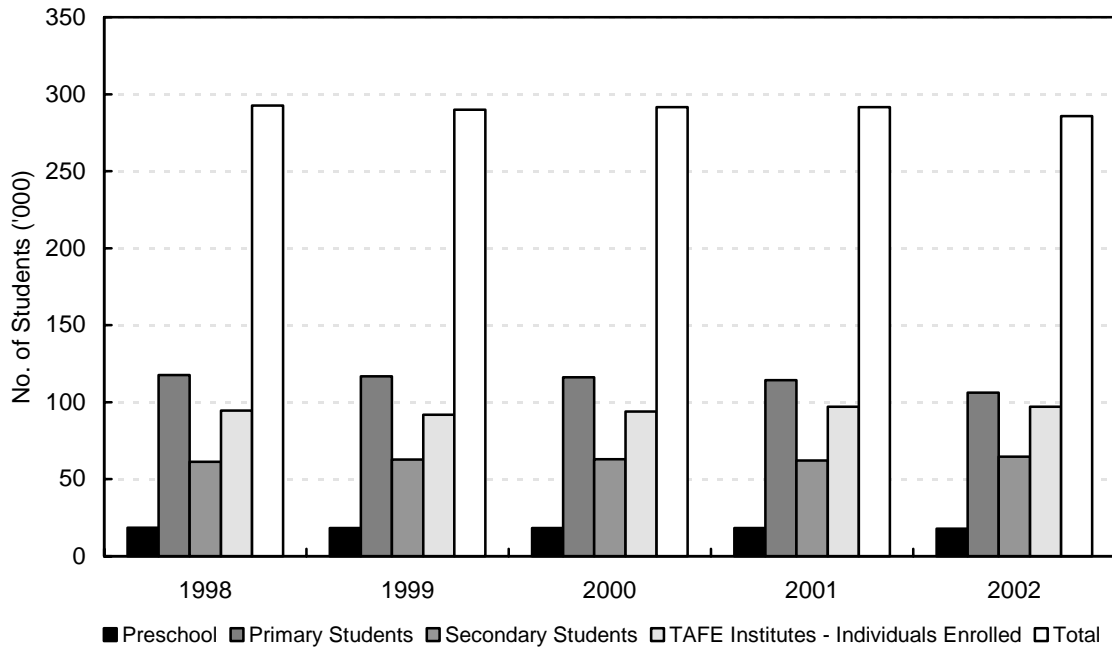
Number of Preschools, Schools and Campuses



Children, Students and Staff

Children and students in full-time equivalent terms enrolled in State preschools, primary and secondary schools, based on a mid-year census and individuals enrolled at TAFE Institutes for the academic year, are shown in the following graph:

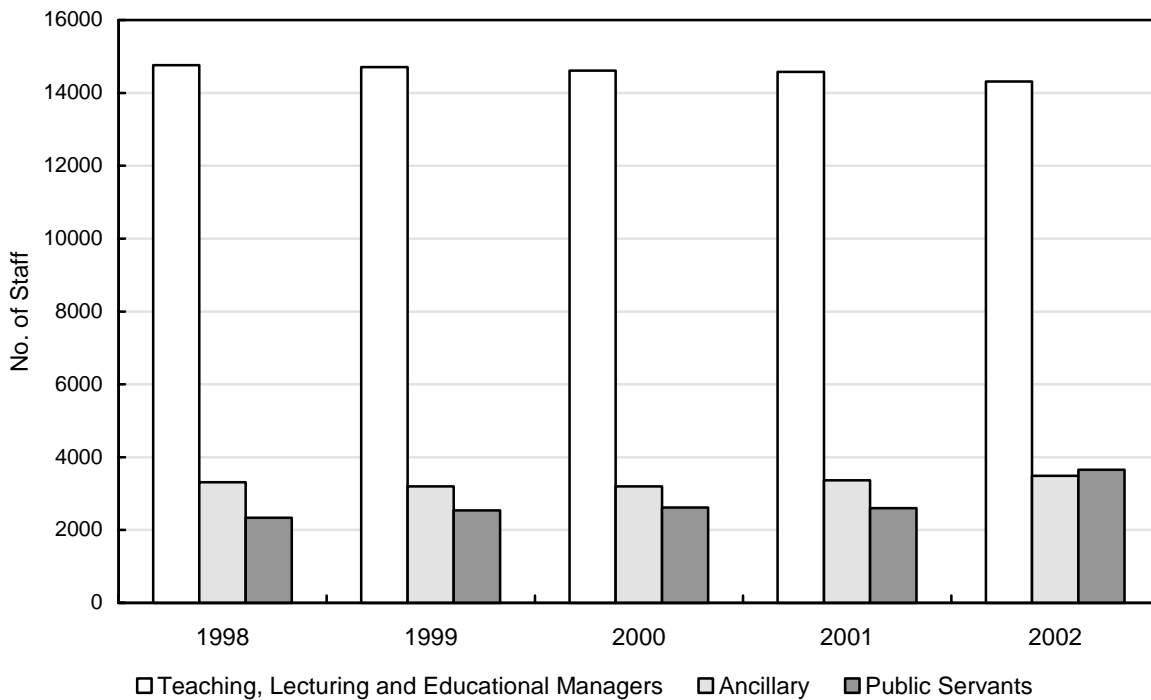
Number of Children and Students



Number of Staff

Total teaching, lecturing, educational managers, ancillary and public servant staff:

Number of Staff*



* Average full-time equivalents (excludes part time instructors employed on an hourly basis at TAFE Institutes).

Grants and Subsidies

Some of the major grants and subsidies included:

	2002	2001
	\$'000	\$'000
Partnerships 21	80 514	72 117
Schools Operating Support Grant	6 852	16 208
Non-government vocational education and training providers	30 876	29 658
Back to School Program	11 416	2 942
Employment Programs	19 977	20 230
Childcare assistance	27 266	22 830

Government School Grants

Government schools (primary and secondary schools) are paid grants to support their educational programs which are also supplemented by school fees and fund raising. Grant expenditure associated with pre-school, primary and secondary schools was \$128.7 million (\$114.8 million) and included:

- Partnerships 21 grant of \$80.5 million (\$72.1 million). This increase was in part offset by decreases in other grant programs;
- Back to School Grants \$11.4 million (\$2.9 million).

Non-Government Vocational Education and Training Providers

The most prominent initiative is User Choice. Under this arrangement, apprentices and trainees and associated employers have more influence over their choice of provider, content of training programs and the mode of delivery. User Choice, grants and subsidies were \$22.1 million (\$24.4 million).

Employment Programs

Employment programs include service to increase youth and adult employment levels to assist regions and groups in developing skills for employment. The main programs were Government Youth Traineeship Schemes \$5.2 million (\$8.8 million), and Assisting Regions, Business and People Schemes \$8.1 million (\$7.6 million).

Other Non-Corporate Operational Units

Other non-corporate operational units which predominantly consist of Government schools receive financial support principally from grants paid by the Department, school fees and funds raised by parents.

The financial operations of schools are conducted through one Consolidated Account or through a number of accounts. These include the School Fund Account under the control of the Principal which includes the South Australian Schools Investment Fund and the Accounts of the School Council and affiliated bodies. Where a school canteen is operated, a separate account is maintained.

The net reported surplus (for the 14 month period ended 31 December 2001) for other non-corporate operational units was \$77.8 million (\$37.5 million, 12 month period). Reflected in this surplus were operating revenues of \$269.2 million (\$225.3 million).

Operating revenues from non State Government sources were \$126.4 million (\$109.2 million) and included student fees and charges \$73.9 million (\$73.5 million).

At 31 December current assets were \$190.6 million and included funds held \$159.8 million (\$151.9 million), and receivables \$24 million (\$13.8 million).

Refer to Note 32 to the financial statements.

Capital Operations

New Works Commenced During the Period

Australian Science and Mathematics School

- Estimated total cost: \$14 million.
- Total cost to June 2002: \$3.1 million

Education, Training and Employment

This project involves the establishment of the Australian Science and Mathematics School at Flinders University of South Australia. The State will contribute \$13.6 million to the estimated cost of construction. The facilities will include three laboratories, a gymnasium, lecture theatre and classrooms.

Work in Progress Carried Forward

Playford Primary School

- Estimated total cost: \$6.1 million.
- Total cost to June 2002: \$4.6 million

This is a joint project with the Catholic Education Office, and has involved the establishment of a new school at Playford. Capital costs incurred during the period totalled approximately \$1.2 million.

Oak Valley Aboriginal School

- Estimated total cost: \$1.5 million.
- Total cost to June 2002: \$1.5 million

This project involves the construction of teaching and support facilities to establish a school at the site and the provision of a child care facility. At the date this report was prepared, advice received from the Department indicated that the project was nearing completion.

Completed Works

Capital works projects completed by the Department during 2001-02 included:

Regency Institute of TAFE - Stages 2 and 3

- Estimated total cost \$33.9 million
- Total cost to June 2002 \$33.2 million*

This project formed part of the total redevelopment of the Regency campus of the Regency Institute of TAFE in support of new initiatives emerging in the vocational education and training sector. Stages 2 and 3 of this redevelopment involved the construction of new facilities for the Regency Hotel School including kitchens, laboratories and associated spaces for programs in cookery, hotel management and food and beverage processing. During 2001-02, approximately \$14.9 million was incurred on this project.

* Balance quoted may exclude amount expensed under the Departments capitalisation policy.

Woodend Primary School

- Estimated total cost \$3.8 million
- Total cost to June 2002 \$3.9 million

The project involved the conversion of the Woodend Shopping Centre to a school facility for the Woodend Primary School. The Department spent approximately \$1.6 million in costs for conversion of the shopping centre for school use.

Administered Funds - Transfer Payments

The Department is responsible for the administration of specific funds on behalf of the Minister for Education, Training and Employment. The State funds that have been appropriated to the Minister are disbursed at the discretion of the Minister.

During 2001-02, transfer payments totalling \$405.2 million (\$366.7 million) were disbursed by the Department on the Minister's behalf. The principal areas are as follows:

Non-Government Schools

State Assistance

Assistance from State funds totalling \$87.2 million (\$86.7 million) was paid to non-government schools during 2001-02. Of this amount \$900 000 was paid to non-government special schools.

State funding of non-government schools (excluding special schools) is based on two components. These are the 'needs' of the school and their students and the average annual enrolment (per capita).

The 'needs' based funding is determined by the Advisory Committee on Non-Government schools. This is in accordance with the schools entitlement to any or all of the eight approved needs elements. The eight need elements that a school is funded on are:

- special need students
- school card
- non-English speaking background/Aboriginality
- fee remission
- boarding
- isolation of schools
- interest subsidy
- index of disadvantage.

Commonwealth Assistance

In addition to State funds provided for non-government schools, an amount of \$279.4 million (\$254.4 million) was distributed to non-government schools in 2002 from funds provided by the Commonwealth.

From 2001, funding for non-government schools is based on the Socio-economic Status (SES) of non-government school communities. The new SES funding arrangement has resulted in increased Commonwealth Assistance to non-government schools.

General Recurrent Grants:

	2002	2001
	\$'000	\$'000
Non-systemic ¹	73 402	68 339
Catholic systemic ²	148 403	133 474
Other	46 010	36 785
	267 815	238 598
Other grants	7 463	7 336
National Equity program	4 143	8 505
	279 421	254 439

1 Non-systemic payments are made directly to the school.

2 Catholic systemic payments are made to the Catholic Education Office for disbursement to schools.

An amount of \$6.5 million (\$3.9 million) of Commonwealth Assistance was provided to assist with the running of non-government special schools.

Transport Concessions

The Department of Education, Training and Employment (DETE) makes payments on behalf of the Minister to the Passenger Transport Board (PTB). These payments are for student travel subsidies on metropolitan and country transport services, eg bus, train.

The transport concession for 2001-02 were \$13.8 million (\$13.5 million). The PTB received \$12 million for metropolitan travel concessions and \$1.8 million for country travel concessions.

Special Schools

Special schools received State and Commonwealth funding totalling \$12.8 million (\$6.7 million). These figures include funding for non-government special schools.

SSABSA

The Senior Secondary Assessment Board of South Australia (SSABSA) receives an operating grant from the State Government, which is part of the Minister's miscellaneous budget. In 2001-02 the approved appropriation for SSABSA was \$10 million (\$8.2 million).

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
OPERATING EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	4	1 390 492	1 339 744
Supplies and services	5	383 513	379 696
Grants and subsidies	6	153 134	143 866
Depreciation	7	63 867	63 322
Borrowing costs		592	849
Other expenses	8,13	13 635	14 155
Total Expenses		2 005 233	1 941 632
OPERATING REVENUES FROM ORDINARY ACTIVITIES:			
Commonwealth grants	9	273 344	257 983
Student and other fees and charges	10	83 595	91 917
Other grants and contributions		17 324	12 823
Interest and investment income		3 619	10 840
Share of net profits (losses) from investments	16	299	(416)
Other revenues	11,13	92 512	58 653
Total Revenues		470 693	431 800
NET COST OF SERVICES		1 534 540	1 509 832
REVENUES FROM STATE GOVERNMENT:			
Recurrent appropriations	12	1 402 903	1 345 070
Capital appropriations	12	91 995	67 049
Total Government Revenues		1 494 898	1 412 119
DEFICIT FOR THE YEAR	25	(39 642)	(97 713)
Net increase (decrease) in asset revaluation reserve		163 077	(15 986)
Net increase (decrease) on recognition of assets		-	4 921
TOTAL VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		163 077	(11 065)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	25	123 435	(108 778)

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets	14	79 441	71 717
Receivables	15	28 512	35 008
Other	17	5 738	5 150
Total Current Assets		113 691	111 875
NON-CURRENT ASSETS:			
Receivables	15	4 765	4 071
Investments	16	1 348	828
Property, plant and equipment	18	2 103 076	1 962 289
Total Non-Current Assets		2 109 189	1 967 188
Total Assets		2 222 880	2 079 063
CURRENT LIABILITIES:			
Payables	19	63 052	88 185
Interest bearing liabilities	20	3 370	3 334
Employee entitlements	21	139 133	125 248
Other	22	17 365	7 820
Total Current Liabilities		222 920	224 587
NON-CURRENT LIABILITIES:			
Payables	19	14 554	13 753
Interest bearing liabilities	20	6 340	6 357
Employee entitlements	21	298 773	277 524
Other	22	265	249
Total Non-Current Liabilities		319 932	297 883
Total Liabilities		542 852	522 470
NET ASSETS		1 680 028	1 556 593
EQUITY:			
Accumulated surplus	25	1 465 289	1 504 931
Asset revaluation reserve	25	214 739	51 662
TOTAL EQUITY		1 680 028	1 556 593
Commitments	27		
Contingent Obligations	28		

Statement of Cash Flows for the year ended 30 June 2002

	2002	2001
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
PAYMENTS:		
Employee expenses	(1 354 049)	(1 316 475)
Supplies and services	(435 025)	(376 892)
Grants paid	(150 986)	(145 023)
Borrowing costs	(115)	(110)
Other payments	(1 063)	(1 051)
	(1 941 238)	(1 839 551)
RECEIPTS:		
Commonwealth grants	273 344	257 983
Student and other fees and charges	86 029	91 904
Other grants and contributions received	17 325	12 813
Interest received	11 444	3 225
GST refunds from ATO	32 012	23 246
Other receipts	67 369	45 376
	487 523	434 547
CASH FLOWS FROM GOVERNMENT:		
Recurrent appropriations	1 402 903	1 345 070
Capital appropriations	91 995	67 049
	1 494 898	1 412 119
Net Cash provided by Operating Activities	41 183	7 115
CASH FLOWS FROM INVESTING ACTIVITIES:		
PAYMENTS FOR:		
Loans advanced	(304)	(2 079)
Purchase of non-current assets	(40 940)	(33 470)
PROCEEDS FROM:		
Sales of non-current assets	7 765	10 271
Net Cash used in Investing Activities	(33 479)	(25 278)
CASH FLOWS FROM FINANCING ACTIVITIES:		
PROCEEDS FROM:		
Borrowings from Department of Treasury and Finance	20	1 367
Net Cash provided by Financing Activities	20	1 367
NET INCREASE (DECREASE) IN CASH HELD	7 724	(16 796)
CASH AT 1 JULY	71 717	88 513
CASH AT 30 JUNE	79 441	71 717

Output Class Schedule
Department's Expenses and Revenues for the year ended 30 June 2002

	Pre-School Education	R-12 Education & Training	VET	Regulatory & Licensing Services for Training Organis- ations	Child Care	Employ- ment Services	Coordin- ation and Advice	Youth Services	2002 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:									
Employee expenses	68 922	1 083 437	206 669	2 869	10 591	4 914	11 546	1 544	1 390 492
Supplies and services	10 490	209 782	121 099	551	29 947	7 269	3 620	755	383 513
Grants and subsidies	19 994	108 734	9 381	14	1 063	11 598	795	1 555	153 134
Depreciation	2 475	48 298	13 075	-	8	8	3	-	63 867
Borrowing costs	-	592	-	-	-	-	-	-	592
Other expenses	747	6 968	4 949	52	106	208	553	52	13 635
Total Cost of Services	102 628	1 457 811	355 173	3 486	41 715	23 997	16 517	3 906	2 005 233
REVENUES:									
Commonwealth grants	580	150 108	88 137	15	32 557	1 793	154	-	273 344
Student and other fees and charges	540	17 736	63 568	-	1 293	45	402	11	83 595
Other grants and contributions	856	11 886	4 563	-	2	-	-	17	17 324
Interest income	426	2 292	441	35	71	142	177	35	3 619
Share of net profits from investments	-	-	299	-	-	-	-	-	299
Other revenues	4 920	63 553	19 406	341	1 146	1 549	1 373	224	92 512
Appropriations	92 842	1 180 921	174 142	3 013	6 475	19 940	14 039	3 526	1 494 898
Total Revenues	100 164	1 426 496	350 556	3 404	41 544	23 469	16 145	3 813	1 965 591
DEFICIT FOR THE YEAR	2 464	31 315	4 617	82	171	528	372	93	39 642

An Output Class Schedule of the Department's Assets and Liabilities has not been produced, as that information is not readily available.

Schedule of Administered Expenses and Revenues for the year ended 30 June 2002

	2002	2001
	\$'000	\$'000
ADMINISTERED EXPENSES:		
Employee expenses	1 210	1 114
Supplies and services	334	352
Depreciation	2	-
Interest on borrowings	580	942
Transfer payments:		
Multicultural grants	1 187	1 003
Non-government schools	366 584	336 380
Special schools	12 834	6 702
Other organisations	830	902
SSABSA	10 006	8 166
Transport concessions	13 779	13 530
Total	407 346	369 091
ADMINISTERED REVENUES:		
Commonwealth grants	290 057	258 766
Interest	627	1 025
State Government appropriations	116 635	109 359
Total	407 319	369 150
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	(27)	59

Schedule of Administered Assets and Liabilities as at 30 June 2002

	2002	2001
	\$'000	\$'000
CURRENT ASSETS:		
Cash assets	483	770
Receivables	2 672	1 726
Total Current Assets	3 155	2 496
NON-CURRENT ASSETS:		
Receivables	6 600	7 452
Plant and equipment	26	27
Total Non-Current Assets	6 626	7 479
Total Assets	9 781	9 975
CURRENT LIABILITIES:		
Payables	181	348
Borrowings	1 500	1 500
Total Current Liabilities	1 681	1 848
NON-CURRENT LIABILITIES:		
Borrowings	7 960	7 960
Total Non-Current Liabilities	7 960	7 960
Total Liabilities	9 641	9 808
NET ASSETS	140	167

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

This is the final general purpose financial report for the Department of Education, Training and Employment. With effect from 1 July 2002 the Department of Education, Training and Employment changed its name to the Department of Education and Children's Services. In addition a new administrative unit titled the Department of Employment, Further Education, Science and Small Business was established on 1 July 2002 that comprised a number of former units within the Department of Education, Training and Employment.

1. Objectives and Funding

(a) Objectives

The Department of Education, Training and Employment operates within the:

- *Education Act 1972* and the Regulations under the *Education Act 1972*;
- *Children's Services Act 1985* and the Children's Services Regulations 1985;
- *Technical and Further Education Act 1975* and the Regulations under the *Technical and Further Education Act 1975*;
- *Vocational Education, Employment and Training Act 1994*;
- *Public Sector Management Act 1995*.

The mission of the Department is to provide high quality learning, teaching, care, employment and youth services within an integrated, responsive and supporting learning organisation which strives for continuous improvement in service and performance.

The Department's objectives are summarised below:

- (i) *Raise Standards*
Departmental initiatives raise quality education and training standards and service delivery standards to, or above, national levels and improve student results in education and training.

- (ii) **More Jobs**
Employment outcomes are provided through the creation of sustainable opportunities for a highly skilled workforce.
- (iii) **Information Technology Smart**
The Department will seek information technology to improve student learning and training, streamline business processes, improve client services, improve management decision making and department productivity.
- (iv) **Focus on Youth**
South Australia's young people have a valued place in the community, are supported and actively participate in our democratic society.
- (v) **Value for Money**
Departmental initiatives demonstrate to the Minister and taxpayers, an efficient and effective use of the public investment in children's services, education, training, employment and youth services.

(b) Financial Arrangements

The Department is predominantly funded by State Government appropriations supplemented by some Commonwealth grants. In addition, some revenues are generated on a sales or fee for service basis. These include:

- sale of curriculum material;
- student fees and charges;
- hire of facilities and equipment;
- training for various organisations.

The financial activities of the Department are primarily conducted through a Special Deposit Account with the Department of Treasury and Finance pursuant to section 8 of the *Public Finance and Audit Act 1987* and to comply with the *Australian National Training Authority Act 1992*. The Special Deposit Account is used for funds provided by State Government appropriation, Commonwealth grants and revenues from fees and charges.

(c) Administered Funds

The Department is responsible for the administration of specific funds which are not recorded in the Department's Statement of Financial Performance or Statement of Financial Position, as the Department does not have control over how these funds are to be spent and operates in the capacity as an agent responsible for the administration of the transfer process to third parties on behalf of the Minister for Education and Children's Services. Administered revenues, expenses, assets and liabilities are detailed separately within these statements (refer to the Schedule of Administered Expenses and Revenues and the Schedule of Administered Assets and Liabilities).

The main administered funds are:

- (i) **Minister for Education and Children's Services - 'Payments'**
Funds are appropriated to the Minister for Education and Children's Services and are disbursed at the discretion of the Minister. The principal payments are:
 - to the Passenger Transport Board for the purposes of student travel;
 - to SSABSA (Senior Secondary Assessment Board of South Australia) as a contribution to operating expenses;
 - the State Government contribution to the operations of non-government schools, organisations and special schools;
 - the Commonwealth Government contribution to the operations of non-government schools, organisations and special schools.
- (ii) **Minister's Salary and Allowances**
The Minister's salary and allowances are funded by Special Acts Appropriation, therefore the Department has no control over this part of the annual appropriation.
- (iii) **Minister's Borrowings**
The Minister for Education and Children's Services is liable for funds borrowed from the Department of Treasury and Finance. The funds were loaned to the Department and various schools by the Minister to undertake capital works projects.

(d) Trust Funds

The Department receives monies in a trustee capacity for various trusts. The monies are excluded from the financial statements, as the Department cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust accounts:

	2002	2001
	\$'000	\$'000
Balance as at 1 July	891	951
Revenue	759	430
Expenses	(594)	(557)
Movements in assets and liabilities	(23)	67
Balance as at 30 June	1 033	891

2. **Significant Accounting Policies**

(a) **Basis of Accounting**

The financial statements have been prepared in accordance with Statements of Accounting Concepts, applicable Accounting Standards and Urgent Issues Group Consensus Views issued in Australia, and the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

The financial statements, including administered funds, have been prepared on the accrual basis of accounting and in accordance with the historical cost convention, except as otherwise stated.

(b) **Principles of Consolidation**

The Department of Education, Training and Employment economic entity comprises:

- the Corporate Department including its operational units;
- TAFE Institutes;
- other non-corporate operational units viz:
 - preschools;
 - Long Day Care Centres (those referred to as 'Bowen Funded Centres' only);
 - Neighbourhood Houses;
 - toy libraries;
 - government schools (including school councils, canteens, Out of School Hours Care and Vacation Care Programs);
 - Child Parent Centres.

The financial statements incorporate the activities of the Department and TAFE Institutes but exclude funds separately generated by the other non-corporate operational units. As a consequence, the financial statements treat any transactions with these units as transactions with third parties.

Financial data was collected from schools and other non-corporate operational units for the school year ended 31 December 2001 for the purpose of consolidating it with data for State Office and TAFE Institutes. The data was reviewed and was not considered reliable at this time. As a result, the Department has chosen not to present consolidated financial statements. Details of the balances of schools transactions and other non-corporate operational units that were collected are presented in Note 32. Further work is continuing on a number of issues included the identification and valuation of assets with a view to incorporating this data in the 2002-03 financial statements. It is not intended that data for children's services sites be included in the financial statements as it is not considered material.

(c) **Income Recognition**

Appropriations, grants, donations, gifts and bequests, and other contributions are recognised as revenues when the Department obtains control. Control is normally obtained upon their receipt.

Where contributions, recognised as revenues during the reporting period, were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts pertaining to those undischarged conditions are disclosed in Note 9.

Revenues in respect of sales and student and other fees and charges are billed and recognised when the services have been rendered or goods dispatched.

(d) **Employee Entitlements and Employment Related Expenses**

Provisions have been established for the Department's liability for various employee entitlements arising from services rendered by employees to balance date in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. Employee entitlements include entitlements to wages and salaries, long service leave, annual leave, non-attendance days and superannuation.

Non-attendance days are accrued annually, for employees engaged under the *Technical and Further Education Act 1975*, but are non-cumulative.

Employment related expenses include on-costs such as payroll tax on employee entitlements together with the Workers Compensation insurance premium.

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

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

(i) **Employee Entitlements**

(a) **Salaries, Wages, Annual Leave and Non-Attendance Days**

Liabilities for salaries, wages, annual leave and non-attendance days are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

The annual leave and non-attendance days entitlements are calculated by multiplying each employee's entitlement by the remuneration rate current at the reporting date. Where leave loadings are paid, they are included in the calculation.

- (b) **Long Service Leave**
 Long service leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. In calculating long service leave entitlements the Department takes into account, as a benchmark, an actuarial assessment prepared by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. This benchmark is the number of years of service that produces a value equal to the actuarially calculated net present value.

Long service leave liability entitlements have been calculated using a Department of Education, Training and Employment specific benchmark of 11 years, advised by the Department of Treasury and Finance, based on current salaries and wages.

In 2000-01 long service leave entitlements were calculated using a benchmark of 13 years as advised by the Department of Treasury and Finance. The effect of this change was to increase long service leave expense and associated employer superannuation and other employment related expenses by \$11.9 million in 2001-02.

- (c) **Superannuation**
 The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the Superannuation Funds. The liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.
- (d) **Sick Leave**
 Sick leave is not provided for in the financial report as it is non-vesting. However, entitlements are accumulated and any sick leave is considered to be taken from the employee's current entitlement.
- (e) **Workers Compensation**
 To reflect the liability for outstanding (unsettled) workers compensation claims a provision is raised. The amount of the provision is based on an actuarial assessment prepared for the Department for Administrative and Information Services, Occupational Health and Injury Management Branch. Lump sum payments and legal costs are a liability of the Department for Administrative and Information Services and therefore not a liability of the Department.

(ii) **Employment Related Expenses**

- (a) **Fringe Benefits Tax**
 The Commonwealth Government levies a tax on certain non-cash salary related benefits afforded to employees. Any unpaid fringe benefits tax at period end is shown as a liability in the Statement of Financial Position.
- (b) **Payroll Tax**
 Payroll tax is a state tax levied on total gross salary paid plus (non-cash) benefits and employer superannuation contributions. The estimated amount of payroll tax payable in respect of employee entitlement liabilities is also shown as a liability in the Statement of Financial Position. Any increase or decrease in the level of required payroll tax provision is charged as an increase or decrease in the payroll tax expense in the Statement of Financial Performance. The payroll tax liability is only payable when the employee entitlements are taken.
- (c) **WorkCover Premium**
 This expense is calculated at a percentage rate applied to gross salaries as determined by WorkCover Corporation. This expense is a charge in the Statement of Financial Performance and any unremitted amounts to WorkCover Corporation are expressed as a liability in the Statement of Financial Position.

(e) **Repairs and Maintenance**

Generally, repairs and maintenance costs are expensed as incurred. However, repairs and maintenance are recognised as increases in assets (ie, capitalised) if expenditure results in:

- (i) an effective increase in the future economic benefits that are expected to be derived from using the asset and the increase in future benefits will be utilised; or
- (ii) an effective increase in the quality of the services provided by the asset beyond that previously determined; or
- (iii) an effective extension to the asset's useful life as a result of the expenditure.

(f) **Receivables**

Receivables in respect of fees and charges are due for settlement within 30 days and are recorded at their recoverable amount. At the end of each reporting period the receivable balances are reviewed and a provision is raised in respect of any balance where recovery is considered doubtful.

(g) **Allowance for Doubtful Debts**

The allowance for doubtful debts is established based on a review of outstanding amounts at year end. Bad debts are written off when they are identified as irrecoverable.

(h) Inventory

Inventories are measured as the lower of cost (as determined by the latest purchase price) and net realisable value.

(i) Leases

The Department has entered into a number of operating lease agreements, as lessee, for buildings and other facilities where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term as this is representative of the pattern of benefits to be derived from the leased property. Details of leased assets are being collected as part of the Asset Management Planning process that is currently being undertaken for all sites. This information will enable the register of operating leases to be updated to reflect all non-cancellable lease agreements.

Details of commitments of current known material non-cancellable operating leases are disclosed at Note 26.

(j) Property, Plant and Equipment

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

All classes of physical non-current assets with fair values at the time of acquisition equal to or greater than \$1 million and estimated useful lives equal to or greater than five years are to be revalued at intervals not exceeding three years. The relevant classes are shown as revalued amounts in the Statement of Financial Position.

In accordance with current Accounting Policy Statements issued by the Department of Treasury and Finance, the Department has applied the Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis (that is deprival value methodology) until 30 June 2003.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

Conversely, where assets are revalued to market value, and not by reference to current prices for assets newer than those being revalued, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are increased or decreased by the revaluation increments or decrements.

The recoverable amount test has not been applied as the Department is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus/deficit, the increment is recognised immediately as revenue in the surplus/deficit.

Revaluation decrements are recognised immediately as expenses in the surplus/deficit, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to that asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Property, plant and equipment donated, gifted or bequeathed is recorded as an asset at its fair value at the time control passes to the Department. Assets received in this way are disclosed as revenue in the Statement of Financial Performance.

Land

Land is recorded on the basis of best use market value obtained from the South Australian Valuer-General as at 1 January 2002.

Buildings and Improvements

Information was obtained from the Building and Land Asset Management System (BLAMS), maintained by the Department for Administrative and Information Services. Buildings and improvements are valued at current replacement cost less accumulated depreciation. Replacement costs have been established by reference to Quantity Surveyors estimates and updated through the application of a relevant building index. The valuations for buildings are current as at 31 March 2002, paved areas are current as at 31 March 2001 and swimming pools are current as at 31 March 2000. The building data provided in the statements relates specifically to buildings, paved areas and swimming pools. The building data excludes fencing, landscaping, infrastructure, pergolas, playground equipment and sheds because they either cannot be reliably measured or no information is centrally recorded.

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

Work has been undertaken by the Department to develop Asset Management Plans for all sites. This process includes the identification of under-utilised space. Asset Management Plans have been completed for the majority of sites and where applicable this information has been used to revalue buildings to account for under-utilised space at these sites. Buildings at the remaining sites where Asset Management Plans are yet to be completed are valued on the basis that they are fully utilised.

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 Financial Performance.

Library Collection

The base value of the library collection is reported at valuation. The valuation for collections within TAFE Institutes and administrative sites of the Department was carried out as at 30 June 2002 by VALCORP Aust Pty Ltd and is on the basis of written down current cost.

Buses

Buses are recorded at current replacement cost as at 30 June 2002 less accumulated depreciation.

Plant and Equipment

Items within TAFE Institutes are recorded at historical cost less accumulated depreciation. Items within administrative sites of the Department acquired prior to 1 July 1997 are recorded at current replacement cost less accumulated depreciation. Items acquired after 1 July 1997 are recorded at historical cost less accumulated depreciation. Only individual items costing \$5 000 or more are capitalised and recorded in the Statement of Financial Position. Items under \$5 000 are recorded in the Statement of Financial Performance as an expense in the accounting period in which they are acquired.

(k) Depreciation of Non-Current Assets

Non-current assets with an acquisition cost individually equal to or greater than \$5 000 are systematically depreciated using the straight line method of depreciation over their useful lives. This method is considered to reflect the consumption of their service potential. Depreciation rates are reviewed annually within the Department.

Major depreciation periods are:	Years
Improvements:	
Buildings:	
Transportables	30 - 50
Fixed construction	40 - 106
Swimming pools	25 - 30
Paved areas	15 - 45
Computing and communication equipment	3 - 7
Telephone systems	7 - 15
Office furniture and equipment	5 - 20
Buses	12 - 20
Other plant and equipment	7 - 40

(l) Payables

These amounts represent liabilities for goods and services provided to the Department prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Loans**(i) Borrowings**

Loans are recognised upon receipt of the money and are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of payables.

The loan obligation is to the Minister for Education and Children's Services for amounts borrowed for capital works at school sites. The loan is repayable over the next six years. Interest is payable quarterly in arrears and the rate is floating.

(ii) Loan Receivables

Loans are recognised upon payment of the money and are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of current receivables.

The loans are receivable in varying instalments over the next 17 years. The interest rates are fixed at between nil percent and 14.6 percent.

(n) Provision for Fire Claims

A provision has been established for outstanding fire claims yet to be settled as at balance date. The outstanding claims were previously reported under contingent obligations. The effect of this change was to increase supplies and services expenses by \$6.1 million in 2001-02.

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

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

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

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

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

(p) Rounding

All amounts are rounded to the nearest thousand dollars.

3. Output Classes and Outputs

The output classes and outputs presented in this report are:

(i) Output Class - Education and Training

Provision of preschool education, reception to year 12 education, and vocational education and training.

(a) Output - Delivery of Preschool Education

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

(b) Output - Reception to Year 12

Delivery of R-12 educational programs at the local level incorporating the aggregate global budget.

(c) Output - Vocational Education and Training (VET)

The provision of vocational education and training by TAFE Institutes and other providers outside the school sector (including the provision of Adult Community Education), including contestable and non-contestable sources of funding; policy advice and support for post secondary education.

(d) Output - Regulatory Services for the Vocational Education and Training Organisations

The provision of registration and accreditation services for registered training organisations and the administration of New Apprenticeship contracts.

(ii) Output Class - Childcare

The provision of a flexible range of high quality programs and services which meet the changing needs of families and enhance children's development in the critical early years.

(iii) Output Class - Employment Services

The provision of employment programs and services to increase South Australia's youth and adult employment levels.

(iv) Output Class - Coordination and Advice

The provision of policy advice and coordination in relation to children's services, education, training, employment, youth and industry planning and community information and advice.

(v) Output Class - Youth Services

The provision of youth programs and services.

4. Employee Expenses

	2002 \$'000	2001 \$'000
Salaries and wages (including annual leave)	1 083 995	1 056 889
Superannuation	117 796	123 287
Payroll tax	71 787	71 923
Targeted voluntary separation payments	44 168	29 826
Long service leave	55 949	47 632
Workers compensation	13 040	5 186
Other employee related costs	3 757	5 001
	1 390 492	1 339 744

5. Supplies and Services

Minor works, maintenance and equipment	87 076	91 479
Child care assistance, school card and other allowances	32 820	29 048
Cleaning	15 732	14 591
Utilities	25 197	25 920
Fees - Contractors, consultants and other outsourced services	24 578	30 418
Printing, postage and consumables	22 877	19 071
Computer communications	28 801	30 477
Vehicle and travelling expenses	25 920	24 576
Rentals and leases	15 053	15 274
Telecommunications	18 527	19 456
Bus contractors	12 105	9 849
Non-government VET provider services	30 876	29 658
Trainee reimbursements	5 210	8 930
Other	38 741	30 949
	383 513	379 696

Consultancy Fees

The Department engaged consultants during the period and incurred expenses of \$206 000 (\$287 000).

6. Grants and Subsidies

Major grants and subsidies comprise:

Partnerships 21*	80 514	72 117
Schools Operating Support Grant*	6 852	16 208
Vocational, Education and Training Programs	2 662	6 297
Back to School Program*	11 416	2 942
Employment Programs	14 767	11 882
VET in schools*	4 719	2 983
Students with Disabilities*	2 608	4 678
Other specific grants*	24 771	18 318
Cleaning grants*	4 825	8 441
	153 134	143 866

* Some grants previously paid in these categories are now included in Partnerships 21.

7. Depreciation	2002	2001
Depreciation expense for the reporting period was charged in respect of:	\$'000	\$'000
Buildings and improvements	59 452	58 620
Computing, communication equipment, furniture and equipment	2 534	2 717
Buses	1 560	1 670
Other	321	315
	63 867	63 322
8. Other Expenses		
Reduction in value of non-current assets	6 750	1 328
Auditors' remuneration - Auditing services*	1 063	1 059
Asset revaluation reserve adjustment	-	1 143
Provision for doubtful debts and debt write-offs	205	304
Loss on sale of investments	140	-
Written down value of assets on disposal	5 477	10 321
	13 635	14 155

* Includes payments to the Auditor-General and other private auditors for non-corporate work. The auditors provided no other services and received no other benefits.

9. Commonwealth Grants		
Recurrent Grants:		
General purpose	175 048	163 499
Specific purpose	63 544	61 495
	238 592	224 994
Capital Grants:		
General purpose	34 752	32 989
	34 752	32 989
Total Commonwealth Grants	273 344	257 983

Conditions Over Revenue

The following revenues were recognised for the year ended 30 June 2002 with the condition that they be expended in a particular manner, but had yet to be applied in that manner at 30 June 2002.

	Opening Balance 1.7.01	Revenue for Period \$'000	Expenses for Period \$'000	Closing Balance 30.6.02 \$'000
Commonwealth Grants for:				
Primary and secondary education	7 206	28 269	(28 608)	6 867
Child care services	1 267	32 271	(33 211)	327
	8 473	60 540	(61 819)	7 194

10. Student and Other Fees and Charges	2002	2001
	\$'000	\$'000
Student enrolment fees and charges	31 833	29 117
Sales/Fee-for-service revenue	35 336	42 958
Other user fees and charges	16 426	19 842
	83 595	91 917
11. Other Revenues		
Targeted voluntary separation package recoveries	44 168	29 816
Assets recognised for the first time	15 664	7 130
Proceeds from sales of non-current assets	7 782	10 271
Sundry revenue	24 898	11 436
	92 512	58 653
12. Revenues from State Government		
(a) Recurrent Appropriation	1 810 249	1 714 161
Less: Appropriations not recognised in the Operating Statement		
Administered Expense - Refer Note 12(c)	407 346	369 091
	1 402 903	1 345 070
(b) Capital Appropriation	91 995	67 049
Total Government Revenues	1 494 898	1 412 119

(c) Transfer Payments

The Department is responsible for transfer of payments to eligible beneficiaries consistent with instructions from the Minister for Education and Children's Services. The Department does not control how these funds are to be spent and acts only as an agent responsible for the administration of the transfer proceeds to the third parties. During the reporting period, the Department received and transferred \$407.3 million (\$369.1 million). (Refer Note 1(c) Administered Funds).

13. Net Gain (Loss) on Disposal of Non-Current Assets	2002	2001
	\$'000	\$'000
Proceeds from disposal	7 782	10 271
Less: Written down value	5 477	10 321
	2 305	(50)

Education, Training and Employment

14. Cash Assets		2002	2001
		\$'000	\$'000
Special Deposit Accounts with Department of Treasury and Finance		77 430	69 765
Cash at bank and on hand		1 711	1 656
Section 21 Deposit Accounts		300	296
		79 441	71 717

The Special Deposit Accounts are bearing floating interest rates determined as follows:

- that portion applying to the level of debt owing to the Department of Treasury and Finance is determined by the applicable common public sector interest rate.
- the remainder is determined by the applicable 90 day bank bill rate.

15. Receivables		2002		2001
Current:		\$'000	\$'000	\$'000
Fees and charges and other receivables		23 650		22 064
Less: Allowance for doubtful debts		1 438		1 345
		22 212		20 719
GST recoverable from the ATO		5 796		5 797
Loan receivables		331		317
Other receivables		173		8 175
		28 512		35 008
Non-Current:				
Workers Compensation receivable		1 364		961
Loan receivables		3 401		3 110
		4 765		4 071

16. Investments		2002	2001
Non-Current:		\$'000	\$'000
Shares in subsidiary (refer below)		972	451
Shares in Ngapartji Pty Ltd (refer below)		375	375
Other		1	2
		1 348	828

Subsidiary Company

	Austraining International Pty Ltd
	2002
	\$'000
Interest in company	400
Retained profit	572
Equity accounted amount of investment in subsidiary company	972
Retained profits (losses) attributable to subsidiary company:	
Balance at 1 July	334
Operating profit (loss) and extraordinary items after income tax	238
Balance at 30 June	572

Australian Information Technology Engineering Centre Pty Ltd (AITEC)

During the year the former Minister for Education and Children's Services, disposed of his share in AITEC.

Austraining International Pty Ltd

Austraining International Pty Ltd was previously owned by the Minister for Education and Children's Services and the NSW Minister for Technical and Further Education in equal proportions. The Minister for Education and Children's Services purchased the remaining 50 percent share in Austraining Pty Ltd in July 2001. Austraining International Pty Ltd's principal activity is to secure international contracts for work in vocational education and training. The current figures are based on the unaudited financial statements as at 30 June 2002. The figures are not consolidated as they were considered to be immaterial and unaudited at the time of preparing these statements.

Ngapartji Pty Ltd (Ngapartji)

The Minister for Education and Children's Services is the owner of one \$1 'A' class share in Ngapartji issued at par, as well as the holder of one \$1 'A' class share issued at par and previously owned by the Minister for Employment, Training and Further Education. In addition, the Minister owns 375 \$1 'B' class (non voting) shares issued at a premium of \$999 per share.

Whilst the Minister has financial involvement with other organisations, the above represent those of material significance.

17. Other Current Assets		2002	2001
		\$'000	\$'000
Prepayments		4 415	4 385
Inventories		1 323	765
		5 738	5 150

18. Property, Plant and Equipment	2002			2001		
	Cost or Valuation \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000	Cost or Valuation \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
Land at valuation*	501 859	-	501 859	397 752	-	397 752
Land at cost	1 233	-	1 233	2 596	-	2 596
Buildings and improvements at valuation*	3 304 777	1 869 121	1 435 656	3 011 617	1 713 982	1 297 635
Buildings and improvements at cost	90 394	1 760	88 634	168 532	5 903	162 629
Computing, communication equipment, furniture and equipment at valuation*	3 748	2 953	795	3 748	2 794	954
Computing, communication equipment, furniture and equipment at cost	37 330	20 570	16 760	35 457	18 681	16 776
Buses at valuation*	49 689	30 149	19 540	40 356	22 349	18 007
Buses at cost	-	-	-	950	70	880
Construction work in progress at cost	10 557	-	10 557	34 756	-	34 756
Other (libraries, toys and security) at valuation*	27 249	972	26 277	28 667	353	28 314
Other (libraries, toys and security) at cost	3 001	1 236	1 765	2 947	957	1 990
	4 029 837	1 926 761	2 103 076	3 727 378	1 765 089	1 962 289

* Valuations of land were performed at 1 January 2002 by the Valuer-General, buildings and improvements by the Department for Administrative and Information Services at 30 June 2002 and libraries by VALCORP Aust Pty Ltd at 30 June 2002. Valuations of computing and communication equipment, furniture and equipment, and buses are based on current replacement cost in accordance with Department of Treasury and Finance policy on valuations of non-current assets.

Reconciliations

Reconciliations of the carrying amount of each class of land, buildings and improvements, plant and equipment and other non-current assets at the beginning and end of the current financial year are set out below:

2002	Carrying Amount			Transfer to (from) WIP	Net Revaluation Increment (Decrement)	Other Move-ments	Depreci-ation	Carrying Amount
	1.7.01	Additions	Disposals					
Land at valuation	397 752	42	3 506	-	106 251	1 320	-	501 859
Land at cost	2 596	1 233	-	-	-	(2 596)	-	1 233
Buildings and improvements at valuation	1 297 635	3 729	1 477	-	53 919	139 668	57 818	1 435 656
Buildings and improvements at cost	162 629	334	-	54 458	-	(127 155)	1 632	88 634
Computing, communication equipment, furniture and equipment at valuation	954	-	-	-	-	-	159	795
Computing, communication equipment, furniture and equipment at cost	16 776	2 511	217	-	-	66	2 376	16 760
Buses at valuation	18 007	-	278	-	2 493	812	1 494	19 540
Buses at cost	880	-	-	-	-	(812)	68	-
Construction work in progress at cost	34 756	30 259	-	(54 458)	-	-	-	10 557
Other (libraries, toys and security) at valuation	28 314	522	-	-	(2 595)	56	20	26 277
Other (libraries, toys and security) at cost	1 990	131	-	-	-	(56)	300	1 765
	1 962 289	38 761	5 478	-	160 068	11 303	63 867	2 103 076

2001	Carrying Amount			Transfer to (from) WIP	Net Revaluation Increment (Decrement)	Other Move-ments	Depreci-ation	Carrying Amount
	1.7.00	Additions	Disposals					
Land at valuation	402 979	-	5 227	-	-	-	-	397 752
Land at cost	1 600	996	-	-	-	-	-	2 596
Buildings and improvements at valuation	1 370 209	391	4 429	-	(17 924)	6 216	56 828	1 297 635
Buildings and improvements at cost	97 506	-	14	66 942	(13)	-	1 792	162 629
Computing, communication equipment, furniture and equipment at valuation	692	-	-	-	797	(329)	206	954
Computing, communication equipment, furniture and equipment at cost	18 063	1 458	340	-	-	107	2 512	16 776
Buses at valuation	19 665	-	20	-	-	-	1 638	18 007
Buses at cost	228	684	-	-	-	-	32	880
Construction work in progress at cost	67 344	34 354	-	(66 942)	-	-	-	34 756
Other (libraries, toys and security) at valuation	28 558	-	219	-	-	-	25	28 314
Other (libraries, toys and security) at cost	2 221	126	73	-	-	5	289	1 990
	2 009 065	38 009	10 322	-	(17 140)	5 999	63 322	1 962 289

19. Payables	2002	2001
Current:	\$'000	\$'000
Trade creditors	46 884	70 980
Accruals	3 282	4 937
On-costs on employee entitlement provisions	12 776	12 268
Other	110	-
	63 052	88 185
Non-Current:		
On-costs on employee entitlement provisions	14 554	13 753

Education, Training and Employment

20. Interest bearing Liabilities		2002	2001
Current:		\$'000	\$'000
Overdraft		2 170	2 134
Loans		1 200	1 200
		3 370	3 334
Non-Current:			
Loans		5 720	5 737
Advances		620	620
		6 340	6 357
21. Employee Entitlements			
Current:			
Accrued salaries and wages		29 708	29 414
Provision for annual leave		55 693	46 562
Provision for non-attendance days		3 311	3 184
Provision for long service leave		26 694	25 027
Employer superannuation contributions		10 160	9 217
Workers Compensation provision		13 567	11 844
		139 133	125 248
Non-Current:			
Provision for long service leave		245 128	228 318
Employer superannuation contributions		10 540	9 941
Workers compensation provision		43 105	39 265
		298 773	277 524
22. Other Liabilities			
Current:			
Provision for fire claims		6 059	-
Deposits		7 524	5 546
Unearned revenue		1 718	166
Other liabilities		2 064	2 108
		17 365	7 820
Non-Current:			
Deposits		265	249

23. Remuneration of Employees		2002		2001	
			Total		Total
The number of employees whose remuneration received or receivable exceeded \$100 000 for this period are grouped within the following bands:		Number of Executives*	Number of Employees	Number of Executives*	Number of Employees
\$100 000 - \$109 999		12	74	10	71
\$110 000 - \$119 999		6	18	10	29
\$120 000 - \$129 999		4	12	1	4
\$130 000 - \$139 999		2	3	3	3
\$140 000 - \$149 999		5	5	5	8
\$150 000 - \$159 999		1	2	4	5
\$160 000 - \$169 999		6	6	-	-
\$170 000 - \$179 999		1	1	1	1
\$190 000 - \$199 999		-	-	1	1
\$200 000 - \$219 999		1	1	-	-
\$240 000 - \$249 999		1	1	-	-
\$270 000 - \$279 999		-	-	1	1
		39	123	36	123

Total remuneration received or due and receivable by the above employees was \$14.4 million (\$14 million) which is included in employee expenses. This number of employees includes 6 (15) who received country incentive payments. The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated fringe benefits tax, but does not include any amounts payable due to retirement under the Targeted Voluntary Separation Package (TVSP) Scheme. The TVSP impact on employee numbers and amounts is disclosed in Note 24. The number of employees reported last year for 2001 was 135 which included 13 employees who retired or resigned during the year. The number of employees reported for 2002 does not include employees who retired or resigned during the year, and as such, last year's figures have been adjusted for comparative purposes.

* Based on the Department's Executive Organisation Structure.

24. Targeted Voluntary Separation Packages (TVSPs)		2002	2001
TVSPs paid to employees for the reporting period were:		\$'000	\$'000
TVSP payments (included in employee expenses)		44 168	29 816
Recovered/recoverable from the Department of the Premier and Cabinet in respect of TVSPs		44 168	29 816
Annual and long service leave accrued over the period of employment paid to employees who received TVSPs		12 795	7 042

The number of employees paid TVSPs during the reporting period totalled 542 (351).

25. Equity	2002	2001
Accumulated Surplus	\$'000	\$'000
Balance at 1 July	1 504 931	1 597 723
Adjustment for assets brought to account for first time*	-	4 921
Deficit for the year	(39 642)	(97 713)
	1 465 289	1 504 931
Asset Revaluation Reserve		
Balance at 1 July	51 662	67 648
Increase (Decrease) as a result of revaluations	163 077	(15 986)
	214 739	51 662
Total Equity	1 680 028	1 556 593

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Department policy on the revaluation of property, plant and equipment as discussed in Note 2.

* Relates to net assets of DECStech Foundation not previously brought to account.

26. Operating Leases - Lessee	2002	2001
At the reporting date, the Department had the following obligations as lessee under non-cancellable operating leases. These are not recognised as liabilities in the Statement of Financial Position.	\$'000	\$'000
Payable no later than one year	1 289	998
Payable later than one year and not later than five years	1 258	2 951
Payable later than five years	326	1 385
	2 873	5 334
GST included in operating lease commitments	205	26

The property leases are non-cancellable leases, with rental payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by the CPI on an annual or bi-annual basis. Options exist to renew the leases at the end of the term of the leases.

27. Capital Budget Commitments	2002	2001
At the end of the reporting period the Department had the following capital budget commitments. These amounts are due for payment:	\$'000	\$'000
Not later than one year	48 920	38 654
Later than one year and not later than five years	44 347	419
Later than five years	-	-
	93 267	39 073
GST included in capital budget commitments	8 479	3 552

28. Contingent Obligations
The Department has items which meet the definition of liabilities but have not been recognised because they cannot be measured reliably. These items are set out as follows:

- The Department has received advice from the Crown Solicitor that Temporary Relieving Teachers (TRTs), Hourly Paid Instructors (HPIs), Bus Drivers and other casual employees are eligible for long service leave pursuant to section 71(2) of the *Public Sector Management Act 1995*. The effect of this has not been quantified, however, the Department recognises that it does have a liability to provide for long service leave for TRTs, HPIs and other casual employees applicable from 1 January 1978; bus drivers 1 January 1994. Payments for long service leave to these employees in 2001-02 totalled \$275 000.
- The Department has received advice from the Crown Solicitor that School Services Officers (SSOs) and Government Services Employees (GSEs) are eligible for an on call allowance pursuant to clause 6.9 of the South Australian Government Services Award. The effect of this has not been quantified, however, the Department recognises that it does have a liability to provide an on call allowance for SSOs and GSEs.

29. Contingent Assets
The Department recognises that there are recoveries due from schools for works undertaken at sites during the past two years that the Department has met centrally. These amounts will be recovered in 2002-03. The amounts meet the definition of assets but have not been recognised because they cannot be measured reliably. It is estimated that the total amount of these recoveries is approximately \$8 million.

30. Reconciliation of Net Cash used in Operating Activities to Net Cost of Services	2002	2001
	\$'000	\$'000
Net cash provided by operating activities	41 183	7 115
Depreciation	(63 867)	(63 322)
Investments - share of operating profits (losses)	299	(416)
Bad and doubtful debts	(205)	(304)
Net assets recognised for the first time	15 664	7 130
Decrement in value of assets	(6 849)	(2 471)
Gain (loss) on sale of assets	2 305	(50)
Increase in employee entitlements	(35 134)	(22 354)
(Decrease) Increase in receivables	(5 901)	11 908
Increase in other current assets	588	77
Decrease (Increase) in payables	12 397	(30 485)
Increase in other liabilities	(3 502)	(4 650)
Government appropriation	(1 494 898)	(1 412 119)
Other movements in non-current assets	3 380	109
Net Cost of Services	(1 534 540)	(1 509 832)

31. Financial Instruments

(a) Accounting policies and Terms and Conditions Affecting Future Cash Flows

Financial Assets

Cash deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues. Interest is earned on the daily balance at rates based on the applicable common public sector interest rate. Interest is paid on a monthly basis.

Trade accounts receivables are generally settled within 30 days and are carried at amounts due. Credit terms are net 30 days. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

Loans are recognised at the amounts lent. Collectibility of amounts outstanding is reviewed at balance date. Provision is made for bad and doubtful loans where collection of the loan or part thereof is judged to be less rather than likely. Interest is credited to revenue as it accrues. No security is generally required. Principal is repaid in full at maturity. Interest rates are fixed. Interest payments are due on the day of the scheduled agreed terms of payment.

Financial Liabilities

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

Borrowings are recognised when issued at the amount of the net proceeds due and carried at cost until settled. Interest is recognised as an expense when it is due.

All assets and liabilities are unsecured.

(b) Credit Risk Exposures

The credit risk on financial assets of the Department which have been recognised in the Statement of Financial Position is generally the carrying amount, net of any provision for doubtful debts.

(c) Interest Rate Risk Exposures

The Department's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out as follows:

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Fixed Interest Maturing in 1 to 5 years \$'000	Fixed Interest maturing in more than 5 years \$'000	Non- Interest Bearing \$'000	2002 Total \$'000	2001 Total \$'000
Financial Assets:							
Cash and deposits	5.04	78 597	-	-	844	79 441	71 717
Receivables	-	-	-	-	29 546	29 546	35 652
Other assets	-	-	-	-	5 738	5 738	5 150
Loans	7.14	-	164	2 414	1 154	3 732	3 427
		78 597	164	2 414	37 282	118 457	115 946
Financial Liabilities:							
Trade and other creditors		-	-	-	50 276	50 276	75 917
Loans	6.51	9 090	-	-	620	9 710	9 691
Other liabilities		-	-	-	9 507	9 507	7 902
		9 090	-	-	60 403	69 493	93 510
Net Financial Assets (Liabilities)		69 507	164	2 414	(23 121)	48 964	22 436

(d) Net Fair Value of Financial Assets and Financial Liabilities

The net fair value of financial assets and financial liabilities of the Department approximates their carrying value.

32. Other Non-Corporate Operational Units Financial Information

The following is a summary of transactions processed by schools and other non-corporate operational units for the school year ended 31 December 2001, and covers a 14 month period due to the change in school financial year from November to October to a calendar year basis.

STATEMENT OF FINANCIAL PERFORMANCE

Operating Expenses:	2001 \$'000
Employee expenses	25 875
Supplies and services	158 899
Borrowing costs	288
Other expenses	6 373
Total Cost of Services	191 435
Operating Revenues:	
Commonwealth grants	5 792
Student and other fees and charges	73 905
Other grants and contributions	142 785
Interest and investment income	8 321
Other revenues	38 392
Total Operating Revenues	269 195
SURPLUS FOR THE YEAR	77 760

32. **Other Non-corporate Operational Units Financial Information (continued)**
STATEMENT OF FINANCIAL POSITION

	2001
	\$'000
Current Assets:	
Cash on hand, at bank and on deposit*	159 771
Receivables	24 037
Other	6 822
Total Current Assets	<u>190 630</u>
Non-Current Assets:	
Other	9 113
Investments	768
Property, Plant and Equipment	75 008
Total Non-Current Assets	<u>84 889</u>
Total Assets	<u>275 519</u>
Current Liabilities:	
Payables	632
Borrowings	63
Other	22 122
Total Current Liabilities	<u>22 817</u>
Non-Current Liabilities:	
Payables	-
Borrowings	3 361
Other	7 458
Total Non-Current Liabilities	<u>10 819</u>
Total Liabilities	<u>33 636</u>
NET ASSETS	<u>241 883</u>
EQUITY:	
Accumulated surplus	<u>241 883</u>
TOTAL EQUITY	<u>241 883</u>

* Represents cash held by schools which is committed for various purposes.

FLINDERS UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The University was established pursuant to *The Flinders University of South Australia Act 1966* and this Act confers all powers and authorities for its operation on the Council. To assist in its deliberations Council has established certain committees, including the Resources Committee and Audit Committee to focus on matters of a financial and audit related nature.

The overall purpose of the University is to provide higher education and research in an environment which fosters creativeness, advances intellectual knowledge and facilitates accessibility with the wider public community.

The University is dependent to a large extent on grants from the Commonwealth Government which may be approved for specific and general spending purposes. In addition, the University receives student tuition fees and charges, endowments, general bequests and sponsorships.

As at 31 December 2001 the University had a number of controlled entities. Major entities include:

- *Flinders Consulting Pty Ltd*

The company's prime objective is to maintain a commercial operation that arranges the conduct of consultancies and other business objectives from which the University derives financial benefits.

It utilises the skills and knowledge of the University staff, and engages and coordinates the specialist skills of external organisations and individuals.

- *Flinders Technologies Pty Ltd*

The company markets the University's intellectual property and negotiates the business arising therefrom.

- *Airborne Research Australia Pty Ltd*

The company's main activity relates to atmospheric research and includes high resolution physical and chemical measuring and analyses, research and monitoring, radiometry and remote sensing.

Audit Committee

As part of the University's corporate governance, the Council established an Audit Committee which comprises five members, of whom two are members of Council, and it operates within the framework of a Charter.

The role of the Audit Committee includes:

- Provision of advice regarding:
 - compliance by the University with statutory requirements, Council policies and accounting standards,
 - measures to minimise risk exposures and safeguard assets,
 - measures to improve the efficiency of resource use in the University,
 - measures to ensure that the prudential responsibilities of the Council are discharged,
 - measures to ensure appropriate standards of financial disclosure and accounting policy.
- Review of the annual accounts of the University and related organisations;
- Commissioning investigations relevant to its role as it sees fit;
- Review of internal auditor's annual program;
- Liaison with external auditors.

Audit representatives attended Audit Committee meetings throughout the year.

SIGNIFICANT FEATURES

- Consolidated operations for the year resulted in a net operating surplus of \$6.5 million (\$7.1 million).
- Income from fee paying students was \$13.1 million (\$11.6 million).
- Property, plant and equipment increment \$5.6 million (\$3.3 million).
- Adjustment to retained accumulated funds of \$8.9 million as a result of adoption of Australian Accounting Standard AAS 15 'Revenue'.

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

In respect of the year ended 31 December 2001, the auditable areas that were subject to review included:

- | | |
|--------------------|-----------------------------------|
| • revenue | • assets |
| • accounts payable | • general ledger |
| • payroll | • computer processing environment |
| • liabilities | • controlled entities. |

Audit Communications to Management

The scope of audit review and issues arising were conveyed in an audit management letter to the Vice-Chancellor of the University. The response received from the University indicates action proposed or taken to address the issues raised by Audit. Further commentary on these issues is contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Although the University's general financial control environment was considered satisfactory, a number of areas were identified where control practices could be strengthened and others where policies/procedures are required to be formulated or improved. These issues were raised with the University and a satisfactory response, including action proposed, was received.

Commentary on Computer Information Systems (CIS) Environment

The University's Computer Information Systems (CIS) Environment was considered satisfactory.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

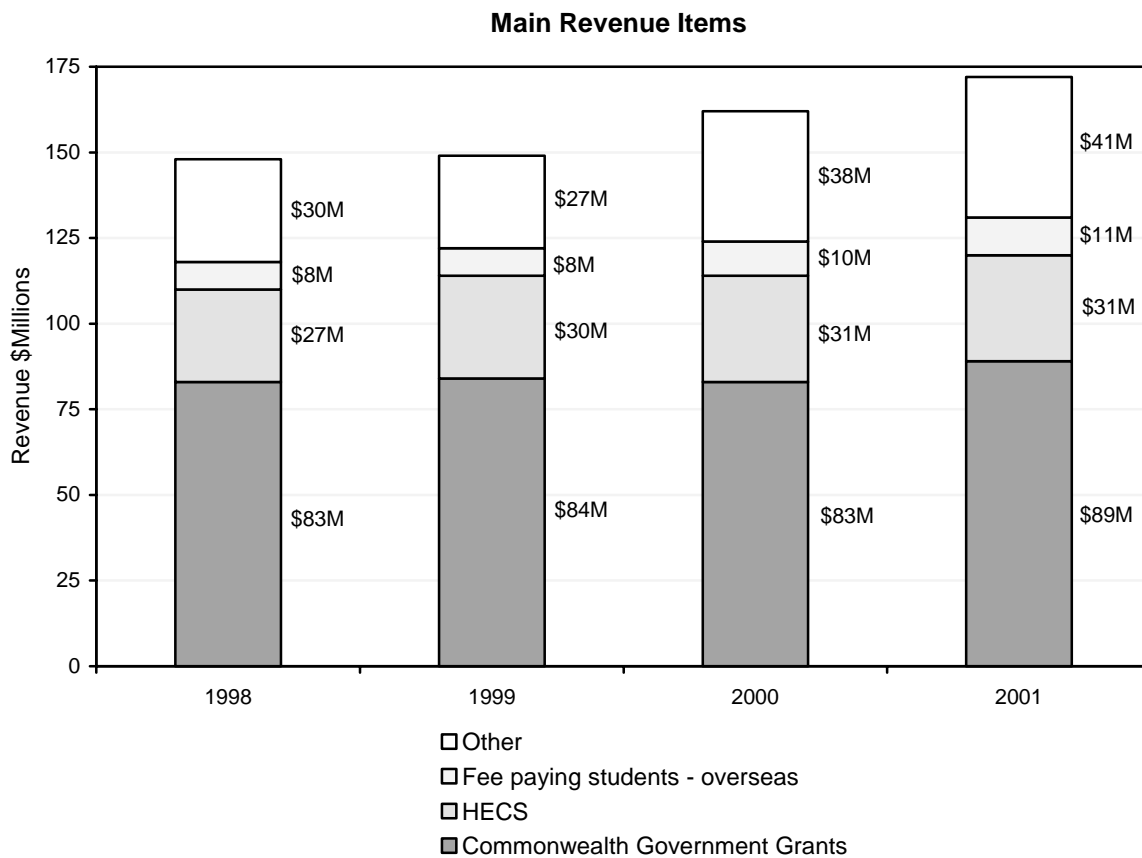
Consolidated operations for the year resulted in a net operating surplus of \$6.5 million, a decrease of \$685 000. The result reflects an increase in revenue from ordinary activities of \$10.5 million compared to an increase of \$11.1 million in operating expenses.

Revenue

The increase in revenue from ordinary activities was due principally to an increase of:

- \$5.7 million in Commonwealth Government financial assistance (excluding HECS).
- \$2.9 million in South Australian Government financial assistance. This predominantly relates to a change in accounting policy that is explained in Note 1(s).

The following chart reflects the changing composition of revenues over recent years.



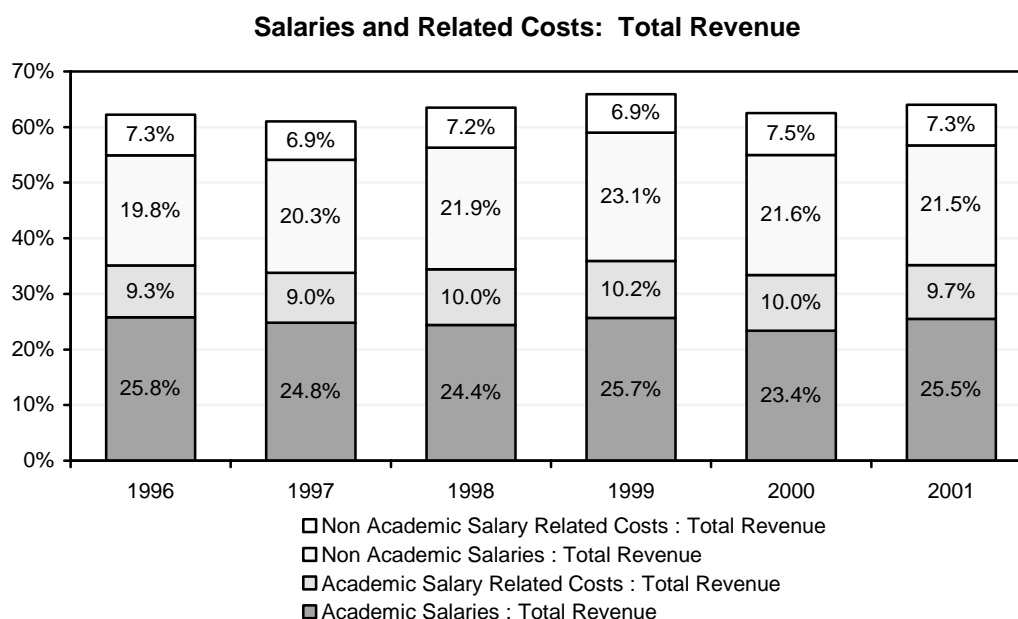
Expenses

Expenses from ordinary activities increased by \$11.1 million to \$166.1 million.

Employee benefit expenses, \$110.5 million (\$100.5 million), accounted for 66.5 percent (64.8 percent) of expenses from ordinary activities. The increase in employee benefits expenses is attributable to:

- recoups which in previous years were offset against revenue;
- an Enterprise bargaining increase of 2.4 percent;
- deferred employee benefits for Super increased by \$2.1 million (offset by similar increase in revenue).

The following chart reflects academic and non-academic salaries and salary related costs as a percentage of total revenues over recent years.



Statement of Financial Position

Consolidated net assets increased by \$18.4 million (9.5 percent) to \$212.9 million. The result reflects an increase in total assets of \$11.2 million compared to a decrease of \$7.2 million in liabilities.

Assets

The increase in assets was due principally to an increase of \$8.5 million in Property, plant and equipment and was predominantly due to non building acquisitions of \$7.2 million and asset revaluation of \$5.6 million. This was partly offset by disposals of \$2.7 million.

Liabilities

The decrease in liabilities was due principally to a decrease in Other current liabilities of \$9.0 million. This was due mainly to a decrease in Commonwealth Department of Education, Science and Training (DEST) income received in advance of \$8.9 million as a result of the adoption of Australian Accounting Standard AAS 15 'Revenue' as explained in Note 1(s).

Statement of Cash Flows

During the year there was a decrease in cash held of \$7.9 million. This resulted from \$10.4 million provided by operating activities offset by \$18.3 million used in investing activities. Included in cash outflow from investing activities were amounts of \$12.7 million and \$10.7 million relating to purchases of investments and property, plant and equipment respectively.

FURTHER COMMENTARY ON OPERATIONS

Student System

In 1998 an upgrade of all the University's major administrative systems was planned. As part of the planning for the upgrade it was decided to review alternatives to the major upgrade of the Student system at the time. Following a Request for Proposal document in late 1998, the Student One student system was recommended in early 1999 with a proposed live date in May 2000.

In November 2000 the cash receipting module for general receipting was brought into live usage. In September-October 2001 the remaining modules including, student billings, student receipting and student records went live.

The budget for the implementation of the software and staffing costs was originally \$1.5 million but was subsequently increased to \$1.8 million. The increase was due to a number of product enhancements.

Statement of Financial Performance for the year ended 31 December 2001

	Note	Consolidated		University	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Revenue from Ordinary Activities	2	172 581	162 133	166 668	151 847
Expenses from Ordinary Activities	3	166 123	154 990	159 145	147 428
Net Operating Result		6 458	7 143	7 523	4 419
Increase in asset revaluation reserve	11,17	3 066	697	3 059	-
Adjustment to retained accumulated funds as a result of the adoption of revised accounting standard Australian Accounting Standard AAS 15 'Revenue'		8 906	-	8 906	-
Adjustment to retained accumulated funds as a result of the adoption of revised accounting standard Australian Accounting Standard AAS 19 'Interest in Joint Ventures'		-	(1 382)	-	(1 382)
Total Revenue, Expenses and Valuation Adjustments attributed to the Parent Entity and Recognised Directly in Equity		18 430	6 458	19 488	3 037
TOTAL CHANGE IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		18 430	6 458	19 488	3 037

The 2000 operating result includes an increase in unspent financial assistance of \$2.4 million. The University has included that amount as revenue for the period but related expenditure will not occur until subsequent periods. Had the matching expenditure been made in the reporting period, the operating result would have been decreased by \$2.4 million. The unspent financial assistance is treated this way because the receipt of financial assistance does not create a liability for the University. In 2001, revenue from financial assistance was approximately equal to expenditure.

Statement of Financial Position at 31 December 2001

	Note	Consolidated		University	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
CURRENT ASSETS:					
Cash		566	508	391	415
Inventories	1(h),7	413	322	413	322
Receivables	1(c),8,19	11 717	12 871	10 954	12 478
Investments	1(c),9	20 544	20 555	16 453	14 413
Other	10	1 393	526	1 390	526
Total Current Assets		34 633	34 782	29 601	28 154
NON-CURRENT ASSETS:					
Receivables	1(c),8,19	21 042	21 471	21 042	21 471
Investments	1(c),9	26 642	23 509	23 488	20 313
Property, plant and equipment	1(l),11	184 459	176 004	179 865	170 730
Other	10	991	741	1 359	1 255
Total Non-Current Assets		233 134	221 725	225 754	213 769
Total Assets		267 767	256 507	255 355	241 923
CURRENT LIABILITIES:					
Accounts payable	1(c),13	7 808	6 358	7 114	5 962
Interest Bearing Liabilities	14	950	623	1 573	1 086
Provisions	1(d),(e),15, 19	7 526	7 106	7 322	6 944
Other	16	3 730	12 700	3 488	11 188
Total Current Liabilities		20 014	26 787	19 497	25 180
NON-CURRENT LIABILITIES:					
Provisions	1(d),(e),15, 19	34 805	34 452	34 720	34 343
Other	16	-	750	-	750
Total Non-Current Liabilities		34 805	35 202	34 720	35 093
Total Liabilities		54 819	61 989	54 217	60 273
NET ASSETS		212 948	194 518	201 138	181 650
EQUITY:					
Reserves	17	13 736	9 451	13 032	8 754
Accumulated funds		199 212	185 067	188 106	172 896
TOTAL EQUITY		212 948	194 518	201 138	181 650
Commitments and Contingent Liabilities	18, 20, 21				

Statement of Cash Flows for the year ended 31 December 2001

	Note	Consolidated		University	
		2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
INFLOWS:					
Financial Assistance:					
DEST		74 473	71 222	74 473	71 222
Other Commonwealth		16 649	12 550	16 471	12 460
Total Commonwealth		91 122	83 772	90 944	83 682
South Australian Government		5 363	1 973	5 363	1 973
Higher Education Contribution Scheme:					
Student payments		3 626	3 492	3 626	3 492
Commonwealth receipts		27 230	26 341	27 230	26 341
Fees and charges		20 825	18 608	19 024	16 861
Investment income		2 808	2 175	2 407	1 830
Consultancy and contract research		11 637	10 018	7 853	6 884
Other revenue		10 741	6 188	10 708	5 696
OUTFLOWS:					
Staff salaries		(80 771)	(73 428)	(79 072)	(72 192)
Staff related costs		(28 385)	(26 770)	(27 922)	(26 106)
Other		(53 835)	(46 038)	(48 126)	(39 738)
Net Cash provided by Operating Activities	30(ii)	10 361	6 331	12 035	8 723
CASH FLOWS FROM INVESTING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of investments		4 229	27 662	1 776	24 699
Proceeds from sale of property, plant and equipment		927	661	661	661
OUTFLOWS:					
Purchase of investments		(12 731)	(18 632)	(11 978)	(18 163)
Purchase of property, plant and equipment		(10 678)	(7 237)	(10 468)	(7 167)
Net Cash (used in) provided by Investing Activities		(18 253)	2 454	(20 009)	30
NET (DECREASE) INCREASE IN CASH HELD		(7 892)	8 785	(7 974)	8 753
CASH AT 1 JANUARY		10 411	1 626	10 318	1 565
CASH AT 31 DECEMBER	1(o),30(i)	2 519	10 411	2 344	10 318

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Financial Reporting Framework

The financial statements are a special purpose report for the Commonwealth Department of Education, Science and Training (DEST) and a general purpose financial report. They have been prepared on a full accrual basis and in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Consensus Views and the requirements of DEST.¹

The financial statements are generally consistent with relevant provisions of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and the Accounting Policy Statements issued pursuant to the Treasurer's Instructions, except where the foregoing conflict with the DEST guidelines.

The financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The consolidated financial statements (the economic entity) comprise the accounts of the University (the parent entity) and all of its controlled entities.

Significant Accounting Policies

The significant accounting policies that have been adopted in the preparation of these financial statements are:

(a) *Principles of Consolidation*

A controlled entity is any entity controlled by the Flinders University of South Australia (the University). Control exists where the University has the capacity to dominate decision making in relation to the financial and operating policies of another entity so that the other entity operates with the University to achieve the objectives of the University. A list of controlled entities is contained in Note 25.

The effects of transactions between controlled entities and the University have been eliminated on consolidation.

¹ DEST requirements are specified in the publication 'Guidelines for the Preparation of Annual Financial Statements for the 2001 Reporting Period by Australian Higher Education Institutions'.

(b) *Depreciation*

Depreciation is calculated on a straight line basis on all property, plant and equipment, other than land and works of art, which are not depreciated. The following rates are based on the estimated useful life of the assets to the University:

Item:	Percent
Buildings and plant	2.50
Motor vehicles	20.00
General equipment	16.67
Computer hardware	33.33
Computer software	20.00
Aircraft	10.00
Library monographs	2.50
Library serials	2.00

The gross amount of depreciable assets and the related accumulated depreciation is provided within Note 11. Depreciation expense by asset class is shown in Note 3.2.

(c) *Financial Instruments*

- *Receivables*
Receivables are shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (provision for doubtful debts).
- *Investments*
The change in the University's indexed bonds is brought to account at balance date using the CPI rate. The share of investments in the Unisure Unit Trust is brought to account at balance date at net market value.

Other investments are at cost. The carrying amount of investments is reviewed annually by the University to ensure that it is not in excess of the recoverable amount of these investments.
- *Accounts Payable*
Accounts Payable are shown at amounts due to suppliers, inclusive of GST and exclusive of any applicable discounts that will be taken.
- *Interest Bearing Liabilities*
The University collects funds on behalf of affiliated student entities and controlled entities. The University invests these funds along with University funds and shares the investment income.
- *Other Liabilities: Funds Held on Behalf of Other Entities*
Funds held on behalf of other entities are shown at amounts due. These do not incur any interest charges.

(d) *Employee Entitlements*

Employee entitlements expected to be settled within one year have been recognised at their nominal amount. Entitlements expected to be settled later than one year have been measured at the present value of the estimated applicable future cash flows.

- *Long Service Leave*
The long service leave liability is independently actuarially estimated by the long hand method prescribed by Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. The long service leave liability includes associated on-costs.
- *Annual Leave*
The liability for annual leave includes associated on-costs.
- *Sick Leave*
Sick leave is considered to be taken from the current year's accrual. As the accrual always significantly exceeds the leave taken, no liability is recorded.
- *Superannuation*
Superannuation schemes exist to provide benefits to University employees and their dependents upon resignation, retirement, disability or death. The contributions made to these schemes by the University and the emerging cost from unfunded Schemes are expensed in the Statement of Financial Performance. Note 19 provides details in respect of the individual Schemes.
- *Invalidity Fund*
The Invalidity Fund exists to provide benefits to certain members of University Superannuation Scheme Number 1 and a small number of other staff in the event of invalidity. The University calculates the present liability of the fund, based on an independent actuarial review conducted every three years. The last actuarial review was conducted for the liability as at 31 December 2000. For the years between actuarial reviews, the University estimates the liability by extrapolation from the most recent review.
- *Redundancy/Severance*
Provision is also made for redundancy payments in circumstances where the University has formally approved individuals' redundancies and a reliable estimate of the amount of the payments can be determined.

Provision is also made for severance payments where it is probable payments will be made under industrial awards for fixed term staff.

- (e) *Workers Compensation*
The University is responsible for payments of workers compensation and is registered with WorkCover as an exempt employer. Unisure Pty Ltd administers workers' compensation arrangements on behalf of the University.
- The provision for workers compensation liability is actuarially determined every three years, with the intervening years calculated by applying an extrapolation of the most recent actuarial calculation to the latest value of claims on hand. The method used is the claims paid development method where all past claims are brought to current values with an allowance for late claims reporting and administration costs. The last actuarial calculation was conducted as at 31 December 2000.
- (f) *Foreign Currency*
Foreign currency transactions were converted to Australian currency at the rates of exchange ruling at the date of the transactions. There are no material foreign currency monetary items outstanding at balance date.
- (g) *Goods and Services Tax*
The University recognises revenues, expenses and assets net of the amount of goods and services tax (GST), except where the amount of GST incurred by the University is not recoverable from the taxation authority.
- Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.
- Cash flows included in the statement of cash flows are on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.
- (h) *Inventories*
Inventories are stores of consumable items including printing and maintenance materials. Annual stocktakes are used to verify inventory account balances. Other small inventories of consumable items including stationery, fuel and antisera are expensed as purchased. University policy is to value inventory at the lower of cost or net realisable value.
- (i) *Investments in Business Undertakings*
- *Controlled Entities*
Investments in controlled entities are carried in the University's Statement of Financial Position at the lower of cost and recoverable amount. Dividends are brought to account when they are declared by the controlled entities.
 - *Associates*
Apart from the investment in Unisure Pty Ltd, the University has no material investments in associates and does not include any amount in the financial statements for its interest in associated entities. Note disclosure is made in Note 26.
 - *Joint Ventures*
Joint Venture Operations
The University's interest in the share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the University's Statement of Financial Position and Statement of Financial Performance, where material. Details of joint ventures are included in Note 23. The University applied Australian Accounting Standard AAS 19 'Accounting for Interests in Joint Ventures' for the first time in 2000 and there was a reduction to opening equity of \$1.4 million.

Joint Venture Entities
The University has no material interest in joint venture entities and does not include any amount in the financial statements for its interest in joint venture entities. Disclosure is made in Note 24.
- (j) *Leased Assets*
- *University as Lessee*
Leases of assets where substantially all the risks and benefits of ownership, but not legal ownership, are transferred to the University, are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual value. They are then amortised on a straight line basis over lease term.

Leases of assets where substantially all the risks and benefits of ownership remain with the lessor are classified as operating leases. Payments made under an operating lease are expensed in the period to which the payment relates.
 - *University as Lessor*
The University leases space in an investment property to external entities. It also leases a small amount of space on its main campus to commercial entities for provision of services to students and staff and a portion of the Lincoln Marine Science Centre to other research entities. The leases are all classified as operating leases.
- (k) *Revenue Recognition*
- *Commonwealth Financial Assistance*
DEST provide an annual Operating Grant to the University each year, with the first payment being received at the end of the previous year. Financial assistance income from DEST is brought to account in the period in which it is received. This is a change from the previous treatment where the first instalment of the Operating Grant was recognised as a liability. Note 1(s)(ii) provides an explanation of the change in accounting policy.

Other Commonwealth grant revenue is recognised when received.

- *Consultancy and Contract Research*
Revenue from Consultancy and Contract Research is recognised in the period in which the consultancies/contract services are provided. Research Grant revenue is included in revenue when received.
- *Donations*
Donations are received in cash and non cash forms. Non cash donations are recognised at the University's estimate of the fair value of the items donated.
- *Fees and Charges: Student Revenue*
Revenue comprises fees from students for the provision of courses. The fees are recognised in the periods during which the courses are provided.
- *Investment Income*
Interest income is recognised as it accrues. The indexation component of indexed bonds is recorded as revenue in the year that it is earned. Dividend income is recognised when the right to receive the dividend has been established.

The University's share of investments in the Unisure Unit Trust is brought to account at balance date at market value. The gains or losses, whether realised or unrealised, are included in the Net Operating Result. Capital gains and losses on other investments are recognised when the investment is sold.

(l) *Property, Plant and Equipment*

- *Land*
Land occupied by the University is owned by the University in its own right and by the State Government. The value of land owned by the State Government is reflected in the University's financial statements on the basis that the University effectively controls the land occupied.

Land controlled by the University is independently valued every three years. Land controlled by the University was revalued as at 31 December 2001 by Norm Satchell, AAPI, B.App.Sc (Val) and Greg McCloud AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty Ltd. The basis used for the valuation was market value for existing use. Land purchased between revaluations is valued at cost.
- *Buildings and Infrastructure*
Buildings and infrastructure controlled by the University have been independently revalued as at 31 December 2001 by Norm Satchell, AAPI, B.App.Sc (Val) and Greg McCloud AAPI (Val) B.App.Sc (Val), of Edward Rushton Australia Pty Ltd. The basis used for the valuation was market value for existing use. Buildings and Infrastructure acquired subsequent to that date are valued at cost.

Building and Infrastructure valuations are undertaken triennially. The carrying amount of buildings and infrastructure is reviewed annually to ensure that it is not in excess of the recoverable amount.
- *Buildings in Progress*
Construction of buildings under progress is valued at cost.
- *Library Books - Monographs and Serials*
The base value of the Library collection is reported at Council's valuation based on current average written down replacement cost as at 31 December 1993. Additions subsequent to 31 December 1993 are capitalised at cost.
- *Equipment*
This class of assets includes computer hardware and software, furniture, vehicles, marine and general equipment. Individual items costing \$10 000 or more are capitalised and recorded in the Statement of Financial Position at cost. Items costing less than \$10 000 are recognised as an expense in the Statement of Financial Performance in the period acquired.

The acquisition cost for software includes the cost of staff time and consultants costs incurred in implementing the software.
- *Aircraft*
Individual items costing \$10 000 or more are capitalised and recorded in the Statement of Financial Position at cost. Items costing less than \$10 000 are recognised as an expense in the Statement of Financial Performance in the period acquired.

Aircraft were independently revalued in 2000 by R A Douglas MSAA of Douglas Aircraft Sales. The basis of the valuation was market value for existing use.
- *Works of Art*
The main Works of Art collection was independently valued in 1995 with subsequent acquisitions valued at cost. A minor collection pre dating 1995 has been valued at cost. All acquisitions are included in the valuation. Works of Art are not depreciated, and there is no fixed timeframe for revaluation.

(m) *Student Service Fees*

The University collects fees on behalf of the incorporated student organisations. The organisations provide services and amenities not available to students directly through the University. Student services fee revenue and associated expenditure are not reflected in the financial statements.

- (n) **Doubtful Debts**
The collectibility of receivables is assessed at balance date and provision made for any doubtful debts.
- (o) **Cash**
For the purpose of the Statement of Cash Flows, cash includes cash on hand, at call deposits with financial institutions and investments readily convertible to cash within two working days.
- (p) **Income Tax Status**
The activities of the University are exempt from income tax as are all but one of its wholly owned controlled entities. Flinders Reproductive Medicine, operating through the Flinders ART Clinic Trust is subject to income tax but fully distributes all net earnings, so no tax is payable.
- (q) **Rounding to the Nearest \$'000**
Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.
- (r) **Comparative Figures**
The previous year's figures are provided in the financial statements for comparative purposes. Where practicable, comparative figures have been adjusted to conform with changes in presentation and classification in the present year.
- (s) **Changes in Accounting Policies**
- For 2001, the University has recognised certain revenue and expenses (previously set off) in order to comply with Accounting Standard AASB 1018 'Statement of Financial Performance'. It is not practicable to provide comparative figures for prior accounting periods. The financial effect of this change in policy is to increase revenue and expense by \$4.6 million. The operating result remains the same.
 - In late December each year, the University receives the first payment of the Operating Grant from DEST for the next year. In previous years DEST has required that this advance grant be treated as a liability and the University has complied with that instruction.
- The 2001 DEST Guidelines were changed to remove the requirement to show the advance grant as a liability. As a result, the requirements of Australian Accounting Standard AAS 15 'Revenue' became applicable to the advance grant for the first time and now the advance grant is treated as revenue in the year of receipt. The reason for this is that the University has control of the funds upon receipt and there is not a direct reciprocal obligation to DEST.
- As a result of the above:
- An amount of \$8.5 million, being the DEST advance grant for 2002, received in December 2001 has been taken up as revenue in 2001; and
 - An adjustment of \$8.9 million has been made to opening retained earnings because the change in accounting policy involves the application of Australian Accounting Standard AAS 15 'Revenue' for the first time. This is the value of the advance grant received in December 2000 together with a special advance grant received earlier, that were recorded as liabilities in the 2000 annual financial statements.
- The net impact of the above changes is to reduce the Operating Result for 2001 by \$385 000.

2. Revenue from Ordinary Activities

	Note	Consolidated		University	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Commonwealth Government financial assistance	1(k),2.1,32	89 034	83 347	88 856	83 257
South Australian Government financial assistance	2.2	4 875	1 973	4 875	1 973
Higher Education Contribution Scheme:	32.1				
Student contributions		3 626	3 492	3 626	3 492
Commonwealth payments		27 230	26 912	27 230	26 912
Fees and charges	1(k),2.3	20 185	18 275	18 478	16 528
Superannuation:					
Deferred Government contributions	19	200	(1 900)	200	(1 900)
Commonwealth supplementation		1 398	929	1 398	929
Investment income	1(k),2.4	3 146	5 551	2 752	2 608
Royalties, Trademarks and Licences	2.5	338	1 736	209	22
Consultancy and contract research	1(k),2.6	10 592	10 018	7 152	6 884
Other revenue	2.7	11 957	11 800	11 892	11 142
Total Revenue from Ordinary Activities		172 581	162 133	166 668	151 847

2.1 Commonwealth Government Financial Assistance (excluding HECS)

	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Teaching and Learning:				
Operating purposes excluding HECS	64 685	60 683	64 685	60 683
Teaching hospital (FMC)	178	174	178	174
Capital development pool	-	987	-	987
Australian Research Council:				
Large research	2 202	2 765	2 202	2 765
Strategic partnerships with industry	772	666	772	666
Research Fellowships	195	254	195	254
International Researcher Exchange	6	25	6	25
Research infrastructure equipment and facilities	-	142	-	142
Indigenous Researchers Development Scheme	25	8	25	8
DEST:				
Small research	743	761	743	761
Infrastructure block	2 314	2 272	2 314	2 272
Australian postgraduate awards	1 814	1 795	1 814	1 795
International Postgraduate Research Scholarships	286	265	286	265
	73 220	70 797	73 220	70 797

	Note	Consolidated		University	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
2.1 Commonwealth Government Financial Assistance (excluding HECS) (continued)					
Other Commonwealth Government:					
National Health and Medical Research Council financial assistance		7 156	6 253	7 156	6 253
Other Commonwealth Government research financial assistance		4 890	3 864	4 890	3 864
Other Commonwealth Government financial assistance non-research		3 768	2 433	3 590	2 343
		15 814	12 550	15 636	12 460
		89 034	83 347	88 856	83 257
2.2 State Government Financial Assistance					
Research Financial Assistance:					
SA Health Commission		100	319	100	319
Other research financial assistance		487	781	487	781
		587	1 100	587	1 100
Non-research financial assistance		4 288	873	4 288	873
		4 875	1 973	4 875	1 973
2.3 Fees and Charges					
Fee-paying overseas students		11 375	10 052	11 375	10 052
Fee-paying non-overseas postgraduate students		1 688	1 412	1 688	1 412
Non-overseas students undertaking non-award courses		77	86	77	86
Other:					
Student housing and other rental charges		2 797	2 338	2 797	2 325
Car parking revenue		781	780	781	781
Other		3 467	3 607	1 760	1 872
		20 185	18 275	18 478	16 528
2.4 Investment Income					
Dividends:					
Wholly owned controlled entities		-	-	250	-
Other entities		360	2 530	94	-
		360	2 530	344	-
Profit on sale of investment		138	62	-	-
Interest		1 635	2 214	1 365	1 863
Managed Funds		428	280	412	280
Rental Revenue		585	465	631	465
		3 146	5 551	2 752	2 608
2.5 Royalties, Trademarks and Licences		338	1 736	209	22
2.6 Consultancy and Contract Research					
Consulting		6 218	5 060	2 772	2 343
Other research		4 374	4 958	4 380	4 541
		10 592	10 018	7 152	6 884
2.7 Other Revenue					
Contribution of assets		824	674	824	674
Net increments arising from the revaluation of assets (land, buildings and infrastructure)		2 512	2 542	2 512	2 542
Donations and bequests		509	1 572	509	1 572
Scholarships and prizes		1 142	920	1 144	933
Other:					
Other State Government education financial assistance		2 348	2 128	2 327	2 128
Gain on take on of controlled entity		-	674	-	-
Other (aggregate of immaterial items)		4 622	3 290	4 576	3 293
		11 957	11 800	11 892	11 142
3. Expenses from Ordinary Activities					
Employee benefits	3.1	110 546	100 519	108 202	98 495
Depreciation and amortisation	3.2	7 917	7 857	7 353	7 103
Buildings and grounds	3.3	8 447	7 555	8 447	7 555
Bad and doubtful debts	3.4	83	3	105	161
Other	3.5	39 130	39 056	35 038	34 114
Total Expenses from Ordinary Activities		166 123	154 990	159 145	147 428
3.1 Employee Benefits					
Salaries:					
Academic		44 074	38 221	43 759	38 122
Non-academic		37 134	35 148	35 659	34 012
Contributions to Superannuation and Pension Schemes:					
Deferred employee benefits for superannuation		200	(1 900)	200	(1 900)
Emerging cost		1 376	1 385	1 376	1 385
Funded		12 544	11 666	12 150	11 166
Payroll tax		5 737	5 590	5 662	5 520
Workers compensation		580	393	565	380
Long service leave expense		2 159	3 071	2 113	2 987
Annual leave		6 742	6 400	6 718	6 278
Redundancy expenses		-	545	-	545
		110 546	100 519	108 202	98 495

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
3.2 Depreciation and Amortisation				
Buildings	2 596	2 616	2 547	2 522
Equipment	2 948	3 123	2 433	2 463
Library collections	2 373	2 118	2 373	2 118
	7 917	7 857	7 353	7 103
3.3 Buildings and Grounds	8 447	7 555	8 447	7 555
3.4 Bad and Doubtful Debts	83	3	105	161
3.5 Other Expenses				
Scholarships and prizes	5 970	5 127	5 969	5 124
Telecommunications	1 065	1 072	1 040	1 047
Non-capitalised equipment	4 143	4 102	4 062	4 078
Travel, staff development and entertainment	4 748	5 065	4 560	4 872
Operating lease rental expenses	355	376	352	372
Net loss on sale of non-current assets	90	303	81	279
Recoverable amount write downs	-	1 309	-	1 309
Advertising/Promotional materials	1 045	845	1 038	832
Software licences/Computer maintenance	2 033	1 549	2 021	1 451
Subscriptions/Membership fees/Publications	1 641	1 483	1 626	1 473
Printing/Photocopying expenses	1 669	1 425	1 630	1 397
Consumables	6 353	5 847	5 505	4 413
Financial expenses/Interest paid	1 150	1 257	854	808
Consulting fees/Professional fees	2 355	2 954	731	874
Postage/Freight	464	397	443	386
Other expenses	6 049	5 945	5 126	5 309
	39 130	39 056	35 038	34 114
4. Sales of Assets				
Net Profits:				
Investments	138	62	-	-
Net Losses:				
Property, plant and equipment	90	303	81	279
Proceeds on disposal of property, plant and equipment	927	125	661	125
5. Remuneration of Executives				
The table comprises total remuneration that falls within the prescribed bandwidths for executives whose total remuneration is over \$100 000:				
	Consolidated		University	
	Number of Staff		Number of Staff	
	2001	2000	2001	2000
\$100 000 - \$109 999	2	2	-	1
\$110 000 - \$119 999	2	2	2	2
\$120 000 - \$129 999	5	3	4	2
\$130 000 - \$139 999	1	1	1	1
\$140 000 - \$149 999	1	-	1	-
\$150 000 - \$159 999	-	1	-	1
\$170 000 - \$179 999	-	1	-	1
\$190 000 - \$199 999	1	-	1	-
\$260 000 - \$269 999	1	-	1	-
\$300 000 - \$309 999	-	1	-	1
	13	11	10	9
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Aggregate remuneration of executives	1 801	1 593	1 471	1 359
The DEST Guidelines specify that executives are defined as the Chief Executive Officer and those staff in a senior line position directly reporting to that position.				
The remuneration includes salary, employer's superannuation costs and other benefits, including the associated fringe benefits tax, but excludes the value of separation payments.				
6. Remuneration of Auditors				
	Consolidated		University	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Auditing the financial report:				
South Australian Auditor-General	153	153	153	153
Other auditors	9	12	1	1
	162	165	154	154
7. Inventories				
Current	413	322	413	322

8. Receivables	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current:				
General debtors	9 634	10 774	8 871	10 381
Student debtors	898	881	898	881
Loans receivable	28	28	28	28
Superannuation receivable	1 700	1 700	1 700	1 700
Provision for doubtful debts	(543)	(512)	(543)	(512)
	11 717	12 871	10 954	12 478
Non-Current:				
General debtors	-	600	-	600
Loans receivable	56	71	56	71
Loans receivable, controlled entity	-	-	208	158
Superannuation receivable	21 000	20 800	21 000	20 800
Provision for doubtful debts	(14)	-	(222)	(158)
	21 042	21 471	21 042	21 471
9. Investments				
Current:				
At Cost:				
Deposits at 24 hour call	1 953	9 903	1 953	9 903
Term deposits	18 591	10 652	14 500	4 510
	20 544	20 555	16 453	14 413
Non-Current:				
At Cost:				
Term deposits	-	20	-	16
Government securities	2 441	2 441	2 441	2 441
Managed investment held by HSBC Asset Management	2 089	1 967	2 089	1 967
Managed investment held by Tower Trust	757	768	-	-
Other securities	75	109	7	7
Property held for investment purposes	3 992	3 765	3 992	3 765
Other equities	3 411	1 339	3 412	1 240
Interests in business undertakings:				
Controlled entities at Council valuation	-	-	1 465	1 075
Other entities at cost	161	161	161	161
Indexed bonds - At indexed value	5 449	5 344	5 449	5 344
Managed investment held by Unisure Pty Ltd - At market value	4 472	4 297	4 472	4 297
Other equities - At market value	3 795	3 298	-	-
	26 642	23 509	23 488	20 313
Total Investments	47 186	44 064	39 941	34 726
Maturities of fixed interest investments are:				
Current:				
Not later than one year	20 544	20 555	16 453	14 413
Non-Current:				
Later than one year, but not later than two years	-	20	-	16
Later than two years, but not later than five years	5 603	3 112	5 603	3 112
Later than five years, but not later than 10 years	2 287	4 673	2 287	4 673
Managed investment held by Unisure Pty Ltd	4 472	4 297	4 472	4 297
Managed investment held by HSBC Asset Management	2 089	1 967	2 089	1 967
Managed investment held by Tower Trust	757	768	-	-
Equities	7 442	4 907	5 045	2 483
Property held for investment purposes	3 992	3 765	3 992	3 765
	26 642	23 509	23 488	20 313
Total Investments	47 186	44 064	39 941	34 726
Other equities (At Market Value) includes 14 percent of shares in YourAmigo Pty Ltd, whose principal business activity is an enterprise search and Internet infrastructure company. The net market value of the shares is \$2.6 million.				
10. Other Assets				
Current:				
Prepayments	1 393	526	1 390	526
Non-Current:				
Advances to controlled entity	-	-	1 359	1 255
Other	991	741	-	-
	991	741	1 359	1 255
11. Property, Plant and Equipment				
Land, Buildings and Infrastructure				
Crown Land:				
2001 independent valuation	10 420	9 125	10 420	9 125
	10 420	9 125	10 420	9 125
Freehold Land:				
2001 independent valuation	1 190	1 110	1 190	1 110
	1 190	1 110	1 190	1 110
Buildings:				
2001 independent valuation	86 970	80 594	86 015	80 594
At cost	-	7 170	-	6 014
	86 970	87 764	86 015	86 608

11. Property, Plant and Equipment (continued)	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Infrastructure:				
2001 independent valuation	4 415	4 460	4 415	4 460
At cost	-	223	-	223
	4 415	4 683	4 415	4 683
	102 995	102 682	102 040	101 526
Accumulated depreciation	-	(6 757)	-	(6 598)
Buildings:				
2000 recoverable amount	-	947	-	947
Accumulated depreciation	-	(176)	-	(176)
	-	771	-	771
Buildings Under Construction:				
Construction costs	781	738	781	738
	103 776	96 487	102 821	95 490
Library Collection				
Council Valuation:				
31 December 1993	81 486	81 657	81 486	81 657
At cost	27 093	24 202	27 093	24 202
	108 579	105 859	108 579	105 859
Accumulated depreciation	(42 210)	(39 958)	(42 210)	(39 958)
	66 369	65 901	66 369	65 901
Equipment				
At cost	32 029	29 959	31 011	29 089
Accumulated depreciation	(22 301)	(21 541)	(21 619)	(20 968)
	9 728	8 418	9 392	8 121
Aircraft				
At independent valuation 2000	3 670	3 980	-	-
Accumulated depreciation	(367)	-	-	-
	3 303	3 980	-	-
Works of Art				
1995 independent valuation	1 048	1 048	1 048	1 048
At cost	207	149	207	149
At Council valuation 1999-2001	28	21	28	21
	1 283	1 218	1 283	1 218
	184 459	176 004	179 865	170 730
Acquisitions				
The following property, plant and equipment was acquired during this year:				
Land, buildings and improvements	4 307	1 458	4 307	1 430
Library collection	2 891	2 910	2 891	2 910
Equipment	4 239	3 703	4 029	3 733
Works of art	65	10	65	10
	11 502	8 081	11 292	8 083
Disposals				
The following property, plant and equipment was disposed of or written off during the year:				
Land, buildings and improvements	-	1 427	-	1 427
Library collection	171	518	171	518
Equipment	2 169	1 967	2 107	1 856
Works of art	-	-	-	-
Aircraft	310	-	-	-
	2 650	3 912	2 278	3 801
Revaluations				
The following property, plant and equipment was revalued during the year:				
Land, buildings and improvements	5 578	2 542	5 571	2 542
Aircraft	-	697	-	-
	5 578	3 239	5 571	2 542

Land, Buildings and Infrastructure Revaluation

Land, buildings and infrastructure were revalued as at 31 December 2001 by Norm Satchell AAPI B.App.Sc (Val) and Greg McCloud AAPI B.App.Sc (Val) of Edward Rushton Pty Ltd. The basis of both valuations was current market value (existing use).

The revaluation amounts of \$5.6 million (Consolidated) and \$5.6 million (University) have resulted in a revaluation increment of \$2.5 million being taken up as revenue in the Statement of Financial Performance and \$3.1 million (Consolidated) and \$3.1 million (University) being taken up as increases in the Asset Revaluation Reserve. The revaluation increment has been included in the Statement of Financial Performance as it is a reversal of a previous revaluation decrement included in the Statement of Financial Performance.

Recoverable Amount Write Down

During 2000 the University wrote down the value of a joint library store by an amount of \$1.3 million included in Note 3.5. This recognises that although the University owns the building, Adelaide University has rights to store materials in the building for the life of the building. The recoverable amount was determined by reference to the University's proportionate share of the space to the total building valuation. The valuation basis did not use expected future cash inflows. Total write downs were \$1.4 million and these make up the total of disposals for land, buildings and infrastructure.

12. Restricted Assets

Crown Land is not owned by the University and therefore cannot be sold by the University.

The University has restrictions imposed on the real property listed above (land, buildings and improvements) under *The Flinders University of South Australia Act 1966*. Section 3 (4) of the Act states:

The University cannot alienate, mortgage, charge, or demise any lands, tenements, or hereditaments of the University other than with the approval of the Governor, except by way of lease for a term not exceeding 21 years from the time when the lease is made in and by which there is reserved, during the whole term, the highest rent that can be reasonably obtained.

13. Accounts Payable

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current:				
Creditors	2 370	959	2 208	963
Unpresented cheques	-	500	-	500
Accrued expenses	5 438	4 899	4 906	4 499
	7 808	6 358	7 114	5 962

14. Interest Bearing Liabilities

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current:				
Funds held on behalf of external entities:				
Student entities	950	623	950	623
Advances from controlled entities	-	-	623	463
	950	623	1 573	1 086

15. Provisions

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current:				
Annual leave	2 777	2 632	2 683	2 537
Long service leave	2 295	2 064	2 185	1 997
SA Superannuation Scheme	1 700	1 700	1 700	1 700
Outstanding claims - Unisure Pty Ltd	538	477	538	477
Severance	216	233	216	233
Total Current	7 526	7 106	7 322	6 944
Non-Current:				
Long service leave	12 648	12 442	12 563	12 333
SA Superannuation Scheme	21 000	20 800	21 000	20 800
Invalidity Fund	350	494	350	494
Outstanding claims - Unisure Pty Ltd	807	716	807	716
Total Non-Current	34 805	34 452	34 720	34 343
Aggregate employee entitlements	42 331	41 558	42 042	41 287

	2001 Number	2000 Number	2001 Number	2000 Number
Number of full time equivalent employees at year end	1 473	1 507	1 453	1 487

16. Other Liabilities

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current:				
Income in advance:				
Fees and charges	1 380	1 075	1 380	1 075
DEST	-	8 156	-	8 156
Other	392	1 676	150	164
	1 772	10 907	1 530	9 395
Funds held on behalf of external entities	1 958	1 785	1 958	1 785
Unspent financial assistance	-	8	-	8
Total Current	3 730	12 700	3 488	11 188
Non-Current:				
DEST	-	750	-	750
Total Non-Current	-	750	-	750

17. Reserves

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Reserves comprise:				
Asset revaluation	4 304	1 238	3 600	541
Endowment	8 929	7 702	8 929	7 702
Trust and special purpose	-	-	-	-
Other	503	511	503	511
	13 736	9 451	13 032	8 754
Movements in Reserves				
Asset Revaluation Reserve				
Balance at beginning of financial year	1 238	541	541	541
Asset revaluation increment	3 066	697	3 059	-
Balance at End of Financial Year	4 304	1 238	3 600	541
Endowment				
Balance at beginning of financial year	7 702	5 929	7 702	5 929
Transfers to reserves	1 227	1 773	1 227	1 773
Balance at End of Financial Year	8 929	7 702	8 929	7 702

Movements in Reserves (continued)

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<i>Trust and Special Purpose</i>				
Balance at beginning of financial year	-	14 923	-	14 923
Transfers from reserves	-	(14 923)	-	(14 923)
Balance at End of Financial Year	-	-	-	-
<i>Other Reserves</i>				
Balance at beginning of financial year	511	1 632	511	1 632
Transfers from reserves	(8)	(1 121)	(8)	(1 121)
Balance at End of Financial Year	503	511	503	511

18. Commitments for Expenditure**(a) Capital Expenditure Commitments***Building Works:*

Within 12 months	354	1 444	354	1 444
12 months or longer and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	354	1 444	354	1 444

Plant and Equipment:

Within 12 months	746	830	746	830
12 months or longer and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	746	830	746	830

Joint Ventures:

Within 12 months	-	79	-	39
12 months or longer and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	-	79	-	39

(b) Lease Commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 21 to the financial statements.

(c) Other Expenditure Commitments

Within 12 months	1 453	655	1 453	655
12 months or longer and not longer than 5 years	1 266	821	1 266	821
Longer than 5 years	36	-	36	-
	2 755	1 476	2 755	1 476

19. Superannuation Plans

The University contributes to the following employee superannuation funds:

(a) UniSuper Defined Benefit Plan or Investment Choice Plan (formerly Superannuation Scheme for Australian Universities - (SSAU))

UniSuper Management Pty Ltd administers the scheme and UniSuper Ltd is the Trustee. As at 1 July 1998, the rules governing the fund were amended to allow employees the option to remain within the defined benefits arrangement or to convert to an accumulation fund. The University contributes at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The fund provides the option of defined benefits based on years of service and final average salary or an accumulation fund. The defined benefits scheme is fully funded.

Actuarial investigations are normally undertaken triennially as at the end of respective calendar years. Grant Harslett, FIA, FIAA of Towers Perrin conducted the last actuarial investigation on 30 November 2001. A funding and solvency certificate required under regulation 9.09(1) of the Superannuation Industry (Supervision) Regulations has been obtained with a date of effect of 1 October 2001. The certificate is valid until 30 June 2005 unless certain specified events occur in which case the certificate is valid to the date of those events.

On 1 October 2000, SSAU merged with Tertiary Education Superannuation Scheme (TESS) to form UniSuper. The SSAU component of the scheme has been replaced by the UniSuper Defined Benefits Scheme and the UniSuper Investment Choice Plan.

In previous years, UniSuper has reported its results on a calendar year's basis. UniSuper has now changed its reporting period to a financial year basis. As a result the 2001 results are as at 30 June 2001 and the comparative amounts listed are as at 31 December 2000.

As at 30 June 2001 and 31 December 2000, the amounts of the fund applicable to Flinders University for members in the defined benefits plan were:

	University	
	2001 \$'000	2000 \$'000
Net market value	133 562	127 551
Accrued benefits	121 035	116 374
Surplus	12 527	11 177
Vested Benefits	121 035	116 374

(b) UniSuper Award Plus Plan (formerly TESS)

UniSuper Management Pty Ltd administers the fund and TESS Superannuation Ltd is the Trustee. The University contributes to the fund at a rate determined by the trust deed. The scheme is non contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University also makes contributions into the fund for employee entitlements arising under the Superannuation Guarantee Legislation.

On 1 October 2000, TESS merged with SSAU to form UniSuper. TESS is now known as the UniSuper Award Plus Plan.

(c) South Australian Superannuation Scheme

The University has 95 (98) present and former employees who are members of closed State Government superannuation schemes. Under the schemes, defined benefits are paid as a lump sum or continuing pension on the termination of the employees' service, based on contributions made by the employee and the employees' final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for administering the schemes. Under current arrangements, the Board pays the benefits and is reimbursed by the University. The Commonwealth government funds the University on an emerging cost basis and recovers the state's share of the cost directly from the State Government.

The unfunded superannuation liability for future benefits for current employees and pensioners was assessed as at 31 December 2001 by the Director Superannuation, South Australian Department of Treasury and Finance, at \$22.7 million (\$22.5 million). This represents an increase in the liability of \$200 000 since 31 December 2000. The net unfunded amount has been recognised in the accounts of the University as a liability with a corresponding receivable from the Commonwealth Government (see Note 8). The liability and asset have been classified as current and non current according to the cash flow projections of the assessment.

	University	
	2001	2000
	\$'000	\$'000
University's gross liability	24 100	23 800
Funded component	1 400	1 300
Unfunded Liability	22 700	22 500

(d) Superannuation Scheme No. 1 Superannuation Scheme

Prior to the inception of the Superannuation Scheme for Australian Universities - SSAU - the University operated its own schemes. Employees were given the option of transferring to SSAU or remaining with the University's own scheme. As at 31 December 2001, 12 (13) staff remained members of the University scheme. The scheme, managed by a Board of Trustees, is similar to that of SSAU with the University contributing, as a minimum, twice that of employees.

The administrator of the scheme has calculated the value of members' accrued benefits at 30 June each year. As at 30 June, the financial position of the fund was:

	University	
	2001	2000
	\$'000	\$'000
Net market value	6 059	6 283
Accrued benefits	5 003	5 133
Surplus	1 056	1 150
Vested Benefits	5 003	5 133

The surplus in the fund is 21 percent (22 percent).

NSP Buck undertook the last actuarial review as at 1 January 2001. At that time the scheme had a surplus of \$1.1 million, which was 21 percent of members' accrued benefits. As a result of that review, the actuary concluded that the favourable position of the scheme allowed the suspension of employer's contributions and no employer contributions were made in 2001.

Invalidity Scheme

Certain members of Superannuation Scheme No. 1 and a small number of other staff are members of the Invalidity Scheme. The Scheme was established to provide benefits to members who suffered disablement or temporary incapacity and the benefits are identical to those provided under the Superannuation Scheme for South Australian Universities (SSAU). The University is directly responsible for the financial administration of the Scheme and for ensuring that the future liabilities of the Scheme are adequately funded. The University has taken out insurance to protect the majority of the risk and has set funds aside to cover the remaining risk.

Based on independent actuarial advice, the University has recognised a liability of \$350 000 (\$494 000) for the Scheme. This is equal to the estimated present value of future disablement benefits as at 31 December 2001, together with a small amount still to be repaid to former members as a result of the University taking over direct responsibility for the scheme. The last actuarial investigation was completed as at 31 December 2000 by J Holbrook BSc of William M Mercer Pty Ltd.

20. Contingent Liabilities**Loan Guarantee**

The University is the guarantor for a loan taken out by the Flinders University Union Incorporated in 1998 for the redevelopment of the Union building, which is a building owned by the University. The amount of the loan is \$1 million and it is repayable over five years. The University provides security for the guarantee in the form of Commonwealth bonds that have a market value of \$1 million. The University has protected its risk by making the Flinders University Union Incorporated's debt a first charge against student services fee revenues.

The nominal value of the loan outstanding as at 31 December 2001 is \$374 000 (\$577 000).

Claims from Former Students

The University is subject to claims for damages from three former students. If successful, all of the claims are covered by insurance.

21. Leases Commitments**University as Lessee**

Total rents paid during the reporting period were

Consolidated		University	
2001	2000	2001	2000
\$'000	\$'000	\$'000	\$'000
703	685	660	648

Contracted but not provided for in the financial statements and payable as follows:

Within 12 months	116	104	91	79
12 months or longer and not longer than 5 years	125	113	50	13
Longer than 5 years	476	501	-	-
	717	718	141	92

The University has various operating leases of property and equipment. Lease amounts have only been included in the above table where there is a non-cancellable commitment.

University as Lessor

Lease receivables contracted but not included in the financial statements and receivable as follows:

Within 12 months	669	700	727	817
12 months or longer and not longer than 5 years	877	1 366	1 039	1 437
Longer than 5 years	-	170	-	170
	1 546	2 236	1 766	2 424

In 2000 the University purchased the Mark Oliphant building in Science Park. The University has recognised this as an investment property with a gross value of \$4 million (\$3.8 million). In accordance with Australian Accounting Standard AAS 4 'Depreciation', it is not depreciated.

As at 31 December 2001, 75 percent of the building is leased to entities outside the economic entity. A further 5 percent is leased to entities outside the University but within the economic entity.

The University also leases a small amount of space on its main campus to commercial entities that provide services to students and staff and to other research entities in the Port Lincoln Marine Science Centre.

22. Economic Dependency

The economic entity is to a significant extent dependant on monies received pursuant to the Commonwealth Department of Education, Science and Training (DEST) operating grant and the Higher Education Contribution Scheme (HECS). In 2001, funding from both DEST and HECS totalled \$95.5 million (\$91.1 million) represented 55 percent (56 percent) of revenue.

23. Joint Venture Operations**Name of Entity**

Centre for Remote Health
Greater Green Triangle, University Department of
Rural Health

Principal Activity

Provision of health education and research to remote areas
Creation of a network of excellence in health professional
education, population health, research and clinical service,
the Greater Green Triangle region

Output Interest	
2001	2000
Percent	Percent
50	50
50	-

The economic entity's interest in assets employed in the above joint venture operations is detailed below. The amounts are included in the financial reports and consolidated financial reports under their respective asset categories:

		Consolidated		University	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
Centre for Remote Health					
Current Assets:					
Receivables		1 131	1 689	1 131	1 689
Non Current Assets:					
Property, plant and equipment		1 239	111	1 239	111
Total Assets		2 370	1 800	2 370	1 800
Current Liabilities:					
Accounts payable		(187)	-	(187)	-
Net Assets		2 183	1 800	2 183	1 800

23. Joint Venture Operations (continued)	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Greater Green Triangle				
Current Assets:				
Receivables	479	-	479	-
Non Current Assets:				
Property, plant and equipment	25	-	25	-
Net Assets	504	-	504	-

The University's joint venture operations have no contingent liabilities as at 31 December 2001.

24. Joint Venture Entities

Interest in Joint Venture Entities

(a) The University participates in a number of joint venture entities, however as the University's interest is not considered to be material, they have not been taken up in the accounts on an equity basis as per the Australian Accounting Standard AAS 19, 'Accounting for Interests in Joint Ventures'.

Relevant disclosures are as follows:

Name of Entity	Reporting Date	Principal Activity	Ownership Interest	
			2001 Percent	2000 Percent
Co-operative Research Centres (CRC)				
Co-operative Research Centre for Sensor Signal Information Processing (CSSIP)	(U) 30 June	To provide research and postgraduate education in signal and information processing for sensors	9	10
Co-operative Research Centre for Tissue Growth and Repair (TGR)	(U) 30 June	To coordinate research, postgraduate training and commercialisation of applications of growth factors that support the growth and repair of human and animal tissues	10	10
Co-operative Research Centre for Aboriginal and Tropical Health (ATH)	(U) 30 June	To provide a cross cultural framework for strategic research leading to evidence based improvements in education and health practice	10	9
Other Joint Venture Entities				
South Australian Tertiary Admissions Centre (SATAC)	(U) 30 June	Agent for tertiary institutions in Adelaide for receiving and processing applications for admission to tertiary level courses	25	25
South Australian Academic Research and Development Network (SAARDNet)	(U) 31 Dec	To provide high speed communication links and enhanced network and shared resources between higher education and research organisations	20	20
South Australian Centre for Economic Studies (SACES)	(U) 31 Dec	To conduct research on economic issues for government and private sector bodies with particular application to South Australia	50	50
Centre for Groundwater Studies (CGS)	(U) 30 June	Is a co-operative research and education venture focussed on processes affecting recharge, discharge, contamination and remediation of groundwater	11	-
Australian Housing and Urban Research Institute (AHURI) - Southern Research Centre	(U) 31 Dec	Is a co-operative venture between five universities to carry out research into housing and related issues with emphasis on economic, social and policy aspects.	28	-

(U) Unincorporated

Ownership (or voting rights) interest as determined by agreement or proportion of cash and in kind contributions.

	Share Accumulated Funds		Expenditure Commitments	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Co-operative Research Centre for Sensor Signal Information Processing (CSSIP)	87	144	20	20
Co-operative Research Centre for Tissue Growth and Repair (TGR)	228	50	75	50
Co-operative Research Centre for Aboriginal and Tropical Health (ATH)	150	150	50	50
South Australian Tertiary Admission Centre (SATAC)	174	151	280	323
South Australian Academic Research and Development Network (SAARDNet)	5	34	10	36
South Australian Centre for Economic Studies (SACES)	27	-	-	-
Centre for Groundwater Studies (CGS)	6	-	-	-
Australian Housing and Urban Research Institute (AHURI) - Southern Research Centre	7	-	50	50
	684	529	485	529

Interest in Joint Venture Entities (continued)

(b) *Other Information*

- *Capital Expenditure Commitments*
No material capital expenditure commitments.
- *Contingent Liabilities*
No material contingent liabilities.
- *After Balance Date Events*
No material after balance date events.

24A. Other Business Undertakings

The University holds investments in the following business undertakings which are carried in the Financial Statements at historical cost.

	Investment at Cost 2001	2000
	\$'000	\$'000
Ngapartji Pty Ltd	150	150
IDP Education Australia Ltd	10	10
AARNet	1	1
	161	161

25. Controlled Entities

Flinders University is the parent entity or ultimate parent entity of the following entities, all of which are incorporated in Australia.

Parent Entity:	Principal Activity	Ownership Interest	
		2001 Percent	2000 Percent
Flinders University of South Australia			
Controlled Entities:			
Flinders Consulting Pty Ltd	Arranges the conduct of commercial consultancies	100	100
Flinders Reproductive Medicine Pty Ltd (wholly owned subsidiary of Flinders Consulting Pty Ltd)	Provides a high quality comprehensive infertility investigatory and treatment service	100	100
Flinders Bioremediation Pty Ltd	Develop and extend commercial activities of the University in the areas of soil bioremediation, organic waste management and related technologies	100	100
Flinders Technologies Pty Ltd	Commercialisation of University sourced intellectual property	100	100
Airborne Research Australia Pty Ltd	Undertakes atmospheric research	100	100
National Institute of Labour Studies Inc (NILS Inc)	Undertakes independent research and consultancy services in labour studies	100	100
National Institute of Labour Studies Foundation Inc (wholly owned subsidiary of NILS Inc)	Supports the activities of NILS Inc	100	100
Heaslip Trust	Supports medical education activities in the School of Medicine	100	100

26. Associated Entities

Name of Entity	Principal Activity	Ownership Interest		Carrying Amount		Investment at cost	
		2001 Percent	2000 Percent	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
AITEC Pty Ltd	Provides advanced information technology courses	16.33	25	-	-	-	-
Unisure Pty Ltd	Provision of workers' compensation services and investment of funds set aside for workers' compensation	33.3	33.3	-	-	-	-

AITEC Pty Ltd

During 2001 a new investor took up an ownership interest of 51 percent of the company and the University's ownership interest has reduced to 16.33 percent. As a result AITEC is no longer an associated entity of the University.

The University's share of the net assets of AITEC Pty Ltd as at 31 December 2001 was \$45 000 (\$140 000). This amount has not been included in the financial statements as the recoverable amount is estimated to be zero.

Unisure Pty Ltd

The University is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*, and is a shareholder along with the University of Adelaide and the University of South Australia in Unisure Pty Ltd, which manages workers compensation claims on behalf of the three institutions. Unisure Pty Ltd is the trustee of the Unisure Unit Trust, which holds the University's workers compensation liability and the associated investment funds. As at 31 December 2001 the Unisure Unit Trust held net assets of \$3.2 million on behalf of the University (\$3.2 million).

The University has incorporated the financial transactions of the Unisure Unit Trust into the University column of the financial statements.

27. Segment Information

The University operates in the field of higher education in Australia and provides teaching and research services.

28. Subsequent Events

There were no events that took place subsequent to balance date that have a material impact on the financial statements of the University or the consolidated entity.

29. Assets and Liabilities of Trusts for which the Institution is Trustee

The University is the trustee of two trusts:

<i>Trust Name</i>	<i>Purpose</i>
ADS Students	Payment of stipends to AusAID students
Sir Ewen Waterman	Promotion and encouragement of biomedical science education

The amounts held in trust are immaterial and have not been included in the University's Statement of Financial Position.

A controlled entity of the University, Flinders Reproductive Medicine Pty Ltd is the trustee of the Flinders ART Clinic Trust. The assets and liabilities of the trust are brought to account in the consolidated entity's Statement of Financial Performance and Statement of Financial Position.

30. Notes to the Statement of Cash Flows

(i) Reconciliation of Cash

For purposes of the Statement of Cash Flows, cash includes cash on hand, at call deposits with financial institutions, and investments that are readily convertible to cash within two working days. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Note	Consolidated		University	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Cash		566	508	391	415
Deposits at 24 hour call	9	1 953	9 903	1 953	9 903
		2 519	10 411	2 344	10 318

(ii) Reconciliation of Net Cash utilised in Operating Activities to Operating Result

Operating result	6 458	7 143	7 523	4 419
Add: Loss from sale of assets	90	303	81	279
	6 548	7 446	7 604	4 698
Add: Non-cash items:				
Depreciation	7 917	7 857	7 353	7 103
Land and buildings revaluation	(2 512)	(2 542)	(2 512)	(2 542)
Assets write down	-	1 427	-	1 427
Assets received for no consideration	(824)	(674)	(824)	(674)
Share bequest - DH Schultz	(2 111)	-	(2 111)	-
Equity investment - ARA Aircraft	-	-	(390)	-
Capitalised interest on investments	(483)	(376)	(483)	(376)
Share revenue - Flinders Technologies	-	(2 492)	-	-
Equity adjustment on establishment of joint venture operation	-	(1 382)	-	(1 382)
Gain on take on of controlled entity	-	(674)	-	-
Other	(285)	(259)	(346)	(450)
	8 250	8 331	8 291	7 804
Change in assets and liabilities:				
Decrease (Increase) in receivables	1 583	(3 142)	1 953	(1 450)
(Increase) Decrease in inventories	(91)	30	(91)	30
(Increase) Decrease in other assets	(1 117)	(143)	(968)	(301)
Increase (Decrease) in accounts payable	1 450	(571)	1 152	1 282
Increase (Decrease) in provisions	773	(223)	755	(348)
(Decrease) Increase in other liabilities*	(487)	2 049	943	1 706
Net Cash provided by Operating Activities	10 361	6 331	12 035	8 723

* Note: 2001 amounts exclude adjustment of \$8.9 million to opening liabilities as advised in Note 1(s)(ii).

(iii) Financing Facilities

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Flinders University has the following arrangements with the ANZ Bank:				
Overdraft facility ⁽¹⁾	500	500	500	500
Amount used	-	-	-	-
Unused overdraft facility	500	500	500	500
Visa credit cards facility ⁽²⁾	2 118	1 368	2 068	1 318
Amount used	131	170	130	157
Unused credit cards facility	2 249	1 198	2 198	1 161

(1) Facility is secured by a charge over term deposit \$500 000.

(2) The credit cards facility is unsecured.

(iv) Non-Cash Financing and Investing Activities

During the reporting period the University acquired works of art and library materials with an aggregate fair value of \$759 000 (\$674 000) by means of donations. The University also received a transfer of land adjacent to the main campus from the State Government for no consideration. The estimated value of the land is \$65 000. These acquisitions are not reflected in the Statement of Cash Flows.

30. Notes to the Statement of Cash Flows (continued)**(v) Cash Balances Not Available For Use**

All cash balances are available for use (2000 all available).

(vi) Tax Status

The activities of the University are exempt from income tax as are all but one of its wholly owned controlled entities. Flinders Reproductive Medicine, operating through the Flinders ART Clinic Trust is subject to income tax but fully distributes all net earnings, so no tax is payable.

31. Financial Instruments

The following table details the economic entity's exposure to interest rate risk as at the 31 December 2001:

	Average Interest Rate Percent	Variable Interest Rate \$'000	2001 Fixed Interest Rate Maturity			Non-Interest Bearing \$'000	2001 Total \$'000
			Less than one year \$'000	1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:							
Price risk:							
Interest rate risk	4.86	2 089	18 591	5 603	2 288	-	28 571
Market risk	4.12	5 229	-	67	-	11 366	16 662
Credit risk	8.5	-	28	42	-	32 689	32 759
Cash flow risk	3.87	2 519	-	-	-	-	2 519
		9 837	18 619	5 712	2 288	44 055	80 511
Financial Liabilities:							
Price risk:							
Interest rate risk	5.06	950	-	-	-	-	950
Credit risk		-	-	-	-	7 808	7 808
		950	-	-	-	7 808	8 758

The following table details the economic entity's exposure to interest rate risk as at the 31 December 2000:

	Average Interest Rate Percent	Variable Interest Rate \$'000	2000 Fixed Interest Rate Maturity			Non-Interest Bearing \$'000	2000 Total \$'000
			Less than one year \$'000	1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:							
Price risk:							
Interest rate risk	5.95	1 967	10 652	3 132	4 673	-	20 424
Market risk	6.56	5 065	-	101	-	8 571	13 737
Credit risk	8.50	-	28	56	-	34 258	34 342
Cash flow risk	6.00	10 411	-	-	-	-	10 411
		17 443	10 680	3 289	4 673	42 829	78 914
Financial Liabilities:							
Price risk:							
Interest rate risk	6.20	623	-	-	-	-	623
Credit risk		-	-	-	-	6 358	6 358
		623	-	-	-	6 358	6 981

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Currency risk/foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The University's financial instruments are all domestic, and therefore there is no exposure to any foreign exchange risk.

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Net Fair Value

The carrying amount of financial assets at reporting date approximate the net fair values, with the exception of the following:

Net fair value of financial liabilities at reporting date all approximate the net fair values.

	2001 Carrying Amount \$'000	2001 Net Fair Value \$'000	2000 Carrying Amount \$'000	2000 Net Fair Value \$'000
Financial Assets				
Government bonds	5 449	5 638	5 344	5 431
Shares	3 411	3 802	1 240	1 378
	8 860	9 440	6 584	6 809

32. Acquittal of Commonwealth Government Financial Assistance
 Amounts received and expended pursuant to the *Higher Education Funding Act 1988*, excluding HECS:

32.1 Teaching and Learning

	University			
	Operating Financial Assistance Excluding HECS		HECS	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Financial assistance in advance (paid in the previous reporting period for the current reporting period, including Commonwealth superannuation supplementation)	4 971	5 359	2 175	2 070
Financial assistance paid in previous reporting period for future reporting periods	1 500	1 500	-	-
Add: Financial assistance received during reporting period (including Commonwealth superannuation supplementation)	65 939	61 052	27 230	26 341
Add: Contributions actually received from students	-	-	3 626	3 492
Less: Financial assistance in advance (received in the reporting period for the next reporting period, including Commonwealth superannuation supplementation)	(5 311)	(4 971)	(2 232)	(2 175)
Accrual adjustments:				
Superannuation supplementation	144	172	-	-
Special advance provide for future years	-	(1 500)	-	-
Financial assistance in advance adjusted to opening retained earnings	(6 471)	-	(2 175)	-
Financial assistance in advance recognised as revenue for the period	5 311	-	2 232	-
Shortfall in student receipts from DEST estimate	-	-	-	676
Revenue attributed to the reporting period	66 083	61 612	30 856	30 404
Add: Surplus/deficit prior year	165	236	-	-
Add: Financial assistance in advance adjusted to opening retained earnings	6 471	-	2 175	-
Funds available for the reporting period	72 719	61 848	33 031	30 404
Less: Expenses for current period	(64 053)	(61 683)	(30 799)	(30 404)
Surplus for Reporting Period	8 666	165	2 232	-

Note: Financial assistance includes \$1.4 million (\$929 000) for superannuation supplementation.

	Teaching Hospital		Capital Development Pool	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Financial assistance in advance (paid during previous reporting period)	14	14	-	-
Add: Financial assistance received during reporting period	178	174	-	987
Less: Financial assistance in advance (received in reporting period for next reporting period)	(14)	(14)	-	-
Accrual adjustments:				
Financial assistance in advance adjusted to opening retained earnings	(14)	-	-	-
Financial assistance in advance recognised as revenue for the period	14	-	-	-
Revenue attributed to the reporting period	178	174	-	987
Add: Surplus/deficit prior year	-	-	209	-
Add: Financial assistance in advance adjusted to opening retained earnings	14	-	-	-
Funds available for the reporting period	192	174	209	987
Less: Expenses for current period	(178)	(174)	(209)	(778)
Surplus for Reporting Period	14	-	-	209

32.2 Australian Research Council

	Large Research		Strategic Partnerships with Industry	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Financial assistance in advance (paid during previous reporting period)	-	140	-	40
Add: Financial assistance received during reporting period	2 205	2 625	764	634
Less: Financial assistance in advance (received in reporting period for next reporting period)	-	-	-	-
Recovery of unspent financial assistance from previous years	(56)	-	8	-
Add: Adjustments to previous years financial assistance	53	-	-	-
Accrual adjustments:				
Unspent financial assistance to be refunded	-	-	-	(8)
Revenue attributed to the reporting period	2 202	2 765	772	666
Add: Surplus (deficit) prior year	1 066	1 036	536	614
Funds available for the reporting period	3 268	3 801	1 308	1 280
Less: Expenses for current period	(2 322)	(2 735)	(842)	(744)
Surplus for Reporting Period	946	1 066	466	536

32.2 Australian Research Council (continued)

	University			
	Research Fellowships	International Researcher Exchange	2001	2000
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Financial assistance in advance (paid during previous reporting period)	-	18	-	-
Add: Financial assistance received during reporting period	195	236	11	25
Less: Financial assistance in advance (received in reporting period for next reporting period)	-	-	-	-
Less: Adjustment to previous years financial assistance	-	-	(5)	-
Accrual adjustments	-	-	-	-
Revenue attributed to the reporting period	195	254	6	25
Add: Surplus (deficit) prior year	8	71	12	-
Funds available for the reporting period	203	325	18	25
Less: Expenses for current period	(195)	(317)	(11)	(13)
Surplus for Reporting Period	8	8	7	12

	Research Centres		Research Infrastructure Equipment and Facilities	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Financial assistance in advance (paid during previous reporting period)	-	-	-	-
Add: Financial assistance received during reporting period	-	-	-	142
Less: Financial assistance in advance (received in reporting period for next reporting period)	-	-	-	-
Accrual adjustments	-	-	-	-
Revenue attributed to the reporting period	-	-	-	142
Add: Surplus/deficit prior year	-	-	90	244
Funds available for the reporting period	-	-	90	386
Less: Expenses for current period	-	-	(90)	(296)
Surplus for Reporting Period	-	-	-	90

	Indigenous Researchers' Development		Special Research Initiatives	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Financial assistance in advance (paid during previous reporting period)	-	-	-	-
Add: Financial assistance received during reporting period	25	8	-	-
Less: Financial assistance in advance (received in reporting period for next reporting period)	-	-	-	-
Accrual adjustments	-	-	-	-
Revenue attributed to the reporting period	25	8	-	-
Add: Surplus/deficit prior year	17	10	-	-
Funds available for the reporting period	42	18	-	-
Less: Expenses for current period	(29)	(1)	-	-
Surplus for Reporting Period	13	17	-	-

32.3 DEST Research Financial Assistance

	Small Research		Infrastructure	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Financial assistance in advance (paid during previous reporting period)	65	-	181	-
Add: Financial assistance received during reporting period	743	826	2 314	2 453
Less: Financial assistance in advance (received in reporting period for next reporting period)	-	(65)	(232)	(181)
Accrual adjustments:				
Financial assistance in advance adjusted to opening retained earnings	(65)	-	(181)	-
Financial assistance in advance recognised as revenue for the period	-	-	232	-
Revenue attributed to the reporting period	743	761	2 314	2 272
Add: Surplus/deficit prior year	165	148	642	660
Add: Financial assistance in advance adjusted to opening retained earnings	65	-	181	-
Funds available for the reporting period	973	909	3 137	2 932
Less: Expenses for current period	(687)	(744)	(2 268)	(2 290)
Surplus for Reporting Period	286	165	869	642

32.3 DEST Research Financial Assistance (continued)

	Australian Postgraduate Awards		International Postgraduate Research Scholarships	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Financial assistance in advance (paid during previous reporting period)	-	-	-	-
Add: Financial assistance received during reporting period	1 814	1 795	286	265
Less: Financial assistance in advance (received in reporting period for next reporting period)	-	-	-	-
Accrual adjustments	-	-	-	-
Revenue attributed to the reporting period	1 814	1 795	286	265
Add: Surplus/deficit prior year	(4)	(43)	-	-
Funds available for the reporting period	1 810	1 752	286	265
Less: Expenses for current period	(1 735)	(1 756)	(286)	(265)
Surplus (Deficit) for Reporting Period	75	(4)	-	-

32.4 Summary of Unspent Grants

Category of Financial Assistance	Amount of unspent financial assistance as at 31 December 2001 \$'000	Amount of unspent financial assistance that it is more likely will be approved by the Cwlth for carry forward 2001 \$'000	Amount of unspent financial assistance that it is more likely will be recovered by the Cwlth 2001 \$'000
Operating, excluding HECS	8 666	8 666	-
HECS	2 232	2 232	-
Teaching hospitals	14	14	-
Large research	946	946	-
Strategic partnerships with industry	466	466	-
Research Fellowships	8	8	-
International Researcher Exchange	7	7	-
Indigenous Researchers' Development	13	13	-
Small research	286	286	-
Research infrastructure	869	869	-
Australian Postgraduate awards	75	75	-
Total	13 582	13 582	-

33. Expenses by Function

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Academic Activities				
Academic staff salaries	42 848	37 430	42 540	37 331
Academic staff salary related expenses	16 143	15 917	16 090	15 861
Non-academic staff salaries	20 431	18 368	19 326	17 565
Non-academic staff salary related expenses	6 260	6 330	6 078	6 031
Depreciation expense:				
Buildings	1 653	1 705	1 604	1 611
Equipment	2 132	2 242	1 649	1 619
Other expenses	25 075	22 582	23 216	20 874
	114 542	104 574	110 503	100 892
Libraries				
Non-academic staff salaries	2 998	2 942	2 998	2 942
Non-academic staff salary related expenses	1 069	1 082	1 069	1 082
Depreciation expense:				
Buildings	309	345	309	345
Equipment	50	24	50	24
Library collections	2 373	2 118	2 373	2 118
Other expenses	1 835	2 515	1 835	2 515
	8 634	9 026	8 634	9 026
Other Academic Support Services				
Non-academic staff salaries	2 807	2 538	2 807	2 538
Non-academic staff salary related expenses	1 078	1 080	1 078	1 080
Depreciation expense:				
Buildings	16	19	16	19
Equipment	361	428	361	428
Other expenses	1 504	1 555	1 504	1 555
	5 766	5 620	5 766	5 620

33. Expenses by Function (continued)	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Student Services				
Academic staff salaries	386	336	386	336
Academic staff salary related expenses	132	118	132	118
Non-academic staff salaries	3 100	2 598	3 100	2 598
Non-academic staff salary related expenses	1 181	1 011	1 181	1 011
Depreciation expense:				
Buildings	369	357	369	357
Equipment	19	72	19	72
Other expenses	3 333	2 968	3 333	2 968
	8 520	7 460	8 520	7 460
Buildings and Grounds				
Academic staff salaries	4	-	4	-
Academic staff salary related expenses	3	-	3	-
Non-academic staff salaries	2 854	2 697	2 854	2 697
Non-academic staff salary related expenses	969	875	969	875
Depreciation expense:				
Buildings	161	107	161	107
Equipment	354	314	354	314
Other expenses	8 447	7 555	8 447	7 555
	12 792	11 548	12 792	11 548
Administration and Other General Institutional Services				
Academic staff salaries	836	455	829	455
Academic staff salary related expenses	346	262	346	262
Non-academic staff salaries	4 944	6 005	4 574	5 672
Non-academic staff salary related expenses	1 957	2 375	1 638	1 941
Depreciation expense:				
Buildings	88	83	88	83
Equipment	32	43	-	6
Other expenses	7 466	9 439	5 255	6 363
	15 669	18 662	12 730	14 782
Deferred Employee Benefits for Superannuation				
Academic staff salary related expenses	160	(1 520)	160	(1 520)
Non-academic staff salary related expenses	40	(380)	40	(380)
	200	(1 900)	200	(1 900)
Summary of Expenses by Function				
Academic staff salaries	44 074	38 221	43 759	38 122
Academic staff salary related expenses	16 784	14 777	16 731	14 721
Non-academic staff salaries	37 134	35 148	35 659	34 012
Non-academic staff salary related expenses	12 554	12 373	12 053	11 640
Depreciation expense:				
Buildings	2 596	2 616	2 547	2 522
Equipment	2 948	3 123	2 433	2 463
Library collections	2 373	2 118	2 373	2 118
Other expenses	47 660	46 614	43 590	41 830
Total Expenses by Function	166 123	154 990	159 145	147 428

34. Entity Information

The Flinders University of South Australia is a body corporate established by an Act of the South Australian Parliament, *The Flinders University of South Australia Act 1966*. It is domiciled in Australia and its address is Sturt Road, Bedford Park, South Australia, 5042.

UNIVERSITY OF ADELAIDE

FUNCTIONAL RESPONSIBILITY

The University is established by the *University of Adelaide Act 1971*.

The University's major product or service is the provision of higher education and research.

The University is dependent to a large extent on Commonwealth Government grants which may be approved for general spending or for specific purposes. In addition to these sources of funds, the University receives student tuition fees and charges, endowments, general bequests and sponsorships.

As at 31 December 2001 the University had a number of controlled entities. Major entities include:

- ARI Pty Ltd (formerly Luminis Pty Ltd) — This is a wholly-owned subsidiary of the University and is the trustee of the ARI Investment Trust, of which the University is the sole beneficiary. The main functions of ARI Pty Ltd are to commercially develop and evaluate the University's intellectual property; to manage research activities; to administer consulting funds on behalf of academics; and to manage the University's investments in related companies.
- Martindale Holdings Pty Ltd — This company:
 - acts as trustee of the JAT Mortlock Trust. This Trust carries on the business of primary production.
 - manages a joint venture JS Davies Estate, whose principal activity is farming.
- Lubims Pty Ltd — This is a wholly-owned subsidiary, which is the trustee of a Trust, created for the Department of Community Medicine to purchase a property to operate the family practice unit.

SIGNIFICANT FEATURES

University Operations

- Operating deficit was \$6.4 million (a surplus of \$1.7 million in 2000).
- Operating revenue increased by \$23.4 million to \$297.3 million.
- Operating expenses increased by \$31.5 million to \$303.7 million.
- Investment revenue decreased by \$2.6 million to \$3.6 million.
- Salaries and related expenses increased by \$15.7 million to \$178 million.
- The State Government provided \$7 million for the purchase of Glenthorne Farm.
- The total of the University's cash, short-term investments and Composite Fund decreased by \$14.8 million to \$85.9 million.
- The University's investment in its controlled entities was revalued from \$2.9 million to \$45.4 million.

ARI Investment Trust

The market value of shares held by the ARI Investment Trust was \$20.5 million (\$33.9 million in 2000).

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

During 2001, specific areas of audit attention included:

- expenditure, including accounts payable and payroll
- revenue, including grants and student fees
- internal audit activities
- inventory management
- non-current assets, including valuation and adequacy of asset register maintenance
- liabilities, including provisions and borrowings.

The audits of the controlled entities for the year ending 31 December 2001 were carried out by private accounting firms.

Audit Communications to Management

During the year, several letters communicating issues arising from the audit were forwarded to the Vice-Chancellor. Responses received were satisfactory. Further details relating to these issues are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Audit and Compliance Committee

The University has an Audit and Compliance Committee which is a standing committee of the Council of the University. The Committee provides advice directly to Council on issues relating to statutory compliance, control and risk so as to assist Council to exercise its fiduciary, governance and prudential responsibilities.

Audit attends all meetings as an observer.

Internal Audit

The University's internal audit function is carried out by a private accounting firm. The role, objectives and scope of operations are detailed in the Internal Audit Charter.

The primary objective of Internal Audit is to assist management to achieve its objectives through advice on risk management and internal control practices. In addition, Internal Audit maybe requested to undertake management review assignments which are outside the scope of the annual audit plan. The annual internal audit plan is approved by the Audit and Compliance Committee who also monitor progress of projects undertaken.

Overall Assessment

The annual external audit program has regard to the activities of the Audit and Compliance Committee and Internal Audit in relation to audit coverage and recognises the assessment of overall operations by those bodies.

Although the general financial control environment of the University was assessed as satisfactory, several areas were identified where the existing environment could be further strengthened. These issues were raised with the University and a satisfactory response, including action proposed, was received.

EXTRACT FROM INDEPENDENT AUDIT REPORT

Qualification

The University has reported as part of other liabilities in Note 15 to the financial statements revenue received in advance of \$4.7 million which the University effectively controlled as at 31 December 2001, and accordingly this amount should have been recognised as revenue in accordance with the requirements of Australian Accounting Standard AAS 15 'Revenue'. As a result, the operating revenue received under the Higher Education Funding Act is understated and the operating deficit is overstated by \$4.7 million respectively, and accumulated funds are understated and current liabilities are overstated as at 31 December 2001 by the same amount.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matter referred to in the qualification paragraph, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, the Higher Education Funding Act 1988, applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the University of Adelaide and of the consolidated entity as at 31 December 2001, the results of their operations and their cash flows for the year then ended.

CONTROLS OPINION

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

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

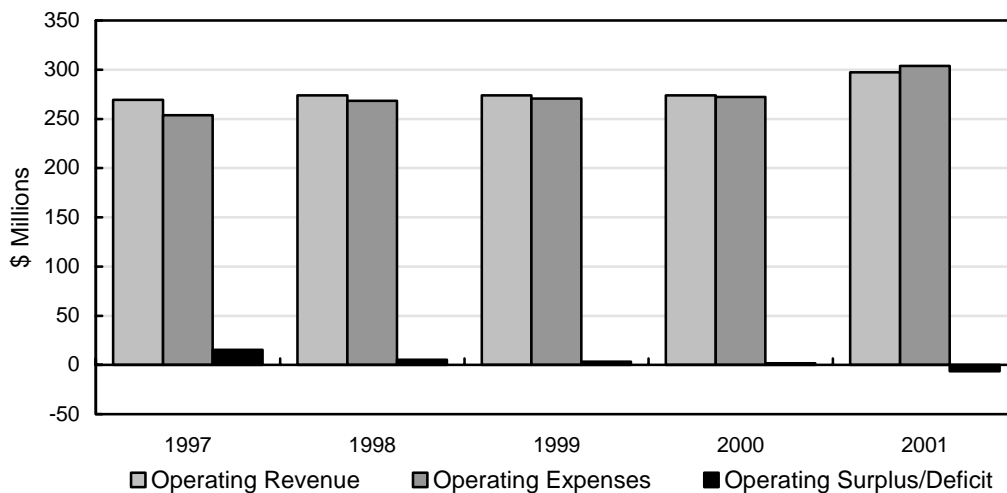
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Significant features with respect to the financial operations of the University for 2001 were:

Statement of Financial Performance

Operating Result

The operating deficit for the year was \$6.4 million (surplus of \$1.7 million in 2000). The following chart shows the operating revenue, operating expenses and operating surplus for the last five years:



Over this five year period, operating revenue has increased by 10.4 percent, while operating expenses have increased by 19.6 percent. In this same timeframe, funding received under the *Higher Education Funding Act*, for operating grants and the Higher Education Contribution Scheme, has increased marginally, hence the importance for the University to generate funds from other sources or reduce operating expenses.

Revenue

Investment Revenue

A reduction in funds available for investment and a decrease in Composite Fund earnings were factors contributing to investment revenue decreasing from \$6.2 million to \$3.6 million.

Specialist Services and Trading

Revenue from specialist services and trading increased by \$3.6 million to \$14.3 million mainly through increases in revenue from primary produce sales, \$1.1 million, consultancy fees, \$492 000 and laboratory services \$496 000.

Other Revenue

The written down value, \$3.3 million, of the grant received from the State Government for the purchase of Glenthorne Farm was mainly responsible for other revenue increasing by \$3.9 million to \$17.8 million.

Expenditure

Salaries and Related Expenses

Salaries and related expenses, \$178 million (\$162.3 million), accounted for 58.6 percent (59.6 percent) of total operating expenses.

Teaching and Research Materials

Expenditure on teaching and research materials increased by \$7.5 million to \$29.8 million mainly to service additional research activity.

Statement of Financial Position

Cash and Investments

Increased operating expenses and purchases of property, plant and equipment contributed to the University's cash, short-term investments and Composite Fund decreasing by \$14.8 million to \$85.9 million.

A change in valuation method resulted in the University's investments in its controlled entities increasing from \$2.9 million to \$45.4 million (refer to Note 26 to the Financial Statements).

ARI Investment Trust holds shares in biotechnology companies BresaGen Ltd and GroPep Ltd. Both companies, which had their origin within the University, were listed on the Australian Stock Exchange in December 1999 and August 2000 respectively. The market value, at 31 December 2001, of the shares held by the Trust was \$20.5 million (\$33.9 million in 2000).

FURTHER COMMENTARY ON OPERATIONS

Management Information Systems

In 1998, the University commenced a project designed to implement integrated management information systems in the areas of finance, human resources, student administration and research. The estimated cost of the project was \$16 million. The software has been installed and is operational. The cost of the project was \$19.5 million.

The increased cost was mainly the result of modifications to the Financial Management System and the extension of the Student Administration Module implementation period by one year to allow for additional change management.

Glenthorne Farm

During the year, the University purchased Glenthorne Farm from the CSIRO for \$7 million which was provided as a grant by the State Government. The value of the grant and the asset purchased were subsequently written down to \$3.3 million based on land usage. Note 11.3 to the Financial Statements outlines the relevant details associated with the purchase and subsequent write-down.

Statement of Financial Performance for the year ended 31 December 2001

	Note	Consolidated		University	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
OPERATING REVENUE FROM ORDINARY ACTIVITIES:					
Received under <i>Higher Education Funding Act 1988</i> :	5,6				
Base operating grant		104 612	99 016	104 612	99 016
Other operating grants		2 496	2 357	2 496	2 357
Higher Education Contribution Scheme		38 533	36 990	38 533	36 990
		145 641	138 363	145 641	138 363
Learning and Teaching:					
Student fees	5	30 347	28 100	30 347	28 100
Grants		6 263	5 173	6 263	5 173
		36 610	33 273	36 610	33 273
Research Grants and Fees:					
National competitive grants		38 116	37 550	38 116	37 550
Public sector – Other		11 639	10 324	11 419	9 806
Industry and other		10 621	10 189	10 971	10 442
		60 376	58 063	60 506	57 798
Research Other:					
Cooperative Research Centre direct funding		4 392	2 949	4 392	2 949
Research Infrastructure Program		6 907	7 391	6 907	7 391
		11 299	10 340	11 299	10 340
Other:					
Investment revenue	5	3 623	6 378	3 612	6 243
Property revenue		5 725	6 195	5 725	5 916
Specialist services and trading		41 585	34 565	14 286	10 637
Deferred superannuation	21(e)	1 800	(2 600)	1 800	(2 600)
Other		18 843	22 028	17 817	13 931
		71 576	66 566	43 240	34 127
Total Operating Revenue from Ordinary Activities		325 502	306 605	297 296	273 901
OPERATING EXPENSES FROM ORDINARY ACTIVITIES:					
Salaries and related expenses	6 3(o)	185 280	168 473	178 027	162 276
Student services		15 440	15 956	15 440	15 956
Teaching and research materials		29 834	23 680	29 834	22 358
Buildings and grounds		16 745	14 428	16 690	14 060
Administration, communication and travel		48 910	51 147	29 803	28 602
Finance and fund administration		3 692	3 583	3 510	3 511
Miscellaneous equipment, depreciation and WDV assets sold		28 057	27 984	27 346	26 817
Deferred and HEFA superannuation	21(e)	3 011	(1 401)	3 011	(1 401)
Total Operating Expenses from Ordinary Activities		330 969	303 850	303 661	272 179
OPERATING (DEFICIT) SURPLUS BEFORE MINORITY INTERESTS		(5 467)	2 755	(6 365)	1 722
Operating (deficit) surplus attributable to outside equity interest	26	(222)	333	-	-
OPERATING (DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES		(5 689)	3 088	(6 365)	1 722
CHANGE IN EQUITY - NET INCREASE (DECREASE):					
Impact from change in accounting policy	4	13 187	-	13 187	-
Outside equity interest		-	(1 664)	-	-
Asset revaluation reserve		12 126	3 189	42 500	-
Capital profits reserve	16	171	(72)	-	-
TOTAL CHANGES IN EQUITY		19 795	4 541	49 322	1 722

Statement of Financial Position as at 31 December 2001

	Note	Consolidated		University	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
CURRENT ASSETS:					
Cash		14 181	14 405	5 578	9 483
Receivables	7	17 595	12 324	14 852	9 059
Investments	8	46 986	35 266	30 555	38 985
Inventories	9	3 969	3 112	1 646	1 679
Other	10	6 243	6 088	4 534	3 353
Total Current Assets		88 974	71 195	57 165	62 559
NON-CURRENT ASSETS:					
Investments	8	66 869	82 132	111 230	75 878
Property, plant and equipment	11	494 425	483 213	472 264	461 154
Deferred government superannuation contribution	21(e)	33 700	31 900	33 700	31 900
Total Non-Current Assets		594 994	597 245	617 194	568 932
Total Assets		683 968	668 440	674 359	631 491
CURRENT LIABILITIES:					
Creditors	12	16 782	21 178	12 052	15 498
Borrowings	13	23 582	4 732	22 121	7 011
Provisions	14	12 602	12 219	12 029	11 084
Deferred employee superannuation benefits	21(e)	2 400	2 100	2 400	2 100
Other	15	13 773	17 601	13 596	17 199
Total Current Liabilities		69 139	57 830	62 198	52 892
NON-CURRENT LIABILITIES:					
Borrowings	13	293	17 288	95	17 281
Provisions	14	20 953	21 034	20 938	21 012
Deferred employee superannuation benefits	21(e)	31 300	29 800	31 300	29 800
Total Non-Current Liabilities		52 546	68 122	52 333	68 093
Total Liabilities		121 685	125 952	114 531	120 985
NET ASSETS		562 283	542 488	559 828	510 506
EQUITY:					
Capital reserves	16	383 626	371 329	393 350	350 850
Specific purpose reserves	16	108 076	98 836	108 076	98 836
Accumulated results - of operations		68 665	70 185	58 402	60 820
Total University Interest		560 367	540 350	559 828	510 506
Accumulated results - Outside equity interest		1 916	2 138	-	-
TOTAL EQUITY		562 283	542 488	559 828	510 506
Commitments and Contingent Liabilities	18,19				

Statement of Cash Flows for the year ended 31 December 2001

	Note	Consolidated		University	
		2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
INFLOWS:					
Grant Revenue:					
Commonwealth Government general grants		110 976	103 900	110 976	103 900
Commonwealth Government research grants		54 736	51 669	54 736	51 361
State Government grants		8 420	6 776	8 200	6 639
Higher Education Contribution Scheme:	33				
Student payments		6 063	5 571	6 063	5 571
Higher Education Trust Fund		33 100	30 897	33 100	30 897
Other research grants and fees		14 241	11 551	14 241	11 871
Student fees		29 436	29 488	29 436	29 488
Scholarships and prizes	5	998	1 237	998	1 237
Donations and bequests		5 533	2 055	5 533	2 755
Investment income received		5 413	6 483	5 271	6 166
Specialist services and produce trading		41 585	40 957	14 286	10 637
Fees and charges		8 458	10 016	9 526	8 096
Other		8 802	2 760	5 474	2 588
Total Inflows		327 761	303 360	297 840	271 206
OUTFLOWS:					
Salaries and related expenses		(185 390)	(176 111)	(175 314)	(165 097)
Student services		(15 440)	(15 958)	(15 440)	(15 958)
Goods and services		(111 054)	(90 626)	(96 102)	(66 791)
Interest paid		(1 560)	(1 817)	(1 557)	(1 775)
Total Outflows		(313 444)	(284 512)	(288 413)	(249 621)
Net Cash provided by Operating Activities	17	14 317	18 848	9 427	21 585
CASH FLOWS FROM INVESTING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of property, plant and equipment		1 067	2 045	1 006	1 495
Proceeds from sale of investments		4 424	-	4 424	-
Repayment of loan		396	138	193	138
Total Inflows		5 887	2 183	5 623	1 633
OUTFLOWS:					
Payments for property, plant and equipment		(28 372)	(35 676)	(27 449)	(34 800)
Payments for interest in joint ventures		(101)	-	(101)	-
Payments for investments industry Composite Fund		-	(1 062)	-	(394)
Decrease in borrowings		(11)	(123)	(11)	(73)
Additional lending		-	(347)	-	(2 862)
Distribution to minority		-	(64)	-	-
Total Outflows		(28 484)	(37 272)	(27 561)	(38 129)
Net Cash used in Investing Activities		(22 597)	(35 089)	(21 938)	(36 496)
NET DECREASE IN CASH HELD		(8 280)	(16 241)	(12 511)	(14 911)
CASH AT 1 JANUARY		48 402	64 643	44 030	58 941
CASH AT 31 DECEMBER	17	40 122	48 402	31 519	44 030

Note: There were no cash flows from financing activities during the accounting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Basis of Preparation

These notes, prepared in conjunction with the financial statements, provide an explanation of significant accounting policies and practices adopted in the preparation of the statements. The financial statements and notes collectively constitute a general purpose financial report prepared in accordance with applicable Australian Accounting Standards, unless otherwise disclosed in these notes. The report also conforms with the reporting requirements of the Commonwealth Department of Education, Science and Training (DEST).

2. Scope of Reporting

The financial statements and notes disclose the operating results and 2000 comparative results of the University of Adelaide as follows:

University - Refers to all aspects of operation of the University of Adelaide only.

The operational aspects of the University of Adelaide also include the following activities:

- Australian Music Examinations Board
- Mawson Appeal
- The University of Adelaide Medical Foundation
- South Australian Foundation for Dental Education and Research Inc
- The Postgraduate Committee in Dentistry
- The University of Adelaide Foundation

Consolidated - Refers to the financial results of the University of Adelaide together with financial results of its controlled entities. It includes accounts for the University's interests in associated entities and its joint venture operations.

2. Scope of Reporting (continued)

The controlled entities of the University of Adelaide included in this report are:

- Lubims Pty Ltd
- ARI Pty Ltd (formerly Luminis Pty Ltd) as trustee for ARI Investment Trust (formerly Luminis Investment Trust):
 - Australian Company Number 060 292 486 Pty Ltd formerly Camtech (SA) Pty Ltd as trustee for:
 - Camtech Discretionary Trust
 - Camtech R&D Pty Ltd (sold 10.1.01)
 - Camtech ASIA Sdn Bhd (sold 10.1.01)
 - Australian Company Number 49 089 171 719 Ltd formerly Camtech Corporation Ltd (deregistered 31.12.01)
 - Repromed Pty Ltd
 - Disc Pty Ltd
- Martindale Holdings Pty Ltd as trustee for:
 - JS Davies Estate
 - JAT Mortlock Trust

Refer to Note 26 Investments in Controlled Entities.

3. Statement of Significant Accounting Policies

(a) Basis of Accounting

The financial report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) Principles of Consolidation

The consolidated financial statements of the Consolidated Entity include the financial statements of the University being the parent entity, and its controlled entities ('the Consolidated Entity').

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

Outside interests in the equity and results of the entities that are controlled by the University are shown as a separate item in the consolidated financial statements.

(c) Foreign Currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions and brought to account in the Statement of Financial Performance. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

(d) Revenue Recognition

All revenues are recognised in the accounting period to which they apply. Revenue received in advance of the reporting period is recognised as a liability in the Statement of Financial Position.

Grant Revenue

Refer Note 4 Change in Accounting Policy

Student Tuition Fees and Charges

Student tuition fees and charges are recognised in the accounting period in which service is provided.

Interest and Investment Income

Interest and income from investment is recognised as it accrues (Refer to Note 3(i)).

Asset Sales

The gross proceeds of asset sales are included as revenue of the Consolidated Entity. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

(e) Goods and Services Tax

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

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

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

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

(f) Research and Development Costs

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is treated as deferred expenditure and is brought to account in the Statement of Financial Position.

(g) Employee Entitlements

Wages, Salaries and Annual Leave

The provision for employees' entitlements to wages, salaries and annual leave represents the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and includes related on-costs.

Long Service Leave

The liability for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Liabilities for employee entitlements which are not expected to be settled within 12 months are discounted using the rates attaching to Commonwealth Government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have also been included in the liability.

Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependents upon retirement, disability or death. The contributions made to these schemes by the University, and emerging costs from unfunded schemes, are expensed in the Statement of Financial Performance. Refer to Note 21 for details relating to the individual schemes.

(h) Doubtful and Bad Debts

The collectibility of receivables is assessed at balance date and provision is made for any accounts considered to be doubtful. Any debts considered to be non-collectable have been expensed as bad debts.

(i) Investments

Funds are invested in the following categories under guidelines determined by the University. Details of these investments are disclosed in Note 8.

Cash on Deposit

These are cash balances held in interest earning facilities with financial institutions.

Composite Fund

The majority of specific purpose endowments received by the University to fund research activities, scholarships, prizes and lectures, are included in the Composite Fund. This Fund is invested in cash deposits and longer term investments managed by an independent portfolio manager. It includes a mix of Australian equities, overseas equities, fixed interest securities and property trusts. These investments are reported in the Statement of Financial Position at market values obtained from the portfolio manager. Unrealised gains or losses are recognised in the Statement of Financial Performance.

Recognition of Movements in Value

The movement in value of investments held for trading at the financial year end, is brought to account as income. The movement in value of investments of a non trading nature is reflected in the asset revaluation reserve.

(j) Investments in Business Undertakings

Controlled Entities

Investments in controlled entities are carried in the University's financial statements at fair value, refer Note 4(b). Previously, this had been at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the Statement of Financial Performance when they are declared by the controlled entities.

Associates

An associate is an entity, other than a partnership, over which the Consolidated Entity exercises significant influence and where the investment in that entity has not been acquired with a view to disposal in the near future.

In the University's financial statements, investments in associates are carried at the lower of cost or recoverable amount.

In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The Consolidated Entity's share of the associates' net profit or loss after tax is recognised in the Consolidated Statement of Financial Performance after the elimination of unrealised profits and losses on transactions between the associate and any entities in the Consolidated Entity or another associate of the Consolidated Entity. Other movements in reserves are recognised directly in consolidated reserves.

Joint Venture Operations

The University derives income as part of its participation in Cooperative Research Centres, as listed in Note 28(a)(i). In the ordinary course of events this income which is recognised in the accounts of the University, is used to meet operational costs and/or acquire equipment. As a participant, the University will be entitled to a proportionate share of any intellectual property arising, which in time, it would be required to account for under the rules of joint venture accounting. As at year end, the University is not aware of any material intellectual property with commercial value. As such no accounting entries have been recorded.

The Consolidated Entity's interest in Other Unincorporated Joint Ventures, as described in Note 28(a)(ii), is not considered material in total, and as such they have been reported as a net amount in investments.

(j) Investments in Business Undertakings (continued)*Other Business Undertakings*

The Consolidated Entity holds, through ARI Investment Trust, significant investments in two publicly listed investments, namely GroPep Ltd and BresaGen Ltd. It does not exercise any significant influence over the operations of these two entities. During the course of the year, the escrow provision regarding the shareholding in both BresaGen Ltd and GroPep Ltd, lapsed. As at 31 December 2001, these have been valued at market value after allowing for diminution in value by events post 31 December 2001.

In addition, the Consolidated Entity holds a number of investments. In the case of publicly listed investments, these have been valued at market value. In the case of non publicly listed investments, these have been valued at lower of cost or net realisable value.

(k) Inventories*Consumable Materials and Trading Stock*

The University has a number of inventory stores at several locations. The inventory is valued at the lower of cost or net realisable value. Where controlled entities have reported inventory, this is included in the Consolidated Entity at the lower of cost or net realisable value.

Livestock

The University breeds animals for teaching and research activities and not for profit. Consequently it does not attribute a value to livestock for recording in the Statement of Financial Position. Where controlled entities have reported livestock, this is included at net realisable value.

(l) Non-Current Assets*Acquisitions*

Items of property, plant and equipment are initially recorded at cost in the Statement of Financial Position (unless otherwise indicated) and depreciated in accordance with Note 3(m).

Revaluations

Under the previous Australian Accounting Standards land, buildings and works of art were independently valued every three years on an existing use basis of valuation and disclosed in the financial statements at the revalued amounts.

During the course of the year, changes to the accounting standards for valuation of non-current assets came into effect giving reporting entities a choice of valuation methods.

Guidelines issued by the Treasurer of South Australia provide for a continuation of the same valuation method in 2001. As a result the University cannot exercise its option to value its non-current assets in accordance with the provisions of the Australian Accounting Standards.

Disposal of Revalued Assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal. Any related revaluation increment standing in the asset revaluation reserve at the time of disposal is transferred to the capital profits reserve.

Land and Buildings

The University differentiates between 'trust' and 'other' land and buildings. A 'trust' building is one which is constructed on land provided by government in trust for the specific purpose of operating the University, or acquired by settlement under a binding trust. Buildings, other than these are referred to as 'other' buildings.

Buildings acquired prior to 31 December 1998, are valued at replacement cost. These valuations were prepared by Edward Rushton Australia Pty Ltd. Expenditure incurred since that valuation has been reported at cost. Subsequently, the Treasurer has exempted the University from a need to revalue its land and buildings which were due for revaluation in 2001.

Other Collections

The University owns a number of collections of cultural, historical and scientific significance. Many of these collections are unique or extremely rare. The University is not able to reliably measure the value of these collections and therefore has not recognised them as an asset in the Statement of Financial Position. Furthermore, collections which are irreplaceable (excluding works of art) are not covered by University insurance due to difficulty in determining an insurable value, the costs associated with deriving such a value, and the premium load an insurer would require to carry such a risk.

Library Collection

During 1998, the Library was valued using an internal valuation based on the annual price movement of books and journals. Again due to difficulties in determining a market value for the Library Collection, acquisitions since the date of the valuation have been valued at cost.

Works of Art

Items greater than \$25 000 are recorded on the basis of an independent valuation carried out by Mr JFB Bruce valuer (MSAV) of Ian Bruce Pty Ltd on 11 November 1999. Acquisitions after 11 November 1999 are recorded at cost. No provision for depreciation is made.

Software

The University capitalises certain software costs with a purchase price greater than \$100 000 and an expected useful life greater than 12 months, together with all costs associated with implementation. These are recorded on the basis of cost and then amortised once the system is operational.

(l) **Non-Current Assets (continued)**

Leased Plant and Equipment

Leased plant and equipment over which the University or its controlled entities assume substantially all the risks and benefits of ownership, are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Statement of Financial Performance. Also refer to Note 18.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term.

(m) **Depreciation and Amortisation**

Depreciation and Amortisation are charged on a straight line basis using expected useful lives. The expected useful lives used for each class of asset are as follows:

	Range
Buildings and leasehold improvements	10-80 years
Library	5-50 years
Plant and equipment including Motor Vehicles	5-10 years
Software and Implementation Costs	3-5 years
Leased Plant and Equipment	10 years

(n) **Workers Compensation**

The University is responsible for payments of workers compensations claims and is registered with WorkCover as an exempt employer. Administrative arrangements with the associated entity Unisure Pty Ltd incorporate the management of claims and funds invested.

The provision for workers compensation claims has been prepared by William M. Mercer using the Claims Paid Development Method wherein all past claims are brought to current value with an allowance for late reporting of claims and administration costs.

(o) **Salaries and Related Expenses**

Items attributed to salaries and related expenses include salaries and wages, employee entitlements, and other costs incidental to the employment of staff such as professional development costs, fringe benefit tax etc.

(p) **Operating Revenue - Other**

The classification 'Other' contains revenue items which individually are not material due to their nature or size. Such items falling within this classification include sale of assets, income from independent organisations for whom the University provided management services, royalties, fund raising and bequests, sundry recoveries and recharges, etc.

(q) **Recognition of Donations and Bequests**

All donations and bequests received by the University are brought to account as income.

(r) **Rounding**

All amounts in this report are rounded to the nearest one thousand dollars.

(s) **Comparative Information**

These financial statements display information for the preceding corresponding reporting period. Comparative figures have been reclassified to reflect current disclosure requirements of the University and DEST.

4. **Changes in Accounting Policy**

(a) **Treatment of Grant Revenue.**

In previous years, grant revenue for operating purposes was brought to account in the academic year for which the grant was advanced.

This was consistent with the former Commonwealth Department of Education, Training and Youth Affairs Reporting Guidelines, prescribing the accounting treatment for grants. The University views these Guidelines as taking precedence over Australian Accounting Standard AAS 15 'Recognisable Revenue'. The guidelines have now been withdrawn which means that section 9 of AAS 15 will be applied for the first time in 2001. This has the effect of requiring the University to bring grants to account as revenue in the year they are received. The transitional provisions of AAS 15 have been used such that revenue deferred from the year 2001 is treated as a prior year adjustment to accumulated surplus and the grant received in December 2001 for the 2002 academic year has been recognised as revenue in 2001.

This has the effect of increasing the Equity in 2001 by \$13.2 million and increasing the Operating Deficit in 2001 by \$368 000.

(b) **Revaluation of Investments**

As outlined in Note 3 (j) Investments in Business Undertakings, the University has revalued its investment to fair value. There is no financial impact on operations from ordinary activities in the Statement of Financial Performance as the revaluation of \$42.5 million was brought to account through the asset revaluation reserve in the Statement of Financial Position. Refer Note 16 Reserves.

5. Operating Revenue		Note	Consolidated		University	
			2001	2000	2001	2000
Revenue from Operating Activities:			\$'000	\$'000	\$'000	\$'000
Bequests and Donations received for:						
Research			1 404	1 478	1 404	1 478
Prizes and scholarships			998	1 237	998	1 237
General operational purposes and capital works			4 129	577	4 129	1 277
			6 531	3 292	6 531	3 992
Consultancy, Contract and Industry Research Income			27 825	17 412	12 738	11 643
Student fee income includes:						
Award Courses:						
Australian fee paying undergraduate students			398	521	398	521
Australian fee paying postgraduate students			4 146	3 378	4 146	3 378
International fee paying students			21 297	19 795	21 297	19 795
			25 841	23 694	25 841	23 694
Non-Award Courses:						
Australian fee paying			529	650	529	650
Continuing Education			1 080	1 114	1 080	1 114
Other teaching service fees			2 897	2 642	2 897	2 642
			4 506	4 406	4 506	4 406
			30 347	28 100	30 347	28 100
Investment Income includes:						
General Fund earnings			3 113	4 221	2 798	3 860
Composite Fund earnings			2 262	4 842	2 262	4 842
General and Composite Fund investment market valuation adjustment			(2 150)	(2 958)	(2 150)	(2 958)
Royalty income			273	273	9	21
Dividends received			125	-	18	8
Distribution from controlled entities			-	-	675	470
			3 623	6 378	3 612	6 243
Gross Proceeds from sale of non-current assets			1 067	1 777	1 006	1 495
Share of net profits (losses) of:						
Associates		27	171	(127)	-	-
Joint venture operations		28	46	202	-	-
6. Operating Surplus						
Operating surplus is arrived at after crediting and charging the following items:						
Credits:						
Net foreign exchange gain			239	99	239	99
Net gain on disposal of property, plant and equipment			227	559	168	273
Net gain on disposal of investments			58	-	-	-
Bad debt recoveries			75	-	75	-
Charges:						
Amortisation:						
Leasehold improvements			20	20	20	20
Leased plant and equipment			-	12	-	12
Software and system development costs			2 918	1 939	2 918	1 852
			2 938	1 971	2 938	1 884
Bad and Doubtful Debts Cost:						
Student loans			14	20	14	20
Student tuition			144	9	144	9
Other debtors			8	996	(68)	906
			166	1 025	90	935
Depreciation:						
Buildings			3 920	3 849	3 790	3 674
Plant, equipment and motor vehicles			5 348	5 505	4 751	4 734
Library collection			5 946	5 814	5 946	5 814
			15 214	15 168	14 487	14 222
Expenses directly related to employee entitlements include:						
Contributions to superannuation schemes:						
Deferred employee benefits for superannuation			1 800	(2 600)	1 800	(2 600)
Emerging cost			1 211	1 199	1 211	1 199
Funded			19 635	18 430	19 392	17 494
			22 646	17 029	22 403	16 093
Payroll tax			7 610	7 893	7 586	7 497
Annual leave			5 952	5 399	5 934	5 364
Long service leave			3 375	3 091	3 398	3 100
Workers compensation			698	709	644	621
			40 281	34 121	39 965	32 675

6.	Operating Surplus (continued)	Note	Consolidated		University	
			2001 \$'000	2000 \$'000	2000 \$'000	2001 \$'000
	Finance charges on capitalised leases		76	158	76	89
	Net loss on disposal of property, plant and equipment		2 047	308	2 047	236
	Borrowing Costs:					
	Interest		1 560	1 964	1 557	1 775
	Finance charges		489	172	483	172
			2 049	2 136	2 040	1 947
7.	Receivables	3(h)				
	Student tuition fees		1 913	1 004	1 913	1 004
	Less: Provision for doubtful debts		374	230	374	230
			1 539	774	1 539	774
	Sundry and trade debtors		17 014	12 697	13 638	9 186
	Less: Provision for doubtful debts		1 141	1 305	500	1 059
			15 873	11 392	13 138	8 127
	Student loans		174	158	174	158
	Other		9	-	1	-
	Total Receivables		17 595	12 324	14 852	9 059
8.	Investments					
	Current:					
	Short-term investment portfolio:					
	Cash on deposit	3(i)	25 941	34 547	25 941	34 547
	Other	29	20 500	121	-	121
			46 441	34 668	25 941	34 668
	Loans:					
	Loans to controlled entities		-	-	4 069	3 719
	Other loans		545	598	545	598
			545	598	4 614	4 317
			46 986	35 266	30 555	38 985
	Non-Current:					
	Composite Fund at fair value:	3(i)				
	Australian fixed interest securities		4 355	1 852	4 355	1 852
	Australian equities		9 223	8775	9 223	8 775
	Overseas equities		11 342	10 992	11 342	10 992
	Property trusts		2 178	2 551	2 178	2 551
	Cash and liquid assets		27 286	32 426	27 286	32 426
			54 384	56 596	54 384	56 596
	Managed investment held by Unisure Pty Ltd		8 311	8 942	8 311	8 942
	Interests in business undertakings:					
	Controlled entities	26	-	-	45 398	2 898
	Associated entities:	27				
	At cost		-	-	298	197
	Equity accounted		333	162	-	-
	Joint venture entities:	28				
	At cost		-	-	150	150
	Equity accounted		248	202	-	-
			581	364	45 846	3 245
	Other investments		1 794	14 035	890	5 103
	Loans:					
	Other loans		2 299	2 695	2 299	2 492
	Less: Provision for doubtful debts		500	500	500	500
			1 799	2 195	1 799	1 992
			66 869	82 132	111 230	75 878
	Other loans are all secured by way of either a mortgage over land or a second priority fixed or floating charge over property.					
9.	Inventories	3(k)				
	Consumable materials and trading stock		1 775	1 745	1 746	1 722
	Livestock		2 294	1 410	-	-
	Provision for obsolescence		(100)	(43)	(100)	(43)
			3 969	3 112	1 646	1 679
10.	Other Assets					
	Current:					
	Prepayments		5 581	5 538	4 373	3 248
	Accrued income		225	445	161	105
	Other		437	105	-	-
			6 243	6 088	4 534	3 353

11. Property, Plant and Equipment (refer Note 3(l))	11.1 Summary	Consolidated		University	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
	Land				
	Trust land:				
	At independent valuation 1998	32 539	32 539	32 359	32 539
	Other land:				
	At independent valuation 1998	22 233	22 233	22 233	22 233
	At Council valuation 2000	17 744	17 744	-	-
	At Valuer-General's valuation 2001	3 300	-	3 300	-
	Total Land	43 277	39 977	25 533	22 233
	Buildings				
	Trust buildings:				
	At independent valuation 1998	220 001	220 001	220 001	220 001
	At cost	10 487	-	10 487	-
	Other buildings:	44 098	16 533	41 942	14 537
	At cost	57 871	59 688	57 871	59 688
	At independent valuation 1998	581	581	-	-
	At independent valuation 1999	155	155	-	-
	At Council valuation 2000	102 705	76 957	99 813	74 225
	Capital work in progress:				
	At cost	5 306	28 014	5 306	28 014
	Total Buildings	338 499	324 972	335 607	322 240
	Provision for Depreciation of Buildings				
	Trust buildings:				
	At independent valuation 1998	(7 870)	(5 205)	(7 870)	(5 205)
	Other buildings:				
	At cost	(1 087)	(794)	(304)	(128)
	At independent valuation 1998	(2 613)	(1 677)	(2 605)	(1 677)
	At independent valuation 1999	(258)	(236)	-	-
	At Council valuation 2000	(52)	(47)	-	-
	Total Provision for Depreciation	(4 010)	(2 754)	(2 909)	(1 805)
	Total Buildings Net of Depreciation	(11 880)	(7 959)	(10 779)	(7 010)
	Leasehold Improvements:	529	524	200	200
	At cost	(309)	(287)	(40)	(20)
	Provision for amortisation	220	237	160	180
	Library Collection:	18 663	14 307	18 663	14 307
	At cost	167 760	167 760	167 760	167 760
	At Council valuation 1998	186 423	182 067	186 423	182 067
	Provision for depreciation	(133 738)	(127 792)	(133 738)	(127 792)
	Works of Art:	52 685	54 275	52 685	54 275
	At independent valuation 1999	2 790	2 790	2 790	2 790
	Plant and Equipment:	99 720	95 492	93 174	88 731
	At cost	(63 425)	(59 110)	(59 445)	(54 824)
	Provision for depreciation	36 295	36 382	33 729	33 907
	Total Property, Plant and Equipment	494 425	483 213	472 264	461 154

11.2 Reconciliation	Land	Buildings Inc WIP	Leasehold Improvement	Library Collections	Works of Art	Plant and Equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Consolidated:							
Opening Balance	72 516	317 013	237	54 275	2 790	36 382	483 213
Additions	3 300	13 899	3	4 657	-	10 333	32 192
Disposals	-	(373)	-	(301)	-	(2 154)	(2 828)
Depreciation/amortisation	-	(3 920)	(20)	(5 946)	-	(8 266)	(18 152)
Closing Balance	75 816	326 619	220	52 685	2 790	36 295	494 425
Parent:							
Opening Balance	54 772	315 230	180	54 275	2 790	33 907	461 154
Additions	3 300	13 740	-	4 657	-	9 052	30 749
Disposals	-	(352)	-	(301)	-	(1 561)	(2 214)
Depreciation/amortisation	-	(3 790)	(20)	(5 946)	-	(7 669)	(17 425)
Closing Balance	58 072	324 828	160	52 685	2 790	33 729	472 264

11.3 Glenthorne

In May 2001, the University was the recipient of a grant of a parcel of land known as Glenthorne previously owned by the CSIRO. This land is intended to be used by the University for research, teaching and agricultural based commercial enterprises.

The transaction involved three parties. The Government of South Australia had agreed to purchase Glenthorne from the CSIRO for \$7 million, which was the value of the land if it were to be developed for housing. The Government of South Australia was intending to retain the land as open space. However, after consultation with various interested parties, the Government of South Australia decided that the ongoing development and management of the property would best be undertaken by the University. As a result, the Government of South Australia made a \$7 million grant to the University to purchase Glenthorne from the CSIRO.

However, the land is zoned for rural use and one of the conditions of the grant from the Government of South Australia was that the University preserve the land for agricultural and other related activities. The Valuer-General has valued the land for primary production at \$3.3 million. Should the University sell the property these same conditions would apply to the new owner and the University would be obliged to repay the original grant plus CPI to the Government of South Australia.

In accordance with Australian Accounting Standard AAS 6 'Accounting Policies', the University whilst recognising the ascribed value of the \$7 million grant as income, has written down the value of the land to fair value, with a charge to the Statement of Financial Performance of \$3.7 million.

As a result, the transaction as a whole has a beneficial impact on the University's Statement of Financial Performance of \$3.3 million in 2001.

	Consolidated		University	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
12. Creditors				
Current:				
Trade creditors	13 823	15 569	10 316	11 930
Accruals	2 959	5 609	1 736	3 568
	16 782	21 178	12 052	15 498
13. Borrowings				
Current:				
Bank loans and commercial paper	23 539	3 413	20 038	2 863
Lease liability	7	81	-	70
Other	36	1 238	36	31
Owing to controlled entities	-	-	2 047	4 047
	23 582	4 732	22 121	7 011
Non-Current:				
Bank loans and commercial paper	198	17 175	-	17 175
Lease liability	-	7	-	-
Other	95	106	95	106
	293	17 288	95	17 281

Bank Loans and Commercial Paper

In 1991 the University obtained a loan facility to a maximum of \$22.9 million for a period of 10 years. During the course of the year, the loan facility expired. The debt has been converted into commercial bills. The University is currently in the process of negotiating a new financial arrangement.

	Consolidated		University	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
14. Provisions				
Current:				
Annual and long service leave provisions	11 745	10 953	11 211	10 184
Workers compensation provision	857	900	818	900
Other provisions	-	366	-	-
	12 602	12 219	12 029	11 084
Non-Current:				
Workers compensation provision	1 300	1 300	1 300	1 300
Long service leave provision	19 653	19 734	19 638	19 712
	20 953	21 034	20 938	21 012
15. Other Liabilities				
Current:				
Grants received in advance	6 780	13 187	6 603	13 187
Outside funded positions	831	902	831	902
Salary and wage deductions	3 432	777	3 432	380
Student tuition fees received in advance	2 702	2 709	2 702	2 704
Residential bonds	28	26	28	26
	13 773	17 601	13 596	17 199

Grants Received in Advance

In December 2001, the University received an advance of its operating grant of \$5m from DEST. An amount of \$300 000 had been used as at 31 December 2001, reducing this amount to \$4.7m. This amount is included in grants received in advance. The grant is for the purpose of restructuring and it will be offset by a reduction of DEST funding in 3 equal instalments in 2003, 2004 and 2005.

16. Reserves	16.1 Summary	Consolidated		University	
		2001	2000	2001	2000
	Capital Reserves:	\$'000	\$'000	\$'000	\$'000
	Capital reserve	2 970	2 970	-	-
	Capital profits reserve	1 036	865	-	-
	Asset revaluation reserve	100 242	88 116	114 226	71 726
	Initial asset recognition reserve	279 378	279 378	279 124	279 124
		383 626	371 329	393 350	350 850
	Specific Purpose Reserves:				
	Special reserve	35 626	26 187	35 626	26 187
	Bequests/donations unspent income reserve	10 087	9 547	10 087	9 547
	Restricted purpose bequest capital reserve	47 880	47 583	47 880	47 583
	Composite fund revaluation reserve	14 483	15 519	14 483	15 519
		108 076	98 836	108 076	98 836
16.2	Movements in Reserves				
	Capital Reserve:				
	Opening balance	2 970	2 970	-	-
	Current year movement	-	-	-	-
	Closing Balance	2 970	2 970	-	-
	Capital Profits Reserve:				
	Opening balance	865	937	-	-
	Current year movement	171	(72)	-	-
	Closing Balance	1 036	865	-	-
	Asset Revaluation Reserve:				
	Opening balance	88 116	84 927	71 726	71 726
	Add: Revaluation increment on investments	12 126	3 189	42 500	-
	Closing Balance	100 242	88 116	114 226	71 726
	Initial Asset Recognition Reserve:				
	Opening balance	279 378	279 378	279 124	279 124
	Current year movement	-	-	-	-
	Closing Balance	279 378	279 378	279 124	279 124
	Special Reserve:				
	Opening balance	26 187	21 667	26 187	21 667
	Transfer (to) from accumulated funds	9 439	4 520	9 439	4 520
	Closing Balance	35 626	26 187	35 626	26 187
	Bequests/Donations Unspent Income Reserve:				
	Opening balance	9 547	8 717	9 547	8 717
	Transfer (to) from accumulated funds	540	830	540	830
	Closing Balance	10 087	9 547	10 087	9 547
	Bequests/Donations Capital Reserve:				
	Opening balance	47 583	46 902	47 583	46 901
	Transfer (to) from accumulated funds	297	681	297	682
	Closing Balance	47 880	47 583	47 880	47 583
	Composite Fund Revaluation Reserve:				
	Opening balance	15 519	16 903	15 519	16 903
	Transfer (to) from accumulated funds	(1 036)	(1 384)	(1 036)	(1 384)
	Closing Balance	14 483	15 519	14 483	15 519

16.3 Nature and Purpose of Reserves

Capital Reserve

Represents equity injection by the University into establishing the ARI Investment Trust.

Capital Profits Reserve

Represents the accumulation of the realised revalued increments of assets sold. Up until time of disposal, the revaluation increment is held in the asset revaluation reserve.

Asset Revaluation Reserve

Is used to record increments and decrements on the revaluation of non-current assets. Refer accounting policy Note 3 (l).

Initial Asset Recognition Reserve

Represents the equity impact arising from the recognition of assets which until the first time the University prepared a set of accrual financial statements, had not previously been recognised.

Specific Purpose Reserves

Are a number of reserves established to house excess funds which have been generated through a series of specific purpose transactions, and as a result can only be used in accordance with the attributes of the generating transactions, eg composite fund revaluations reserve, bequest/donations reserve etc. In particular, the special reserve is created for surplus funds which will be specifically acquitted in future accounting periods.

17. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term investments in money market instruments. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Note	Consolidated		University	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Cash		14 181	14 405	5 578	9 483
Bank overdraft		-	(550)	-	-
Short-term cash investment		25 941	34 547	25 941	34 547
		40 122	48 402	31 519	44 030

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

Operating (deficit) surplus		(5 467)	2 755	(6 365)	1 722
Add (Less): Non-cash items:					
Amortisation		2 938	1 971	2 938	1 884
Depreciation	6	15 214	15 168	14 487	14 222
Write down (up) investments		2 150	2 958	2 150	2 958
Bad debts written off		528	985	452	911
Superannuation expense		1 800	(2 600)	1 800	(2 600)
Superannuation revenue		(1 800)	2 600	(1 800)	2 600
Other revenue/expenses		(3 714)	(4 145)	(4 117)	(3 154)
(Profit) Loss on sale of property, plant and equipment		1 820	(251)	1 879	(37)
Changes in assets/liabilities:					
(Increase) Decrease in inventories		(857)	(1 509)	33	(1 679)
(Increase) Decrease in receivables		(5 271)	(10 825)	(5 793)	(3 316)
(Increase) Decrease in loans		-	(2 826)	-	(157)
(Increase) Decrease in other current assets		(155)	44 712	(1 181)	(239)
(Decrease) Increase in creditors		(4 396)	(31 318)	(3 446)	8 137
Increase (Decrease) in other current liabilities		9 359	(577)	9 584	(966)
Increase (Decrease) in provisions		302	1 750	871	1 299
Increase (Decrease) in borrowings		1 866	-	(2 065)	-
Net Cash provided by Operating Activities		14 317	18 848	9 427	21 585

(c) Borrowings

Refer Note 13.

18. Future Expenditure Commitments

Operating Expenditure

Contracted but not provided for and payable:

Not later than one year		4 662	3 080	4 662	3 080
Later than one year but not later than five years		3 642	4 600	3 642	4 600
Later than five years		-	-	-	-
		8 304	7 680	8 304	7 680

Capital Expenditure

Contracted but not provided for and payable:

Not later than one year		6 994	4 900	6 994	4 900
Later than one year but not later than five years		-	-	-	-
Later than five years		-	-	-	-
		6 994	4 900	6 994	4 900

Operating Lease Commitments

Future operating base rental not provided for and payable:

Not later than one year		2 998	1 210	2 892	1 066
Later than one year but not later than five years		6 823	3 705	5 123	3 273
Later than five years		2 444	1 571	-	1 571
		12 265	6 486	8 015	5 910

Finance Lease Commitments

Finance leases rentals are payable as follows:

Not later than one year		7	82	-	70
Later than one year but not later than five years		-	8	-	-
Later than five years		-	-	-	-
		7	90	-	70
Less: Future lease finance charges		-	1	-	-
		7	89	-	70

Lease liabilities provided for in the financial statements:

Current		7	81	-	70
Non-current		-	8	-	-
Total Lease Liability		7	89	-	70

The University leases plant and equipment under finance leases expiring from one to five years. At the end of the lease term the University has the option to purchase the equipment.

19. Contingent Liabilities**(a) Guarantees**

The University in 1997 provided a \$4.4 million guarantee and an indemnity to the Bank of South Australia to support a loan made to Frome Street Carpark Developments Pty Ltd. The guarantee is for a 10 year period.

The University in 1997 provided a \$120 000 guarantee to the Commonwealth Government, Department of Health and Aged Care, for an interest free 20 year loan of \$126 000 to be used for the construction of the Observatory Child Care Centre.

(b) The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)

The University has guaranteed that members of this superannuation scheme will receive defined benefits in the event that this closed scheme has insufficient assets to meet the benefits. Actuarial advice in 1998 states that there are sufficient assets available - refer Note 21(d).

(c) Insurance Claims

ARI Pty Ltd was named co-defendant in an action for loss and damages with respect to the Hindmarsh Island Bridge. The total claim is approximately \$20 million (\$20 million). The claim relates to alleged negligence in the employment of a consultant who assisted in making submissions to the Minister for Aboriginal Affairs. During the course of the year, judgement was made in favour of the co-defendants. This decision is currently being appealed by the litigator.

(d) Litigation

In the ordinary course of its operations, the University and its controlled entities become involved in legal disputes. At the date of adoption of these accounts, some matters remained outstanding. On legal advice, the University is of the opinion that no material losses are likely to arise. The University or its controlled entities will make a provision where a material loss is identified. No such provision is contained in the University's accounts.

(e) Taxation claim involving R&D Syndicate

In August 2000 Luminis was notified by the Australian Taxation Office that the Trust may be assessable to income tax in respect of certain income arising from the Transgenic Syndicated R&D Project in the 1991-92 and following years. The ATO claimed that, on the information available to it, ARI had not distributed that income to the beneficiary Adelaide University. ARI has contested the ATO's view, and its legal advice strongly supports ARI's position that ARI is not properly liable for any tax. No assessment had been issued prior to the adoption of these accounts.

In addition to this claim, the company has received notification from the sponsor of the R&D Syndication that in the event that their defence of a claim placed upon them by the Australian Taxation Office is unsuccessful, they will make a counter claim for the 2 967 000 BresaGen shares issued to ARI Investment Trust arising from the R&D syndication.

20. Events Subsequent to Balance Date

There were no events which took place subsequent to balance date so as to have a material impact on the operating results or Statement of Financial Position of the University or the Consolidated Entity.

21. Superannuation Schemes

(a) The University contributes to a range of superannuation schemes, which are divided into the following categories:

- (i)** Those operative and open to membership:
 - UniSuper Defined Benefit Plan or Investment Choice Plan - formerly Superannuation Scheme for Australian Universities (SSAU)
 - UniSuper Award Plus Plan - formerly Tertiary Education Superannuation Scheme (TESS).
- (ii)** Those operative but closed to future membership:
 - The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985).
- (iii)** State Government Schemes closed to future membership by University employees:
 - State Pension Scheme;
 - State Lump Sum Scheme.

(b) UniSuper Defined Benefit Plan or Investment Choice Plan — Formerly Superannuation Scheme for Australian Universities (SSAU)

From 1984 the University became a participating institution in the Superannuation Scheme for Australian Universities (SSAU). The Scheme is administered by UniSuper Management Pty Ltd and UniSuper Pty Ltd is the trustee. As at 1 July 1998, the rules governing the Fund were amended to allow employees the option to remain within the defined benefits arrangement or convert to an accumulation fund. The employer contribution rate throughout 2001 was 14 percent of salaries. The employee contribution rate throughout 2001 was 7 percent of their gross salaries. The Defined Benefits Scheme is fully funded.

An actuarial assessment, as at 31 December 1999, was completed on 18 May 2000. The assessment was carried out by Mr G Harslett (FIA, FIAA) of Towers Perrin. The actuary concluded that the assets of the Fund were sufficient to meet all benefits payable in the event of the Fund's termination, or the voluntary or compulsory termination of employment of each employee of the University.

On 1 October 2000, SSAU merged with TESS to form UniSuper. The Scheme is known as UniSuper Defined Benefit Plan or UniSuper Investment Choice Plan depending on employee's choice.

(b) UniSuper Defined Benefit Plan or Investment Choice Plan — Formerly Superannuation Scheme for Australian Universities (SSAU) (continued)

As at 31 December 2001, vested and accrued benefits of staff members who are in the Defined Benefits Plan were valued at the greater of the present value of expected future payment of benefits or the vested benefit as follows:

- (i) Estimated vested and accrued benefits at 30 June 2001 - \$172.0 million (unaudited) (\$163.6 million audited).
- (ii) Estimated net market value of assets for current members at 30 June 2001, available to pay the superannuation liabilities of the University of Adelaide members was \$189.8 million (unaudited) (\$178.7 million audited).
- (iii) The difference between the estimated net market value of assets and accrued benefits at 30 June 2001 apportioned to the University of Adelaide was \$17.8 million (unaudited) (\$15.0 million audited).

(c) UniSuper Award Plus Plan — Formerly Tertiary Education Superannuation Scheme

The University is a participating institution in the Tertiary Education Superannuation Scheme (TESS), a non-contributory scheme for University employees. The Fund is administered by UniSuper Management Pty Ltd and TESS Superannuation Ltd is the trustee. The employer contribution rate throughout 2001 was 3 percent of salaries for members of other superannuation schemes, and 8 percent for staff not covered by other schemes.

On 1 October 2000, TESS merged with SSAU to form UniSuper. TESS will now be known as UniSuper Award Plus Plan.

(d) The University of Adelaide Superannuation Scheme A 1985

The University of Adelaide Superannuation Scheme A 1985 (Scheme) provides superannuation benefits for employees who have not transferred to UniSuper. The Scheme is administered by William M Mercer Pty Ltd. The trustee is the University of Adelaide Superannuation Scheme A 1985 Inc. The Scheme is governed by a separate trust deed and the general laws relating to trusts and superannuation. The Scheme provides a defined benefit, (or accumulated member contributions multiplied by a factor of 2.5, if this amount is greater) and is fully funded.

No employer contribution was made in 2001. Actuarial advice is that there are sufficient assets in the Scheme to meet expected future liabilities of remaining members, and that no contributions from the University are required over the foreseeable future.

As at 30 June 2001, accrued benefits as determined by the actuary, William M Mercer Pty Ltd, and together with the vested benefits are reported as follows:

- (i) Accrued benefits at 30 June 2001 - \$9.5 million (\$9.5 million).
- (ii) Vested benefits at 30 June 2001 - \$10.3 million (\$10 million).
- (iii) Estimated net market value of the assets of the Scheme available to pay benefits as at 30 June 2001 was \$12.2 million (\$12.8 million).
- (iv) The difference between accrued benefits and the net market value of assets as at 30 June 2001 was \$2.7 million (\$3.3 million).

(e) State Government Superannuation Schemes

In 1991 employees of the City Campus of the South Australian College of Advanced Education and the Roseworthy Agricultural College were transferred to the University. Their terms of appointment to the University protected their membership of the State Pension Scheme and State Lump Sum Scheme. The Schemes are administered by the Superannuation Board of South Australia. The Schemes provide defined benefits and are mainly unfunded. The only employer contributions made in 2001 were 3 percent of salaries, and remaining benefits are met on an emerging cost basis.

The South Australian Department of Treasury and Finance estimates that as at 31 December 2001 there is an unfunded liability of \$33.7 million (\$31.9 million). This represents an increase in liability of \$1.8 million since 31 December 2000. This is recognised as expenditure in the 2001 Statement of Financial Performance, with a corresponding adjustment to revenue.

The Commonwealth Government has agreed to provide assistance under section 20 of the *Higher Education Funding Act 1988* to meet the additional costs in respect of State Government emerging cost schemes where costs are in excess of funding provided for this purpose in the base operating grant, (ie 14 percent of salaries). Under the Commonwealth legislation titled *State Grants (General Purposes) Amendment Act 1982*, the method of payment of these costs by the Commonwealth to the State Governments was promulgated. Further, the accounting methodology employed in these accounts is in accordance with 'Guidelines for the Preparation of Annual Financial Reports for the 2001 Reporting Period by Australian Higher Education Institutions' provided by DEST. The accounting treatment employed is also consistent with the approach taken by other Australian universities. Accordingly, total assets of \$33.7 million have been recorded as a 'Deferred government superannuation contribution' which offsets the current and non-current liability for the State Government Superannuation Schemes recorded as 'Deferred Employee Superannuation Benefits'.

Summary

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Deferred Government Superannuation Contribution: Non-current asset	33 700	31 900	33 700	31 900
Deferred Employee Superannuation Benefits: Current liability	2 400	2 100	2 400	2 100
Non-current liability	31 300	29 800	31 300	29 800
	33 700	31 900	33 700	31 900
The total employer contributions remitted by the University were: Superannuation Scheme for Australian Universities (SSAU)	14 961	12 675	14 961	12 675
Tertiary Education Superannuation Scheme (TESS)	6 600	5 367	6 600	5 367
State Superannuation Schemes (3 percent)	63	62	63	62
	21 624	18 104	21 624	18 104

22. Segment Information

The University predominately operates in the field of higher education in Australia. Its primary activities are teaching and research. Income generated overseas from teaching and research activities are not significant so as to warrant segmentation reporting.

23. Auditors' Remuneration

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Amounts paid or payable were: South Australian Auditor-General	160	161	160	161
Other auditors of controlled entities	74	133	-	-
	234	294	160	161
Other	-	-	-	42
	234	294	160	203

24. Remuneration for University Senior Management

	University	
	2001 \$'000	2000 \$'000
Amounts paid or payable to University Senior Management	4 081	2 390
	Number	Number
\$100 000 - \$109 999	-	1
\$130 000 - \$139 999	-	1
\$140 000 - \$149 999	-	1
\$150 000 - \$159 999	2	2
\$160 000 - \$169 999	1	1
\$170 000 - \$179 999	2	1
\$180 000 - \$189 999	1	1
\$200 000 - \$209 999	-	2
\$210 000 - \$219 999	1	1
\$220 000 - \$229 999	3	-
\$300 000 - \$309 999	1	-
\$540 000 - \$549 999	-	1
\$1 600 000 - \$1 609 999	1	-
	12	12

Remuneration is based upon the total remuneration package which includes employer and employee (pre-tax) superannuation contributions and termination payments, due and receivable, by senior managers from the University. Certain senior managers were employed for part of the year.

The Vice-Chancellor and other senior managers derive board fees for services rendered to organisations outside of the University which they pay or direct as income to the University.

25. Additional Financial Instruments Disclosure**(a) Interest Rate Risk**

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers enter into interest rate swaps, futures contracts, interest rate options and other forms of agreements to manage cash flow risks associated with the interest rates on investments that are floating, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities.

25. Additional Financial Instruments Disclosure (continued)

		2001					
	Note	Floating Interest Rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets:							
Cash		14 181	-	-	-	-	14 181
Receivables	7	-	-	-	-	17 595	17 595
Investments	8	15 815	37 411	-	6 154	54 475	113 855
		29 996	37 411	-	6 154	72 070	145 631
Weighted average interest rate (percent)							
		3.35	4.20	-	11.99	-	
Financial Liabilities:							
Trade creditors	12	-	-	-	-	16 782	16 782
Borrowings	13	-	20 038	-	-	3 837	23 875
		-	20 038	-	-	20 619	40 657
Weighted average interest rate (percent)							
		-	8.55	-	-	-	
		2000					
	Note	Floating Interest Rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets:							
Cash		14 405	-	-	-	-	14 405
Receivables	7	-	-	-	-	12 324	12 324
Investments	8	20 402	46 692	-	3 778	46 526	117 398
		34 807	46 692	-	3 778	58 850	144 127
Weighted average interest rate (percent)							
		5.43	6.07	-	5.85	-	
Financial Liabilities:							
Trade creditors	12	-	-	-	-	21 178	21 178
Borrowings	13	-	2 863	17 175	-	1 982	22 020
		-	2 863	17 175	-	23 160	43 198
Weighted average interest rate (percent)							
		-	10.20	10.42	-	-	

(b) Foreign Exchange Risk

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers enter into forward foreign currency exchange contracts to hedge overseas share trading and foreign currency cash exposures. The terms of the hedge contracts are usually less than three months.

(c) Credit Risk Exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

(i) On-Statement of Financial Position Financial Instruments

The credit risk on financial assets, excluding investments of the Consolidated Entity which have been recognised in the Statement of Financial Position is the carrying amount, net of any provisions for doubtful debts.

The Consolidated Entity's financial assets and liabilities are not materially exposed to any individual overseas country or individual customer.

(ii) Off-Statement of Financial Position Financial Instruments

The reporting entity and its controlled entities do not possess or trade any Off-Statement of Financial Position Financial Instruments.

(d) Net Fair Values of Financial Assets and Liabilities

Net fair values of financial assets and liabilities are determined by the Consolidated Entity on the following basis:

(i) On-Statement of Financial Position Financial Instruments

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. Listed shares and equities included within these investments are traded in an organised financial market by the fund managers. The Consolidated Entity values these investments at current market value.

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at amounts due from customers (reduced for expected credit losses) or due to suppliers.

The carrying amount of bank term deposits, accounts receivable, accounts payable and bank loans approximate net fair value.

The net fair value of investments in unlisted shares in other corporations is determined by reference to underlying net assets of the respective corporations.

(ii) Off-Statement of Financial Position Financial Instruments

The reporting entity and its controlled entities do not possess or trade any Off-Statement of Financial Position Financial Instruments.

26. Investment in Controlled Entities	Investment at Fair Value		Investment at Cost		Contribution to Operating Result	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Controlled entities and contribution to operating result before elimination of consolidation items						
Controlled Entity:						
ARI Investment Trust	21 228	2 898	2 898	2 898	(1 669)	(399)
Lubims Pty Ltd	789	-	-	-	112	79
Martindale Holdings Pty Ltd as trustee for:						
JS Davies Estate	11 663	-	-	-	1 331	972
JAT Mortlock Trust	11 718	-	-	-	861	306
	45 398	2 898	2 898	2 898	635	958

JS Davies Estate

The University holds an interest of 5/6th in a joint venture named JS Davies Estate, the principal activity of which is farming. This venture is managed by Martindale Holdings Pty Ltd and is included in consolidated figures for the group. The remaining 1/6th is recognised as an outside equity interest.

Fair Value of Investments in Controlled Entities

The investment in controlled entities has been reported at fair value using the net asset basis. Refer Note 3(j).

27. Investments in Associates	(a) Equity and Contribution to Results	Holding Percent	Consolidated Carrying Amount		Investment At Cost	
			2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
	Associate Entity	Principal Activity				
	Held by the University of Adelaide					
	AITEC Pty Ltd	Provides advanced information technology courses	25.0	55	140	-
	Unisure Pty Ltd	Responsible for processing of Tertiary Institution Workers Compensation Insurance	33.3	-	-	-
	Ngee Ann Adelaide Education Centre Pte Ltd	Operates a graduate education centre in Singapore	50.0	278	22	298
				333	162	298
						197
						197
	(b) Movements in Carrying Amounts of Investments In Associates					
	At beginning of financial year			162	289	-
	Share of operating profits (losses)			171	(127)	-
				333	162	-
	(c) Results Attributed to Associates					
	Operating profits (losses)			171	(127)	-
	Retained profits attributable to associates at start of financial year			162	289	-
	Retained profits attributable to associates at the end of financial year			333	162	-
	(d) Accounting for Associates					
	(i)	<i>Capital and Other Expenditure Commitments</i>				
		There are no material capital expenditure commitments relating to associated entities.				
	(ii)	<i>Contingent Liabilities</i>				
		There are no material contingent liabilities relating to associated entities.				
	(iii)	<i>After Balance Date Events</i>				
		There are no material after balance date events to report for associated entities.				
	(iv)	<i>Assets, Revenue and Expenditure</i>				
		Since the above activities do not materially effect the University group figures, assets, revenue and expenditure have been reported as net amounts.				
	(v)	<i>Off-Statement of Financial Position Financial Instruments</i>				
		Neither the reporting entity, nor any of its associated entities, have any Off-Statement of Financial Position Financial Instruments.				

28. Interests in Joint Ventures**(a) Groups**

The University participates in a number of joint ventures. None of these operations are material to the University and there is no separate disclosure for 2001 in accordance with Australian Accounting Standard AAS 19 'Accounting for Interests in Joint Ventures'. For reporting purposes these have been segregated into two groups as follows - refer accounting policy 3(j).

(i) Cooperative Research Centres

The University participated in a number of Cooperative Research Centres (CRCs) during 2001. These Centres have the characteristics of joint ventures and have been reported as such.

A CRC is a research initiative of the Australian Government established to pursue specific areas of research. One of the desired outcomes of a CRC is the creation of specific intellectual property with commercial value. The participants in a CRC are an amalgam of research institutions, eg CSIRO, universities and private enterprise. Direct participants in these schemes are vested with joint venture interest. The funding of the CRC is co-ordinated through a Centre Agent who is appointed generally from one of the participating entities.

(i) *Cooperative Research Centres (continued)*

Funding transfers between the CRC and the University are accounted for as general revenue and expenditure with the overall impact for the period being revenue neutral. Consequently, they are reported as part of the University's activity. At this stage, with the exception of GroPep Ltd (see below), there has been no intellectual property yet developed which is considered to have commercial value in either the ongoing or completed CRCs. Consequently at balance date, no value was ascribed to the intellectual property of the CRCs.

One successful example of a CRC achieving commercial value for the intellectual property created is GroPep Ltd, a company listed on the Australian Stock Exchange and one in which the University holds a significant interest. Refer Note 29.

			Participation Percent
Australian Petroleum CRC	(U)	(C)	13
CRC for Welded Structures	(I)	(C)	7
CRC for Molecular Plant Breeding	(U)	-	17
CRC for Clean Power from Lignite	(U)	(C)	10
CRC for Sensor Signal and Information Processing	(U)	-	16
CRC for Tissue Growth and Repair	(U)	(C)	16
CRC for Viticulture	(U)	(C)	18
CRC for Water Quality and Treatment	(U)	(C)	6
CRC for Weed Management Systems	(U)	(C)	7
CRC for Biological Control of Pest Animals	(U)	(C)	8
CRC for Cattle & Beef Quality	(U)	(C)	-
CRC for Smart Internet Technology	(U)	-	5
CRC for Plant Dryland Salinity	(U)	-	-
CRC for Landscape Environment and Mineral Exploration	(U)	(C)	4

The University is a supporting participant (but not a signatory) for the CRC for Cattle and Beef Quality.

The University over the next seven years will make both cash and in-kind contributions to support the work of the CRC's. The University has committed to participate in the work of these CRC's, with contributions in constant dollars, of \$3.7 million in cash and \$34.2 million in kind.

(ii) *Other Unincorporated Joint Ventures*

Name	Principal Activity		Participation Percent
South Australian Regional Network Organisation (SAARDNet)	To provide high speed microwave networks to link areas of research concentration in South Australia	(U)	20
Middleback Field Centre	To provide pastoral-zone courses and range land ecology research programmes	(U)	33
National Course in General Arbitration & Dispute Resolution	To develop and deliver tertiary courses in general arbitration and alternative dispute resolution.	(U)	50
South Australian Centre for Economic Studies	To obtain quality research regarding regional economic development with particular application to South Australia	(U)	50
South Australian Tertiary Admissions Centre	Established as the agent for tertiary institutions in Adelaide for the purpose of receiving and processing applications from intending students	(U)	25

(I) Incorporated (U) Unincorporated (C) CSIRO is a partner

The Consolidated Entity's reported interest in the assets employed in the joint ventures total \$248 000 (\$202 000). These are included in the consolidated Statement of Financial Position, in accordance with the accounting policy described in Note 3.

(b) *Equity and Contribution to Results*

Joint Venture Entity	Holding Percent	Consolidated Carrying Amount		Investment at Cost	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Held by The University of Adelaide:					
National Course in General Arbitration & Dispute Resolution	50	4	-	65	65
Middleback Field Centre	33	23	18	-	-
South Australian Regional Network Organisation	20	5	34	85	85
South Australia Centre for Economic Studies	50	27	-	-	-
South Australian Tertiary Admissions Centre	25	189	150	-	-
		248	202	150	150
(c) Movements in Carrying Amounts of Joint Ventures:					
At beginning of financial year		202	140	-	-
Share of operating profits (losses)		46	62	-	-
		248	202	-	-
(d) Results Attributed to Joint Ventures:					
Operating profits (losses)		46	62	-	-
Retained profits attributable at start of financial year		202	140	-	-
Retained profits attributable at end of financial year		248	202	-	-

(e) Accounting for Joint Ventures**(i) Capital and Other Expenditure Commitments**

There are no material capital expenditure commitments relating to joint ventures.

(ii) Contingent Liabilities

There are no known material contingent liabilities relating to joint ventures.

(iii) After Balance Date Events

There are no material after balance date events to report for joint ventures.

(iv) Assets, Revenue and Expenditure

Since the above activities do not materially effect the University group figures, assets, revenue and expenditure have been reported as net amounts.

(v) Off-Statement of Financial Position Financial Instruments

Neither the reporting entity, nor any of its joint ventures, have any Off-Statement of Financial Position Financial Instruments.

29. Other Investments

The University holds investments in the following business undertakings:

Entity	Note	Consolidated		University	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Investments at Cost		103	5 199	103	5 103
Investments at Council Valuation 2001:	3(j)				
Other		1 691	264	787	-
Held by ARI Investment Trust at Council valuation:	3(j)				
BresaGen Ltd - Biotechnology research		7 670	7 934	-	-
GroPep Ltd - Biotechnology research		12 830	638	-	-
		20 500	8 572	-	-
		22 294	14 035	890	5 103

30. Related Party Transactions**(a) Councillor Related Transactions**

Certain Councillors are members of incorporated and unincorporated associations that are an integral part of the University. Transactions between these bodies, the University and Council members, in respect of services provided to Council members are trivial and domestic in nature.

Mr Brian Croser, AO, is a director of Petaluma Ltd. One of the subsidiary's of this group transacts business on normal commercial trading terms with JAT Mortlock Trust through Martindale Holdings Pty Ltd as trustee.

Mr NR Adler, AO, is Chairman and director of board of The Australian Trade Commission (Austrade), which provides on normal commercial terms to the University, various marketing services, primarily in the area of international students.

Dr H Reid, OAM, is a Board member of St Mark's College Incorporated. The University has advanced a loan to St Mark's College at an interest rate calculated as the CPI for the previous year plus 1 percent.

(b) CSIRO

The University leases land at peppercorn rents to the CSIRO. On this land the CSIRO has erected or leased buildings. These buildings become property of the University at the termination of the lease.

The University and the CSIRO are partners in a number of Cooperative Research Centres - Refer to Note 28.

(c) Fees Paid To Members of Council

No remuneration was paid to any members of Council, or its standing committees for the financial year. Some members of Council are employees of the University and as such receive remuneration in the course of their employment with the University.

(d) Students at Adelaide University

From time to time, Council members will have members of their immediate family who are students at the University. Unless specifically stated within the accounts, such students are subject to the normal fee structure as any other students. This also applies to members of Council who are enrolled as students.

The following information being Note 31 to Note 37 has been prepared in accordance with the DEST reporting guidelines.

31. Operating Statement for the year ended 31 December 2001

	Note	Consolidated		University	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
OPERATING REVENUE:					
Commonwealth Government grants	32	160 118	153 976	160 118	153 976
Higher Education Contribution Scheme (HECS)	33	39 163	36 360	39 163	36 360
State Government grants	35	11 720	6 849	11 500	6 639
Other research grants and contracts		9 837	9 230	9 837	8 922
Scholarships and prizes	5	998	1 237	998	1 237
Donations and bequests	5	5 533	2 055	5 533	2 755
Investment income	5	3 623	6 378	3 612	6 243
Fees and charges	36	45 869	42 403	42 793	40 227
Other revenue		46 841	50 717	21 942	20 142
Deferred government contributions for superannuation	21(e)	1 800	(2 600)	1 800	(2 600)
Total Operating Revenue from Ordinary Activities		325 502	306 605	297 296	273 901
OPERATING EXPENSES:					
Academic activities	37	176 081	161 676	176 081	161 676
Library		16 183	14 234	16 183	14 234
Other academic support services		24 019	21 348	24 019	21 348
Student services		21 217	21 702	21 217	21 702
Public services		2 197	2 105	2 197	2 105
Buildings and grounds		20 192	18 736	20 192	18 632
Administration and other general institutional services		69 280	66 649	41 972	35 082
Deferred employee benefits for superannuation	21(e)	1 800	(2 600)	1 800	(2 600)
Total Operating Expenses from Ordinary Activities		330 969	303 850	303 661	272 179
Operating Result and Extraordinary Items		(5 467)	2 755	(6 365)	1 722

32. Commonwealth Government Grants Received		University	
(a)	<i>Grants received pursuant to the Higher Education Funding Act 1988, excluding HECS:</i>	2001 \$'000	2000 \$'000
	Operating purposes (excluding HECS)	104 151	100 911
	Teaching Hospitals	518	506
	Large Research	5 221	5 975
	Strategic Partnerships with Industry	1 583	1 795
	Research Fellowships	1 889	1 927
	International Researcher Exchange	291	218
	Research Centres	1 675	2 753
	Research Infrastructure Equipment and Facilities	2 218	1 938
	Small Research	1 553	1 714
	Infrastructure Block	5 778	5 453
	Australian Postgraduate Awards	3 972	3 677
	International Postgraduate Research Scholarships	943	949
	Key Centres	-	175
		129 792	127 991
(b)	Other Commonwealth Government Grants received:		
	Attorney-General's Department	-	13
	Australian Biological Resources Study	57	-
	Australia Council	-	8
	Australia Telescope National Facility	13	-
	Australian Centre for International Agricultural Research	459	-
	Australian Institute of Health and Welfare	269	-
	Australian Nuclear Science and Technology Organisation	-	6
	Australian Synchrotron Research Program	13	-
	Australia Wine Research Institute	11	-
	Australian Wool Research and Promotion Organisation	23	45
	AusAid	10	-
	Centrelink	7	4
	CSIRO	175	214
	Defence, Science and Technology Organisation	111	170
	Department of Agriculture, Fisheries and Forestry	9 389	9 231
	Department of Communications and the Arts	-	45
	Department of Education, Training and Youth Affairs	172	439
	Department of Environment and Heritage	-	189
	Department of Foreign Affairs and Trade	-	510
	Department of Health and Aged Care	18 821	14 533
	Department of Industry, Science and Resources	376	376
	Department of Primary Industries and Energy	49	116
	Department of Veterans Affairs	-	86
	Environment Australia	48	-
	Horticulture Australia Limited	252	-
	Other	71	-
		30 326	25 985
	Total Commonwealth Government Grants excluding HECS	160 118	153 976

33. Acquittal of Commonwealth Government Grants - Teaching and LearningAmounts received and expended pursuant to the *Higher Education Funding Act 1988*:

Teaching and Learning	Parent Entity (University) Only					
	Operating Financial Assistance Excluding HECS		HECS		Teaching Hospitals	
	2001	2000	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Grants in advance (received in the previous reporting period)	-	8 030	-	2 486	-	40
Add: Grants received during reporting period	109 151	102 850	33 100	30 897	518	507
Add: Contributions actually received from students	-	-	6 063	5 571	-	-
Less: Grants in advance (received in the reporting period for the next reporting period)	5 000	9 969	-	2 594	-	41
Accrual adjustments	-	-	-	-	-	-
Revenue attributed to the reporting period	104 151	100 911	39 163	36 360	518	506
Add: Surplus prior year	1 260	987	-	-	-	497
Funds available for the reporting period	105 411	101 898	39 163	36 360	518	1 003
Less: Expenses for current period	105 411	100 638	39 163	36 360	518	1 003
Surplus for reporting period	-	1 260	-	-	-	-

34. Acquittal of Commonwealth Government Grants - ResearchAmounts received and expended pursuant to the *Higher Education Funding Act 1988*:

Australian Research Council	Parent Entity (University) Only							
	Large Research		Strategic Partnerships with Industry		Research Fellowships		International Researcher Exchange	
	2001	2000	2001	2000	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Grants in advance (received in the previous reporting period)	-	340	-	101	-	139	-	-
Add: Grants received during reporting period	5 221	5 635	1 583	1 694	1 889	1 788	291	218
Less: Grants in advance (received in the reporting period for the next reporting period)	-	-	-	-	-	-	-	-
Accrual adjustments	-	-	-	-	-	-	-	-
Revenue attributed to the reporting period	5 221	5 975	1 583	1 795	1 889	1 927	291	218
Add: Surplus prior year	1 542	1 895	784	361	157	205	63	-
Funds available for the current period	6 763	7 870	2 367	2 156	2 046	2 132	354	218
Less: Expenses for current period	5 284	6 328	1 592	1 372	1 717	1 975	182	155
Surplus for reporting period	1 479	1 542	775	784	329	157	172	63

Australian Research Council	Parent Entity (University) Only					
	Research Centres		Research Infrastructure Equipment & Facilities		Special Research Initiatives	
	2001	2000	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Grants in advance (received in the previous reporting period)	-	50	-	-	-	-
Add: Grants received during reporting period	1 675	2 703	2 218	1 938	-	-
Less: Grants in advance (received in the reporting period for the next reporting period)	-	-	-	-	-	-
Accrual adjustments	-	-	-	-	-	-
Revenue attributed to the reporting period	1 675	2 753	2 218	1 938	-	-
Add: Surplus prior year	1 512	-	403	4	-	2
Funds available for the current period	3 187	2 753	2 621	1 942	-	2
Less: Expenses for current period	2 140	1 241	1 318	1 539	-	2
Surplus for reporting period	1 047	1 512	1 303	403	-	-

34. Acquittal of Commonwealth Government Grants - Research (continued)

	Parent Entity (University) Only							
	Small Research		Infrastructure Block		Australian Postgraduate Awards		International Postgraduate Research Scholarships	
	2001	2000	2001	2000	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
DEST Research Grants								
Grants in advance (received in the previous reporting period)	-	-	-	-	-	-	-	-
Add: Grants received during reporting period	1 553	1 849	5 778	5 900	3 972	3 677	943	949
Less: Grants in advance (received in the reporting period for the next reporting period)	-	135	-	447	-	-	-	-
Accrual adjustments	-	-	-	-	-	-	-	-
Revenue attributed to the reporting period	1 553	1 714	5 778	5 453	3 972	3 677	943	949
Add: Surplus prior year	910	718	-	703	-	156	-	-
Funds available for the current period	2 463	2 432	5 778	6 156	3 972	3 833	943	949
Less: Expenses for current period	1 748	1 522	5 589	6 156	3 972	3 833	908	949
Surplus for reporting period	715	910	189	-	-	-	35	-

35. State Government Grants	(a) South Australian Government, State Government Grants	Note	Consolidated		University	
			2001	2000	2001	2000
			\$'000	\$'000	\$'000	\$'000
	Arts SA		89	91	89	91
	Central Yorke Peninsula Hospital		-	9	-	9
	Coast Protection Board		20	-	20	-
	Department for Employment, Training and Further Education		164	173	164	173
	Department for Environment, Heritage and Aboriginal Affairs		166	423	166	423
	Department of Human Services		1 162	517	1 162	517
	Department of Industry and Trade		303	61	303	61
	Department of the Premier and Cabinet		35	-	35	-
	Department of Primary Industries and Resources (PIRSA)		1 068	1 048	1 068	1 048
	Department of Treasury and Finance		3 300	110	3 300	110
	Department of Water Resources		304	-	304	-
	Drug and Alcohol Services Council		-	66	-	66
	Institute of Medical and Veterinary Science		139	112	139	112
	Mt Lofty Catchment Program		10	-	10	-
	North Western Adelaide Mental Health Services		104	33	104	33
	Northern Adelaide and Barossa Catchment Water Management Board		-	22	-	22
	Patawalonga Catchment Water Management Board		6	1	6	1
	Planning SA		-	38	-	38
	Police Department SA		150	149	150	149
	Port Pirie Regional Health Service		123	-	123	-
	Royal Adelaide Hospital		1 139	883	1 139	883
	SAICORP		20	-	20	-
	SA Centre for Rural Health		20	-	20	-
	SA Dental Service		171	108	171	108
	SA Housing Trust		8	20	8	20
	SA Museum		5	-	5	-
	SA Rural and Remote Medical Support Agency		18	-	18	-
	SA Water		-	34	-	34
	South Australian Research and Development Institute		294	134	294	134
	South Australian State Energy Research Advisory Committee		25	-	25	-
	Southern Yorke Peninsula Health Service		-	103	-	103
	SYP Health Commission		220	210	-	-
	The Queen Elizabeth Hospital/North Western Adelaide Health Service		1 748	2 092	1 748	2 092
	Transport SA		30	20	30	20
	Women's and Children's Hospital		497	323	497	323
	WorkCover Corporation		27	14	27	14
	Other		208	29	208	29
			11 573	6 823	11 353	6 613
(b) Other State Government Grants			147	26	147	26
Total State Government Grants			11 720	6 849	11 500	6 639

36. Fees and Charges	Fees and charges were collected from the following sources during the reporting period:				
Student fee income	5	30 347	28 100	30 347	28 100
Library charges and fines		1 299	1 034	1 299	1 034
Application management and late fees		561	248	561	248
Parking fees		818	845	818	845
Rental charges and accommodation fees		3 347	3 098	3 347	3 098
Recharge of costs to other organisations		2 157	2 994	2 157	2 994
Other		7 340	6 084	4 264	3 908
Total Fees and Charges		45 869	42 403	42 793	40 227

37. Expenses Attributed to Functions

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Academic Activities:				
Academic staff salaries	70 869	65 396	70 869	65 396
Academic staff salary related expenses	17 996	15 435	17 996	15 435
Non-academic staff salaries	28 290	26 850	28 290	26 850
Non-academic staff salary related expenses	8 842	9 637	8 842	9 637
Depreciation expense:				
Plant, equipment and motor vehicles	2 853	3 352	2 853	3 352
Buildings	22	-	22	-
Other expenses	47 209	41 006	47 209	41 006
Total Academic Activities	176 081	161 676	176 081	161 676
Library:				
Academic staff salaries	-	-	-	-
Academic staff salary related expenses	-	-	-	-
Non-academic staff salaries	4 913	4 711	4 913	4 711
Non-academic staff salary related expenses	1 763	1 703	1 763	1 703
Depreciation expense:				
Library	5 946	5 814	5 946	5 814
Plant, equipment and motor vehicles	748	54	748	54
Buildings	-	-	-	-
Other expenses	2 813	1 952	2 813	1 952
Total Library	16 183	14 234	16 183	14 234
Other Academic Support Services:				
Academic staff salaries	1 363	906	1 363	906
Academic staff salary related expenses	326	242	326	242
Non-academic staff salaries	8 771	7 338	8 771	7 338
Non-academic staff salary related expenses	2 764	2 242	2 764	2 242
Depreciation expense:				
Plant, equipment and motor vehicles	392	444	392	444
Buildings	-	-	-	-
Other expenses	10 403	10 176	10 403	10 176
Total Other Academic Support Services	24 019	21 348	24 019	21 348
Student Services:				
Academic staff salaries	645	668	645	668
Academic staff salary related expenses	140	124	140	124
Non-academic staff salaries	2 671	2 550	2 671	2 550
Non-academic staff salary related expenses	851	815	851	815
Depreciation expense:				
Plant, equipment and motor vehicles	10	10	10	10
Buildings	-	-	-	-
Other expenses	16 900	17 535	16 900	17 535
Total Student Services	21 217	21 702	21 217	21 702
Public Services:				
Academic staff salaries	239	207	239	207
Academic staff salary related expenses	30	26	30	26
Non-academic staff salaries	975	840	975	840
Non-academic staff salary related expenses	262	224	262	224
Depreciation expense:				
Plant, equipment and motor vehicles	13	24	13	24
Buildings	-	-	-	-
Other expenses	678	784	678	784
Total Public Services	2 197	2 105	2 197	2 105
Buildings and Grounds:				
Academic staff salaries	-	-	-	-
Academic staff salary related expenses	-	-	-	-
Non-academic staff salaries	1 417	1 949	1 417	1 949
Non-academic staff salary related expenses	338	526	338	526
Depreciation and amortisation expense:				
Plant, equipment and motor vehicles	71	87	71	87
Buildings and leasehold improvements	3 774	3 869	3 775	3 694
Other expenses	14 592	12 305	14 591	12 376
Total Buildings and Grounds	20 192	18 736	20 192	18 632
Administration and Other General Institutional Services:				
Academic staff salaries	2 077	610	2 077	610
Academic staff salary related expenses	225	298	225	298
Non-academic staff salaries	18 395	16 668	11 478	11 176
Non-academic staff salary related expenses	4 944	5 449	4 628	4 003
Depreciation and amortisation expense:				
Plant, equipment and motor vehicles	1 261	1 546	664	775
Buildings	144	-	13	-
Software and system development costs	2 918	1 939	2 918	1 852
Other expenses	39 316	40 139	19 969	16 368
Total Administration and Other General Institutional Services	69 280	66 649	41 972	35 082

37. Expenses Attributed to Functions (continued)

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Total:				
Academic staff salaries	75 193	67 787	75 193	67 787
Academic staff salary related expenses	18 717	16 125	18 717	16 125
Non-academic staff salaries	65 432	60 906	58 515	55 414
Non-academic staff salary related expenses	19 764	20 596	19 448	19 150
Depreciation and amortisation expense:				
Plant, equipment and motor vehicles	5 348	5 517	4 751	4 746
Buildings and leasehold improvements	3 940	3 869	3 810	3 694
Library	5 946	5 814	5 946	5 814
Software and system development costs	2 918	1 939	2 918	1 852
	18 152	17 139	17 425	16 106
Other expenses	131 911	123 897	112 563	100 197
	329 169	306 450	301 861	274 779
Deferred employee benefit for superannuation	1 800	(2 600)	1 800	(2 600)
Total Expenses	330 969	303 850	303 661	272 179

UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

The University of South Australia was established pursuant to the *University of South Australia Act 1990*. The mission of the University is to advance, disseminate and preserve knowledge through the provision of a teaching, learning and research environment which fosters excellence in scholarship, innovation, and social responsibility.

The University operated from six campuses during 2001: City East, City West, Magill, Mawson Lakes, Underdale and Whyalla.

During 2001, the following entities were controlled by the University:

- ITEK Pty Ltd — The University established ITEK Pty Ltd as trustee for ITEK Trust and GTA Trust which provide University business incubation and technology commercialisation services.
- University of South Australia Foundation Incorporated — The main purposes of the Foundation are to generate interest in the University and to attract broadly based levels of philanthropic support for the benefit of the University.

SIGNIFICANT FEATURES

Consolidated operations for the year resulted in an surplus from ordinary activities of \$6.9 million (\$2.4 million in 2000).

Income from fee paying overseas students totalled \$37.9 million, an increase of \$9 million from the previous year total of \$28.9 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 19 of the *University of South Australia Act 1990* provides for the Auditor-General to audit the accounts of the University in respect of each year of operation.

Scope of Audit

The audit program covered all major financial systems and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the Financial Statements and internal control.

The scope of the audit for 2001 included:

- strategic planning
- budgetary control
- payroll
- expenditure
- fixed assets
- revenue
- procurement.

In addition, Audit conducted a review of certain computer processing environments of the University which included review of the University's remote access facility with specific reference to access to key financial systems.

The audit of the University's controlled entity ITEK Pty Ltd was carried out by a private accounting firm.

Audit Communications to the University

Matters arising during the course of the Audit were detailed in management letters to the Vice Chancellor. Responses to the management letters have been received by Audit and considered to be satisfactory. The observations in 'Audit Findings and Comments' hereunder summarise the major matters raised with the University and the related responses. The responses indicate the University's approach to cost effective, risk based control.

AUDIT FINDINGS AND COMMENTS

Commonwealth Operating Grants

Consistent with past practice, in 2001 the University recognised the first instalment of the Commonwealth Operating Grant for 2002 (totalling \$ 13.9 million) which was received in December 2001 as revenue received in advance.

It was noted, however, the 2001 Department of Education, Science and Training (DEST) Guidelines were changed to remove the requirement to account for the advance grant as a liability. As a result, the requirements of Australian Accounting Standard AAS 15 'Revenue' became applicable for the first time in 2001.

It is Audit's opinion that the Commonwealth Operating Grant received from DEST represents a non-reciprocal transfer and as a consequence the University has control of the funds upon receipt. As a consequence, in accordance with AAS 15 'Revenue', it is Audit's view that the advance grant should be recognised as revenue in the year of receipt. As a result the Independent Audit Report on the University's financial statement for 2001 was qualified with respect to the treatment of Government Operating Grants.

Details included under the heading 'Extract From Independent Audit Report' provides further information including the financial effect on the University's financial statements resulting from the non compliance with the accounting standard.

Commentary on General Financial Controls

Audit Committee

The University has an Audit Committee which comprises members of the Council, the Vice Chancellor (ex officio) and an academic staff representative. The Committee meets on at least a quarterly basis and reports to the Council.

The Committee operates within the framework of an Audit Committee Charter with the primary function of assisting Council in exercising due care, diligence and skill in discharging its oversight and monitoring responsibilities.

Representatives of the Auditor-General attend meetings of the Committee as observers.

Internal Audit

The University has an internal audit function which is performed by the Assurance Services Unit of the University. The Audit Committee approves and monitors the scope of the internal audit plan. Reviews undertaken by Assurance Services pursuant to the approved internal audit plan are reviewed by the Audit Committee. Work undertaken by Assurance Services is considered in determining the nature and extent of external audit coverage.

Overall Assessment

Audit noted that internal controls were generally operating satisfactorily throughout the period under review. Notwithstanding this observation, the audit highlighted some areas where it was considered that controls could be enhanced. The following summarises some of the more salient matters raised by Audit.

Budgetary Control Practices

The 2000 audit revealed that for the majority of cost centres reviewed, there was insufficient or no evidence to support that actual expenditure was compared to budget regularly and that variances were explained on a timely basis.

Audit follow-up conducted as part of the 2001 audit revealed that consistent with last year's findings, instances were noted where University officers who had financial responsibility for reviewing Finance One Cost Centre Reports were not retaining reports as evidence of their review.

In accordance with sound financial management practices, Audit recommended that cost centre managers provide evidence of their review of cost centre balances and financial performance. Furthermore, to ensure cost centre managers adopt a consistent approach in undertaking their financial performance monitoring responsibilities, it was recommended that consideration be given to providing guidance on what is expected (ie minimum standards) from managers with regards to the monitoring of financial performance.

Response

The University will ensure that there is sufficient guidance on what is expected from managers within the Financial Management Guidelines and any related materials. It is expected that alternative technologies, such as web based access to financial information, will play an increasingly significant role in future financial management activities.

Analysis Of Net Return On University Activity

The 2000 audit revealed that the University did not have systems which support a detailed profitability analysis of activities (ie lines of business representing operations from which the University derives revenue), including analysis of net return on activities undertaken, other than at a cost centre level. The University in response indicated that it will continue to develop systems and methods to better analyse its varied activities and is committed to improving its costing processes as rapidly as resources permit.

A follow-up conducted as part of the 2001 audit noted the University issued a discussion paper which recognised the need for better costing and profitability analysis and suggests a way forward to meet this need. In essence the paper recommended a two stage process of systems development with the latter stage not planned to be undertaken until the 2003 financial year. Audit reported that it supported the direction the University had taken in relation to the development of systems and processes to better analyse the net return of University activities. Furthermore, given the expected timeframes associated with the proposals, Audit sought advice of any proposed high level analysis of returns that may be undertaken by the University for 2002 pending the implementation of the proposals outlined in the discussion paper.

Response

The University indicated that in 2001 it began analysing net returns at a high level as evidenced in a report forwarded to the Finance Committee/Council in February 2002 which reported the contribution made by five broad lines of business activity to the operating result of the University. The University indicated that it intended to continue with such an analysis in 2002.

Policy and Procedure Framework

Audit review for 2001 included gaining an understanding of the University's framework relating to the development, approval, promulgation and review of its finance policies and procedures. In this regard, Audit noted the need for an update of annual review and approval procedures to reflect the current organisational structure of the University.

In relation to the promulgation of its policies and procedures, Audit noted that the University's financial policies and guidelines were not maintained in a coordinated document. It was recommended that consideration be given to creating and promulgating a complete set of finance procedures and guidelines in a format that can be easily referenced and maintained for the use of finance staff within the University.

Response

The University indicated the relevant changes will be made to reflect the new policy and procedure framework and the existing authorities within the University. Further, the University indicated it will ensure its financial procedures and guidelines are complete and maintained in a format which facilitates easy reference.

Payroll Budget Monitoring

Further to commentary provided relating to Budgetary Control practices, Audit made a number of observations specifically relating to the monitoring of payroll expenditure. Audit noted a lack of consistency in monitoring processes being used throughout the University, particularly in relation to established positions (ie non-casuals). Further, Audit review of policies and procedures relating to the monitoring of payroll budget information revealed that documented policies and procedures did not provide guidance to schools and units as to how payroll budget monitoring ought to be performed, or the extent of documentation to be kept.

To achieve consistent and cost effective payroll monitoring practices within the University, Audit recommended the University develop and promulgate appropriate policies and procedures which provide guidance to cost centre managers on payroll budget monitoring procedures. Ideally, these policies and procedures would include guidance on the minimum standards expected from cost centre managers.

Response

The University considers that the high level review of payroll costs by managers is but one aspect of the control framework and should not be over-emphasised. The University indicated that it also relies on sound system processes being in place. In terms of specific checking processes, payroll variations across periods are checked within the payroll each fortnight against source documents. The broader matter of budget monitoring, including the monitoring of payroll transactions, will be addressed in its Financial Management Guidelines.

Procurement

The procurement of goods and services for most organisations represents a key business activity which can have a significant impact on its operations both operationally and financially. The adoption of sound procurement practices with a strategic focus can deliver agencies significant ongoing benefits and will ultimately assist them in achieving their corporate objectives.

For a number years the Government has pursued the progressive implementation of various initiatives aimed at reforming procurement arrangements of public sector agencies. The *State Supply Act 1985* (the Act), section 5, explicitly states that the Act does not apply to the University of South Australia (the University). Accordingly, the University is not required to comply with the State Supply Board regulatory framework and as such is somewhat removed from the reform process. Notwithstanding this, Audit considers that there will be some coherence between the principles outlined in the reform process and the University's procurement arrangements. Accordingly, a review of the University's procurement activities was conducted against this background.

The objective of the review was to assess the quality of the tendering and contracting activity of the University's procurement processing cycle. This included an examination of the status of the University's policy and procedural guidance and the examination of two case studies which involved detailed review of the quality of the execution of tendering and contacting processes undertaken by the University.

In summary, the findings emanating from Audit's review of the University's procurement practices highlighted that there is scope for the University to enhance its existing procedural guidance and there is a need for improved processes to ensure compliance with established procedures. Also, in relation to the quality of its contracting and tendering practices the case studies demonstrated that there was scope for the University to improve some aspects of its procurement practices. In particular, Audit noted opportunities to improve:

- documentation supporting key phases of its procurement processes including procurement planning, procurement risk management and tender evaluation processes. In this regard, Audit acknowledged that procurement practices, including supporting documentation, should be cost effective and commensurate with the size, type and complexity of the procurement project being considered.
- the release and management of commercially sensitive information obtained from tenderers as part of tender processes.
- management of preferred supplier arrangements including the level of documented policies and procedures, monitoring of performance, the extension of expired contracts and the implementation of appropriate mechanisms to ensure competitive pricing arrangements over the term of the preferred supplier arrangement.

Response

The University has responded satisfactorily to the matters raised highlighting its acceptance and/or consideration to the Audit suggestions having regard to its assessment of risk and feasibility relevant to the issues raised.

Commentary on General Computer Information Systems (CIS) Environment

Audit review for 2001 included a review of the University's remote access facility with specific reference to access to key financial systems (ie Remus and Finance One). The review identified a number of areas where improvements could be made to the University's remote access facility. In particular, the review highlighted the need for the University to establish a suitable planning framework for the development of its network which has specific reference to security management issues. Further, the review highlighted a number of specific matters that require management attention including:

- the introduction of a systematic review of available logs relating to the University's remote access facility and the Remus system;
- improvements to security logging facilities and staffing arrangements relating to the Finance One system.

Response

The University responded satisfactorily to the matters raised by Audit.

OTHER MATTERS

The other main matters arising from the audit included:

Payroll — completeness of leave recording and completion of checklists by staff leaving the University.

Accounts Payable — documentation of accounts payable policies and procedures, purchase order release limits, the processing of invoice adjustments, review of accounts payable system reconciliations and vendor file maintenance.

Revenue — review of offshore program fees, raising of offshore program fees and procedures relating to the monitoring and write-off of bad debts.

Response

The University responded satisfactorily to all of the other matters highlighting its acceptance and/or considerations in relation to Audit suggestions and having regard to its assessment of risk and feasibility relevant to each matter.

EXTRACT FROM INDEPENDENT AUDIT REPORT

The following is an extract from the 2001 Independent Audit Report, which details the qualification to the University's financial report.

Qualification

The University has reported as part of Other Liabilities in Note 20 to the financial statements, Commonwealth Grants representing revenue received in advance of \$13.9 million.

The 2001 Department of Education, Science and Training (DEST) Guidelines were changed to remove the requirement to account for the advance grant as a liability. As a result, the requirements of Australian Accounting Standard AAS 15 'Revenue' became applicable for the first time in 2001. The Commonwealth Operating Grant received from DEST is considered to be a non-reciprocal transfer and as a consequence the University has control of the funds upon receipt. In accordance with AAS 15 'Revenue', the advance grant should have been recognised as revenue in the year of receipt. In addition, in accordance with the requirements of the transitional provisions of AAS 15 'Revenue', the balance on 1 January 2001 of \$13.7 million in the liability for revenue received in advance should have been transferred to Accumulated Results of Operations as at the beginning of the year. As a result, the revenue received under the Higher Education Funding Act 1988 recognised in Commonwealth Government Financial Assistance and the Operating Result From Ordinary Activities are both understated by \$0.2 million; Accumulated Results of Operations is understated by \$13.9 million and Current Liabilities-Other are overstated by \$13.9 million.

The University has disclosed its accounting treatment of the operating grant received from DEST in Note 1(d) to the financial statements.

Qualified Audit Opinion

In my opinion, except for the effect on the financial report of the matter referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, the Higher Education Funding Act 1988, applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the University of South Australia and of the economic entity as at 31 December 2001, the results of their operations and their cash flows for the year then ended.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Operating Results from Ordinary Activities

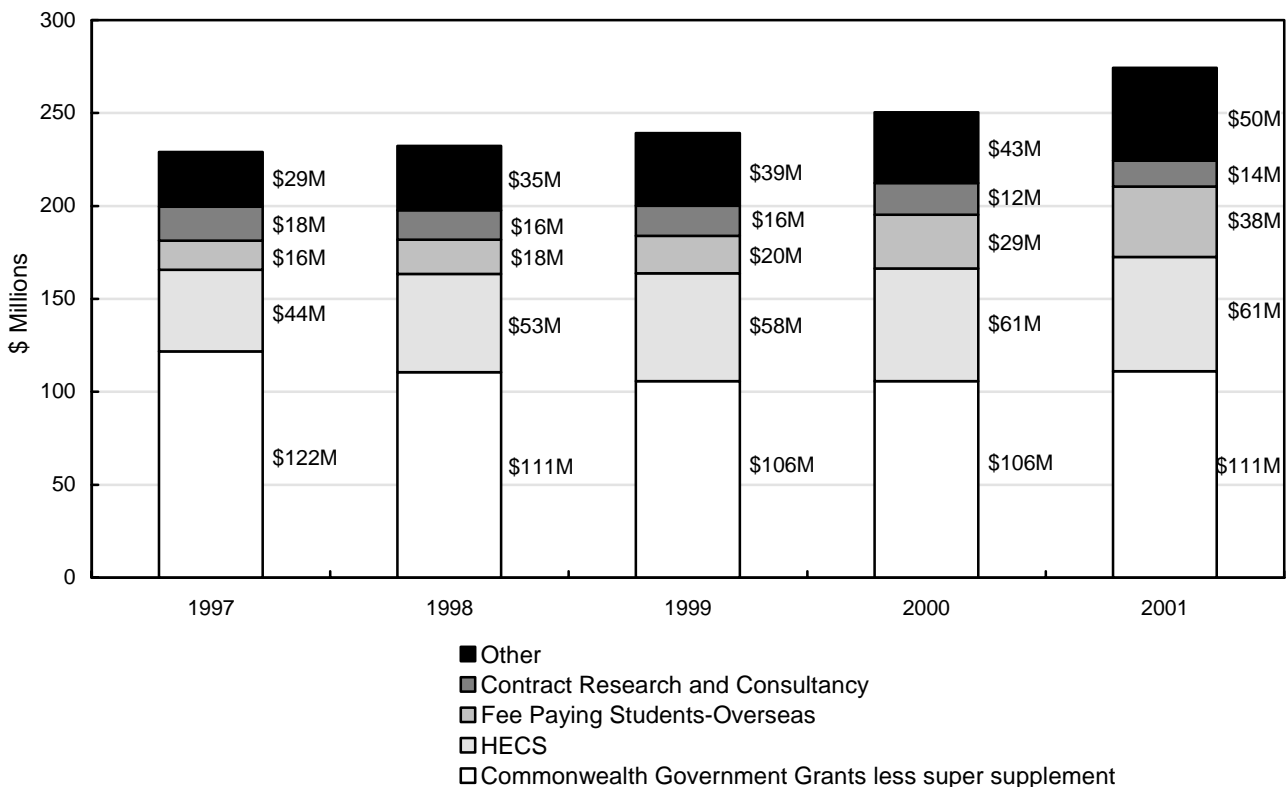
The consolidated result of operations for the year was a surplus of \$6.9 million (surplus of \$2.4 million in 2000), an increase of \$4.5 million. The result reflects an increase of \$21.4 million in Revenue from Ordinary Activities (excluding deferred government superannuation contribution) compared to an increase of \$16.9 million in Expenses from Ordinary Activities (excluding deferred government superannuation contribution).

Operating Revenue from Ordinary Activities

The increase in consolidated revenue is due mainly to an increase in revenue from fee paying overseas students; which increased by \$9.0 million to \$37.9 million from \$28.9 million in 2000.

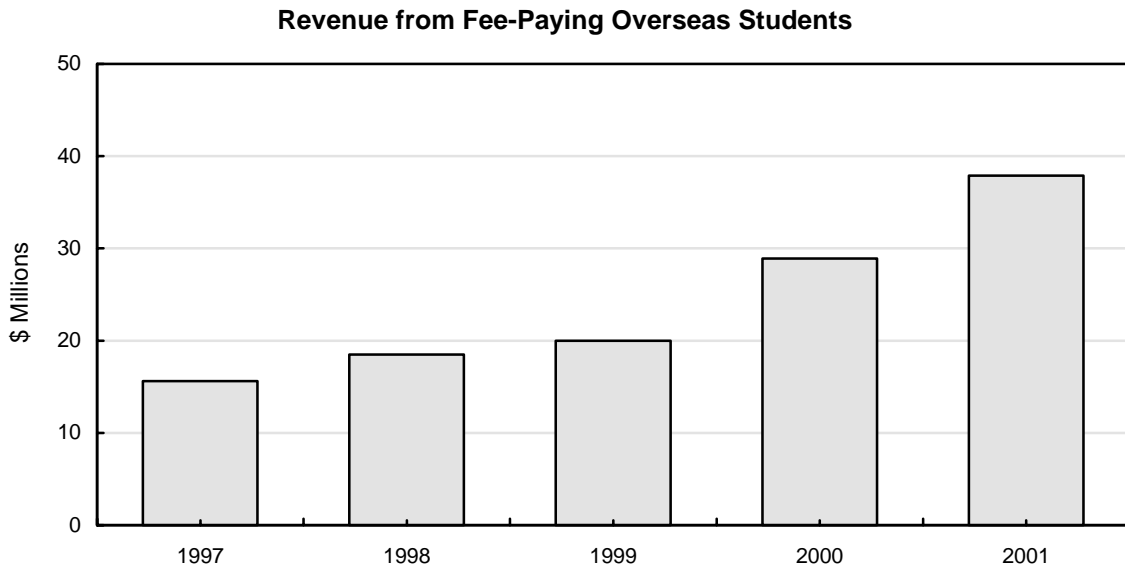
Funding from the University's main revenue sources, Commonwealth Government Financial Assistance and the Higher Education Contribution Scheme (HECS), increased by \$6.2 million from \$166.3 million to \$172.5 million. The increase is due mainly to an increase in Commonwealth Government Financial Assistance, notably a \$5.6 million increase in Operating Financial Assistance Excluding HECS.

The following graph reflects the changing composition of revenues over recent years.



The graph demonstrates the success of the University in increasing the proportion of revenue from fee-paying overseas students.

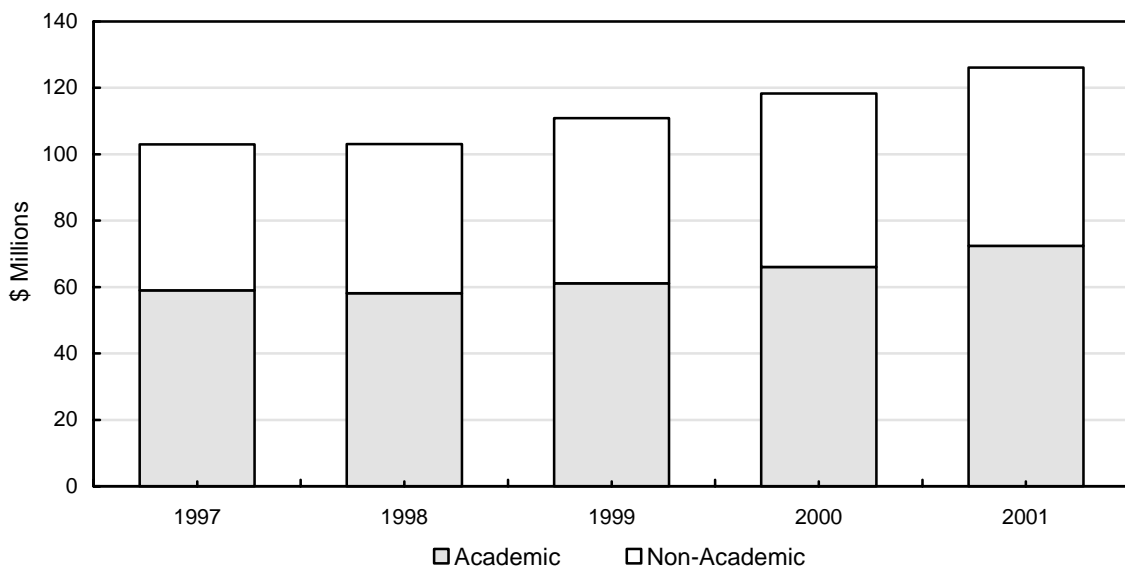
The following graph highlights the upward trend in fee-paying overseas students.



Operating Expenses from Ordinary Activities

Consolidated operating expenses (excluding deferred government superannuation contribution) increased by \$19.7 million from \$248 million to \$267.7 million. The main operating expense of the University (as for most service entities) is employee benefits. This item (including Commonwealth Supplemented Superannuation) increased by \$13.3 million from \$161.2 million to \$174.5 million.

The following graph shows the changes in the academic and non-academic staff salaries components of employee benefits over recent years.



The graph highlights the effects (ie consolidated) of the University's changes in staffing from 1997 and the more recent increases in staff salary costs. In 2001, academic staff salaries increased by \$6.4 million or 9.7 percent to \$72.4 million (\$66 million) and non-academic staff salaries increased by \$1.4 million or 2.7 percent to \$53.7 million (\$52.3 million).

Statement of Financial Position

Land and Buildings (Written Down Value \$350 Million)

Consistent with Accounting Policy Statement (APS 3) 'Revaluation of Non-Current Assets' land and buildings were independently valued at 31 December 2001, being three years since the previous revaluation. The independent valuation, completed by the Department for Administrative and Information Services, valued land and buildings at written down current cost reflecting current use, consistent with the requirements of APS 3. This valuation was based on an initial useful life for the buildings of 60 years. The exceptions to this valuation approach were in respect of:

- Underdale campus, which while valued consistent with the above approach, was adjusted for surplus unused capacity on the basis that the University is not fully utilising the facilities on this campus. The adjustment for surplus capacity is based on the percentage decrease in student numbers from the peak student load in 1995;
- Salisbury campus, which has been valued separately by Colliers Jardine Consultancy & Valuations Pty Ltd, based on net market value, as this campus is in the process of being sold and is excess to University requirements.

The revaluation of the University's land and building assets resulted in a net decrease in the Asset Revaluation Reserve of \$2.4 million represented by:

	\$'000
Land - revaluation increment	9 812
Buildings - revaluation decrement	(12 221)
Net revaluation decrement	2 409

Library (Written Down Value \$32 Million)

University library assets were also revalued at 31 December 2001, based on the average replacement cost of book stocks (gross replacement cost), less adjustment for expired use (accumulated depreciation). This revaluation was completed as an internal management revaluation, consistent with deprival valuation principles as detailed in APS 3. The result of this revaluation was to decrease the value of library books by \$2.3 million.

Statement of Financial Performance for the year ended 31 December 2001

	Note	Consolidated		University	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
REVENUE:					
Commonwealth Government financial assistance	2.1,40	111 080	105 792	110 981	105 792
South Australia Government financial assistance	2.2	2 074	2 276	2 074	2 276
Higher Education Contribution Scheme:					
Student contributions	40	8 528	8 451	8 528	8 451
Commonwealth contributions	40	52 906	52 085	52 906	52 085
Fees and charges	2.3	57 785	45,983	51 149	40 344
Investment income	2.4	2 661	2 813	3 569	2 883
Royalties, trademarks and licenses	2.5	535	158	509	158
Consultancy and contract research	2.6	14 002	11 666	14 002	12 246
Other revenue	2.7	4 814	3 723	4 155	3 520
		254 385	232 947	247 873	227 755
Superannuation:					
Commonwealth supplementation		20 164	17 437	20 164	17 437
Deferred government contributions	24	500	(23 600)	500	(23 600)
Total Revenue from Ordinary Activities		275 049	226 784	268 537	221 592
EXPENSES:					
Employee benefits	3.1	153 975	143 807	151 087	141 309
Depreciation and amortisation	3.2	18 779	19 251	18 630	19 215
Buildings and grounds	3.3	12 182	10 222	12 182	9 935
Bad and doubtful debts	3.4	617	197	553	197
Net losses on revaluation of assets	3.5	1 210	-	1 210	-
Other expenses	3.6	58 504	54 413	56 750	52 942
Borrowing cost expense	4	2 230	2 679	2 230	2 563
		247 497	230 569	242 642	226 161
Superannuation:					
Commonwealth supplemented		20 164	17 437	20 164	17 437
Deferred employee benefits	3.1,24	500	(23 600)	500	(23 600)
Total Expenses from Ordinary Activities		268 161	224 406	263 306	219 998
OPERATING RESULT FROM ORDINARY ACTIVITIES	22	6 888	2 378	5 231	1 594
Direct credits or debits to equity:					
Asset revaluation reserves	22	(3 339)	(25 970)	(3 491)	(25 970)
TOTAL REVENUE, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTED TO THE PARENT ENTITY AND RECOGNISED DIRECTLY IN EQUITY		(3 339)	(25 970)	(3 491)	(25 970)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		3 549	(23 592)	1 740	(24 376)

Statement of Financial Position as at 31 December 2001

	Note	Consolidated		University	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
CURRENT ASSETS:					
Cash	38	5 627	2 353	3 636	2 115
Receivables	11	11 117	10 236	10 147	9 819
Investments	12	52 045	46 395	50 379	45 389
Deferred government superannuation contribution	24	22 900	22 000	22 900	22 000
Other	13	2 203	1 768	2 188	1 765
Total Current Assets		93 892	82 752	89 250	81 088
NON-CURRENT ASSETS:					
Investments	12	7 321	6 826	7 000	6 529
Property, plant and equipment	14	400 045	412 044	399 756	411 687
Deferred government superannuation contribution	24	238 100	238 500	238 100	238 500
Other	13	-	-	-	-
Total Non-Current Assets		645 466	657 370	644 856	656 716
Total Assets		739 358	740 122	734 106	737 804
CURRENT LIABILITIES:					
Accounts payable	17	12 567	13 720	12 424	13 253
Borrowings	18	-	5 113	-	5 113
Provision for State superannuation	24	22 900	22 000	22 900	22 000
Other provisions	19	12 866	12 194	12 725	12 071
Other	20	20 367	20 524	20 468	22 056
Total Current Liabilities		68 700	73 551	68 517	74 493
NON-CURRENT LIABILITIES:					
Accounts payable	17	3 229	2 311	3 229	2 311
Borrowings	18	15 050	15 050	15 050	15 050
Provision for State superannuation	24	238 100	238 500	238 100	238 500
Other provisions	19	17 130	16 658	17 130	16 658
Other	20	1 319	1 771	1 319	1 771
Total Non-Current Liabilities		274 828	274 290	274 828	274 290
Total Liabilities		343 528	347 841	343 345	348 783
NET ASSETS		395 830	392 281	390 761	389 021
EQUITY:					
Asset revaluation reserve	22	30 898	34 237	30 746	34 237
Accumulated results of operations	22	364 932	358 044	360 015	354 784
TOTAL EQUITY		395 830	392 281	390 761	389 021

Statement of Cash Flows for the year ended 31 December 2001

	Note	Consolidated		University	
		2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
INFLOWS:					
Financial Assistance:					
Commonwealth operating		112 599	108 730	112 599	108 730
Other government		2 134	2 274	2 045	2 274
Higher Education Contribution Scheme:					
HECS upfront receipts		8 528	8 451	8 528	8 451
HECS Trust Fund		54 468	51 334	54 468	51 334
Fees and Charges		50 248	40 131	50 248	40 594
Investment income		3 418	2 822	3 821	2 822
Royalties, trademarks and licenses		509	158	509	158
Consultancy and contract research		13 526	12 246	13 526	12 246
Other revenue		11 940	8 265	3 936	2 883
Superannuation supplementation		15 335	17 437	15 335	17 437
Taxes recovered		3 707	2 582	3 707	2 582
OUTFLOWS:					
Staff salaries and related expenditure		(151 465)	(141 408)	(148 443)	(138 232)
Non salary payments		(75 433)	(63 966)	(73 762)	(62 710)
Superannuation payments		(19 320)	(19 054)	(19 320)	(19 054)
Interest and other expenditure of finance paid		(2 454)	(2 884)	(2 454)	(2 768)
Net Cash provided by Operating Activities	38	27 740	27 118	24 743	26 747
CASH FLOWS FROM INVESTING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of property, plant and equipment		720	1 595	612	1 522
OUTFLOWS:					
Payments for property, plant and equipment		(13 075)	(13 766)	(12 902)	(13 571)
Payments for Investments		(993)	(1 000)	(474)	(735)
Net Cash used in Investing Activities		(13 348)	(13 171)	(12 764)	(12 784)
CASH FLOWS FROM FINANCING ACTIVITIES:					
OUTFLOWS:					
Principal repayments under finance lease		(415)	-	(415)	-
Repayment of borrowings		(5 056)	(5 000)	(5 056)	(5 000)
Net Cash used in Financing Activities		(5 471)	(5 000)	(5 471)	(5 000)
NET INCREASE (DECREASE) IN CASH HELD		8 921	8 947	6 508	8 963
CASH AT 1 JANUARY		48 632	39 685	47 388	38 425
CASH AT 31 DECEMBER	38	57 553	48 632	53 896	47 388

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Accounting Policies

The significant accounting policies which have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation

The financial statements are a general purpose financial report and have been prepared on a full accrual basis in accordance with applicable Australian Accounting Standards (AAS), other authoritative pronouncements of the Public Sector Accounting Standards Board and the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the requirements of the Commonwealth Department of Education, Science and Training (DEST).

The financial statements comply with relevant provisions of the South Australian Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and the Accounting Policy Statements issued pursuant to the Treasurer's Instructions.

The financial statements have been prepared on the basis of historic costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.

(b) Principles of Consolidation

The consolidated accounts include the accounts of the University and its controlled entities. The effects of transactions between controlled entities included in the consolidated accounts have been eliminated.

(c) Comparative Figures

The previous year's figures are provided in the financial statements for comparative purposes. Where applicable, comparative figures have been adjusted to conform with changes in the presentation of the current year's figures.

(d) *Revenue Recognition*

(i) Grants

• *Commonwealth Operating Grant*

In accordance with Australian Accounting Standard AAS 15 'Revenue', the first instalment of the Commonwealth Operating Grant for 2002, received during December 2001 and therefore received in advance of the operating year to which it relates, has been recognised as Revenue in Advance and is presented as a liability in the Statement of Financial Position, rather than as revenue for the 2001 year. The Grant relates to funding the teaching of HECS students in the 2002 calendar year.

On the basis of independent professional advice, the University regards the receipt of Commonwealth Operating Grants as a 'reciprocal transfer' as defined in AAS 15, since the University is required to teach a HECS-funded load in 2002, and provide the necessary facilities and services in return for the grant of financial assistance from the Commonwealth.

Where the Minister is satisfied that a higher education institution has, after receipt of the Grant, failed to meet a condition applicable to the financial assistance, the financial assistance or part thereof is required to be returned to the Commonwealth. It is therefore, in the view of the University, a 'reciprocal payment'.

Under these conditions the revenue received in advance should not be recognised as revenue until the relevant year.

• *Other Grants*

Where a Commonwealth Government grant or other government grant represents a non-reciprocal transfer, it has been recognised as revenue at the time of receipt.

(ii) Fees and Charges

Fees and charges comprise revenue earned from the provision of programs and other services. Fees and charges are recognised in the period in which the programs or services are provided.

(iii) Investment Income

Interest income is recognised as it accrues.

(iv) Consultancy and Contract Research

Revenue from consultancy and contract research is recognised in the period in which the contract services are provided.

(e) *Inventories*

Consumable supplies are not recognised in the Statement of Financial Position as the value of these supplies is not material.

(f) *Property, Plant and Equipment*

Items of property, plant and equipment have been recognised in the financial statements as identified below. Expenditure on single items of less than \$10 000 is generally not capitalised.

(i) Land

Land occupied by the University is either owned by the University or by the State Government. The value of the land is reflected in the University's financial statements at unimproved value on the basis that the University effectively controls the land occupied.

Land is revalued every three years. The last valuation was as at 31 December 2001.

The value of land at campuses other than Salisbury has been determined by the South Australian Department for Administrative and Information Services, while the value of land at Salisbury campus has been determined by Colliers Jardine.

(ii) Buildings

Buildings (including related infrastructure) on land controlled by the university at 31 December 2001 have been recognised on the basis of written down current cost that reflects existing use. An adjustment has been made to the values for Underdale campus to take account of surplus capacity. Salisbury campus is valued at market value.

Buildings are revalued every three years. The last valuation was as at 31 December 2001. The value of buildings for campuses other than Salisbury were determined by the South Australian Department for Administrative and Information Services. The value of buildings at Salisbury campus has been determined by Colliers Jardine.

(iii) Library collection

The library collection is reported at University valuation, based on written down current cost. The collection is reviewed at least every three years for valuation purposes. The last valuation was undertaken by the University at 31 December 2001.

(iv) Plant and Equipment

Plant and equipment is valued on the basis of historic cost.

(g) Depreciation and Amortisation

Depreciation and amortisation is calculated on a straight line basis on all property, plant and equipment other than land and buildings under construction. Depreciation rates are calculated to allocate the cost of an asset over its estimated remaining useful life.

Asset Class	Initial Useful Life
Property:	
Buildings	40-80 years*
Library Collection:	
Monographs	15 years
Serials	20 years
Electronic Materials	10 years
Plant and Equipment:	
IT equipment:	
Network devices	5 years
Network Cabling	10 years
Non IT equipment	10 years
Motor vehicles	5 years

* With minor exceptions.

At 31 December 2001 the useful life of buildings was re-estimated as part of the independent valuation for the purposes of calculating depreciation in future periods. Generally buildings are to be depreciated over a 60 year useful life from 1 January 2002. The impact of this revision is to reduce future depreciation charges by \$3.561 million per year.

(h) Restrictions on Assets

Land includes \$10.761 million of Crown Lands and \$8.024 million of land dedicated for education use by the Minister of Education. Such lands are unable to be sold.

The University has restrictions on all land by application of the *University of South Australia Act 1990* section 6(4) which states:

The University cannot, except with the approval of the Governor and in accordance with any terms or conditions stipulated by the Governor in granting that approval, sell, lease (except for a term not exceeding 21 years), or otherwise dispose of, mortgage or charge any of its real property.

(i) Employee Entitlements

The long service leave liability is independently estimated by the long hand method prescribed by AAS 30 'Accounting for Employee Entitlements'. This takes into account the probability of staff remaining with the University until an unconditional entitlement has been accrued. A future cash outflow has been estimated on the basis of when leave will be taken and that cash flow is discounted using the interest rate in risk free government securities to derive the long service leave liability.

The liability for annual leave (including the leave loading) is calculated on current wage rates.

(j) Goods and Services Tax (GST)

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

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

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

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

1.2. Change in Accounting Policy

There are no changes to accounting policies for 2001.

2. Revenue from Ordinary Activities	2.1 Commonwealth Government Grants (excluding HECS)	Note	Consolidated		University	
			2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Teaching and Learning:						
	Operating Financial Assistance excluding HECS	40.1	100 753	95 143	100 753	95 143
	Teaching hospitals		-	-	-	-
	Capital development pool	40.1	-	753	-	753
Australian Research Council:		40.2				
	Large research grants		647	571	647	571
	Strategic partnerships with industry		1 693	1 692	1 693	1 692
	Research fellowships		157	91	157	91
	International research exchange		24	20	24	20
	Research centres		684	1 255	684	1 255
	Research infrastructure equipment and facilities		-	102	-	102
	Indigenous researchers' development grant		35	(1)	35	(1)
	Special research initiatives		-	-	-	-
	Learned academic special projects		-	-	-	-
	Key centres for teaching and research		-	116	-	116
	Collaborative research grant		-	-	-	-

2.1	Commonwealth Government Grants (excluding HECS) (continued)	Note	Consolidated		University	
			2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
	DEST Research Financial Assistance:	40.3				
	Small research grants		219	209	219	209
	Research infrastructure block		713	790	713	790
	Australian postgraduate awards		1 165	1 053	1 165	1 053
	International postgraduate research scholarships		215	215	215	215
			106 305	102 009	106 305	102 009
	Other Commonwealth Government Grants:					
	Other Commonwealth government research grants		4 259	2 905	4 160	2 905
	Aboriginal tutorial assistance scheme grant		241	343	241	343
	Other Commonwealth grants		275	535	275	535
			4 775	3 783	4 676	3 783
			111 080	105 792	110 981	105 792
2.2	South Australian Government Financial Assistance					
	Anangu Teacher Education Program (AnTEP)		149	151	149	151
	Research grants		1 921	2 112	1 921	2 112
	Other		4	13	4	13
			2 074	2 276	2 074	2 276
2.3	Fees and Charges					
	Continuing education		976	759	976	759
	Fee-paying overseas students		37 904	28 899	37 904	28 899
	Fee-paying Australian postgraduate students		4 022	2 910	4 022	2 910
	Fee-paying Australian undergraduate students		-	-	-	-
	Other fees and charges:					
	Open Learning Australia (OLA)		1 215	947	1 215	947
	Fees - Civil aviation		689	519	689	519
	Hire of facilities		2 141	1 464	2 141	1 464
	Secondment support		660	1 012	660	1 012
	Seminar/workshops		649	866	649	866
	All other		9 529	8 607	2 893	2 968
			57 785	45 983	51 149	40 344
2.4	Investment Income					
	Dividends		28	22	1 096	248
	Interest		2 271	2 415	2 111	2 259
	Investment income from related parties		264	376	264	367
	Other		98	-	98	-
			2 661	2 813	3 569	2 883
2.5	Royalties, Trademarks and Licenses					
	Royalties		535	158	509	158
			535	158	509	158
2.6	Consultancy and Contract Research					
	Consultancy fees		3 668	2 004	3 668	2 584
	Contract research		10 334	9 662	10 334	9 662
			14 002	11 666	14 002	12 246
2.7	Other Revenue					
	Donations and bequests		1 301	1 258	661	943
	Scholarships and prizes		765	682	746	551
	Other		2 748	1 783	2 748	2 026
			4 814	3 723	4 155	3 520
3.	Expenses from Ordinary Activities					
3.1	Employee Benefits					
	Salaries:					
	Academic		72 368	66 026	69 978	65 690
	Non-Academic		53 679	52 285	53 679	50 206
	Contributions to superannuation and pension schemes:					
	Emerging cost - Operating grant funded		525	368	323	368
	Funded		13 217	11 653	13 071	11 853
	Payroll tax		7 468	7 618	7 468	7 480
	Workers compensation		825	(80)	805	(99)
	Long service leave expense		4 882	5 055	4 880	5 041
	Annual leave		1 011	882	883	770
			153 975	143 807	151 087	141 309
	Contributions to superannuation and pension Schemes:					
	Emerging cost - Commonwealth supplemented		20 164	17 437	20 164	17 437
	Deferred employee benefits for superannuation		500	(23 600)	500	(23 600)
			20 664	(6 163)	20 664	(6 163)

Payments for annual leave are included in the salaries line above. The movement in the provision for annual leave is shown in the annual leave line above.

3.1 Employee Benefits (continued)

Long service leave expense includes amounts paid for long service leave and the net movement in the provision for long service leave.

Included in employee benefits are 28 (21) targeted voluntary separation packages totalling \$2.087 million (\$1.247 million) in redundancy expenses for the year. The aggregate of accrued annual leave and long service leave paid to employees who received these targeted separation payments was \$0.599 million (\$0.452 million). There was no recovery from the office of the Commissioner of Public Employment in respect of the targeted voluntary separation packages.

3.2 Depreciation

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Amortisation leased assets	436	222	436	222
Buildings	11 826	12 588	11 810	12 558
Library collection	3 798	3 780	3 798	3 780
Plant and equipment	2 719	2 661	2 586	2 655
	18 779	19 251	18 630	19 215
3.3 Buildings and Grounds				
Building maintenance	11 541	9 914	11 541	9 627
Grounds maintenance	641	308	641	308
	12 182	10 222	12 182	9 935
3.4 Bad and Doubtful Debts				
Doubtful debts	617	197	553	197
	617	197	553	197
3.5 Net Losses on Revaluation of Assets				
Library collection	1 210	-	1 210	-
	1 210	-	1 210	-
3.6 Other Expenses				
Communications	3 861	4 248	3 796	4 169
Equipment (non-IT)	1 162	1 274	1 161	1 262
External services*	13 876	14 326	13 672	13 545
IT, hardware and software	6 455	4 032	6 455	3 996
Library acquisitions	1 135	430	1 135	430
Printing	1 955	2 071	1 955	2 069
Rental	2 792	2 380	2 790	2 380
Scholarships	6 378	5 510	6 324	5 481
Staff development	2 851	2 873	2 798	2 789
Travel and accommodation	7 375	7 056	7 253	6 926
Net loss on sale of assets (refer Note 5)	701	1 389	701	1 433
Other	9 963	8 824	8 708	8 462
	58 504	54 413	56 750	52 942

Included within external services is an amount for consultants of \$2.265 million exclusive of GST in 2001 (\$1.298 million), representing:

- Student system implementation \$2.179 million
- Shared services project \$0.053 million
- Employee assistance program \$0.033 million

4. Borrowing Cost Expense

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Interest expense	1 821	2 410	1 821	2 294
Loan guarantee fees	150	75	150	75
Bank charges	259	194	259	194
	2 230	2 679	2 230	2 563

5. Sales of Assets

	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Net Losses	701	1 389	701	1 433
Property, plant and equipment	701	1 389	701	1 433

6. Income Tax

The University is exempt from income tax.

7. Extraordinary Items

There were no extraordinary items for the year.

8. Remuneration of Executives

	Number of Executives	Number of Executives	Number of Executives	Number of Executives
160 000 - 169 999	-	6	-	6
170 000 - 179 999	2	1	1	1
180 000 - 189 999	6	-	6	-
190 000 - 199 999	-	1	-	1
210 000 - 219 999	1	-	1	-
320 000 - 329 999	-	1	-	1
360 000 - 369 999	1	-	1	-
	10	9	9	9

8.	Remuneration of Executives (continued)	Consolidated		University	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
	Total remuneration received or due and receivable by Executives of the University	2 046	1 702	1 869	1 702
9.	Remuneration of Auditors				
	Auditing the financial report	173	149	161	143
	Other services	13	7	13	1
		186	156	174	144
10.	Inventories				
	No inventories are recognised in the accounts. The University recognises consumable supplies is an expense at the time of acquisition.				
11.	Receivables				
	Current:				
	Student fees	1 535	721	1 535	721
	Student loans	610	586	610	586
	Commonwealth	1 172	2 679	1 172	2 679
	Other trade debtors	8 958	6 853	7 988	6 436
		12 275	10 839	11 305	10 422
	Provision for doubtful debts	(1 158)	(603)	(1 158)	(603)
		11 117	10 236	10 147	9 819
12.	Investments				
	Current:				
	Workers compensation Investment Fund	119	116	119	116
	Short term deposits	51 926	46 279	50 260	45 273
		52 045	46 395	50 379	45 389
	Non-Current:				
	Investment in controlled entity	-	-	562	66
	Workers Compensation Investment Fund	5 968	6 051	5 968	6 051
	Share investments	1 353	775	470	412
		7 321	6 826	7 000	6 529
13.	Other Assets				
	Current:				
	Prepayments	653	544	639	544
	Accrued income	1 550	1 224	1 549	1 221
		2 203	1 768	2 188	1 765
14.	Property, Plant and Equipment				
	Land:				
	At valuation 31 December 1998 and 2000	-	29 323	-	29 323
	At valuation 31 December 2001	39 065	-	39 065	-
	At cost	-	-	-	-
	Accumulated depreciation	-	-	-	-
		39 065	29 323	39 065	29 323
	Buildings:				
	At valuation 31 December 1998 to 2000	-	481 934	-	481 871
	At valuation 31 December 2001	511 127	-	511 063	-
	At cost	-	11 882	-	11 882
	Accumulated depreciation	(199 848)	(163 652)	(199 797)	(163 618)
		311 279	330 164	311 266	330 135
	Total Land and Buildings	350 344	359 487	350 331	359 458
	Library Collection:				
	At valuation 31 December 1998	-	103 577	-	103 577
	At valuation 31 December 2001	56 566	-	56 566	-
	At cost	-	5 743	-	5 743
	Accumulated depreciation	(24 527)	(73 314)	(24 527)	(73 314)
		32 039	36 006	32 039	36 006
	Plant and Equipment:				
	At valuation 31 December 1998	-	3 168	-	3 168
	At cost	37 896	33 890	37 281	32 958
	Accumulated depreciation	(20 234)	(20 507)	(19 895)	(19 903)
		17 662	16 551	17 386	16 223
	Total Property, Plant and Equipment	400 045	412 044	399 756	411 687
	Reconciliation of Movements in Property, Plant and Equipment				
	Land:				
	Carrying amount at beginning at year	29 323	29 519	29 323	29 519
	Additions	-	-	-	-
	Disposals	(70)	(196)	(70)	(196)
	Revaluations	9 812	-	9 812	-
	Carrying amount at end of year	39 065	29 323	39 065	29 323

14. Property, Plant and Equipment (continued)	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Buildings:				
Carrying amount at beginning of year	330 164	363 789	330 135	363 789
Additions	5 368	6 615	5 368	6 420
Disposals	(206)	(1 682)	(206)	(1 546)
Depreciation	(11 826)	(12 588)	(11 810)	(12 588)
Revaluations	(12 221)	(25 970)	(12 221)	(25 970)
Carrying amount at end of year	311 279	330 164	311 266	330 135
Library Collection:				
Carrying amount at beginning of year	36 006	37 418	36 006	37 418
Additions	2 529	2 721	2 529	2 721
Disposals	(405)	(353)	(405)	(353)
Depreciation	(3 798)	(3 780)	(3 798)	(3 780)
Revaluations	(2 293)	-	(2 293)	-
Carrying amount at end of year	32 039	36 006	32 039	36 006
Plant and Equipment:				
Carrying amount at beginning of year	16 551	12 910	16 223	12 592
Additions	4 974	7 430	4 816	7 367
Disposals	(707)	(906)	(631)	(859)
Depreciation and Amortisation	(3 156)	(2 883)	(3 022)	(2 877)
Carrying amount at end of year	17 662	16 551	17 386	16 223
Total Property, Plant and Equipment	400 045	412 044	399 756	411 687
15. Intangibles				
The University does not have any material intangible assets at 31 December 2001.				
16. Assets supported by Guarantee, Warranties and Indemnities				
The University does not have any assets supported by guarantee, warranties or indemnities at 31 December 2001.				
17. Accounts Payable				
Current:				
Trade Creditors	10 063	11 816	9 920	11 349
Annual leave on-costs	1 939	1 579	1 939	1 579
Long service leave on-costs	565	325	565	325
	12 567	13 720	12 424	13 253
Non-Current:				
Annual leave on-costs	-	-	-	-
Long service leave on-costs	3 229	2 311	3 229	2 311
	3 229	2 311	3 229	2 311
18. Borrowings				
Current:				
Not later than one year	-	5 113	-	5 113
	-	5 113	-	5 113
Non-Current:				
Later than one year but not later than five years	15 000	-	15 000	-
Later than five years	50	15 050	50	15 050
	15 050	15 050	15 050	15 050
19. Other Provisions				
Current:				
Annual Leave	8 619	8 107	8 498	7 975
Long service leave	2 842	2 503	2 826	2 503
Separation scheme	683	890	683	890
Workers compensation liability	722	694	718	703
	12 866	12 194	12 725	12 071
Non-Current:				
Workers compensation liability	982	981	982	981
Long service leave	16 148	15 677	16 148	15 677
	17 130	16 658	17 130	16 658
20. Other Liabilities				
Current:				
Accrued interest	284	508	284	508
Finance lease	452	414	452	414
Other	799	199	291	562
Funds held on behalf of external entities	911	1 507	1 624	2 869
	2 446	2 628	2 651	4 353
Income in advance on incomplete projects	2 119	2 854	2 015	2 661
Work in progress	(100)	(58)	(100)	(58)
	2 019	2 796	1 915	2 603
Fees and charges	1 860	1 424	1 860	1 424
Commonwealth grant	13 852	13 676	13 852	13 676
HECS recovery	190	-	190	-
	15 902	15 100	15 902	15 100
	20 367	20 524	20 468	22 056

20. Other Liabilities	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Non-Current:				
Finance lease	1 319	1 771	1 319	1 771
	1 319	1 771	1 319	1 771
21. Capitalised Borrowing Costs	The University has not capitalised any borrowing costs.			
22. Reserves and Equity	The University has three reserves in total. Two reserves are for the purposes of asset revaluation, namely the land and buildings reserve and the library collection reserve. The remaining reserve is for the purpose of investment revaluation.			
(a) Reserves	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Asset Revaluation Reserves:				
Land and buildings	30 746	33 155	30 746	33 155
Library collection	-	1 082	-	1 082
Investment revaluation reserve	152	-	-	-
Total Reserves	30 898	34 237	30 746	34 237
Movements in Reserves:				
Land and Buildings:				
Opening balance	33 155	59 125	33 155	59 125
Asset revaluation decrement	(2 409)	(25 970)	(2 409)	(25 970)
Closing Balance	30 746	33 155	30 746	33 155
Library Collection:				
Opening balance	1 082	1 082	1 082	1 082
Asset revaluation decrement	(1 082)	-	(1 082)	-
Closing balance	-	1 082	-	1 082
Investments:				
Opening balance	-	-	-	-
Investment revaluation increment	152	-	-	-
Closing balance	152	-	-	-
Total Reserves	30 898	34 237	30 746	34 237
(b) Accumulated Result of Operations				
Opening balance	358 044	355 666	354 784	353 190
Operating result from ordinary activity	6 888	2 378	5 231	1 594
Transfers from reserves	-	-	-	-
Closing Balance	364 932	358 044	360 015	354 784
Total Equity	395 830	392 281	390 761	389 021
23. Commitments for Expenditure				
(a) Capital Expenditure Commitments				
Building Works - Not later than one year	1 473	1 371	1 473	1 371
	1 473	1 371	1 473	1 371
(b) Lease Commitments				
Operating Leases:				
Not later than one year	2 711	2 828	2 711	2 614
Later than one year but not later than five years	4 645	4 868	4 645	4 552
Later than five years	-	-	-	-
	7 356	7 696	7 356	7 166
Finance Leases:				
Not later than one year	653	653	653	653
Later than one year but not later than five years	1 631	2 283	1 631	2 283
Later than five years	-	-	-	-
	2 284	2 936	2 284	2 936
Less: Future lease finance charges	513	751	513	751
	1 771	2 185	1 771	2 185
Lease Liabilities Provided for in the Financial Statement:				
Current	452	414	452	414
Non-Current	1 319	1 771	1 319	1 771
	1 771	2 185	1 771	2 185

Major operating leases include leases for accommodation, vehicles and a lease for photocopying equipment within the University's Document Services area. Subsequent to 31 December 2001, the University paid out in full its lease for photocopying equipment for \$1.157 million.

At 31 December 2001 the University had a finance lease over a computer with a written down value of \$1.771 million. The terms of the agreement do not include renewal or purchase options.

24. Superannuation Plans

The University contributes to the following employee superannuation funds:

(a) South Australia Superannuation Fund

A number of present and past employees of the University and its predecessor institutions are members of State Government Superannuation Schemes. Under the schemes benefits are paid as a lump sum or continuing pension on the termination of employees' service based on contributions made by the employee and the employee's final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for the administration of the schemes.

Under current arrangements the Board pays the benefits and is reimbursed by the University for the shortfall in the employer's contribution. The Commonwealth government fully funds the University on an emerging cost basis for the costs and recovers the State's share of the cost directly from the State government.

The University's superannuation liability with respect to future benefits for current pensioners and employees was assessed by the Director Superannuation (State Superannuation Office) Department of Treasury and Finance as at 31 December 2001 to be \$276.3 million (31 December 2000: \$274.8 million). The assessment took into account an actuarial review of the South Australian Superannuation Fund as at 30 June 1998.

The University's liability under the scheme has been partly funded by an amount of \$15.3 million (\$14.4 million) arising from 3 percent productivity employer contributions. This reduces the unfunded liability to \$261.0 million (\$260.5 million). The net unfunded amount has been recognised in the accounts of the University as a liability and a corresponding receivable from the Commonwealth government. The asset and liability have been classified as current and non-current according to cash flow projections of the assessment.

Recognition of the receivable from the Commonwealth is in accordance with DEST Guidelines and reflects an assessment that while there is no legislated requirement, the Commonwealth has committed to fund the University's emerging costs.

Assumptions adopted by the Director Superannuation (State Superannuation Office), South Australian Department of Treasury and Finance in determining the University's liability were:

Rate of increase in the Consumer Price Index (CPI)	2.5% per annum
Rate of salary increases	4.0% per annum
Investment earnings	7.5% per annum

These assumptions have not changed since 1999.

These rates provide for a 1.5 percent real gap between CPI and salary increases and a further 3.5 percent real gap between salary increases and investment earnings.

(b) UniSuper

In 2000 the administrative arrangements for the Superannuation Scheme for Australian Universities (SSAU) and the Tertiary Education Superannuation Scheme (TESS) were merged with no change to the conditions for each scheme. UniSuper then became sole trustee of the two schemes.

(i) SSAU

The University contributes to SSAU at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The fund provides defined benefits based on years of service and final average salary or choice of investment funds.

The last actuarial investigation as at 31 December 1999 was conducted by Grant Harslett, FIA, FIAA on 18 May 2000.

A funding and solvency certificate required under regulation 9.09(i) of the Superannuation (Supervision) Industry Regulations has been obtained from SSAU with a date of effect of 2 December 1999 ceasing on 30 June 2002.

As at 30 June the University of South Australia's share of the fund was:

	2001	2000
	\$'000	\$'000
Net Market Value	76 558	71 435
Accrued Benefits	69 378	65 176
Difference	7 180	6 259
Vested Benefits	69 378	65 176

(ii) Tertiary Education Superannuation Scheme (TESS)

The University contributes to the fund at a rate determined by the TESS Award. The scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University also makes contributions into the fund for employee entitlements arising under the Superannuation Guarantee Charge (SGC).

(c) Deferred Government Superannuation Contribution

The Commonwealth government has undertaken to provide funding for emerging superannuation costs in its grants to institutions and to recover the State's share of the cost directly from the State government.

In 2001, an amount of \$0.5 million was brought to account to reflect the increase in the net unfunded past service cost for State superannuation (2000: a decrease of \$23.6 million).

	2001	2000
	\$'000	\$'000
Deferred Government superannuation contribution at 1 January	260 500	284 100
Increase (Decrease) in amount owing for unfunded liability	500	(23 600)
Deferred Government Superannuation Contribution at 31 December	261 000	260 500
Comprising:		
Current asset	22 900	22 000
Non-Current asset	238 100	238 500
	261 000	260 500

25. Contingent Liabilities

The University has entered into an agreement with the Minister of the Department of Education, Training and Employment to provide 35 spaces in a Child Care Centre built in 1997 at the University's City West campus. If the agreement is terminated within the first seven years an amount of \$0.680 million being the Minister's contribution to the Child Care Centre will be refunded. If the agreement is terminated after seven years a sum of \$0.680 million to be repaid is reduced on a pro rata basis reducing to zero after 21 years.

In 1994 the University received a South Australian government grant of \$1.0 million towards establishing the Ian Wark Research Institute (IWRI). Under the conditions the grant was awarded if the IWRI ceases to operate the University is liable to repay 10 percent of the grant for each complete year the IWRI fails to operate up to 2004.

A claim has been brought against the University in relation to the disposal of a property. Settlement in relation to the disposal of the property is subject to finalising the claim, the outcome of which is uncertain at the time of these accounts. No provision has been made in the accounts in relation to this matter.

The University has entered into an arrangement to underwrite student accommodation. The arrangement requires the University to fund vacancies up to a limit. At 31 December 2001 the University had a contingent liability of \$0.292 million. The University has no other material contingent liabilities.

26. Leases

Leased plant and equipment over which the University or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. All other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Statement of Financial Performance.

Payments made under operating leases are charged as an operating expense over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

27. Economic Dependency

The University does not have an economic dependency on another entity or person.

28. Joint Venture Operations

The University's interest in joint ventures is by note disclosure only, as these interests are immaterial in relation to the University's core activities.

The University participates in joint venture operations as described below.

		Reporting	Output Interest	
		Date	2001	2000
			Percent	Percent
(a)	SPRI (Building)	30 June	30	30
(b)	SAIBT	30 June	20-30	-

(a) Signal Processing Research Institute (SPRI) Building

The University and the Technology Development Corporation (subsumed by the MFP Development Corporation and subsequently the Land Management Corporation) entered into an agreement in 1991 to establish a building to house the SPRI at Mawson Lakes. The building is leased to University research centres affiliated with the SPRI and other lessees. The University has a 30 percent share of the joint venture with the Land Management Corporation holding the remaining 70 percent share.

(b) South Australian Institute of Business Technology Pty Ltd (SAIBT Pty Ltd)

During 2001 the University entered into a cooperative arrangement with SAIBT Pty Ltd (The 'Institute') pursuant to which the Institute will develop and offer a range of educational services to students and the University will provide the Institute with services and facilities to assist in the provision of these services, in consideration of which the Institute shall pay to the University specified fees.

28. Joint Venture Operations (continued)**Mawson Lakes Joint Venture Economic Development Project**

In addition, the University is a signatory to the Mawson Lakes Economic Development Project. The Commitment Deed requires the University to make best endeavours to support the project through land swaps and future developments.

29. Joint Venture Entities

The University has an interest in a number of joint venture entities as described below.

The University's interest in joint ventures is by note disclosure only, as these interests are immaterial in relation to the University's core activities.

	Reporting Date	Ownership Interest	
		2001 Percent	2000 Percent
(a) AARNet Pty Ltd	31 December	2.7	2.7
(b) AITEC Pty Ltd	31 December	13.1	25
(c) CRCSS	30 June	24	24
(d) CRCIMST	30 June	7	7
(e) CRCRET	30 June	8.3	8.3
(f) CRCST Pty Ltd	30 June	4	4
(g) CSSIP	30 June	5.2	5.2
(h) CWQT	30 June	6	6
(i) GUA Ltd	31 December	10	10
(j) m.Net Ltd	30 June	5	-
(k) Ngapartji Pty Ltd	30 June	10	10
(l) OLA Pty Ltd	31 December	14.3	12.5
(m) SAARDNet	31 December	20	20
(n) SACRRH	31 December	50	50
(o) SATAC	30 June	25	25

(a) Australian Academic and Research Network Pty Ltd (AARNet Pty Ltd)

AARNet Pty Ltd is a joint venture of 37 universities and CSIRO and was formed to provide management, technical and administrative expertise to members for the operation and development of their internet sites.

(b) Australian Information Technology Engineering Centre Pty Ltd (AITEC Pty Ltd)

AITEC Pty Ltd is jointly owned by the University of Adelaide, the Flinders University of South Australia, the South Australian Minister of Education, Employment and Training and the University of South Australia and two private entities. It creates educational programs designed to significantly increase the productivity of engineers employed in the Australian Information and Technology industries.

(c) Cooperative Research Centre for Satellite Systems (CRCSS)

The CRCSS is a national cooperative research centre. Its mission is to deliver a new sustainable advantage for Australian industries and government agencies involved in services based on the applications of future generations of small satellites.

(d) Cooperative Research Centre for Intelligent Manufacturing Systems and Technologies (CRCIMST)

The CRCIMST is a national cooperative research centre. Its purpose is to establish a world class research centre with representation from both industry and universities in areas of research that are directed at industry manufacturing methodologies and technologies.

(e) Cooperative Research Centre for Railway Engineering and Technologies (CRCRET)

The CRCRET is a national cooperative research centre. Its purpose is to promote the development of an internationally competitive, efficient and sustainable rail service to facilitate the development of an Australian export industry in railway technologies.

(f) Cooperative Research Centre for Sustainable Tourism Pty Ltd (CRCST Pty Ltd)

The CRCST is a national cooperative research centre. Its mission is to develop and manage intellectual property to deliver innovation to the community and government to enhance the environment, economic and social sustainability of tourism.

(g) Cooperative Research Centre for Sensor Signal and Information Processing (CSSIP)

The CSSIP is a national cooperative research centre. Its purpose is to provide research and postgraduate education in signal and information processing for sensors.

(h) Centre for Water Quality and Treatment (CWQT)

The CWQT is a national cooperative research centre. Its purpose is to enhance scientific and technological capabilities, support scientific research and encourage applications of science and technology in industry and other areas in the area of water quality and treatment.

(i) Global University Alliance Ltd (GUA Ltd)

GUA Ltd is a joint venture entity of 10 international universities formed to develop new programs, address global educational needs, seek new ways to increase learning opportunities and share skills and resources in a global market.

(j) m.Net Corporation Ltd (m.Net Ltd)

During the year the University became part of the m.Net Consortium. The purpose of the consortium is to develop Adelaide's North Terrace precinct with advanced wireless and mobile internet technology. At the balance date the Consortium Agreement was still to be signed by each member.

(k) Ngapartji Pty Ltd

Ngapartji Pty Ltd is a national cooperative multimedia centre (CMC). The aim of Ngapartji is to provide an international focal point for the creation and development of world leading commercially successful skills, technology and products in interactive media.

(l) Open Learning Agency of Australia Pty Ltd (OLA Pty Ltd)

OLA Pty Ltd is a joint venture entity with eight other universities whose role by acting as a national education broker is to make post secondary courses and units of study more accessible to a broader range of Australians.

(m) South Australian Academic Research and Development Network (SAARDNet)

SAARDNet is a joint venture by the University of Adelaide, Flinders University of South Australia, University of South Australia, DSTO and CSIRO to provide members with an enhanced network and shared resources. SAARDNet was formed to facilitate greater data, voice and video communications between higher education and research organisations in South Australia.

(n) South Australian Centre for Rural and Remote Health (SACRRH)

The University of South Australia and the University of Adelaide have been chosen by the Commonwealth to establish a University Department of Rural Health, known as SACRRH and located at the University of South Australia, Whyalla campus. The aim of the Centre is to improve access to appropriate health care services for rural and remote communities.

(o) South Australian Tertiary Admissions Centre (SATAC)

SATAC is a joint venture of the three South Australian universities and the Minister for Education Training and Employment. SATAC processes undergraduate and postgraduate applications for admission to tertiary level courses.

30. Controlled Entities

The University has 100 percent ownership of two controlled entities:

(a) ITEK Pty Ltd

ITEK Pty Ltd was formed on 1 July 1999. ITEK Pty Ltd is trustee for the ITEK trust and has a 100 percent controlling interest in GTA Pty Ltd which is trustee for the GTA trust. The ITEK trust provides the University with business incubation and technology commercialisation services.

(b) University of South Australia Foundation Incorporated

The Foundation's purpose is to partner the University, its alumni and its supporters in industry and elsewhere in generating interest in the University. At the same time it seeks to attract broadly based levels of philanthropic support for the benefit of the University.

The University funds the operating costs of the Foundation directly so that donations and bequests received are used for the intended purpose.

Other Entities

The University also has an interest in Unisure Pty Ltd as described below.

Unisure Pty Ltd

The University of South Australia is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986* and is a shareholder along with the University of Adelaide and the Flinders University of South Australia in Unisure Pty Ltd which manages workers' compensation claims on behalf of the three institutions. Unisure Pty Ltd is the trustee of the Unisure Unit Trust which holds the University's workers' compensation liabilities and the associated investment funds. As at 31 December 2001 the Unit Trust held net assets of \$4.387 million on behalf of the University of South Australia (\$4.484 million).

The University's annual financial statements incorporate the financial transactions of the Unisure Unit Trust within the University column.

The net assets employed in Unisure are as follows:

	University	
	2001	2000
	\$'000	\$'000
Current assets	119	117
Non-Current assets	5 968	6 051
Total Assets	6 087	6 168
Current liabilities	718	703
Non-current liabilities	982	981
Total Liabilities	1 700	1 684
Net Assets	4 387	4 484

Refer to Notes 12 and 19.

31. Acquisition of Business

The University does not acquire any businesses during the reporting period.

32. Disposal of Controlled Entities

The University did not dispose of any controlled entities during the reporting period.

33. Outside Equity Interests

There are no outside equity interests in University controlled entities.

34. Associated Entities

The University does not have interests in associated entities. Its interests in other entities can be identified under the notes on Joint Venture Entities and Controlled Entities.

35. Segment Information

The University operates in the field of higher education principally in Australia and provides teaching and research services.

36. Subsequent Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, event of a material and unusual nature likely to affect significantly the operation of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.

37. Assets and Liabilities of Trusts for which the Institution is Trustee

The University is not a Trustee of any Trust.

38. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits net of outstanding bank overdrafts and unrepresented cheques. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Cash	5 627	2 353	3 636	2 115
Short-term deposits	51 926	46 279	50 260	45 273
	57 553	48 632	53 896	47 388
(b) Reconciliation of Operating Result from Ordinary Activities to Net Cash provided by Operating Activities				
Operating result from ordinary activities	6 888	2 378	5 231	1 594
Add (Less): Items classified as investing activities:				
(Profit) Loss on sale of plant and equipment	701	1 389	701	1 433
Add (Less): Non-cash items:				
Depreciation	18 779	19 251	18 630	19 215
Increase (Decrease) in doubtful debt provision	555	197	555	197
Non cash donations	(162)	(349)	(162)	(349)
Library revaluation decrement	1 210	-	1 210	-
Other	1 420	-	765	-
Change in assets and liabilities:				
(Increase) Decrease in receivables	(1 436)	(3 128)	(883)	(3 194)
(Increase) Decrease in other assets	(1 015)	22 895	(979)	22 855
Increase (Decrease) in accounts payable	(235)	1 201	89	1 341
Increase (Decrease) in other provisions	1 644	3 969	1 626	3 864
Increase (Decrease) in other liabilities	(609)	(20 685)	(2 040)	(20 209)
Net Cash from Operating Activities	27 740	27 118	24 743	26 747

(c) Non Cash Financing and Investing Activities

The University received in the reporting period donations of works of art and library materials with a fair value of \$162 000 (\$349 000). These non-cash acquisitions are not reflected in the Statement of Cash Flows.

(d) Financing Facilities

The University has a \$5.0 million (\$4.0 million) credit card facility with the National Australia Bank (NAB). The unused portion of this facility as at 31 December 2001 was \$4.457 million (\$3.473 million).

The University has a \$8.5 million (\$8.0 million) credit card facility with the Australia and New Zealand (ANZ) Bank. The unused portion of this facility as at 31 December 2001 was \$8.303 million (\$7.776 million).

The University has a loan facility with the South Australian Department of Treasury and Finance. The facility was originally \$35 million but reduced to the extent that borrowings were not made by a certain date and is non-renewable once borrowings have been repaid. As at 31 December 1998 the University had drawn down \$30.0 million. As at 31 December 2001, the University had repaid \$15.0 million of the \$30.0 million drawn down, leaving outstanding borrowings and an effective facility of \$15.0 million. No security is provided against the borrowings.

(e) Cash Balances Not Available for Use

There are no cash balances not available for use.

39. Financial Instruments**(a) Interest Rate Risk**

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

	2001					Non-Interest Bearing	2001 Total \$'000
	Floating Interest Rate	Fixed Interest maturing in					
		1 year or less	Over 1 to 5 years	More than 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000		
Financial Assets:							
Cash	5 627	-	-	-	-	-	5 627
Receivables	-	-	-	-	11 117	-	11 117
Investments	58 013	-	-	-	1 353	-	59 366
	63 640	-	-	-	12 470	-	76 110

Weighted average interest rate percent 3.79

(a) Interest Rate Risk (continued)

	2001					2001 Total \$'000
	Floating Interest Rate \$'000	Fixed Interest maturing in			Non- Interest Bearing \$'000	
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial Liabilities:						
Trade creditors	-	-	-	-	10 063	10 063
Annual Leave and long service leave on-costs	-	-	-	-	5 733	5 733
Borrowings	-	-	15 000	-	50	15 050
Finance lease	-	452	1 319	-	-	1 771
Funds held on behalf of external entities	-	-	-	-	911	911
	-	452	16 319	-	16 757	33 528
Weighted average interest rate percent		11.89	10.32			

	2000					2000 Total \$'000
	Floating Interest Rate \$'000	Fixed Interest maturing in			Non- Interest Bearing \$'000	
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:						
Cash	2 353	-	-	-	-	2 353
Receivables	-	-	-	-	10 236	10 236
Investments	51 440	-	-	-	1 781	53 221
	53 793	-	-	-	12 017	65 810

Weighted average interest rate percent

6.13

Financial Liabilities:						
Trade creditors	-	-	-	-	11 816	11 816
Annual leave and long service leave on-costs	-	-	-	-	4 215	4 215
Borrowings	-	5 000	-	15 000	163	20 163
Finance lease	-	414	1 771	-	-	2 185
Funds held on behalf of external entities	126	-	-	-	1 381	1 507
	126	5 414	1 771	15 000	17 575	39 886

Weighted average interest rate percent

5.75

9.72

8.78

10.18

(b) Currency Risk

The University assesses the likely foreign exchange risk for offshore activities and enters into hedging arrangements if appropriate. As at 31 December 2001 the University held US\$0.826 million in an onshore bank account.

(c) Credit Risk

Credit risk represents the loss that would be recognised if counter-parties failed to perform as contracted.

(i) On-Balance Sheet Finance Instruments

The credit risk on financial assets excluding investments of the economic entity which have been recognised in the Statement of Financial Position is the carrying amount net of any provisions for doubtful debts.

The economic entity is not materially exposed to any individual overseas country or individual customer.

(d) Net Fair Values of Financial Assets and Liabilities*(i) Valuation Approach*

Net fair values of financial assets and liabilities are determined by the economic entity on the following basis:

- *On-Balance Sheet Financial Instruments*
Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at amounts due from customers (reduced for expected credit losses) or due to suppliers.

The carrying amount of bank term deposits accounts, receivable, accounts payable and loans approximate net fair value.

The net fair value of unlisted share investments is determined by reference to the underlying net assets of the respective entities.

- *Net Fair Values*
The carrying amounts of financial assets and liabilities at the reporting date all approximate the net fair values except for borrowings at fixed rates of interest. The values of those borrowings are:

2001 Carrying Amount \$'000	2001 Net Fair Value \$'000	2000 Carrying Amount \$'000	2000 Net Fair Value \$'000
15 050	19 315	20 000	23 682

40. **Acquittal of Commonwealth Government Grants**
 40.1 **Teaching and Learning**

	Operating Financial Assistance excluding HECS		HECS	
	2001	2000	2001	2000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	\$'000	\$'000	\$'000	\$'000
Add: Financial Assistance received during reporting period	9 307	9 058	4 233	4 066
Add: Contributions actually received during reporting period	117 712	113 940	54 136	50 647
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	-	-	8 528	8 451
Revenue attributed to the reporting period	9 568	9 307	4 201	4 233
Accrual adjustments:				
(Over) under funding for the year	4 179	-	-	1 262
Permanent accrual adjustments	650	-	-	-
Reversal prior year accrual	(1 363)	(1 111)	(1 262)	343
Revenue attributed to the reporting period	120 917	112 580	61 434	60 536
Add: Surplus (Deficit) prior year	585	438	-	-
Funds available for the reporting period	121 502	113 018	61 434	60 536
Less: Expenses for current reporting period	121 141	112 433	61 343	60 536
Surplus* (Deficit) for reporting period	361	585	-	-

	Teaching Hospitals		Capital Development Pool	
	2001	2000	2001	2000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	\$'000	\$'000	\$'000	\$'000
Add: Financial Assistance received during reporting period	-	-	-	753
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	-	-	-	-
Accrual adjustments:				
(Over) under funding for the year	-	-	-	-
Permanent accrual adjustments	-	-	-	-
Reversal prior year accrual	-	-	-	-
Revenue attributed to the reporting period	-	-	-	753
Add: Surplus (Deficit) prior year	-	-	753	-
Funds available for the reporting period	-	-	753	753
Less: Expenses for current period	-	-	36	-
Surplus (Deficit) for reporting period	-	-	717	753

40.2 Australian Research Council	Large Research Grants		Strategic Partnerships with Industry	
	2001	2000	2001	2000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	\$'000	\$'000	\$'000	\$'000
Add: Financial Assistance received during reporting period	650	39	-	93
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	-	532	1 749	1 599
Accrual adjustments	-	-	-	-
Transfer to/from other shared University projects	(3)	-	(56)	-
Revenue attributed to the reporting period	647	571	1 693	1 692
Add: Surplus (Deficit) prior year	226	217	696	462
Funds available for the reporting period	873	788	2 389	2 154
Less: Expenses for current period	636	562	1 568	1 458
Surplus (Deficit) for reporting period	237	226	821	696

	Research Fellowships		International Research Exchange	
	2001	2000	2001	2000
Financial Assistance in advance (paid in previous reporting period for current reporting period)	\$'000	\$'000	\$'000	\$'000
Add: Financial Assistance received during reporting period	157	6	24	18
Less: Financial assistance in advance (received in reporting period for the next reporting period)	-	85	-	-
Accrual adjustments	-	-	-	-
Revenue attributed to the reporting period	157	91	24	20
Add: Surplus (Deficit) prior year	-	-	5	4
Funds available for the reporting period	157	91	29	24
Less: Expenses for current reporting period	123	91	7	19
Surplus (Deficit) for reporting period	34	-	22	5

40.2 Australian Research Council (continued)

	Research Centres		Research Infrastructure Equipment and Facilities	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Financial Assistance in advance (paid in previous reporting period for current reporting period)	-	-	-	-
Add: Financial Assistance received during reporting period	684	1 255	-	102
Less: Financial Assistance in advance (received in reporting period for next reporting period)	-	-	-	-
Accrual adjustments	-	-	-	-
Revenue attributed to the reporting period	684	1 255	-	102
Add: Surplus (Deficit) prior year	322	-	-	-
Funds available for the reporting period	1 006	1 255	-	102
Less: Expenses for current reporting period	802	933	-	102
Surplus (Deficit) for reporting period	204	322	-	-

	Indigenous Researchers Development Grant		Special Research Initiatives	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Financial Assistance in advance (paid in previous reporting period for current reporting period)	-	-	-	-
Add: Financial Assistance received during reporting period	35	(1)	-	-
Less: Financial Assistance in advance (received in reporting period for the next reporting period)	-	-	-	-
Accrual adjustments	-	-	-	-
Revenue attributed to the reporting period	35	(1)	-	-
Add: Surplus (Deficit) prior year	8	9	-	-
Funds available for the reporting period	43	8	-	-
Less: Expenses for current reporting period	14	-	-	-
Surplus (Deficit) for reporting period	29	8	-	-

	Learned Academic Projects		Special Key Centres for Teaching and Research	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Financial Assistance in advance (paid in previous reporting period for current reporting period)	-	-	-	-
Add: Financial Assistance received during reporting period	-	-	-	116
Less: Financial Assistance in advance (received in reporting period for the next reporting period)	-	-	-	-
Accrual adjustments	-	-	-	-
Revenue attributed to the reporting period	-	-	-	116
Add: Surplus (Deficit) prior year	-	-	100	69
Funds available for the reporting period	-	-	100	185
Less: Expenses for current reporting period	-	-	92	85
Surplus (Deficit) for reporting period	-	-	8	100

	Collaborative Research Grants	
	2001 \$'000	2000 \$'000
Financial Assistance in advance (paid in previous reporting period for current reporting period)	-	-
Add: Financial Assistance received during reporting period	-	-
Less: Financial Assistance in advance (received in reporting period for the next reporting period)	-	-
Accrual adjustments	-	-
Revenue attributed to the reporting period	-	-
Add: Surplus (Deficit) prior year	-	131
Funds available for the reporting period	-	131
Less: Expenses for current reporting period	-	131
Surplus (Deficit) for reporting period	-	-

40.3 DEST Research Financial Assistance

	Small Research Grants		Research Infrastructure Block	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Financial Assistance in advance (paid in previous reporting period for current reporting period)	17	-	57	-
Add: Financial Assistance received during reporting period	202	226	739	847
Less: Financial Assistance in advance (received in reporting period for the next reporting period)	-	17	83	57
Accrual adjustments	-	-	-	-
Revenue attributed to the reporting period	219	209	713	790
Add: Surplus (Deficit) prior year	67	44	-	5
Funds available for the reporting period	286	253	713	795
Less: Expenses for current reporting period	205	186	713	795
Surplus (Deficit) for reporting period	81	67	-	-

40.3 DEST Research Financial Assistance (continued)

	Australian Postgraduate Awards		International Postgraduate Research Scholarships	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Financial Assistance in advance (paid in previous reporting period for current reporting period)	-	-	-	-
Add: Financial Assistance received during reporting period	1 165	1 053	215	215
Less: Financial Assistance in advance (received in reporting period for the next reporting period)	-	-	-	-
Accrual adjustments	-	-	-	-
Revenue attributed to the reporting period	1 165	1 053	215	215
Add: Surplus (Deficit) prior year	141	86	19	17
Funds available for the reporting period	1 306	1 139	234	232
Less: Expenses for current reporting period	1 226	998	234	213
Surplus (Deficit) for reporting period	80	141	-	19

40.4 Summary of Unspent Financial Assistance

	Amount of unspent grant as at 31.12.2001 \$'000	Amt of unspent grant that is more likely to be approved by the Cwth for carry forward \$'000	Amount of unspent grant that is more likely to be recovered by the Cwth \$'000
Operating purposes excluding HECS:			
Higher education innovation program	174	174	-
Equality of opportunity	187	187	-
	361	361	-
Capital development pool	717	717	-
Large research grants	237	237	-
Strategic partnerships with industry	821	821	-
Research fellowships	34	34	-
International research exchange	22	22	-
Research centres	204	204	-
Research infrastructure equipment and facilities	-	-	-
Indigenous researchers' development	29	29	-
Key centres for teaching and research	8	8	-
Collaborative research grants	-	-	-
Small Research Grants	81	81	-
Research infrastructure block	-	-	-
Australian postgraduate awards	80	80	-
International postgraduate research	-	-	-
	2 594	2 594	-

41. Expenses by Function

	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Academic Activities:				
Academic staff salaries	66 973	61 756	66 973	61 788
Academic staff salary related expenses	30 599	29 559	30 599	29 553
Non-academic staff salaries	17 895	17 229	17 895	17 229
Non-academic staff salary related expenses	6 763	5 009	6 763	5 009
Depreciation expense:				
Buildings and infrastructure	6 767	7 196	6 767	7 196
Plant and equipment	1 339	1 274	1 339	1 274
Sub-total depreciation expense	8 106	8 470	8 106	8 470
Other expenses	28 601	28 682	28 601	28 682
	158 937	150 699	158 937	150 731
Libraries:				
Academic staff salaries	115	113	115	113
Academic staff salary related expenses	55	71	55	71
Non-academic staff salaries	6 252	5 908	6 252	5 908
Non-academic staff salary related expenses	1 846	1 662	1 846	1 662
Depreciation expense:				
Buildings and infrastructure	1 264	1 344	1 264	1 344
Library collection	3 798	3 780	3 798	3 780
Plant and equipment	70	66	70	66
Sub-total depreciation expense	5 132	5 190	5 132	5 190
Other expenses	4 545	1 560	4 545	1 560
	17 945	14 504	17 945	14 504
Other Academic Support Services:				
Academic staff salaries	1 221	1 102	1 221	1 102
Academic staff salary related expenses	507	475	507	475
Non-academic staff salaries	8 131	6 349	8 131	6 349
Non-academic staff salary related expenses	2 082	1 533	2 082	1 533
Depreciation expense:				
Buildings and infrastructure	803	853	803	853
Plant and equipment	1 067	1 017	1 067	1 017
Sub-total depreciation expense	1 870	1 870	1 870	1 870
Other expenses	6 509	7 228	6 509	7 228
	20 320	18 557	20 320	18 557

41. Expenses by Function (continued)	Consolidated		University	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Student Services:				
Academic staff salaries	18	50	18	50
Academic staff salary related expenses	5	25	5	25
Non-academic staff salaries	1 467	1 735	1 467	1 735
Non-academic staff salary related expenses	282	553	282	553
Depreciation expense:				
Buildings and infrastructure	1 110	1 180	1 110	1 180
Sub-total depreciation expense	1 110	1 180	1 110	1 180
Other expenses	4 022	3 745	4 022	3 745
	6 904	7 288	6 904	7 288
Public Services:				
Academic staff salaries	9	5	9	5
Academic staff salary related expenses	4	(6)	4	(6)
Non-academic staff salaries	100	128	100	128
Non-academic staff salary related expenses	27	30	27	30
Depreciation expense:				
Buildings and infrastructure	319	339	319	339
Plant and equipment	1	1	1	1
Sub-total depreciation expense	320	340	320	340
Other expenses	171	458	171	458
	631	955	631	955
Buildings and Grounds:				
Academic staff salaries	-	-	-	-
Academic staff salary related expenses	-	-	-	-
Non-academic staff salaries	3 041	2 934	3 041	2 934
Non-academic staff salary related expenses	911	647	911	647
Depreciation expense:				
Buildings and infrastructure	921	979	921	979
Plant and equipment	33	32	33	32
Sub-total depreciation expense	954	1 011	954	1 011
Other expenses	15 436	12 349	15 436	12 349
	20 342	16 941	20 342	16 941
Administration and Other General Institutional Services:				
Academic staff salaries	1 642	1 015	1 642	1 015
Academic staff salary related expenses	738	459	738	459
Non-academic staff salaries	16 794	15 923	16 794	15 923
Non-academic staff salary related expenses	3 775	4 456	3 775	4 456
Depreciation expense:				
Buildings and infrastructure	626	666	626	666
Plant and equipment	514	488	514	488
Sub-total depreciation expense	1 140	1 154	1 140	1 154
Other expenses	13 639	11 615	13 638	11 615
	37 728	34 622	37 727	34 622
Deferred Employee Benefits for Superannuation:				
Academic staff salary related expenses	400	(18 880)	400	(18 880)
Non-academic staff salary related expenses	100	(4 720)	100	(4 720)
	500	(23 600)	500	(23 600)
Other:				
Non-academic staff salaries	2 390	2 079	-	-
Non-academic staff salary related expenses	498	451	-	-
Depreciation expense:				
Plant and equipment	149	36	-	-
Sub-total depreciation expense	149	36	-	-
Other expenses	1 817	1 874	-	-
	4 854	4 440	-	-
Summary of Expenses by Function:				
Academic staff salaries	69 978	64 041	69 978	64 073
Academic staff salary related expenses	32 308	11 697	32 308	11 697
Non-academic staff salaries	56 070	52 285	53 680	50 206
Non-academic staff salary related expenses	16 284	9 621	15 786	9 170
Depreciation expense:				
Buildings and infrastructure	11 810	12 557	11 810	12 557
Library collection	3 798	3 780	3 798	3 780
Plant and equipment	3 173	2 914	3 024	2 878
Sub-total depreciation expense	18 781	19 251	18 632	19 215
Other expenses	74 740	67 511	72 922	65 637
Total Expenses by Function	268 161	224 406	263 306	219 998

MINISTER FOR ENVIRONMENT AND CONSERVATION; MINISTER FOR THE RIVER MURRAY

PORTFOLIO – ENVIRONMENT AND CONSERVATION AND THE RIVER MURRAY

INTRODUCTION

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

- Minister for Environment and Conservation
- Minister for the River Murray

The agencies included herein relating to the portfolio of Environment and Conservation and the River Murray are:

- Catchment Water Management Boards:
 - Northern Adelaide and Barossa Catchment Water Management Board
 - Onkaparinga Catchment Water Management Board
 - Patawalonga Catchment Water Management Board
 - River Murray Catchment Water Management Board
 - South East Catchment Water Management Board
 - Torrens Catchment Water Management Board
- Environment and Heritage — Department for
- Water, Land and Biodiversity Conservation — Department of

CATCHMENT WATER MANAGEMENT BOARDS

STRUCTURE OF THIS SECTION OF THE REPORT

A number of Catchment Water Management Boards have been established under the *Water Resources Act 1997*.

To provide an understanding, and to assist with readability, this section of the Report has been structured with an Introduction followed by commentary with respect to each of the established Catchment Water Management Boards as at 30 June 2002.

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The objective of the *Water Resources Act 1997* (the Act) is to establish a system for the use and management of the water resources of the State:

- (a) *that ensures that the use and management of those resources sustain the physical, economic and social well being of the people of the State and facilitate the economic development of the State while –*
 - (i) *ensuring that those resources are able to meet the reasonably foreseeable needs of future generations;*
 - (ii) *protecting the ecosystems (including their biological diversity) that depend on those resources;*
- (b) *that, by requiring the use of caution and other safeguards, reduces to a minimum the detrimental effects of that use and management.*

As part of that system, the Act provides for the establishment of Catchment Water Management Boards, whose functions include:

- preparing and implementing catchment water management plans;
- providing advice to the Minister for Water Resources (the Minister) and councils in relation to the management of water resources in the Board's area;
- promoting public awareness of the importance of the proper management of water resources in the Board's area.

Each Board is a separate body corporate and an instrumentality of the Crown, and is subject to control and direction by the Minister.

The Act requires each Board to prepare a draft catchment water management plan in relation to the water resources of its catchment area. The Act then requires the Minister to adopt the plan upon consultation with various bodies including:

- the Board;
- each of the constituent councils;
- the Local Government Association;
- the South Australian Water Corporation where the Corporation discharges water into a watercourse or lake catchment area of the Board.

Catchment Water Management Boards

In relation to the implementation of catchment water management plans, contributions are made towards the costs of the Board's operations in the form of levies on:

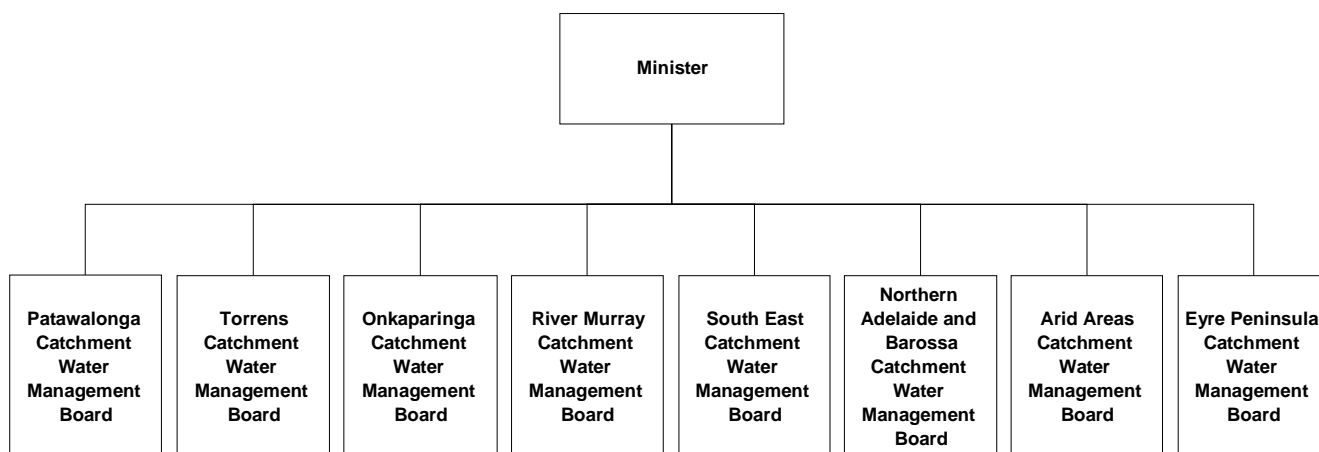
- water licences to take water from prescribed water courses, and/or;
- rateable land in the area of the Board.

Establishment of Boards

As at 30 June 2002, eight Catchment Water Management Boards have been established for the following catchment areas:

- Arid Areas
- Eyre Peninsula
- Northern Adelaide and Barossa
- Onkaparinga
- Patawalonga
- River Murray
- South East
- Torrens

The following diagram depicts the reporting relationships of the Board:



For the purpose of administrative support and cost effectiveness, the Patawalonga Catchment Water Management Board and the Torrens Catchment Water Management Board have agreed to share common office accommodation and administrative support systems.

Each Board proclaimed under the Act is a separate reporting entity; as a consequence, separate financial statements are prepared for each Board.

The financial statements of six of the eight Boards (ie Northern Adelaide and Barossa, Onkaparinga, Patawalonga, River Murray, South East and the Torrens) have been included in this Report. With respect to the remaining Boards (ie Arid Areas and Eyre Peninsula) a brief summary of their operating activity is provided hereafter.

Arid Areas Catchment Water Management Board

The Arid areas Catchment Water Management Board was established in May 2000. During the year revenue comprised \$400 000 (\$400 000) in appropriation revenue from the State Government and \$53 000 (\$27 000) interest income. Expenditure totalled \$402 000 (\$247 000) comprising employee costs of \$205 000 (\$103 000) and goods and services of \$197 000 (\$144 000). As at 30 June cash on hand and deposits amounted to \$648 000 (\$590 000).

Eyre Peninsula Catchment Water Management Board

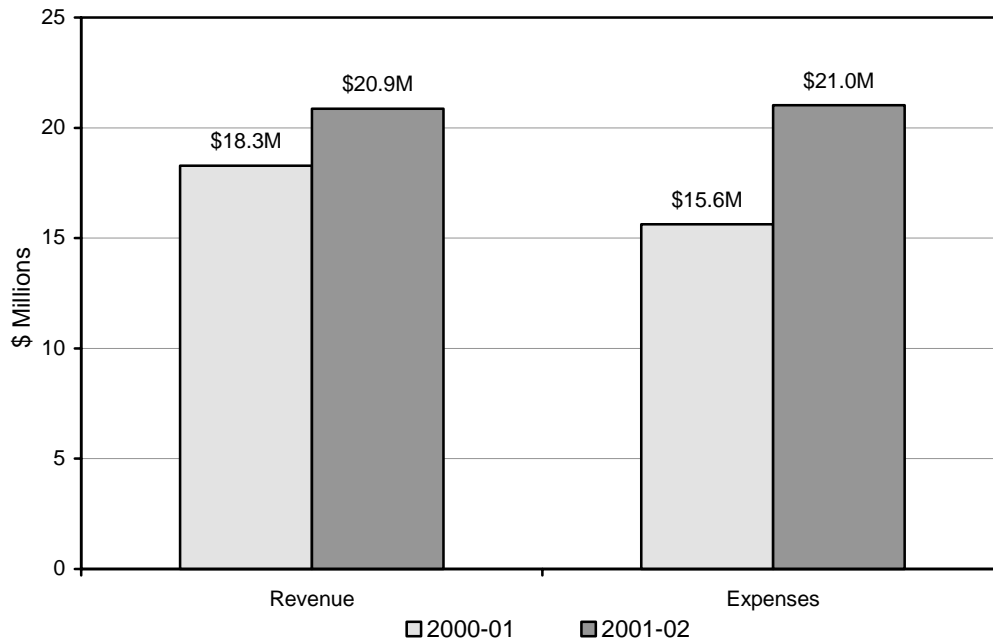
The Eyre Peninsula Catchment Water Management Board was established in March 2001. At the time of preparing this report, the financial report of the Board had not been completed.

Financial Activity

Total Revenues and Expenses

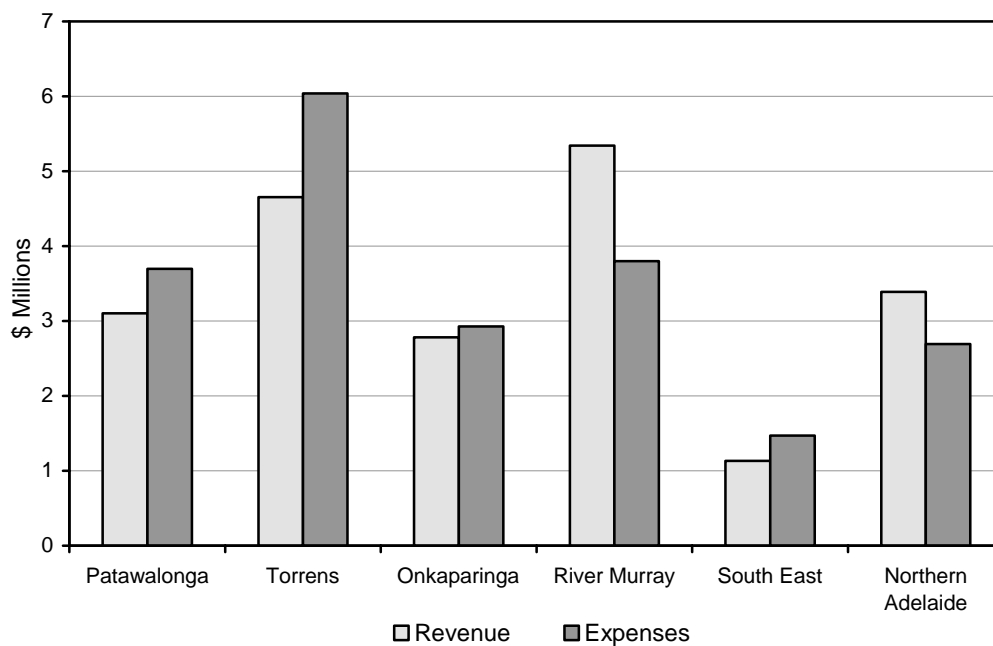
Since their establishment in 1995 the Catchment Water Management Boards have developed into a significant area of government operations with revenues and expense in 2001-02 exceeding \$20 million.

The following chart shows the total revenues and expenses of the Catchment Water Management Boards excluding Eyre Peninsula in 2000-01 and 2001-02.



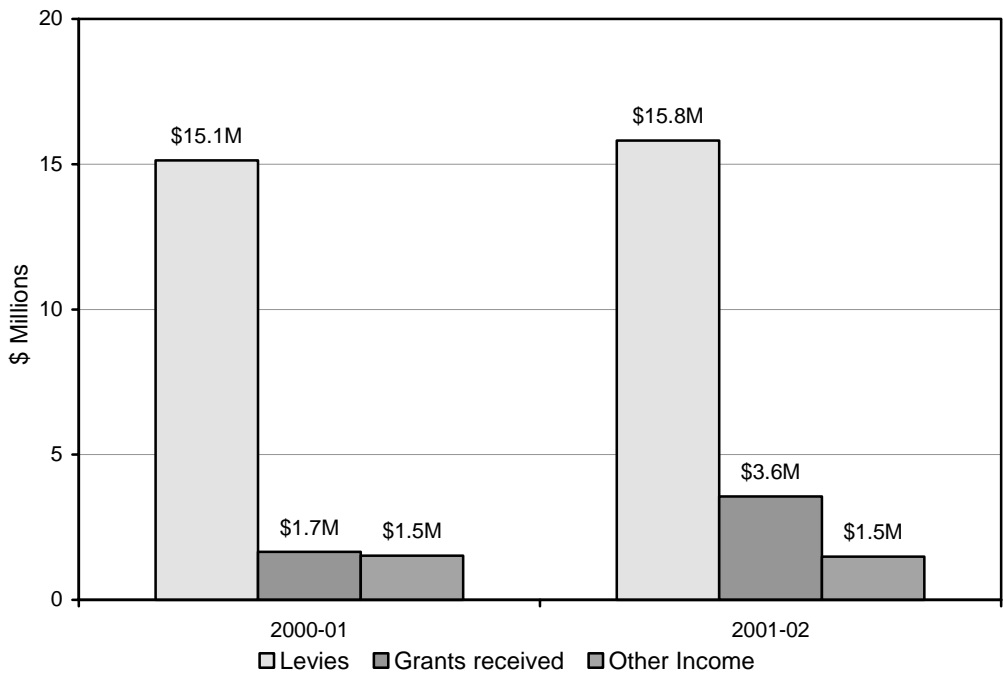
The chart highlights a significant increase in expenses for 2001-02 while revenues increase to a lesser degree. The increase in expenses reflects the variability of outlays from year to year as a result of periodic outlays on various construction projects.

The following shows the relative activity of the major boards for 2001-02.



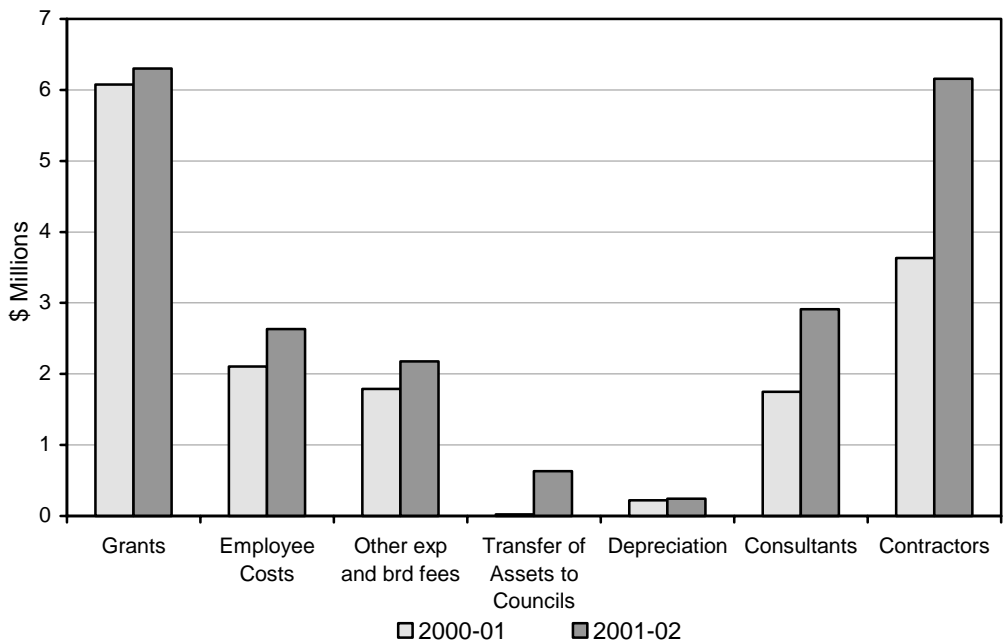
Major Revenues

The following chart highlights that the majority of revenues are raised through the various levies operating in respect of the individual boards. In 2001-02 the revenue from this source totalled \$15.8 million of total revenues of \$20.9 million for all boards excluding Eyre Peninsula. The other main source of revenue is grants.



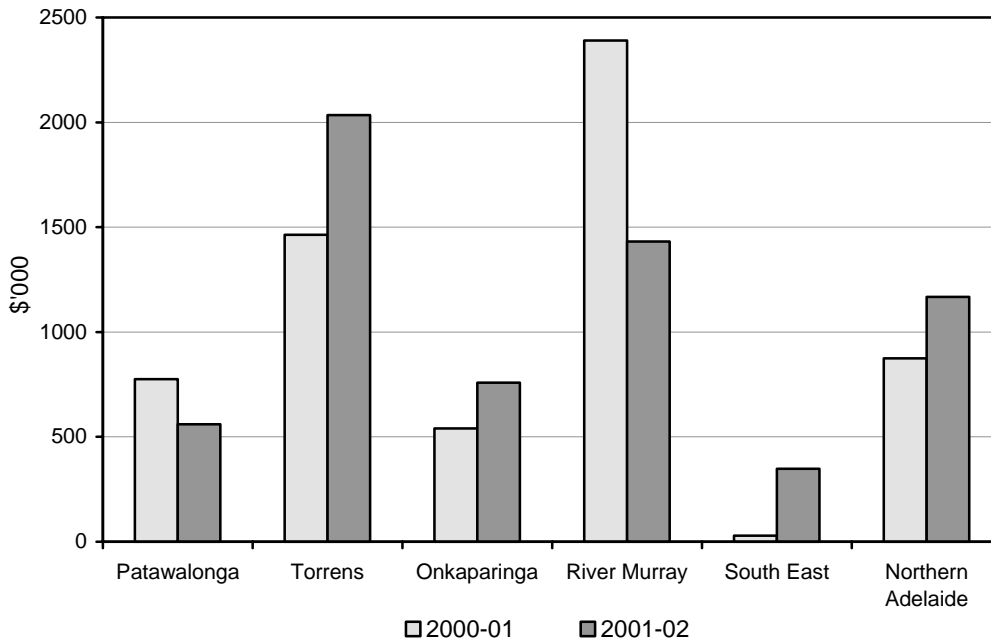
Major Expenses

The following chart highlights that grants represent a major expense of the boards for all boards excluding Eyre Peninsula. While employee costs are a relatively low proportion of expenses, it is evident that boards make significant use of contractors and consultants in providing their services.



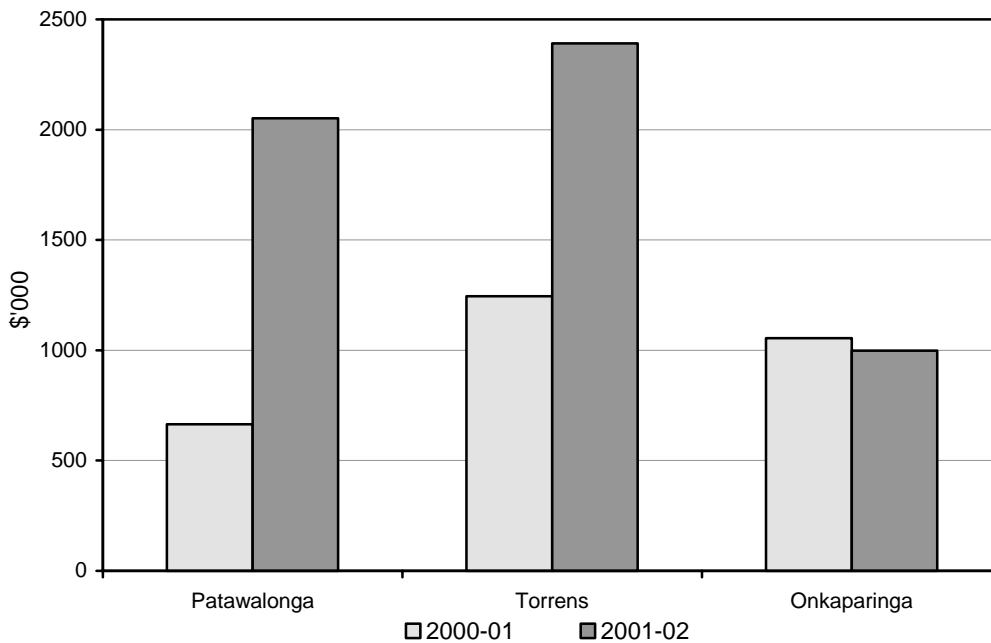
Grants

The following chart highlights where grant expenses are distributed for the largest boards.



Contractors

Payments to contractors was a large expense in 2001-02 amounting to \$6.2 million (\$3.6 million) excluding Eyre Peninsula. The following chart highlights major contractor outlays at the Torrens, Patawalonga and Onkaparinga Catchment Water Management Boards.



NORTHERN ADELAIDE AND BAROSSA CATCHMENT WATER MANAGEMENT BOARD

SIGNIFICANT FEATURE

Cash assets increased by \$621 000 to \$2 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 74(2) of the *Water Resources Act 1997* specifically provides for the Auditor-General to audit the accounts and financial statements of each Board established under the Act in respect of each financial year.

Scope of Audit

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

The specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including council contributions and grant funding
- grant administration.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the General Manager. A satisfactory response was received.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Revenues

Constituent Councils provided contributions of \$2.0 million (\$2.0 million) to the Board in 2001-02. The contributions comprised 60 percent (72 percent) of the Board's revenues for the year.

Other contributions and grants increased by \$646 000 to \$924 000 mainly as a result of grants received as part of the Commonwealth National Action Plan, increased grants from the National Heritage Trust and partnership grants from Councils.

Statement of Financial Position

Cash Assets

Cash assets increased by \$621 000 to \$2 million due mainly to unanticipated increases in contributions and grants not reflected in the Catchment Water Management Plan.

Northern Adelaide and Barossa Catchment Water Management Board

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Council contributions	1.3	2 044	1 976
Other contributions and grants		924	278
Prescribed area levies		324	308
Interest received		58	53
Other income		40	115
Total Revenues		3 390	2 730
EXPENSES FROM ORDINARY ACTIVITIES:			
Grants and subsidies		1 167	875
Contractors	3	655	509
Employee expenses	2.4	328	317
Other expenses		244	140
Consultants		242	225
Board fees and expenses		37	49
Depreciation	2,3,5	21	17
Total Expenses		2 694	2 132
SURPLUS FROM ORDINARY ACTIVITIES		696	598
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		696	598

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets		1 955	1 334
Receivables	2.6	509	194
Prepayments		17	14
Total Current Assets		2 481	1 542
NON-CURRENT ASSETS:			
Plant and equipment	4	17	39
Total Non-Current Assets		17	39
Total Assets		2 498	1 581
CURRENT LIABILITIES:			
Payables	2,7,6	513	291
Provisions	7.1	18	20
Total Current Liabilities		531	311
NON-CURRENT LIABILITIES:			
Provisions	7.2	10	9
Total Non-Current Liabilities		10	9
Total Liabilities		541	320
NET ASSETS		1 957	1 261
EQUITY:			
Accumulated surplus	8	1 957	1 261
TOTAL EQUITY		1 957	1 261
Commitments	9		
Contingent Liabilities	10		

Statement of Cash Flows for year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
INFLOWS:			
Council contributions		1 877	1 982
Prescribed area levies		315	349
Interest received		57	53
Other contributions and grants received		858	348
Other income received		34	26
Goods and services tax refunded by Australian Taxation Office		103	133
OUTFLOWS:			
Payments to suppliers, service providers, grantees and employees		(2 392)	(1 944)
Goods and services tax paid		(231)	(179)
Net Cash provided by Operating Activities	11.2	621	768
CASH FLOWS FROM INVESTING ACTIVITIES:			
OUTFLOWS:			
Payments for plant and equipment		-	(4)
Net Cash used in Investing Activities		-	(4)
NET INCREASE IN CASH HELD		621	764
CASH AT 1 JULY		1 334	570
CASH AT 30 JUNE	11.1	1 955	1 334

Northern Adelaide and Barossa Catchment Water Management Board

Output Class Schedule of Board's Expenses for the year ended 30 June 2002

Outputs (refer Note 2.9)	1	2	3	4	5	6	7	8	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	Total \$'000	Total \$'000
Grants and subsidies	536	83	160	20	272	63	33	-	1 167	875
Contractors	149	26	-	227	142	8	69	34	655	509
Employee expenses	51	35	32	39	66	41	27	37	328	317
Other expenses	59	19	20	27	70	12	29	8	244	140
Consultants	27	89	-	29	30	9	16	42	242	225
Board fees and expenses	11	3	4	4	9	2	2	2	37	49
Depreciation	6	2	2	3	5	1	1	1	21	17
	839	257	218	349	594	136	177	124	2 694	2 132

Revenues from Ordinary Activities have not been distributed to Output Classes as they do not relate to any particular class.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**1. Objectives and Funding****1.1 Establishment of Board**

The Northern Adelaide and Barossa Catchment Water Management Board was established on 24 December 1997 pursuant to the *Water Resources Act 1997*.

The Board commenced operation under an Initial Plan in 1998. The then Minister for Water Resources adopted a new Catchment Water Management Plan for July 2001 to June 2006 on 22 March 2001. The Plan was reviewed during 2001-02, resulting in the new Minister for Environment and Conservation adopting amendments to the Plan's three year projected income and expenditure for the financial years 2002-03 to 2004-05.

1.2 Functions of the Board

The functions of the Board are:

- to prepare and implement a comprehensive Catchment Water Management Plan
- provision of advice to the Minister for Environment and Conservation and constituent councils regarding water resources management in the Board's area
- promotion of public awareness of the importance of proper management and sustainable use of the water resources within the Board's area
- other functions as are assigned to the Board under the Act or any other Act.

1.3 Sources of Funding

In accordance with the provisions of the *Water Resources Act 1997*, the Board received contributions from councils within the proclaimed catchment area. The amount to be contributed by councils was based upon the estimated expenditure of the Board (as contained in the Catchment Water Management Plan) for the financial year, less the amount of any other funds available to the Board.

Councils are required to impose a separate levy on rateable land in the catchment areas of the Board in order to recover the contributions made to the Board.

Contributions payable by certain Councils to the Board have been reduced by the amount of rebates or remissions granted by Councils in accordance with section 136 of the *Water Resources Act 1997* and Division 5, Part 1 of the *Local Government Act 1999*.

In accordance with the provisions of the Act, a water-based levy was declared in the Government Gazette on 21 June 2001.

The levy is set at the following rate according to whether the allocation is determined on a volumetric basis or an irrigation equivalent basis; where the water allocation on the licence is specified:

- as an annual volume in kilolitres for the Northern Adelaide Plains prescribed area, 0.5 cents per kilolitre on use and 0.5 cents per kilolitre on allocation;
- as an annual volume in kilolitres for the Barossa prescribed area, 1.0 cent per kilolitre on allocation or in Irrigation Equivalents, \$10 or \$50 per hectare Irrigation Equivalent (IE) or part thereof, depending on crop type.

The water-based levy is collected by the Department of Water, Land and Biodiversity Conservation and forwarded to the Board.

2. Statement of Significant Accounting Policies**2.1 General**

The following is a summary of the significant accounting policies adopted by the Board in the preparation of the general purpose financial report.

The general purpose financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, Treasurer's Accounting Policy Statements, Treasurer's Instructions, the *Public Finance and Audit Act 1987*, *Water Resources Act 1997* and other mandatory reporting requirements.

The accrual accounting basis has been used for the preparation of the Financial Statements whereby items are brought to account as they are earned or incurred and included in the statements for the accounting periods to which they relate.

The accounts are prepared on the basis of historical cost and are not adjusted to take account of changing money values or current valuations of non-current assets unless otherwise disclosed in these Notes.

Northern Adelaide and Barossa Catchment Water Management Board

2.2 Income Recognition

Contributions from constituent councils are recognised as income following determination of the share of each council by the Minister and publication of those amounts in the Government Gazette. Contributions are required to be paid on a quarterly basis to the Board.

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Income from grants and other contributions is recognised following completion of formal documentation between the grantor and the Board.

Other income is recognised when the service has been performed.

All income relates to the operating activities of the Board.

2.3 Non-Current Assets

Depreciation

Depreciation is provided on a straight line basis to write-off the net cost or revalued amount of all plant and equipment over their expected useful lives. Estimates of remaining useful lives are made on a regular basis for all assets, with annual assessments for major items. The expected useful lives are as follows:

	Years
Display systems	3
Computer equipment	5
Office equipment	8
Furniture and fittings	8

Leasehold improvements (fittings) are amortised over the life of the lease.

Furniture depreciation was reviewed during 2001-02 to reflect the useful life of items (eight years).

Assets costing less than \$300 have been included in expenditure in the year of acquisition.

2.4 Employee Entitlements

Employer Superannuation

The Board contributed \$32 000 (\$32 000) to superannuation schemes in respect of its employees for the financial year. 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 at balance date relates to any contribution due but not yet paid to the superannuation schemes.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision is calculated at nominal amounts based on current salary rates. On-costs have been included in the provision in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Sick Leave

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

Long Service Leave

The benchmark used for determining long service leave liability is eight years in accordance with Accounting Policy Statement APS 9 'Employee Entitlements' issued by the Department of Treasury and Finance. The provision includes entitlements for one employee in recognition of prior service with other government departments.

On-costs have been included in the component of long service leave that will be taken as leave (55 percent of the liability at June 2002) rather than a lump sum. This calculation is based upon an average percentage supplied by the Department of Treasury and Finance for long service leave that will be taken as a lump sum (45 percent).

Workers Compensation

The Board is registered with WorkCover as an exempt employer. The Department of Water, Land and Biodiversity Conservation is responsible for payment of workers compensation claims through a Service Level Agreement signed in September 2001. There were no claims arising under the *Workers Rehabilitation and Compensation Act 1986* and no provision for claims liability has been made at year end based upon previous claims history.

2.5 Leases

The Board has no finance leases.

The Board has entered into operating lease agreements for premises, vehicles and computer equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Lease payments are included as expenditure in equal instalments over the accounting periods covered by the lease terms.

Total expenditure on operating leases in the financial year was \$67 000 (\$23 000).

2.6 Receivables

Income receivable on investment of surplus funds is accrued in accordance with the terms and conditions applicable to funds held at Department of Treasury and Finance in a section 21 Deposit Account.

Northern Adelaide and Barossa Catchment Water Management Board

2.7 Payables*Trade Creditors*

These amounts represent liabilities for goods and services provided to the Board prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other Payables

These amounts represent unpaid board fees, salaries and direct overheads at balance date.

2.8 Credit Risk Exposure

The credit risk on financial assets of the Board, which have been recognised in the Statement of Financial Position, is generally the carrying amount.

2.9 Output Classes of the Board

Outputs are defined as goods or services produced, provided to or acquired for external customers. The Board has defined eight goals in its catchment plan that will ensure sustainable water use and healthy catchments. Each goal requires a range of outputs or services to be provided if the Board is to deliver the outcomes sought by the community and contained within the catchment plan. The identity and description of each goal (or output class) of the Board during the year ended 2002 is summarised below (refer to the Output Class Schedule of Board's Expenses).

Goal 1. Improve Water Quality

Water quality is an important component in the management of catchments used to harvest public water supplies and in maintaining the health of aquatic ecosystems, rivers and Gulf St. Vincent. The rapid expansion in horticultural and residential development in the catchment over the last forty years has resulted in significant manipulation of the natural surface and underground water regimes in the catchment. The outputs from this goal include restoration of priority riparian areas; improvement in urban stormwater quality and minimising development impacts on water resources.

Goal 2. Sustainable Water Use

The surface and underground waters of the catchment are extensively developed, with irrigation being the largest water consumer. Exploitation of this water has led to a decline in the availability and quality of surface water, as well as falling underground water levels. The aim of this goal is to redress adverse impacts through initiatives that promote the sustainable use of land and water resources.

Goal 3. Support Innovative Water Use

Sustainable water management requires the efficient use of traditional water sources such as underground water and surface water, as well as the use of alternative water resources such as stormwater and treated wastewater. The desired outcome from this goal is the development and implementation of regional plans for stormwater and wastewater reuse.

Goal 4. Improve Catchment Biodiversity

There has been a significant loss of biodiversity and fragmentation of habitats within the region through various pressures. The major threats to aquatic habitat include altered flows, physical changes to watercourse morphology and poor water quality. Outputs under this goal include restored terrestrial vegetation; improved urban stormwater management; better management of dams, and environmental water flow requirements determined for major watercourses.

Goal 5. Adoption of Catchment Care

The Board is taking a leadership role in raising community awareness of best catchment management practices through coordination, developing partnerships with a range of interest groups and by community education and promotional activities. In order to deliver effective programs and projects, the Board intends to maintain and strengthen existing partnerships, as well as develop new partnerships across the catchment.

Goal 6. Integrate Land and Water Management

Beneficial change in the condition of the catchment can be achieved if land and water management policies, programs and practices are appropriate to catchment conditions and are effectively integrated. The Board seeks to work cooperatively with State Government agencies and Local Government. The Board's main influence will be through its ability to coordinate and resource activities, advocate for change, and educate and raise awareness of catchment issues.

Goal 7. Monitor Catchment Health

The measurement of physical, chemical and biological parameters is necessary to assess the quantity and quality of the water resources of the catchment and the health of its water dependent ecosystems. At present there are a number of knowledge gaps regarding the existing conditions of the catchment, which need to be addressed. The desired outcomes are increased awareness and participation in best practice catchment management, and increased knowledge of the state of the catchment.

Goal 8. Coordinated Floodplain Management

The impacts of flooding have resulted from a lack of coordination, as the management of floods and the floodplain has largely occurred on an ad-hoc basis. The Board will focus its contribution to floodplain management of what are largely rural rivers and is adopting the role of facilitator to bring about action to mitigate flood hazard.

Northern Adelaide and Barossa Catchment Water Management Board

2.10 Accounting for Goods and Services Tax (GST)

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

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

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

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

2.11 Rounding

All amounts are rounded to the nearest thousand dollars.

3. Contractors

Contractors have been used to implement the Board's program of activities including installation of wetlands, watercourse rehabilitation, monitoring of water quality and production of community education material.

4. Plant and Equipment

	2002		2001	
	\$'000	\$'000	\$'000	\$'000
Display systems at cost	6		6	
Less: Accumulated depreciation	4		2	
		2		4
Furniture and fittings at cost	19		19	
Less: Accumulated depreciation	15		3	
		4		16
Computer equipment at cost	19		19	
Less: Accumulated depreciation	18		16	
		1		3
Office equipment at cost	14		14	
Less: Accumulated depreciation	7		5	
		7		9
Office leasehold improvements at cost	20		20	
Less: Accumulated amortisation	17		13	
		3		7
Total Plant and Equipment		17		39

5. Plant and Equipment Movement Schedule

	Carrying Amount	Additions	Disposals	Depreciation Expense	Carrying Amount
	1.7.01				30.6.02
	\$'000	\$'000	\$'000	\$'000	\$'000
Display systems	4	-	-	(2)	2
Furniture and fittings	16	-	-	(12)	4
Computer equipment	3	-	(1)	(1)	1
Office equipment	9	-	-	(2)	7
Office leasehold improvements	7	-	-	(4)	3
	39	-	(1)	(21)	17

6. Payables

	2002	2001
	\$'000	\$'000
Trade creditors	449	250
Other	64	41
Total	513	291

7. Provisions

7.1 Current Provisions

Provision for employee entitlements:
Annual leave

18 20

7.2 Non-Current Provisions

Provision for employee entitlements:
Long service leave

10 9

28 29

8. Accumulated Surplus

Balance at 1 July	1 261	663
Surplus from ordinary activities	696	598
Balance at 30 June	1 957	1 261

Northern Adelaide and Barossa Catchment Water Management Board

9.	Expenditure Commitments	2002	2001
	9.1 Lease Commitments	\$'000	\$'000
	Operating Leases:		
	Not later than one year	65	43
	Later than one year and not later than five years	49	39
	Total Operating Lease Commitments (including GST)	114	82
	 GST included in operating lease commitments	 11	 7

The operating lease commitments comprise the following:

- a property lease which is non-cancellable. Rental is payable monthly with reviews indexed annually, alternating between market value and CPI indexation. Options exist to renew the lease at the end of term of the lease in March 2003.
- a computer lease which is non-cancellable. Rental is payable annually in advance and options exist to renew or cancel the lease at the end of the term of the lease.
- vehicle leases that are non-cancellable. Lease is payable monthly.

9.2	Other Expenditure Commitments	2002	2001
		\$'000	\$'000
	Not later than one year	1 344	1 376
	Later than one year and not later than five years	233	176
	Total Other Expenditure Commitments (including GST)	1 577	1 552
	 GST included in other expenditure commitments	 143	 141

Several projects involving contracts and grants have been committed at 30 June 2002. The total commitment is \$1 577 000 for projects including the watercourse management program, works for reducing water pollution, groundwater investigations, greenhouse and horticulture projects at Virginia, integrated management plans including BIPEC, Little Para industry partnership program, Gawler River restoration plan, grants for catchment groups and watercare in schools and Barossa Sustainable farms. The amount is not reflected in the Statement of Financial Performance or Statement of Financial Position for the current financial year.

10. Contingent Liabilities
The Board has no contingent liabilities.

11. Note to the Statement of Cash Flows

11.1 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, the Board considers cash to include cash on hand and in banks and those investments that are able to be converted to cash within two working days.

11.2	Reconciliation of Net Cash provided by operating activities to Surplus from ordinary activities	2002	2001
		\$'000	\$'000
	Surplus from ordinary activities	696	598
	Depreciation	21	17
	Loss on disposal of plant and equipment	1	-
	(Increase) - Receivables	(315)	(37)
	(Increase) - Prepayments	(3)	(14)
	Increase - Payables	222	188
	(Decrease) Increase - Provisions	(1)	16
	Net Cash provided by Operating Activities	621	768

12. Auditors' Remuneration

Amount paid or payable to the Auditor-General's Department with respect to the audit of the Board's financial report

12	11
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No other services were provided by the auditors.

13. Remuneration of Board Members

Members of the Northern Adelaide and Barossa Catchment Water Management Board during the financial year were:

Mr Peter Wall: Presiding Member	Mr Stephen Hains
Dr Bruce Eastick	Mr Tim Jackson (until 24 December 2001)
Mrs Pat Harbison	Mr Nick Pezzaniti
Mrs Lesley Purdom	Mrs Pam Chapman
Mr Ross Dawkins	Mr Barrie Ormsby (from 2 May 2002)

Total income received, or due and receivable, by Board Members and Members of two catchment management consultative committees was \$29 000 (\$45 000). Other expenses of the Board Members were \$8 000 (\$4 000).

The number of Members whose income from the entity falls within the following bands is:

	2002	2001
	Number of	Number of
	Members	Members
\$0 - \$9 999	9	8
\$10 000 - \$19 999	1	1

Northern Adelaide and Barossa Catchment Water Management Board

13. Remuneration of Board Members (continued)

Prescribed benefits given by the Board to prescribed superannuation funds or otherwise in connection with the retirement of Board Members were \$1 000 (\$2 000).

In accordance with the Department of the Premier and Cabinet Circular No. 100, one Board Member (Mrs Pam Chapman) did not receive any remuneration as this Member was an employee of the Government. Two Board Members (Mr Stephen Hains and Mr Tim Jackson) were employed by constituent councils and elected to have their remuneration paid directly to those Councils.

Related Party Disclosures

Four Board Members have direct affiliations with Local Government Councils from which Council contributions are received by the Board. They are:

Mr Stephen Hains	employee, City of Salisbury
Mr Tim Jackson	employee, City of Playford
Mrs Lesley Purdom	Mayor, City of Tea Tree Gully
Mr Ross Dawkins	Councillor, Light Regional Council

During the year grants totalling \$636 000 were approved for the Councils of the four Board Members. Schedule 2 clause 10(10) of the *Water Resources Act 1997* provides that a member of the Board does not have a direct or indirect personal or pecuniary interest in any matter under consideration by the Board simply by being a member of a constituent council. The nature of the grants and conditions attached, were similar to other grants provided to various organisations.

14. Remuneration of Executives

The number of Executive Officers whose normal remuneration from the Northern Adelaide and Barossa Catchment Water Management Board falls within the following bandwidth:
\$100 000 - \$110 000

2002	2001
Number of Executive	Number of Executive
1	1

15. Financial Instruments

Interest Rate Risk Exposure

The Board's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

	Floating Interest Rate	2002 Non-Interest Bearing	Total	Floating Interest Rate	2001 Non-Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:						
Cash assets	1 955	-	1 955	1 334	-	1 334
Receivables	-	509	509	-	194	194
	1 955	509	2 464	1 334	194	1 528
Weighted average interest rate (percent)	4.48			5.06		
Financial Liabilities:						
Payables	-	513	513	-	291	291
	-	513	513	-	291	291
Weighted average interest rate (percent)	-			-		
Net Financial Assets (Liabilities)	1 955	(4)	1 951	1 334	(97)	1 237

Reconciliation of Net Financial Assets to Net Assets

Net financial assets as above	2002	2001
	\$'000	\$'000
Non-financial assets and liabilities:	1 951	1 237
Plant and equipment	17	39
Prepayments	17	14
Provisions	(28)	(29)
Net Assets per Statement of Financial Position	1 957	1 261

Net Fair Value of Financial Assets and Liabilities - On-Statement of Financial Position

The net fair value of cash and equivalents and non-interest bearing monetary financial assets and financial liabilities of the Board approximates their carrying value.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2002		2001	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$'000	\$'000	\$'000	\$'000
On-Statement of Financial Position Financial Instruments				
Financial Assets:				
Cash assets	1 955	1 955	1 334	1 334
Receivables	509	509	194	194
Financial Liabilities:				
Payables	(513)	(513)	(291)	(291)
Total	1 951	1 951	1 237	1 237

ONKAPARINGA CATCHMENT WATER MANAGEMENT BOARD

SIGNIFICANT FEATURE

The deficit from ordinary activities was \$144 000 (surplus of \$137 000).

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 74(2) of the *Water Resources Act 1997* specifically provides for the Auditor-General to audit the accounts and financial statements of each Board established under the Act in respect of each financial year.

Scope of Audit

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

The specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including council contributions and grant funding
- grant administration.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the General Manager. A satisfactory response was received.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

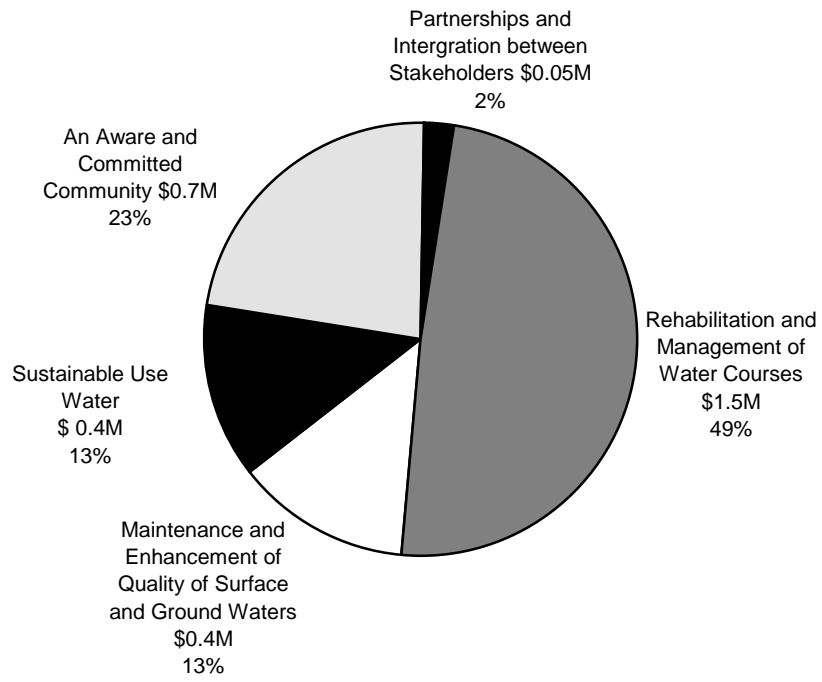
Statement of Financial Performance

Revenues and Expenses

Constituent Councils provided contributions of \$2.1 million (\$2.0 million) to the Board in 2001-02. The contributions comprised 74 percent (79 percent) of the Board's revenues for the year.

Catchment Water Management Boards

The following chart depicts the major expenditures of the Board in 2001-02.



Onkaparinga Catchment Water Management Board

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Council contributions	1.3	2 074	2 025
Grants		602	461
Water based levy		54	-
Interest		53	75
Other income		1	7
Total Revenues		2 784	2 568
EXPENSES FROM ORDINARY ACTIVITIES:			
Contractors	3	998	1 055
Grants and subsidies		758	541
Consultants		556	310
Employee expenses	2.4	368	306
Board fees and expenses	13.1	38	38
Depreciation	2.3,6	15	19
Other expenses		195	162
Total Expenses		2 928	2 431
(DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES	4	(144)	137
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(144)	137

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets	15.1	1 021	1 297
Receivables	2.6	316	247
Total Current Assets		1 337	1 544
NON-CURRENT ASSETS:			
Plant and equipment	5.6	71	84
Total Non-Current Assets		71	84
Total Assets		1 408	1 628
CURRENT LIABILITIES:			
Payables	2.7,7	142	228
Provisions	8	24	14
Total Current Liabilities		166	242
Total Liabilities		166	242
NET ASSETS		1 242	1 386
EQUITY:			
Accumulated surplus	9	1 242	1 386
TOTAL EQUITY		1 242	1 386
Commitments	10		
Contingent Liabilities	11		

Statement of Cash Flows for year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Inflows:			
Council contributions		2 074	2 025
Grants received		536	461
Water based levy		54	-
Goods and Services Tax receipts from taxation authority		319	214
Interest received		54	76
Other income		1	7
Outflows:			
Payments to suppliers, service providers, grantees and employees		(2 983)	(2 464)
Goods and Services Tax payments on purchases		(318)	(250)
Net Cash (used in) provided by Operating Activities	15.2	(263)	69
CASH FLOWS FROM INVESTING ACTIVITIES:			
Inflows:			
Proceeds from sale of plant and equipment		2	-
Outflows:			
Payments for plant and equipment		(15)	(12)
Net Cash used in Investing Activities		(13)	(12)
NET (DECREASE) INCREASE IN CASH HELD		(276)	57
CASH AT 1 JULY		1 297	1 240
CASH AT 30 JUNE	15.1	1 021	1 297

Onkaparinga Catchment Water Management Board

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

1.1 **Establishment of the Board**

The *Water Resources Act 1997*, came into operation on 2 July 1997 and provides for the management and sustainable use of the State's water resources.

The Onkaparinga Catchment Water Management Board (the Board) was established on 24 December 1997 pursuant to the *Water Resources Act 1997*.

The Onkaparinga Catchment Water Management Plan was adopted by the Minister for Water Resources, pursuant to section 95 of the *Water Resources Act 1997*, on 1 December 2000.

In accordance with the *Water Resources Act 1997*, Annual Reviews were conducted during 2000-01 and 2001-02. The 2001-02 review amended projected income and expenditure for the financial years 2002-03 to 2004-05 and was adopted by the Minister for Water Resources on 9 May 2002.

1.2 **Functions of the Board**

The functions of the Board are to:

- prepare a comprehensive Catchment Water Management Plan;
- provide advice to the Minister for Environment and Conservation and constituent councils regarding water resources management in the Board's area;
- promote public awareness of the importance of proper management and sustainable use of the water resources within the Board's area;
- provide other services as assigned to the Board under the Act or any other Act.

1.3 **Sources of Funding**

In accordance with the provisions of the *Water Resources Act 1997*, the Board received contributions from councils and levies from licensed land owners within the proclaimed catchment area. The amount contributed by councils was based upon the estimated expenditure of the Board (as contained in the 2000-01 Annual Review) for the financial year, less the amount of any other funds available to the Board. Land owners were charged a fee based upon water consumption in accordance with their license.

Councils are required to impose a separate levy on rateable land in the catchment areas of the Board in order to recover the contributions made to the Board.

Contributions payable by constituent Councils to the Board have been reduced by the amount of rebates or remissions granted by Councils in accordance with section 136 of the *Water Resources Act 1997* and Division 5 of Part 1 of the *Local Government Act 1999*.

2. Statement of Significant Accounting Policies

2.1 **General**

The following is a summary of the significant accounting policies adopted by the Board in the preparation of the general purpose financial report.

The general purpose financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, Treasurer's Accounting Policy Statements, Treasurers Instructions, the *Public Finance and Audit Act 1987*, *Water Resources Act 1997* and other mandatory reporting requirements.

The Financial Statements have been prepared on an accrual basis whereby items are brought to account as they are earned or incurred and included in the statements for the accounting periods to which they relate.

The accounts are prepared on the basis of historical cost and are not adjusted to take account of changing money values or current valuations of non-current assets unless otherwise disclosed in these notes.

2.2 **Income Recognition**

Contributions from constituent councils are recognised as income following determination of the share of each council by the Minister and publication of those amounts in the Government Gazette. Contributions are required to be paid on a quarterly basis to the Board.

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Income from grants is recognised following completion of formal documentation between the grantor and the Board.

Other income is recognised when the service has been performed.

All income relates to the operating activities of the Board.

2.3 **Non-Current Assets**

Depreciation

Depreciation is provided on a straight line basis to write off the net cost or revalued amount of all plant and equipment assets, over their estimated useful lives. Estimates of remaining useful lives are made on a regular basis for all assets, with annual assessments for major items.

Onkaparinga Catchment Water Management Board

Depreciation (continued)

The expected useful lives are as follows:

	Years
Display equipment	3
Computer equipment	5
Office equipment	8
Office furniture and fittings	20
Water monitoring equipment and gauging stations	25

Assets costing less than \$300 have been included in expenditure in the year of acquisition.

2.4 Employee Entitlements*Employer Superannuation*

The Board contributed \$37 000 (\$29 000) in superannuation in respect of its employees for the financial year. 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 at balance date relates to any contribution due but not yet paid to the superannuation schemes.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision is calculated at nominal amounts based on current salary rates. On-costs have been included in the provision in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Sick Leave

No provision has been made for sick leave. Sick leave taken by employees is considered to be taken from the current year's accrual and, in consequence, no liability is recognised.

Workers Compensation

The Board is registered with WorkCover as an exempt employer and has entered a service level agreement with the Department for Administrative and Information Services to provide insurance cover for work caused injuries.

Long Service Leave

No provision has been made for long service leave as no employee has more than eight years service, which is the benchmark for determining long service leave liability in accordance with Accounting Policy Statement APS 9 'Employee Entitlements' issued by the Department of Treasury and Finance.

2.5 Leases

The Board has no financial leases.

During the year the Board entered operating lease agreements in relation to office premises and computer equipment whereby the lessors effectively retain all of the risks and benefits incidental to ownership of the property held under the operating leases.

Lease payments are included as expenditure in equal instalments over the accounting periods covered by the lease terms.

Total expenditure on operating leases in 2001-02 was \$44 000 (\$27 000).

2.6 Receivables

Income receivable on investment of surplus funds is accrued in accordance with the terms and conditions applicable to funds held at Department of Treasury and Finance in a Section 21 Deposit Account.

2.7 Payables*Trade Creditors*

These amounts represent liabilities for goods and services provided to the Board prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other Payables

These amounts represent unpaid board fees, and other direct overheads at balance date.

2.8 Credit Risk Exposure

The credit risk on financial assets of the Board which have been recognised in the Statement of Financial Position, is generally the carrying amount.

2.9 Accounting for Goods and Services Tax (GST)

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

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

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

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

Onkaparinga Catchment Water Management Board

2.10 Rounding

All amounts are rounded to the nearest thousand dollars.

3. Contractors

The Board utilised the services of a number of contractors during the year to undertake a variety of on-ground and other works on its behalf in the catchment. These works included riparian rehabilitation such as erosion and weed control, revegetation work, removal of exotic plant species and water quality and hydrometric flow monitoring.

4. Output Class Schedule of Board Operating Expenses for the year ended 30 June 2002

Output Class	1	2	3	4	5	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	Total \$'000	Total \$'000
Operating Expenses:							
Contractors	615	205	54	121	3	998	1 055
Grants and subsidies	201	134	61	337	25	758	541
Consultants	423	16	100	11	6	556	310
Employee expenses	132	25	89	114	8	368	306
Board fees and expenses	19	5	5	8	1	38	38
Depreciation	7	2	2	3	1	15	19
Other expenses	68	10	57	56	4	195	162
Total Expenses	1 465	397	368	650	48	2 928	2 431

Revenues from Ordinary Activities have not been distributed to Output Classes as they do not relate to any particular class.

Outputs are defined as goods and services produced, provided to or acquired for external customers.

The identity and description of each Output Class of the Board during 2001-02 are summarised below:

Output 1 Rehabilitation and Management of Water Courses

The Board is implementing a watercourse action program in conjunction with relevant stakeholders including property plans, water for the environment as determined for the Onkaparinga River and coastal streams, riparian restoration works and floodplain mapping.

Output 2 Maintenance and Enhancement of Quality of Surface and Groundwaters

The Board is establishing revegetated buffer zones adjacent to watercourses, promoting best practice design and management of dams and EPA stormwater codes of practice. Septic and sewer audits are being completed and assistance programs prioritised. Re-use opportunities for treated wastewater are being investigated and surface and groundwater quality monitored. Databases are being developed for land use purposes and stormwater systems, and a contribution is being made to the Adelaide coastal waters study.

Output 3 Sustainable Use of Water

The Board is implementing the approved Water Allocation Plan for the McLaren Vale Prescribed Wells Area. It is also facilitating re-use opportunities and monitoring flows through a network of gauging stations. Database development covering surface groundwater interaction, water balance model and requirements of local manufacturing industries are also being progressed. A progressive survey is being undertaken of location, quantity and quality of groundwater resources. The Board is also working with other Catchment Water Management Boards to define non market values and other economic factors associated with the water resource.

Output 4 An Aware and Committed Community

The Board is pursuing its goal of developing an aware and committed community through effective consultation and educational programs which promote environmental responsibility within the community and involve them in environmental issues. In delivering this goal the Board has a number of ongoing educational programs operating with community organisations, Local Government and industry. It also participates in joint educational programs with other Catchment Boards and Government Agencies. Activities include publications, web site, community involvement program and research and development.

Output 5 Partnerships and Integration between Stakeholders.

The Board contributes to the effective management of State Water Resources in conjunction with all stakeholders. In meeting this requirement, the Board has in place mechanisms to ensure appropriate consultation occurs in the decision making process and that appropriate partnerships are formed to gain maximum benefit from the available economic resources. The Board is also undertaking the permitting of Water Affecting Activities under section 9 of the *Water Resources Act 1997*.

5. Plant and Equipment

	2002		2001	
	\$'000	\$'000	\$'000	\$'000
Office furniture and equipment at cost	103		115	
Less: Accumulated depreciation	44		43	
		59		72
Water monitoring equipment and gauging stations at cost	13		13	
Less: Accumulated depreciation	1		1	
		12		12
Total Plant and Equipment		71		84

Onkaparinga Catchment Water Management Board

6. Asset Movement Schedule	2002 Water	2001 Water		
	Office Furniture and Equipment	Monitoring and Gauging Stations	Total	Office Furniture and Equipment
	\$'000	\$'000	\$'000	\$'000
Carrying value at 1 July	72	12	84	79
Additions	15	-	15	12
Disposals	(13)	-	(13)	(1)
Depreciation expense	(15)	(0)	(15)	(18)
Carrying Value at 30 June	59	12	71	72
				12
				84
7. Payables				2002 \$'000
Trade creditors				120
Other payables				22
Total				142
				2001 \$'000
				214
				14
				228
8. Provisions				
Current Provisions:				
Provision for employee entitlements:				
Annual leave				24
				14
9. Accumulated Surplus				
Balance at 1 July				1 386
Add: (Deficit) Surplus from ordinary activities				(144)
Balance at 30 June				1 242
				1 386
10. Expenditure Commitments				
10.1 Lease Commitments (Excluding GST)				
Operating Lease:				
Not later than one year				41
Later than one year and not later than five years				18
Aggregate Lease Expenditure Contracted for at Balance Date but not Provided for				59
				28
				28
				56
Property lease commitments are non-cancellable with rentals payable monthly in advance for the office and quarterly in advance for computer equipment.				
Options exist to renew both leases upon expiry of the term.				
10.2 Other Commitments (Excluding GST)				2002 \$'000
Several projects in the form of contracts and grants had been committed at 30 June 2002:				\$'000
Not later than one year				325
Later than one year and not later than five years				13
				568
				149
				717
Projects include grants to councils, community assistance, riparian rehabilitation, revegetation work, water quality and hydrometrics flows in the catchment. This amount is not reflected in the Statement of Financial Performance or Statement of Financial Position for the current financial year.				
The Board had no outstanding contractual commitments for capital works at balance date.				
11. Contingent Liabilities				
The Board has no contingent liabilities.				
12. Auditors' Remuneration				2002 \$'000
Amount due and receivable by the auditors for auditing the financial report				11
				10
No other services were provided by the auditors.				
13. Remuneration of Board Members and Executives				
13.1 Board Members' Remuneration				
Members of the Onkaparinga Catchment Water Management Board during the financial year were:				
Mr Roger Goldsworthy: Presiding Member				Mr David Paschke
Mrs Anita Aspinall				Mr Michael Stafford
Mr Joch Bosworth				Ms Debra Just (appointed by the Minister on 23 May 2002)
Ms Lynn Chamberlain				Mr Cyril Wear (appointed by the Minister on 23 May 2002)
Mr Robert McLennan				

Onkaparinga Catchment Water Management Board

13.1 Board Members' Remuneration (continued)

Total income received, or due and receivable, by Board Members and Members of two catchment management consultative committees was \$25 000 (\$30 000).

Other expenses of the Board Members were \$13 000 (\$8 000).

	2002	2001
	Number of	Number of
	Members	Members
The number of Members whose income from the entity falls within the following bands are:		
\$0 - \$9 999	8	7
\$10 000 - \$19 999	1	1

Prescribed benefits given by the Board to prescribed superannuation funds or otherwise in connection with the retirement of Board Members were \$2 000 (\$2 000).

In accordance with the Department of the Premier and Cabinet Circular No. 100, Robert McLennan, as a government employee, did not receive any remuneration from the Board during the year.

Mr Joch Bosworth elected not to receive fees as a Member of the Board.

13.2 Executive Officers' Remuneration

No executive officer of the Board received an income of \$100 000 or more during the year.

14. Related Party Disclosures

Two Board Members have direct affiliations with Local Government Councils from which Council contributions are received by the Board. They are:

Mr David Paschke	Adelaide Hills Council
Ms Debra Just	City of Onkaparinga

During the year grants totalling \$167 000 (\$120 000) were approved for employers (or Councils where Board Members are elected members) of two Board Members. Schedule 2, clause 10(10) of the *Water Resources Act 1997* provides that a member of the Board does not have a direct or indirect personal or pecuniary interest in any matter under consideration by the Board simply by being a member of a constituent council. The nature of the grants and conditions attached, were similar to other grants provided to various organisations.

15. Note to the Statement of Cash Flows

15.1 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, the Board considers cash to include cash on hand and in banks and those investments that are able to be converted to cash within two working days.

15.2 Reconciliation of Net Cash (used in) provided by Operating Activities to (Deficit) Surplus from Ordinary Activities

	2002	2001
	\$'000	\$'000
(Deficit) Surplus from Ordinary Activities	(144)	137
Depreciation	15	19
Loss on sale of plant	6	-
(Increase) - Receivables - Net of amounts due in relation to asset disposals	(64)	(75)
Decrease - Prepayments	-	3
(Decrease) - Payables	(86)	(22)
Increase - Provisions	10	7
Net Cash (used in) provided by Operating Activities	(263)	69

16. Financial Instruments

Interest Rate Risk Exposure

The Board's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

	Floating	2002	Total	Floating	2001	Total
	Interest	Non-	Carrying	Interest	Non-	Carrying
	Rate	Interest	Amount	Rate	Interest	Amount
	\$'000	Bearing	\$'000	\$'000	Bearing	\$'000
Financial Assets:						
Cash assets	1 021	-	1 021	1 297	-	1 297
Receivables	4	312	316	4	243	247
	1 025	312	1 337	1 301	243	1 544
Weighted average interest rate (percent)	4.17			5.06		
Financial Liabilities:						
Payables	-	142	142	-	228	228
	-	142	142	-	228	228
Weighted average interest rate (percent)	-			-		
Net Financial Assets	1 025	170	1 195	1 301	15	1 316

Reconciliation of Net Financial Assets to Net Assets

	2002	2001
	\$'000	\$'000
Net financial assets as above	1 195	1 316
Non-financial assets and liabilities:		
Plant and equipment	71	84
Provisions	(24)	(14)
Net Assets per Statement of Financial Position	1 242	1 386

Onkaparinga Catchment Water Management Board

Net Fair Value of Financial Assets and Liabilities - On-Statement of Financial Position

The net fair value of cash and equivalents and non-interest bearing monetary financial assets and financial liabilities of the Board approximates their carrying value.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

On-Statement of Financial Position Financial Instruments	2002		2001	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:				
Cash assets	1 021	1 021	1 297	1 297
Receivables	316	316	247	247
Financial Liabilities:				
Payables	(142)	(142)	(228)	(228)
	1 195	1 195	1 316	1 316

PATAWALONGA CATCHMENT WATER MANAGEMENT BOARD

SIGNIFICANT FEATURES

- The deficit from ordinary activities was \$592 000 (surplus of \$254 000).
- Cash assets decreased by \$990 000 to \$1.2 million.
- The Board revalued its gross pollutant traps resulting in a revaluation increment of \$377 000.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 74(2) of the *Water Resources Act 1997* specifically provides for the Auditor-General to audit the accounts and financial statements of each Board established under the Act in respect of each financial year.

Scope of Audit

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

The specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including council contributions and grant funding
- grant administration.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the General Manager. A satisfactory response was received.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Revenues and Expenses

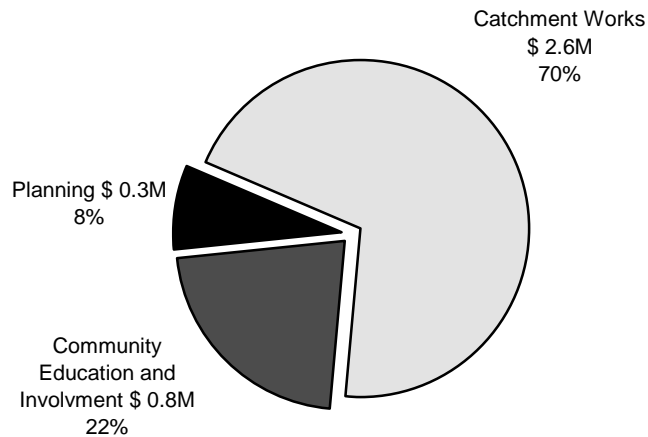
Constituent Councils provided contributions of \$2.3 million (\$2.2 million) to the Board in 2001-02. The contributions comprised 74 percent (89 percent) of the Board's revenues for the year.

Revenue from other contributions and grants increased by \$578 000 to \$708 000 due mainly to an increase in grants from the National Heritage Trust and the Department of Transport, Urban Planning and the Arts.

Expenditure on contractors increased by \$1.4 million to \$2.1 million due mainly to the construction of the Morphetville Racecourse wetland.

Expenditure on grants and subsidies decreased by \$216 000 to \$560 000 due mainly to decreased grants to Councils for the prevention of stormwater pollution.

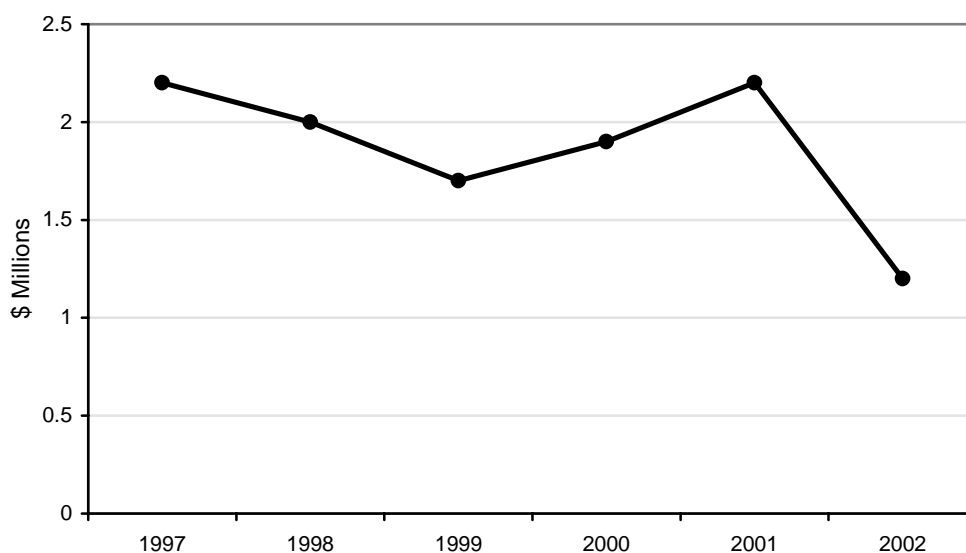
The following chart depicts the major expenditures of the Board in 2001-02.



Statement of Financial Position

Cash Assets

The following graph reflects the movement in cash assets over the last six years.



The decrease in cash assets in 2001-02 is due mainly to the construction of the Morphetville Racecourse wetland.

Patawalonga Catchment Water Management Board

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Council contributions	1.3	2 297	2 249
Other contributions and grants		708	130
Interest received		78	119
Other income		21	20
Total Revenues		3 104	2 518
EXPENSES FROM ORDINARY ACTIVITIES:			
Contractors	3	2 052	664
Grants and subsidies		560	776
Consultants		467	362
Employee expenses	2.5	211	194
Transfers of non-current assets	5	141	-
Other expenses		118	114
Depreciation	2.4,5	101	106
Board fees and expenses		46	48
Total Expenses		3 696	2 264
(DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES		(592)	254
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Increase in asset revaluation reserve	8	377	-
Total revenues, expenses and valuation adjustment recognised directly to equity		377	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(215)	254

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets	11.1	1 209	2 199
Receivables	2.7	700	91
Prepayments		3	2
Total Current Assets		1 912	2 292
NON-CURRENT ASSETS:			
Plant, equipment and gross pollutant traps	4,5	2 189	2 037
Work in progress		206	124
Total Non-Current Assets		2 395	2 161
Total Assets		4 307	4 453
CURRENT LIABILITIES:			
Payables	2.8,6	120	52
Provisions	7.1	25	23
Total Current Liabilities		145	75
NON-CURRENT LIABILITIES:			
Provisions	7.2	12	13
Total Non-Current Liabilities		12	13
Total Liabilities		157	88
NET ASSETS		4 150	4 365
EQUITY:			
Accumulated surplus	8	3 773	4 365
Asset revaluation reserve	2.4,8	377	-
TOTAL EQUITY		4 150	4 365
Commitments	9		
Contingent Liabilities	10		

Patawalonga Catchment Water Management Board

Statement of Cash Flows for year ended 30 June 2002

		2002 Inflows (Outflows)	2001 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Inflows:	Note	\$'000	\$'000
Council contributions		2 297	2 249
Good and Services Tax receipts from taxation authority		323	131
Other contributions and grants received		101	238
Interest received		78	119
Other income received		21	20
Outflows:			
Payments to suppliers, service providers, grantees and employees		(3 384)	(2 147)
Goods and services tax payments on purchases		(327)	(193)
Net Cash (used in) provided by Operating Activities	11.2	(891)	417
CASH FLOWS FROM INVESTING ACTIVITIES:			
Outflows:			
Payments for plant, equipment, gross pollutant traps and work in progress		(99)	(105)
Net Cash used in Investing Activities		(99)	(105)
NET (DECREASE) INCREASE IN CASH HELD		(990)	312
CASH AT 1 JULY		2 199	1 887
CASH AT 30 JUNE	11.1	1 209	2 199

Output Class Schedule of Board's Expenses for the year ended 30 June 2002

	Output Class (refer Note 2.10)			2002 Total	2001 Total
	1 \$'000	2 \$'000	3 \$'000	\$'000	\$'000
Contractors	1 719	137	196	2 052	664
Grants and subsidies	83	3	474	560	776
Consultants	320	116	31	467	362
Employee expenses	148	17	46	211	194
Transfers of non-current assets	141	-	-	141	-
Other expenses	84	9	25	118	114
Depreciation	98	1	2	101	106
Board fees and expenses	32	4	10	46	48
	2 625	287	784	3 696	2 264

Revenues from Ordinary Activities have not been distributed to Output Classes as they do not relate to any particular class.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**1. Objectives and Funding****1.1 Establishment of Board**

The Patawalonga Catchment Water Management Board was established on 7 May 1995 pursuant to the *Catchment Water Management Act 1995*, which was subsumed by the *Water Resources Act 1997*.

The Board commenced operations under an Initial Plan in 1995. The Board is currently operating under a Catchment Water Management Plan developed and adopted by the Board in April 1997. The Plan was reviewed during 2001-02, resulting in the Minister for Water Resources adopting amendments to the Plan's projected income and expenditure for the financial year 2001-02. A new catchment plan was approved by the Minister in May 2002 for the five financial years 2002-03 to 2006-07.

1.2 Functions of the Board

The functions of the Board are to:

- prepare a comprehensive Catchment Water Management Plan;
- ensure removal of solid or dissolved impurities from all catchment water within the Patawalonga catchment;
- ensure protection of all watercourses, channels and lakes and their ecosystems, within the Patawalonga catchment from degradation by pollutants and exotic plants and animals, and reversal of such degradation where it has occurred;
- determine and provide financial or any other form of assistance to constituent councils, persons carrying on business, community groups or any other persons in an activity in the catchment area that will improve the quality of the catchment water;
- facilitate education of members of the public in relation to the management of catchment water and of catchments.

1.3 Sources of Funding

In accordance with the provisions of the *Water Resources Act 1997*, the Board received contributions from councils within the proclaimed catchment area. The amount to be contributed by councils was based upon the estimated expenditure of the Board, as contained in the approved plan for the financial year, less the amount of any other funds available to the Board.

Councils are required to impose a separate levy on rateable land in the catchment areas of the Board in order to recover the contributions made to the Board.

Patawalonga Catchment Water Management Board

1.3 Sources of Funding (continued)

Contributions payable by certain Councils to the Board have been reduced by the amount of rebates or remissions granted by Councils in accordance with section 136 of the *Water Resources Act 1997* and Division 5, Part 1 of the *Local Government Act 1999*.

2. Statement of Significant Accounting Policies

2.1 General

The following is a summary of the significant accounting policies adopted by the Board in the preparation of the general purpose financial report.

The general purpose financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, Treasurer's Accounting Policy Statements, Treasurer's Instructions, the *Public Finance and Audit Act 1987*, *Water Resources Act 1997* and other mandatory reporting requirements.

The accrual accounting basis has been used for the preparation of the Financial Statements whereby items are brought to account as they are earned or incurred and included in the statements for the accounting periods to which they relate.

The accounts are prepared on the basis of historical cost and are not adjusted to take account of changing money values or current valuations of non-current assets unless otherwise disclosed in these notes.

2.2 Income Recognition

Contributions from constituent councils are recognised as income following determination of the share of each council by the Minister and publication of those amounts in the Government Gazette. Contributions are required to be paid on a quarterly basis to the Board.

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Income from grants is recognised following completion of formal documentation between the grantor and the Board.

Other income is recognised when the service has been performed.

All income relates to the operating activities of the Board.

2.3 Allocation of Administrative Overheads

The Patawalonga and Torrens Catchment Water Management Boards have agreed to share administrative costs on a 40/60 basis.

2.4 Non-Current Assets

Depreciation

Depreciation is provided on a straight line basis to write off the net cost or revalued amount of all plant, equipment and gross pollutant traps over their expected useful lives. Estimates of remaining useful lives are made on a regular basis for all assets, with annual assessments for major items. The expected useful lives are as follows:

	Years
Display systems	3
Computer equipment	5
Office equipment	8
Furniture and fittings	20
Gross pollutant traps	25

Leasehold improvements are amortised over the life of the lease.

Assets costing less than \$300 have been included in expenditure in the year of acquisition.

Assets Disclosed at Directors' Valuation

In accordance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' issued by the Department of Treasury and Finance, the Board revalued its gross pollutant traps as at 30 June 2002. Current cost has been determined by the Board using the deprival value methodology, whereby assets are valued at the replacement cost of procuring similar assets with similar functions and which provide comparable future service potential.

The revaluation of gross pollutant traps has resulted in an asset revaluation reserve of \$377 000 being recognised in the financial statements.

2.5 Employee Entitlements

Employer Superannuation

The Board contributed \$19 000 (\$18 000) to superannuation schemes in respect of its employees for the financial year. 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 at balance date relates to any contribution due but not yet paid to the superannuation schemes.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision is calculated at nominal amounts based on current salary rates. On-costs have been included in the provision in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Patawalonga Catchment Water Management Board

2.5 Employee Entitlements (continued)*Sick Leave*

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

Long Service Leave

The benchmark used for determining long service leave liability is eight years in accordance with Accounting Policy Statement APS 9 'Employee Entitlements' issued by the Department of Treasury and Finance. The provision includes entitlements for one employee in recognition of prior service with other government departments.

On-costs have been included in the component of long service leave that will be taken as leave (55 percent of the liability at June 2002) rather than a lump sum. This calculation is based upon an average percentage supplied by the Department of Treasury and Finance for long service leave that will be taken as a lump sum (45 percent).

Workers Compensation

The Board is registered with WorkCover as an exempt employer and has entered a Service Level Agreement with the Department for Administrative and Information Services to provide insurance cover for work caused injuries.

2.6 Leases

The Board has no financial leases.

The Board has entered into operating lease agreements for premises and computer equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Lease payments are included as expenditure in equal instalments over the accounting periods covered by the lease terms.

Total expenditure on operating leases in the financial year was \$37 000 (\$29 000).

2.7 Receivables

Income receivable on investment of surplus funds is accrued in accordance with the terms and conditions applicable to funds held at the Department of Treasury and Finance in a Section 21 Deposit Account.

2.8 Payables*Trade Creditors*

These amounts represent liabilities for goods and services provided to the Board prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other Payables

These amounts represent unpaid board fees, salaries and direct overheads at balance date.

2.9 Credit Risk Exposure

The credit risk on financial assets of the Board which have been recognised in the Statement of Financial Position, is generally the carrying amount.

2.10 Output Classes of the Board

Outputs are defined as goods or services produced, provided to or acquired for external customers. The Board has identified three major classes of outputs that it delivers to the community. The identity and description of each major output class of the Board during the year ended 2002 are summarised below (refer to the Output Class Schedule of Board's Expenses).

1. *Catchment Works*

The Board aims to improve catchment health and stream condition through the implementation of a broad range of on-ground initiatives. Catchment works include wetland development, installation of gross pollutant traps and watercourse rehabilitation.

2. *Planning*

Planning is required to ensure that future investments in catchment works are based on the best available information. Planning activities include the development of the comprehensive catchment water management plan, monitoring of water quality and grants for research and development.

3. *Community Education and Involvement*

Community awareness of water quality and quantity issues is vital in gaining widespread public support for, ownership of, and participation in improved catchment management. The Board's community education and involvement programs are part of a long term strategy aimed at building commitments which lead people to change their attitudes and behaviour for both community and individual benefit. Through promoting 'best practice' land and water management across every sector of the community, the Board's programs aim to reduce or prevent pollution at its source.

2.11 Accounting for Goods and Services Tax (GST)

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

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

Patawalonga Catchment Water Management Board

2.11 Accounting for Goods and Services Tax (GST) (continued)

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

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

2.12 Rounding

All amounts are rounded to the nearest thousand dollars.

3. Contractors

Contractors have been used to implement the Board's program of activities including installation of wetlands, gross pollutant traps and watercourse rehabilitation, monitoring of water quality and production of community education material. The increase in expenditure on contractors in 2001-02 is due mainly to the construction of the Morphettville Racecourse wetland.

4. Plant, Equipment and Gross Pollutant Traps

	2002		2001	
	\$'000	\$'000	\$'000	\$'000
Display systems at cost	50		50	
Less: Accumulated depreciation	41		34	
		9		16
Furniture and fittings at cost	19		15	
Less: Accumulated depreciation	4		4	
		15		11
Computer equipment at cost	6		6	
Less: Accumulated depreciation	5		4	
		1		2
Office equipment at cost	12		8	
Less: Accumulated depreciation	5		4	
		7		4
Office leasehold improvements at cost	18		9	
Less: Accumulated amortisation	10		9	
		8		-
Gross pollutant traps at directors' valuation	2 736		2 398	
Less: Accumulated depreciation	587		394	
		2 149		2 004
Total Plant, Equipment and Gross Pollutant Traps		2 189		2 037

5. Plant, Equipment and Gross Pollutant Traps Movement Schedule

	Carrying Amount 1.7.01 \$'000	Additions \$'000	Transfers* \$'000	Net Revaluation Increment \$'000	Depreciation Expense \$'000	Carrying Amount 30.6.02 \$'000
Display systems	16	-	-	-	(7)	9
Furniture and fittings	11	4	-	-	0	15
Computer equipment	2	-	-	-	(1)	1
Office equipment	4	4	-	-	(1)	7
Office leasehold improvements	-	9	-	-	(1)	8
Gross pollutant traps	2 004	-	(141)	377	(91)	2 149
	2 037	17	(141)	377	(101)	2 189

* One gross pollutant trap with a carrying value of \$141 000 was transferred to a Council for nil consideration.

6. Payables

	2002 \$'000	2001 \$'000
Trade creditors	98	33
Other	22	19
Total	120	52

7. Provisions

7.1 Current Provisions

Provision for employee entitlements:
Annual leave

25 23

7.2 Non-Current Provisions

Provision for employee entitlements:
Long service leave

12 13

37 36

8. Accumulated Surplus

Opening balance accumulated surplus
(Deficit) surplus from ordinary activities

4 365 4 111
(592) 254

3 773 4 365

Asset Revaluation Reserve

Increment on revaluation of gross pollutant traps

377 -

4 150 4 365

Patawalonga Catchment Water Management Board

9. Expenditure Commitments	2002	2001
9.1 Lease Commitments	\$'000	\$'000
Operating Leases:		
Not later than one year	38	37
Later than one year and not later than five years	168	129
Total operating lease commitments (including GST).	206	166
GST included in operating lease commitments	19	15
The operating lease commitments comprise the following:		
• a property lease which is non-cancellable. Rental is payable monthly with reviews indexed annually, alternating between market value and CPI indexation. Options exist to renew the lease at the end of the lease term.		
• a computer lease which is non-cancellable. Rental is payable monthly and options exist to renew or cancel the lease at the end of the term of the lease.		
9.2 Other Expenditure Commitments	2002	2001
	\$'000	\$'000
Not later than one year	1 354	1 166
Later than one year and not later than five years	44	4
Total other expenditure commitments (including GST)	1 398	1 170
GST included in other expenditure commitments	127	106
Approvals have been given for various projects including wetlands, trash racks, rural riparian works, flood studies and grants for pollution prevention and research and development. The value of these projects (\$1 398 000) is not reflected in the Statement of Financial Performance or Statement of Financial Position for the current financial year.		
10. Contingent Liabilities		
The Board has no contingent liabilities.		
11. Note to the Statement of Cash Flows		
11.1 Reconciliation of Cash		
For the purposes of the Statement of Cash Flows, the Board considers cash to include cash on hand and in banks and those investments that are able to be converted to cash within two working days.		
11.2 Reconciliation of Net Cash (used in) provided by Operating Activities to (Deficit) Surplus from Ordinary Activities	2002	2001
	\$'000	\$'000
(Deficit) surplus from ordinary activities	(592)	254
Depreciation	101	106
Transfers of non-current assets	141	-
(Increase) Decrease - Receivables	(609)	47
(Increase) - Prepayments	(1)	-
Increase - Payables	68	4
Increase - Provisions	1	6
Net Cash (used in) provided by Operating Activities	(891)	417
12. Auditors' Remuneration		
Amount paid or payable to the Auditor-General's Department with respect to the audit of the Board's financial report.		
	11	11
No other services were provided by the auditors.		
13. Remuneration of Board Members		
Members of the Patawalonga Catchment Water Management Board during the financial year were:		
Mr Lyndon Parnell: Presiding Member	Mr Peter Norman	
Mr Colin Haines	Mr Richard Crabb	
Ms Petamary O'Donohue	Mrs Nura Redzepagic	
Mr John Phillips	Mrs Jean Evans	
Mr Robert Clyde	Mr John Maitland (term expired 31.8.01)	
Total income received, or due and receivable, by Board Members was \$38 000 (\$39 000).		
Other expenses of Board Members were \$8 000 (\$9 000).		
The number of Members whose income from the entity falls within the following bands is:		
	2002	2001
	Number of	Number of
	Members	Members
\$0 - \$9 999	9	6
\$10 000 - \$19 999	-	1
\$20 000 - \$20 999	1	-
Prescribed benefits given by the Board to prescribed superannuation funds or otherwise in connection with the retirement of Board Members were \$2 000 (\$2 000).		

Patawalonga Catchment Water Management Board

Related Party Disclosures

One Board Member has direct affiliations with a Local Government Council from which Council contributions are received by the Board. The Member is Mr Richard Crabb, City of Burnside.

During the year grants totalling \$23 000 were approved for the Council of the Board Member, who is an employee of that Council. Schedule 2 clause 10(10) of the *Water Resources Act 1997* provides that a member of the Board does not have a direct or indirect personal or pecuniary interest in any matter under consideration by the Board simply by being a member of a constituent council. The nature of the grants and conditions attached, were similar to other grants provided to various organisations.

14. Remuneration of Executives		2002	2001
The number of Executive Officers whose remuneration from the Patawalonga and Torrens Catchment Water Management Boards falls within the following bandwidth:		Number of Executive	Number of Executive
\$110 000 - \$119 999		-	1
\$120 000 - \$129 999		1	-

Remuneration of the executive officer was shared with the Torrens Catchment Water Management Board on a 40/60 basis. Refer Note 2.3.

15. Financial Instruments
Interest Rate Risk Exposures

The Board's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

	Floating Interest Rate	2002 Non-Interest Bearing	Total	Floating Interest Rate	2001 Non-Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:						
Cash assets	1 209	-	1 209	2 199	-	2 199
Receivables	-	700	700	-	91	91
	1 209	700	1 909	2 199	91	2 290
Weighted average interest rate (percent)	4.40			5.06		
Financial Liabilities:						
Payables	-	120	120	-	52	52
	-	120	120	-	52	52
Weighted average interest rate	-			-		
Net Financial Assets	1 209	580	1 789	2 199	39	2 238

Reconciliation of Net Financial Assets to Net Assets

	2002	2001
	\$'000	\$'000
Net financial assets as above	1 789	2 238
Non-financial assets and liabilities:		
Plant, equipment, gross pollutant traps and work in progress	2 395	2 161
Prepayments	3	2
Provisions	(37)	(36)
Net Assets per Statement of Financial Position	4 150	4 365

Net Fair Value of Financial Assets and Liabilities - On-Statement of Financial Position

The net fair value of cash and equivalents and non-interest bearing monetary financial assets and financial liabilities of the Board approximates their carrying value.

	2002		2001	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$'000	\$'000	\$'000	\$'000
On-Statement of Financial Position Financial Instruments				
Financial Assets:				
Cash assets	1 209	1 209	2 199	2 199
Receivables	700	700	91	91
Financial Liabilities:				
Payables	(120)	(120)	(52)	(52)
Total	1 789	1 789	2 238	2 238

RIVER MURRAY CATCHMENT WATER MANAGEMENT BOARD

SIGNIFICANT FEATURES

- Revenue from ordinary activities increased by \$746 000 to \$5.3 million.
- Grant expenditure decreased by \$958 000 to \$1.4 million.
- Supplies and services expenditure increased by \$676 000 to \$1.5 million.
- Cash assets increased by \$1.3 million to \$3.1 million

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 74(2) of the *Water Resources Act 1997* specifically provides for the Auditor-General to audit the accounts and financial statements of each Board established under the Act in respect of each financial year.

Scope of Audit

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

The specific areas of audit attention included:

- accounting policies
- budgetary control and management reporting
- grant expenditure
- revenue, receipting and banking
- accounts payable
- salaries and wages.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the General Manager of the River Murray Catchment Water Management Board (the Board). A satisfactory response was received.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Revenues

Levies charged under the *Water Resources Act 1997* amounted to \$4 million, comprising \$1.8 million from SA Water for reticulated water supply and \$2.2 million in water-based levies for irrigation and industrial use.

Water-based levies increased from \$2 million to \$2.2 million reflecting a change in the boundaries of the catchment area for which the Board is responsible.

Grants and contributions revenue increased from \$367 000 to \$748 000 as a result of the Board being awarded project funding under the Murray Darling 2001 program of the Natural Heritage Trust.

The increase in other revenue mainly reflects consultancy work amounting to \$377 000 being undertaken by the Board for the first time.

Expenses

The decrease in grants expenditure from \$2.4 million to \$1.4 million mainly reflects timing differences in grant payments for the 2001-02 funding year. The majority of grants were provided as part of the Murray Darling 2001 program of the Natural Heritage Trust. Under this program, state project funding is matched by the Commonwealth.

The increase in supplies and services expenditure of \$676 000 to \$1.5 million is mainly the result of additional expenditure on the engagement of consultants to assist in the development of the Catchment Water Management Plan and Water Allocation Plans and conduct specific project and investigative works.

Statement of Financial Position

Cash Assets

Cash increased by \$1.3 million to \$3.1 million. The increase is primarily accounted for by unspent grant funds of \$592 000 and commitments in relation to Natural Heritage Trust project funding of \$712 000 as explained in Notes 11 and 19.

River Murray Catchment Water Management Board

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Reticulated water supply levy	1.3	1 805	1 800
Water-based levy	1.3	2 214	1 983
Interest	2.5	180	246
Grants and contributions	3	748	367
Other revenue	4	395	32
Transfer from Water Resources Levy Fund	2.10	-	168
Total Revenue		5 342	4 596
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	2.3	744	500
Supplies and services	6	1 548	872
Board and committee fees	14	50	65
Grants	5	1 432	2 390
Depreciation	2.2,8	27	20
Total Expenses		3 801	3 847
SURPLUS FROM ORDINARY ACTIVITIES	17	1 541	749
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	17	1 541	749

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets	2.5	3 053	1 710
Receivables	7	2 117	2 105
Prepayments		-	2
Total Current Assets		5 170	3 817
NON-CURRENT ASSETS:			
Property, Plant and equipment	8	126	95
Total Non-Current Assets		126	95
Total Assets		5 296	3 912
CURRENT LIABILITIES:			
Payables	9	366	538
Provisions	2.3, 10	30	15
Total Current Liabilities		396	553
Total Liabilities		396	553
NET ASSETS		4 900	3 359
ACCUMULATED FUNDS:			
Accumulated surplus	17	4 900	3 359
TOTAL ACCUMULATED FUNDS		4 900	3 359
Commitments	11		

Statement of Cash Flows for year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
INFLOWS:			
Reticulated water supply levy		1 805	1 800
Water-based levy		2 057	1 964
Interest received		176	255
NHT project grants		748	367
Other income		327	59
GST receipts on revenue	2.9	157	241
GST receipts from Australian Taxation Office	2.9	420	266
OUTFLOWS:			
Payments to suppliers, service providers and employees		(3 946)	(5 403)
GST payments on purchases	2.9	(342)	(527)
GST payments to Australian Taxation Office	2.9	-	(185)
Net Cash provided by (used in) Operating Activities	18.2	1402	(1 163)
CASH FLOWS FROM INVESTING ACTIVITIES:			
OUTFLOWS:			
Payments for plant and equipment		(59)	(36)
Principal repaid on lease liability		-	(5)
Net Cash Flows used in Investing Activities		(59)	(41)
NET INCREASE (DECREASE) IN CASH HELD		1 343	(1 204)
CASH AT 1 JULY		1 710	2 914
CASH AT 30 JUNE	18.1	3 053	1 710

River Murray Catchment Water Management Board

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. General

1.1 **Establishment of the Board**

The River Murray Catchment Water Management Board (the Board) commenced operation under the *Water Resources Act 1997* (the Act), on 11 September 1997. On 20 July 2001, the proclamation which established the River Murray Catchment Water Management Board was revoked pursuant to section 53(3) and (4) of the Act and a new River Murray Catchment Water Management Board was established on 20 July 2001 pursuant to section 55 of the Act. All assets and liabilities of the old Board vest in or attach to the new Board.

The new Board is responsible for the same catchment area and has the same functions as the former Board. Also the majority of the membership of the previous Board was maintained. Due to the aforementioned, the Board has, in substance, continued operations throughout the financial period without any change arising from the establishment of the new Board. In recognition of these circumstances the financial statements have been prepared on the basis that the Board has continued operations throughout the period.

1.2 **Functions of the Board are:**

- (a) to prepare and implement a Catchment Water Management Plan in accordance with the Act;
- (b) to provide advice to the Minister and the constituent councils in relation to the management of the water resources in the Board's area in accordance with the Act;
- (c) to promote public awareness of the importance of the proper management of water resources in the Board's area and of the sustainable use of those resources; and
- (d) such other functions as are assigned to the Board by or under the Act or any other Act.

1.3 **Sources of Funding**

In accordance with the provisions of the *Water Resources Act 1997*, the Board received contributions from SA Water and irrigators within the proclaimed catchment area.

A Reticulated Water Supply Levy is charged to SA Water, for users of reticulated water, at the rate of 1 cent per kilolitre.

The water-based levy contributions are levied on a rate per kilolitre to irrigation, recreation and industrial licensed water users based on their licensed water allocation.

	2002	2001
	Kilolitre	Kilolitre
River Murray, Angas Bremer and Noora Prescribed Resources	0.35 cents	0.35 cents
Mallee Prescribed Wells Area (Groundwater)	0.30 cents	0.30 cents

All levies are charged and collected by the Department of Water, Land and Biodiversity Conservation, on behalf of the Board.

1.4 **Employees**

The General Manager (on secondment from the Department of the Premier and Cabinet) and 18 staff (8) are engaged to undertake the work of the Board. Casual staff are engaged when required. Consultants are engaged to undertake specific projects.

2. Statement of Significant Accounting Policies

2.1 **General**

The following is a summary of the significant accounting policies adopted by the Board in the preparation of the Accounts.

The financial report is a general purpose financial report which has been prepared in accordance with the *Water Resources Act 1997*, the requirements of the Treasurer's Instructions relating to financial reporting which are issued pursuant to the *Public Finance and Audit Act 1987* and Accounting Policy Statements issued pursuant to those Instructions, the Statements of Accounting Concepts, applicable Accounting Standards and Urgent Issues Group Consensus Views.

The accrual accounting basis has been used for the preparation of the Financial Statements whereby items are brought to account as they are earned or incurred and included in the statements for the accounting period to which they relate.

The accounts are prepared on the basis of historical cost and are not adjusted to take account of changing money values or current valuations of non-current assets unless otherwise disclosed in these Notes.

2.2 **Property, Plant and Equipment**

Assets have been recognised at cost and included in the Statement of Financial Position. Minor items of plant and equipment with an individual value of less than \$300 are expensed at the time they are acquired.

Depreciation

Depreciation is provided on a straight line basis on all plant and equipment and infrastructure assets and is calculated to allocate the value of the assets against revenue over their estimated useful lives. The rates used for each class of asset are:

Furniture	Percent
Equipment	10 and 20
	20

2.3 **Employee Entitlements**

Employer Superannuation

The Board contributed \$65 000 (\$48 000) to superannuation in respect of employees and Board members for the financial year.

River Murray Catchment Water Management Board

Annual Leave

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

Sick Leave

No provision has been made for sick leave as entitlements are non vesting and it is considered that sick leave is taken from the employee's entitlement.

Long Service Leave

The benchmark used for determining long service leave liability is eight years in accordance with Accounting Policy Statement Number 9 'Employee Entitlements' issued by the Department of Treasury and Finance. Two members of staff have an entitlement to Long Service Leave as a result of specific provisions under employment contracts.

2.4 Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor are charged as expenses in the periods in which they are incurred (refer Note 11).

2.5 Cash and Bank Balances

Deposit Account balances are at call amounts, which earn interest at a rate determined by the Treasurer. Interest is received quarterly in arrears. The average effective interest rate for the reporting period was 4.40 percent (5.77 percent).

2.6 Receivables

Receivables in respect of fees and charges are recorded at their recoverable amount. At the end of each reporting period these receivable balances are reviewed and a provision is raised in respect of any balance where recoverability is considered doubtful. Bad debts are written off in the period in which they are identified. Credit risk therefore is confined to the amount set aside as provision for doubtful debts. The resulting carrying amount of receivables is considered to approximate their net fair values.

The Board does not have any significant exposure to any individual customer, thus its credit risks are due to its customer base being influenced by the South Australian economy.

2.7 Trade Creditors

Trade creditors are unsecured debts, recognised in the financial statements when contracted goods or services have been received by the Board. These debts generally are settled within 30 days of invoice.

2.8 Revenue Recognition

All revenue recorded in the Statement of Financial Performance including contributions, levies, grants and other income is recognised when the Board obtains control over the assets arising from those revenues. Grants and other income recognition is in accordance with relevant agreements. Where no agreement exists revenue is recognised when cash is received.

2.9 Goods and Services Tax (GST)

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

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

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

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

2.10 Mallee Prescribed Wells Area

In June 2001, the balance of the Water Resources Levy Fund relating to the Mallee Prescribed Wells Areas was transferred to the Board under direction from the Minister for Water Resources.

3. Grants and Contributions Received

	2002 Revenue Received \$'000	2001 Revenue Received \$'000
Development of a strategy for decision making for wetlands enhancement for the River Murray	-	28
Quantification of environment flows for ephemeral streams in the Eastern Mt Lofty Ranges	69	69
On ground assistance to achieve water use efficiency	139	215
Department for Water Resources and Renmark to border LAP	-	55
RM community water quality monitoring in SA	50	-
Waterwatch	97	-
Assessing current and future irrigation impacts on flood plain health	393	-
Total	748	367

Catchment Water Management Boards

River Murray Catchment Water Management Board

4. Other Revenue		2002	2001
		\$'000	\$'000
Consultancy Agreement		377	-
Other		18	32
Total		395	32
5. Grants			
Grants expenditure is recognised when there is an obligation to pay an external party under an agreement			
Murray Darling 2001*		1 177	2 032
Board Funded Grants		255	358
Total		1 432	2 390

* An agreement was entered into between the Commonwealth of Australia and the State of South Australia for the delivery of the objectives of the Natural Heritage Trust and any associated programs. The Murray Darling 2001 program comprises part of these activities.

Under the arrangements, any State funding provided to approved projects is matched by the Commonwealth. During 2001-02 the Board contributed to the funding of 43 projects (49 projects) associated with water management issues in the Board's Catchment Area.

6. Supplies and Services		2002	2001
	Note	\$'000	\$'000
Accounting		14	22
Advertising		33	26
Audit		16	15
Computing expenditure		23	16
Consultancies		900	306
Contractors		22	108
Meeting and conference expenses		34	29
Motor vehicle expenses		83	46
Office accommodation and services		49	42
Other expenditure		170	94
Postage, printing and stationery		86	73
Staff training and development		20	11
Telephone		40	32
Travel and accommodation		58	52
Total Services and Supplies		1 548	872

7. Receivables			
Water based levy contributions receivable at balance date		208	117
Less: Provision for doubtful debts		(14)	(14)
		194	103
Accounts receivable from:			
Department of Water, Land and Biodiversity Conservation	1.3	1 680	1 615
Other accounts receivable		243	387
Total Receivables		2 117	2 105

8. Property, Plant and Equipment				
Property, Plant and Equipment Movement Schedule				
Gross Carrying Amount:				
Balance as at 30 June 2001		79	62	141
Additions		8	51	59
Disposals		-	(2)	(2)
Balance as at 30 June 2002		87	111	198
Accumulated Depreciation:				
Balance as at 30 June 2001		32	14	46
Depreciation expense		10	17	27
Disposals		-	(1)	(1)
Balance as at 30 June 2002		42	30	72
Net Book Value:				
As at 30 June 2001		47	48	95
As at 30 June 2002		45	81	126

9. Payables		2002	2001
		\$'000	\$'000
Trade creditors		174	238
Accrued expenses		192	300
Total Payables		366	538

River Murray Catchment Water Management Board

10.	Provisions	2002	2001
	Current Provision	\$'000	\$'000
	Provision for employee entitlements:		
	Annual leave	25	13
	Long service leave	5	2
	Total Provisions	30	15

11.	Expenditure Commitments		
	Non-Cancellable Operating Lease Commitments Contracted for but not Capitalised in the Accounts		
	Payable in respect of commercial property:		
	Not later than one year	4	24
	Later than one year and not later than five years	-	4
		4	28

Lease payments are made monthly in advance; the Board has the right to renew the operating lease for a further five year period at a rent to be agreed or by arbitration; the lease does not contain any other restrictions on the operations of the Board.

	Other Expenditure Commitments Contracted for but not Capitalised in the Accounts	2002	2001
	Payable in respect of grants:	\$'000	\$'000
	Not later than one year	712	-
		712	-

Other expenditure commitments relate to Natural Heritage Trust funding. (Refer Note 5). Payment and expenditure arrangements for the 2001-02 funding year have been amended to extend beyond 30 June 2002.

12.	Auditors' Remuneration		
	Amounts due and receivable for auditing the accounts	16	15

13.	Executive Remuneration	2002	2001
	For the period 1 July to 30 June there was one employee whose remuneration received or receivable exceeded \$100 000. The remuneration of this employee fell within the following band:	Number	Number
	\$110 000 - \$120 000	-	1
	\$120 001 - \$130 000	1	-

14.	Remuneration of Board Members	2002	2001
	Total income received, or due and receivable, by Board Members was \$43 441 (\$62 000). The number of Members whose income from the entity falls within the following bands are:	Number of	Number of
	\$Nil	2	1
	\$1 - \$9 999	10	6
	\$10 000 - \$19 999	1	1
	\$20 000 - \$29 999	-	1
		13	9

15. River Murray Catchment Water Management Board
Members of the River Murray Catchment Water Management Board during the financial year were:

Current Board Members	Previous Members appointed to 19.7.01
Mr Jeffrey W Parish	Mr Guy Boothby
Mr Peter B Arnold	Mr Peter Norman
Mr William R Paterson	Mr Ian Kroehn
Mrs Joanne L Pfeiffer	Mr Raymond R McDonald
Mrs Rachael Murphy (appointed 20.7.01)	
Mr Terence McAnaney (appointed 20.7.01)	
Mr Roger Wickes (appointed 20.7.01)	
Mr Joseph Keynes (appointed 20.7.01)	
Mr David C Wotton (appointed 26.4.02)	

16.	Consultants	2002	2001
	Consultants were engaged to assist the Board to develop their Catchment Water Management Plan and Water Allocation Plans and undertake investigative works.	Number of	Number of
	Fees Paid:	Consultancies	Consultancies
	Below \$10 000	5	3
	\$10 000 - \$50 000	6	8
	Above \$50 000	8	1

Total consultant fees paid or payable during the reporting period were \$900 000 (\$306 000).

17.	Statement of Accumulated Surplus	2002	2001
	Opening balance accumulated surplus	\$'000	\$'000
	Surplus for the period	3 359	2 610
	Total	1 541	749
		4 900	3 359

River Murray Catchment Water Management Board

18. **Statement of Cash Flows**

18.1 **Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, the Board considers cash to include cash on hand and in banks and those investments that are able to be converted to cash within two working days.

18.2 **Reconciliation of Net Cash provided by (used in) Operating Activities to Operating Surplus**

	2002	2001
	\$'000	\$'000
Operating surplus (deficit)	1 541	749
Depreciation and amortisation	27	20
Loss on write off of fixed assets	1	-
Decrease (Increase) - Receivables and prepayments	(11)	(358)
(Decrease) - Trade creditors and accruals	(172)	(1 576)
Increase - Provisions	16	2
Net Cash Provided by (used in) Operating Activities	1 402	(1 163)

19. **Restrictions on Contributions Received**

The Board receives contributions from various funding sources for the purpose of undertaking specific projects. Unspent funds as at 30 June 2002 will be fully expended by 30 June 2003.

	2002	2001
	Unspent	Unspent
	Amount	Amount
	\$'000	\$'000
Development of a strategy for decision making for Wetlands enhancement for the River Murray	-	83
Quantification of Environmental Flows for Ephemeral Streams in the Eastern Mt Lofty Ranges	141	131
On ground assistance to achieve Water Use Efficiency	143	81
Assessing current and future irrigation impacts on Floodplain health	250	-
River Murray Community Water Quality Monitoring in SA	58	-
Department for Water Resources and Renmark to Border LAP	-	39
Total	592	334

SOUTH EAST CATCHMENT WATER MANAGEMENT BOARD

SIGNIFICANT FEATURES

Fees and charges increased by \$116 000 (12 percent) to \$1.1 million.

Total expenditure increased by \$299 000 (26 percent) to \$1.5 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 74(2) of the *Water Resources Act 1997* specifically provides for the Auditor-General to audit the accounts and financial statements of each Board established under the Act in respect of each financial year.

Scope of Audit

The audit program covered all major financial systems and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial report and the adequacy of internal controls. The specific areas of audit attention included:

- accounting policies
- budgetary control and management reporting
- grant expenditure
- revenue, receipting and banking
- accounts payable
- salaries and wages.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the Chief Executive Officer of the South East Catchment Water Management Board (the Board). A satisfactory response was received.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Revenues and Expenses

Levies charged under the *Water Resources Act 1997* amounted to \$1.1 million, accounting for 96 percent of the Board's revenue.

Expenditure increased by \$299 000 or 26 percent to \$1.5 million reflecting increased grants and contributions toward projects conducted by other organisations which further water resource management in the Board's catchment area.

Statement of Financial Position

Assets and Liabilities

Cash and receivables as at 30 June 2002 amounted to \$363 000 and represented 94 percent of the Board's total assets. The Board's liabilities amounted to \$94 000, all of which were current.

Administered Activities

The Board administers funds held on behalf of the Mid South East Irrigators Association. Cash held by the Board at 30 June amounted to \$737 000 (\$396 000). Note 1(d) and Note 22 to the accounts explains the details and a summary of financial activity relating to this activity.

South East Catchment Water Management Board

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	4	1 084	968
Interest revenue	5	32	50
Other revenue	6	18	134
Total Revenues		1 134	1 152
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee entitlements		459	394
Goods and services	7	636	732
Grants and contributions	8	348	29
Depreciation	9	12	15
Provision for doubtful debts	11	14	-
Total Expenses		1 469	1 170
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES	16	(335)	(18)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(335)	(18)

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets	10	240	591
Receivables	11	123	84
Total Current Assets		363	675
NON-CURRENT ASSETS:			
Property, plant and equipment	12	22	18
Total Non-Current Assets		22	18
Total Assets		385	693
CURRENT LIABILITIES:			
Payables	13	59	38
Employee entitlements	14	35	29
Total Current Liabilities		94	67
Total Liabilities		94	67
NET ASSETS		291	626
EQUITY:			
Accumulated surplus	16	291	626
TOTAL EQUITY		291	626
Expenditure Commitments	15		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments:			
Employee entitlements		(453)	(376)
Goods and services		(614)	(806)
Grants and contributions		(348)	(29)
GST payments on purchases		(88)	(60)
Receipts:			
Fees and charges		1 015	967
Interest revenue		31	50
Other revenue		30	135
GST receipts from taxation authority		90	31
GST receipts on sales		2	13
Net Cash used in Operating Activities	17	(335)	(75)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Sale of plant and equipment		2	-
Purchase of plant and equipment		(18)	-
Net Cash used in Investing Activities		(16)	-
NET DECREASE IN CASH HELD		(351)	(75)
CASH AT 1 JULY		591	666
CASH AT 30 JUNE	10	240	591

South East Catchment Water Management Board

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) **Establishment of Board**

The South East Catchment Water Management Board was established under section 53 of the *Water Resources Act 1997*, on 15 May 1998.

The Board's Initial Plan was approved by the Minister for Environment and Heritage and passed through Parliament in April 1999. The Initial Plan will remain in effect until such time as a comprehensive plan has been completed or the Initial Plan is revised.

(b) **Functions of the Board**

The functions of the Board are to:

- prepare and implement a Catchment Water Management Plan;
- provide advice to the Minister for Environment and Conservation and constituent councils regarding water resource management in the Board's area;
- promote public awareness of the importance of proper management and sustainable use of the water resources within the Board's area.

(c) **Financial Arrangements**

In accordance with the provisions of the *Water Resources Act 1997* the Board received water based levies from water licence holders and contributions from councils within the proclaimed catchment area.

Water based levies are set at the following rates, according to the type of allocation and whether the allocation is determined on a volumetric basis or an irrigation equivalent basis where the water allocation on the licence is specified:

- as an annual volume in kilolitres, 0.15 cents per kilolitre of allocation.
- in Irrigation Equivalents (IE), \$7.50 per hectare IE or part thereof.
- as being for the purpose of reticulated water supply pursuant to the *Waterworks Act 1932*, 1.0 cent per kilolitre of allocation.

Council contributions are based upon an approximate value of 30 percent of Board revenue (per the Initial Catchment Water Management Plan). Councils are required by the *Water Resources Act 1997* to impose a separate levy on rateable land in the catchment areas of the Board in order to recover the contributions made to the Board.

Contributions payable by the Councils have been reduced by the amount of rebates and remissions granted by Councils in accordance with section 138 of the *Water Resources Act 1997*.

The financial activities of the Board are conducted through a Deposit Account with the Department of Treasury and Finance pursuant to section 21 of the *Public Finance and Audit Act 1987*.

(d) **Administered Activities**

The Board administers funds on behalf of the Mid South East Irrigators Association (MSEIA). The transactions relating to these activities are not recorded in the Board's Statement of Financial Performance, Statement of Financial Position or Statement of Cash Flows as the Board does not have any control over these activities and merely acts as an agent. Details relating to these administered funds are disclosed in Note 22.

2. Significant Accounting Policies

(a) **Basis of Accounting**

The financial statement is a general purpose financial report, and has been prepared in accordance with Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group Consensus Views, Treasurer's Instructions and Accounting Policy Statements issued by the Department of Treasury and Finance and the requirements of the *Water Resources Act 1997*.

The financial report has been prepared on the accrual basis of accounting. Accordingly revenues are recognised when they are earned or when the Board obtains control over them, rather than when they are received and expenses are recognised when they are incurred, rather than when they are paid. Some revenues are recognised when cash is received because only at this time can the Board be certain about the amounts to be collected. These revenues include items such as grants.

The financial report has been prepared in accordance with the historical cost convention.

(b) **Property, Plant and Equipment**

Assets have been recognised at cost and included in the Statement of Financial Position.

Minor items of plant and equipment with an individual value of less than \$2 000 are expensed in the Statement of Financial Performance at the time they are acquired.

(c) **Depreciation**

All items of property, plant and equipment have a limited useful life and are systematically depreciated in a manner which reflects the consumption of service potential. The depreciation rates are reviewed annually.

The expected useful life is as follows:	Years
Computing equipment	3
Plant and equipment	3-5
Furniture and fittings	10

Depreciation is provided on a straight line basis.

South East Catchment Water Management Board

- (d) **Repairs and Maintenance**
Repairs and maintenance costs are expensed as incurred.
- (e) **Income Recognition**
All revenue is recorded in the Statement of Financial Performance. Grants, donations and other contributions are recognised as revenues when the Board obtains control over the assets comprising the contributions. Control over such revenues is normally obtained upon their receipt.
- (f) **Receivables**
Receivables in respect of fees and charges are recorded at their recoverable amount. At the end of each reporting period these receivable balances are reviewed and a provision is raised in respect of any balance where recoverability is considered doubtful. Bad debts are written off in the period in which they are identified.
- (g) **Superannuation**
The Board made contributions of \$38 000 (\$37 000) to Employer Contribution Accounts administered by the South Australian Superannuation Board, in respect of future superannuation liabilities.
- (h) **Employee Entitlements and Other Employee Related Provisions**
Employee entitlements and employment on-costs accruing during the reporting period are treated as an expense in the Statement of Financial Performance.

A provision is raised at the end of the reporting period to reflect employee entitlements to annual leave. The annual leave entitlement is calculated by multiplying each employee's entitlement by the remuneration rate current at the reporting date. Where leave loadings are paid, they are included in the calculation.

The benchmark used for determining long service leave liability is eight years in accordance with Accounting Policy Statement APS 9 'Employee Entitlements' issued by the Department of Treasury and Finance. One member of staff has an entitlement to long service leave as a result of an entitlement under an employee contract.
- (i) **Cash Flows**
For the purpose of the Statement of Cash Flows, cash includes cash on hand and Deposit Accounts with the Department of Treasury and Finance.
- (j) **Finance Lease**
The Board has not entered into any finance leasing arrangements.
- (k) **Rounding**
All amounts are rounded to the nearest thousand dollars.
- (l) **Creditors**
These amounts represent liabilities for goods and services provided to the Board prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.
- (m) **Cash and Bank Balances**
Deposit account balances are at call amounts, which earn interest at a rate determined by the Treasurer. Interest is received quarterly in arrears. The average effective interest rate for the reporting period was 4.39 percent.
- (n) **Goods and Services Tax (GST)**
In accordance with UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:
- the amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expenses;
 - receivables and payables are stated with the amount of GST included.
- The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows.
- (o) **Change in Presentation**
As described in Note 1(d) to the financial statements the Board administers funds in relation to the Mid South East Irrigators Association (MSEIA). In previous years these funds held by the Board were reflected in the cash and payables of the Statement of Financial Position and as a cash flow in the Statement of Cash Flows. The presentation of administered items has been changed to reflect the requirement of AAS 29 - 'Financial Reporting by Government Departments' which requires administered activities to be separately reported in the Financial Report (Refer Note 1(d) and Note 22). Accordingly the Statement of Financial Position and Statement of Cash Flows no longer include amounts relating to MSEIA. Comparative amounts have been adjusted to reflect this change in presentation. There is no impact on the Statement of Financial Performance relating to this change.

3. **Output Classes of the Board**

The Board operates solely in the portfolio area of water resource policy and planning thus no separation into output classes is warranted.

Catchment Water Management Boards

South East Catchment Water Management Board

4. Fees and Charges		2002	2001
		\$'000	\$'000
Water based levies		714	686
Council levies (land based)		291	282
Public water supply levies		79	-
Total		1 084	968
5. Interest Revenues			
Interest revenues for the reporting period comprised:			
Department of Treasury and Finance		27	42
Department for Water Resources		5	8
Total		32	50
6. Other Revenues			
Other revenues for the reporting period comprised:			
Blue Lake Management Committee and project funding		6	28
Department for Water Resources contribution		-	51
Funding from SA Water		-	50
Other		12	5
Total		18	134
7. Goods and Services			
Goods and services expenses for the reporting period comprised:			
Audit fee		11	11
Board sitting fees and related expenses		84	104
Building accommodation and service expenses		48	38
Consultants		194	306
Contractors		33	42
Financial service providers		14	12
Minor plant and equipment		24	19
Other goods and services		21	31
Publications, reports and advertising		99	67
Staff training		18	17
Stationery		17	14
Telephone		14	14
Travel expenses		25	22
Vehicle expenses		34	35
Total		636	732
8. Grants and Contributions			
During the year the Board has made contributions towards projects conducted by other organisations which further water resource management within the Board's catchment area:			
Volumetric conversion assessment		160	-
Blue Lake watercare		37	29
Irrigation efficiency study		39	-
Land use change and recharge study		25	-
State watercare		22	-
Waterwatch community projects		30	-
Interactive water resource management		30	-
Tintinara Groundwater Assessment		5	-
Total		348	29
9. Depreciation Expense			
Computing equipment		9	14
Furniture and fittings		1	-
Plant and equipment		2	1
Total		12	15
10. Cash on Hand and On Deposit			
Deposit Account with the Department of Treasury and Finance		240	591
11. Receivables			
Council levies (land based)		69	28
Water based levies		47	19
GST refund		11	15
Sundry receivables		6	18
Accrued interest		4	4
		137	84
Less: Provision for doubtful debts		14	-
		123	84

South East Catchment Water Management Board

12. Property, Plant and Equipment		2002	2001
		\$'000	\$'000
Computing equipment - At cost		38	38
Less: Accumulated depreciation		30	26
		<u>8</u>	<u>12</u>
Furniture and fittings - At cost		5	5
Less: Accumulated depreciation		2	1
		<u>3</u>	<u>4</u>
Plant and equipment - At cost		16	5
Less: Accumulated depreciation		5	3
		<u>11</u>	<u>2</u>
Total Assets - At Cost		<u>59</u>	48
Less: Accumulated depreciation		<u>37</u>	30
		<u>22</u>	18

Property, Plant and Equipment Movement Schedule

	Carrying Amount 1.7.01 \$'000	Additions \$'000	Disposals \$'000	Depreciation Expense \$'000	Carrying Amount 30.6.02 \$'000
Computing equipment	12	7	2	9	8
Furniture and fittings	4	-	-	1	3
Plant and equipment	2	11	-	2	11
	<u>18</u>	<u>18</u>	<u>2</u>	<u>12</u>	<u>22</u>

13. Payables		2002	2001
Current:		\$'000	\$'000
Creditors		48	26
Accrued expenses		11	12
Total		<u>59</u>	<u>38</u>

14. Employee Entitlements			
Annual leave		29	25
Long service leave		6	4
Total		<u>35</u>	<u>29</u>

15. Expenditure Commitments			
Leases			
Commitments under non-cancellable operating lease at the reporting date which have not been recognised in the financial statements.			
Payable:			
Not later than one year		21	22
Later than one year and not later than five years		16	10
Total		<u>37</u>	<u>32</u>

The property leases are non-cancellable leases, with rental payments monthly in arrears. Contingent rental provisions within the lease agreement allow for increase in payments in line with general inflation.

Other Expenditure Commitments

Other expenditure commitments contracted for at the reporting date, which have not been recognised in the financial statements:

Payable:			
Not later than one year		80	-
Later than one year and not later than five years		160	-
Total		<u>240</u>	<u>-</u>

The Board has entered into arrangements with the Department of Water, Land and Biodiversity Conservation, via MOU, to fund the Volumetric Conversion Project.

16. Equity		Accumulated Surplus	
Equity represents the residual interest in the Board's net assets. The South Australian Government holds the equity interest in the Board on behalf of the community.		2002	2001
		\$'000	\$'000
Balance at 1 July		626	644
Deficit from ordinary activities		(335)	(18)
Balance at 30 June		<u>291</u>	<u>626</u>

17. Reconciliation of Net Cash Provided by Operating Activities to Operating Surplus		2002	2001
		\$'000	\$'000
Surplus (Deficit) from ordinary activities		(335)	(18)
Depreciation		12	15
Movements in assets and liabilities:			
Increase (Decrease) in creditors and accrued expenses		21	(74)
Increase in employee entitlements		6	18
(Increase) in receivables		(39)	(16)
Net Cash used in Operating Activities		<u>(335)</u>	<u>(75)</u>

Catchment Water Management Boards

South East Catchment Water Management Board

18. Remuneration of Board Members

Members of the South East Catchment Water Management Board during the financial year were:

Mr James Osborne (Presiding member)	Mr Robert Mock
Ms Maureen Andrews	Mr Christopher England
Mr Peter Altschwager	Mr Phillip McBride
Mr Robert Cowan	Mr Frances Brennan
Ms Dianne Ashby	Mr Graham Kay

Remuneration paid or payable to Board members in respect of the reporting period fell within the following bands:

	2002	2001
	Number of Board Members	Number of Board Members
\$1 - \$10 000	9	8
\$10 001 - \$20 000	-	3
\$20 001 - \$30 000	1	1

Total remuneration paid or payable to these members was \$60 000 (\$87 000).

19. Consultant Fees

	2002	2001
	Number of Consultants	Number of Consultants
\$1 - \$10 000	4	2
\$10 001 - \$50 000	1	3
\$50 001 - \$100 000	-	1
Over \$100 001	1	1

Total consultants fees paid or payable was \$194 000 (\$306 000).

20. Auditors' Remuneration

Amounts due and receivable for auditing the accounts

2002	2001
\$'000	\$'000
11	11

21. Remuneration of Employees

The number of employees whose remuneration received or receivable exceeded \$100 000 fell within the following bands:

\$100 000 - \$110 000

2002	2001
Number of Employees	Number of Employees
1	-

22. Funds held on behalf of Mid South East Irrigators Association

The Board holds funds on behalf on the Mid South Eastern Irrigators Association to assist them implement a program to rehabilitate degraded confined aquifers for wells. The Board has accepted this deposit on the basis that these monies will be disbursed in accordance with the instructions of the Mid South East Irrigators Association. Interest is paid at the same rate as received by the Board.

	2002	2001
	\$'000	\$'000
Balance at 1 July	396	258
Deposits placed with the Board	425	293
Interest earned on deposits	25	14
Less: Payments made on behalf of MSEIA	109	169
Balance of Funds held at 30 June	737	396

TORRENS CATCHMENT WATER MANAGEMENT BOARD

SIGNIFICANT FEATURES

- The deficit from ordinary activities was \$1.4 million (surplus of \$757 000).
- Cash assets decreased by \$1.9 million to \$1.1 million.
- The Board transferred seven gross pollutant traps with a value of \$491 000 to Councils.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 74(2) of the *Water Resources Act 1997* specifically provides for the Auditor-General to audit the accounts and financial statements of each Board established under the Act in respect of each financial year.

Scope of Audit

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

The specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including council contributions and grant funding
- grant administration.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the General Manager. A satisfactory response was received.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Revenues and Expenses

Constituent Councils provided contributions of \$3.9 million (\$3.8 million) to the Board in 2001-02. The contributions comprised 84 percent (89 percent) of the Board's revenues for the year.

Expenditure on contractors increased by \$1.1 million to \$2.4 million due mainly to the St Peters Billabong Wetland Project and Watercourse Rehabilitation Program.

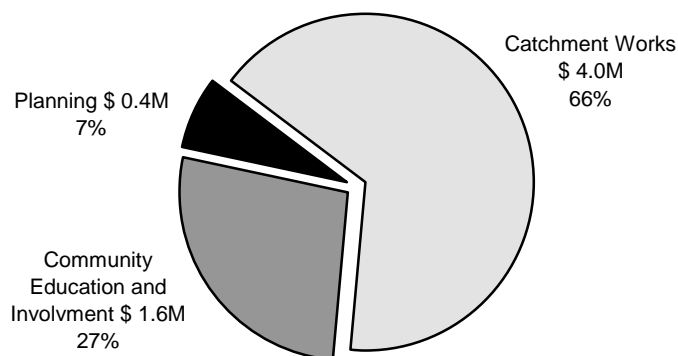
Catchment Water Management Boards

Expenditure on grants and subsidies increased by \$571 000 to \$2.0 million due mainly to increased grants to Councils for the construction of gross pollutant traps (catchment works).

Expenditure on consultants increased by \$310 000 to \$546 000 due mainly to project management of the Watercourse Rehabilitation Program and preparation of the five year Catchment Water Management Plan.

The Board transferred seven gross pollutant traps with a value of \$491 000 to Councils.

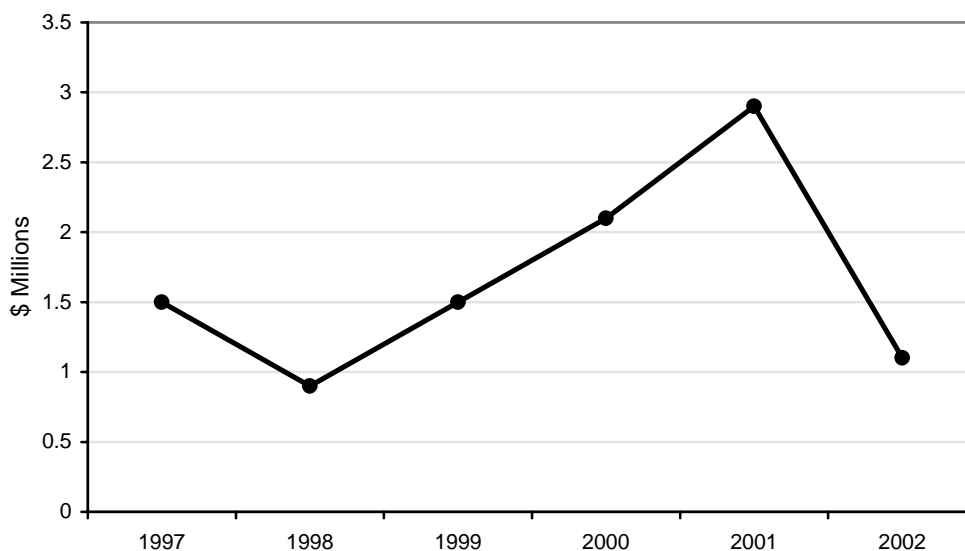
The following chart depicts the major expenditures of the Board in 2001-02.



Statement of Financial Position

Cash Assets

The following graph reflects the movement in cash assets over the last six years.



The decrease in cash assets in 2001-02 is due mainly to the Watercourse Rehabilitation Program and the construction of the St Peters Billabong wetland.

Work in Progress

Work in progress increased by \$851 000 to \$888 000 due to an increase in gross pollutant traps under construction.

Torrens Catchment Water Management Board

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Council contributions	1.3	3 915	3 822
Other contributions and grants		571	289
Interest received		119	143
Other income		50	36
Total Revenues		4 655	4 290
EXPENSES FROM ORDINARY ACTIVITIES:			
Contractors	3	2 391	1 245
Grants and subsidies		2 035	1 464
Consultants		546	236
Transfers and write off of non-current assets	5	491	24
Employee expenses	2.5	316	292
Other expenses		177	164
Depreciation	2.4,5	44	67
Board fees and expenses		38	41
Total Expenses		6 038	3 533
(DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES		(1 383)	757
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Increase in asset revaluation reserve	9	56	-
Total revenues, expenses and valuation adjustment recognised directly to equity		56	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(1 327)	757

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets	12.1	1 058	2 934
Receivables	2.7	385	202
Prepayments		4	3
Total Current Assets		1 447	3 139
NON-CURRENT ASSETS:			
Plant, equipment and gross pollutant traps	4,5	727	1 181
Work in progress	6	888	37
Total Non-Current Assets		1 615	1 218
Total Assets		3 062	4 357
CURRENT LIABILITIES:			
Payables	2.8,7	222	191
Provisions	8.1	31	29
Total Current Liabilities		253	220
NON-CURRENT LIABILITIES:			
Provisions	8.2	14	15
Total Non-Current Liabilities		14	15
Total Liabilities		267	235
NET ASSETS		2 795	4 122
EQUITY:			
Accumulated surplus	9	2 739	4 122
Asset revaluation reserve	2.4,9	56	-
TOTAL EQUITY		2 795	4 122
Commitments	10		
Contingent Liabilities	11		

Torrens Catchment Water Management Board

Statement of Cash Flows for year ended 30 June 2002

		2002	2001
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Inflows:	Note	\$'000	\$'000
Council contributions		3 915	3 822
Goods and services tax receipts from taxation authority		602	211
Other contributions and grants received		465	317
Interest received		119	143
Other income received		50	36
Outflows:			
Payments to suppliers, service providers, grantees and employees		(5 474)	(3 359)
Goods and services tax payments on purchases		(677)	(291)
Net Cash (used in) provided by Operating Activities	12.2	(1 000)	879
CASH FLOWS FROM INVESTING ACTIVITIES:			
Outflows:			
Payments for plant, equipment, gross pollutant traps and work in progress		(876)	(39)
Net Cash used in Investing Activities		(876)	(39)
NET (DECREASE) INCREASE IN CASH HELD		(1 876)	840
CASH AT 1 JULY		2 934	2 094
CASH AT 30 JUNE	12.1	1 058	2 934

Output Class Schedule of Board's Expenses for the year ended 30 June 2002

	Output Class (Note 2.10)			2002	2001
	1	2	3	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Contractors	1 931	127	333	2 391	1 245
Grants and subsidies	827	116	1 092	2 035	1 464
Consultants	371	133	42	546	236
Transfers and write off of non-current assets	491	-	-	491	24
Employee expenses	210	22	84	316	292
Other expenses	118	12	47	177	164
Depreciation	39	1	4	44	67
Board fees and expenses	25	3	10	38	41
	4 012	414	1 612	6 038	3 533

Revenues from Ordinary Activities have not been distributed to Output Classes as they do not relate to any particular Class.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

1.1 Establishment of Board

The Torrens Catchment Water Management Board was established on 7 May 1995 pursuant to the *Catchment Water Management Act 1995*, which was subsumed by the *Water Resources Act 1997*.

The Board commenced operations under an Initial Plan in 1995. The Board is currently operating under a Catchment Water Management Plan developed and adopted by the Board in April 1997. The Plan was reviewed during 2000-01, resulting in the Minister for Water Resources adopting amendments to the Plan's projected income and expenditure for the financial year 2001-02.

A new catchment plan was approved by the Minister in May 2002 for the five financial years 2002-03 to 2006-07.

1.2 Functions of the Board

The functions of the Board are to:

- prepare a comprehensive Catchment Water Management Plan;
- ensure removal of solid or dissolved impurities from all catchment water within the Torrens catchment;
- ensure protection of all watercourses, channels and lakes and their ecosystems, within the Torrens catchment from degradation by pollutants and exotic plants and animals, and reversal of such degradation where it has occurred;
- determine and provide financial or any other form of assistance to constituent councils, persons carrying on business, community groups or any other persons in an activity in the catchment area that will improve the quality of the catchment water;
- facilitate education of members of the public in relation to the management of catchment water and of catchments.

1.3 Sources of Funding

In accordance with the provisions of the *Water Resources Act 1997*, the Board received contributions from councils within the proclaimed catchment area. The amount to be contributed by councils was based upon the estimated expenditure of the Board, as contained in the approved Plan for the financial year, less the amount of any other funds available to the Board.

Torrens Catchment Water Management Board

1.3 Sources of Funding (continued)

Councils are required to impose a separate levy on rateable land in the catchment areas of the Board in order to recover the contributions made to the Board.

Contributions payable by certain Councils to the Board have been reduced by the amount of rebates or remissions granted by Councils in accordance with section 136 of the *Water Resources Act 1997* and Division 5, Part 1 of the *Local Government Act 1999*.

2. Statement of Significant Accounting Policies

2.1 General

The following is a summary of the significant accounting policies adopted by the Board in the preparation of the general purpose financial report.

The general purpose financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, Treasurer's Accounting Policy Statements, Treasurer's Instructions, the *Public Finance and Audit Act 1987*, *Water Resources Act 1997* and other mandatory reporting requirements.

The accrual accounting basis has been used for the preparation of the Financial Statements whereby items are brought to account as they are earned or incurred and included in the statements for the accounting periods to which they relate.

The accounts are prepared on the basis of historical cost and are not adjusted to take account of changing money values or current valuations of non-current assets unless otherwise disclosed in these notes.

2.2 Income Recognition

Contributions from constituent councils are recognised as income following determination of the share of each council by the Minister and publication of those amounts in the Government Gazette. Contributions are required to be paid on a quarterly basis to the Board.

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Income from grants is recognised following completion of formal documentation between the grantor and the Board.

Other income is recognised when the service has been performed.

All income relates to the operating activities of the Board.

2.3 Allocation of Administrative Overheads

The Torrens and Patawalonga Catchment Water Management Boards have agreed to share administrative costs on a 60/40 basis.

2.4 Non-Current Assets

Depreciation

Depreciation is provided on a straight line basis to write off the net cost or revalued amount of all plant, equipment and gross pollutant traps over their expected useful lives. Estimates of remaining useful lives are made on a regular basis for all assets, with annual assessments for major items. The expected useful lives are as follows:

	Years
Display systems	3
Computer equipment	5
Office equipment	8
Furniture and fittings	20
Gross pollutant traps	25

Leasehold improvements are amortised over the life of the lease.

Assets costing less than \$300 have been included in expenditure in the year of acquisition.

Assets Disclosed at Directors' Valuation

In accordance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' issued by the Department of Treasury and Finance, the Board revalued its gross pollutant traps as at 30 June 2002. Current cost has been determined by the Board using the deprival value methodology, whereby assets are valued at the replacement cost of procuring similar assets with similar functions and which provide comparable future service potential.

The revaluation of gross pollutant traps has resulted in an asset revaluation reserve of \$56 000 being recognised in the financial statements.

2.5 Employee Entitlements

Employer Superannuation

The Board contributed \$29 000 (\$27 000) to superannuation schemes in respect of its employees for the financial year. 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 at balance date relates to any contribution due but not yet paid to the superannuation schemes.

Torrens Catchment Water Management Board

2.5 Employee Entitlements (continued)

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision is calculated at nominal amounts based on current salary rates. On-costs have been included in the provision in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Sick Leave

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

Long Service Leave

The benchmark used for determining long service leave liability is eight years in accordance with Accounting Policy Statement APS 9 'Employee Entitlements' issued by the Department of Treasury and Finance. The provision includes entitlements for one employee in recognition of prior service with other government departments.

On-costs have been included in the component of long service leave that will be taken as leave (55 percent of the liability at June 2002) rather than a lump sum. This calculation is based upon an average percentage supplied by the Department of Treasury and Finance for long service leave that will be taken as a lump sum (45 percent).

Workers Compensation

The Board is registered with WorkCover as an exempt employer and has entered a Service Level Agreement with the Department for Administrative and Information Services to provide insurance cover for work caused injuries.

2.6 Leases

The Board has no financial leases.

The Board has entered into operating lease agreements for premises and computer equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Lease payments are included as expenditure in equal instalments over the accounting periods covered by the lease terms.

Total expenditure on operating leases in the financial year was \$55 000 (\$44 000).

2.7 Receivables

Income receivable on investment of surplus funds is accrued in accordance with the terms and conditions applicable to funds held at the Department of Treasury and Finance in a Section 21 Deposit Account.

2.8 Payables

Trade Creditors

These amounts represent liabilities for goods and services provided to the Board prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other Payables

These amounts represent unpaid board fees, salaries and direct overheads at balance date.

2.9 Credit Risk Exposure

The credit risk on financial assets of the Board which have been recognised in the Statement of Financial Position, is generally the carrying amount.

2.10 Output Classes of the Board

Outputs are defined as goods or services produced, provided to or acquired for external customers. The Board has identified three major classes of outputs that it delivers to the community. The identity and description of each major output class of the Board during the year ended 2002 are summarised below (refer to the Output Class Schedule of Board's Expenses).

1. *Catchment Works*

The Board aims to improve catchment health and stream condition through the implementation of a broad range of on-ground initiatives. Catchment works include wetland development, installation of gross pollutant traps and watercourse rehabilitation.

2. *Planning*

Planning is required to ensure that future investments in catchment works are based on the best available information. Planning activities include the development of the comprehensive catchment water management plan, monitoring of water quality, and grants for research and development.

3. *Community Education and Involvement*

Community awareness of water quality and quantity issues is vital in gaining widespread public support for, ownership of, and participation in improved catchment management. The Board's community education and involvement programs are part of a long term strategy aimed at building commitments which lead people to change their attitudes and behaviour for both community and individual benefit. Through promoting 'best practice' land and water management across every sector of the community, the Board's programs aim to reduce or prevent pollution at its source.

Torrens Catchment Water Management Board

2.11 Accounting for Goods and Services Tax (GST)

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

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

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

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

2.12 Rounding

All amounts are rounded to the nearest thousand dollars.

3. Contractors

Contractors have been used to implement the Board's program of activities including installation of wetlands, gross pollutant traps and watercourse rehabilitation, monitoring of water quality and production of community education material. The increase in expenditure on contractors in 2001-02 is due mainly to the construction of the St Peters Billabong Wetland and the Watercourse Rehabilitation Program.

4. Plant, Equipment and Gross Pollutant Traps

	2002		2001	
	\$'000	\$'000	\$'000	\$'000
Display systems at cost	55		55	
Less: Accumulated depreciation	53		46	
		2		9
Furniture and fittings at cost	21		16	
Less: Accumulated depreciation	6		5	
		15		11
Computer equipment at cost	7		7	
Less: Accumulated depreciation	5		5	
		2		2
Office equipment at cost	14		8	
Less: Accumulated depreciation	7		5	
		7		3
Office leasehold improvements at cost	23		9	
Less: Accumulated amortisation	12		9	
		11		-
Gross pollutant traps at directors' valuation	810		1 298	
Less: Accumulated depreciation	120		142	
		690		1 156
Total Plant, Equipment and Gross Pollutant Traps		727		1 181

5. Plant, Equipment and Gross Pollutant Traps Movement Schedule

	Carrying Amount 1.07.01 \$'000	Additions \$'000	Transfers and Write off* \$'000	Net Revaluation Increment \$'000	Depreciation Expense \$'000	Carrying Amount 30.06.02 \$'000
Display systems	9	-	-	-	(7)	2
Furniture and fittings	11	5	-	-	(1)	15
Computer equipment	2	-	-	-	0	2
Office equipment	3	6	-	-	(2)	7
Office leasehold improvements	-	14	-	-	(3)	11
Gross pollutant traps	1 156	-	(491)	56	(31)	690
	1 181	25	(491)	56	(44)	727

* Six gross pollutant traps with a carrying value of \$382 000 were transferred to Councils for nil consideration. One gross pollutant trap with a carrying value of \$109 000 was demolished.

6. Work in Progress

Work in Progress was \$888 000 (\$37 000) and reflects the increase in gross pollutant traps under construction.

7. Payables

	2002 \$'000	2001 \$'000
Trade creditors	177	161
Other	45	30
Total	222	191

Torrens Catchment Water Management Board

8.	Provisions	2002	2001
	8.1 Current Provisions	\$'000	\$'000
	Provision for employee entitlements:		
	Annual leave	31	29
	8.2 Non-Current Provisions		
	Provision for employee entitlements:		
	Long service leave	14	15
		45	44
9.	Accumulated Surplus		
	Opening balance accumulated surplus	4 122	3 365
	(Deficit) surplus from ordinary activities	(1 383)	757
		2 739	4 122
	Asset Revaluation Reserve		
	Increment on revaluation of gross pollutant traps	56	-
		2 795	4 122
10.	Expenditure Commitments		
	10.1 Lease Commitments		
	Operating Leases:		
	Not later than one year	57	55
	Later than one year and not later than five years	253	195
	Total operating lease commitments (including GST)	310	250
	GST included in operating lease commitments	28	23
	The operating lease commitments comprise the following:		
	• a property lease which is non-cancellable. Rental is payable monthly with reviews indexed annually, alternating between market value and CPI indexation. Options exist to renew the lease at the end of the term of the lease.		
	• a computer lease which is non-cancellable. Rental is payable monthly and options exist to renew or cancel the lease at the end of the term of the lease.		
	10.2 Other Expenditure Commitments	2002	2001
		\$'000	\$'000
	Not later than one year	2 511	2 800
	Later than one year and not later than five years	107	19
	Total other expenditure commitments (including GST)	2 618	2 819
	GST included in grant and funding commitments	238	256
	Approvals have been given for various projects including wetlands, trash racks, rural riparian works, flood studies and grants for pollution prevention and research and development. The value of these projects (\$2 618 000) is not reflected in the Statement of Financial Performance or Statement of Financial Position for the current financial year.		
11.	Contingent Liabilities		
	The Board has no contingent liabilities.		
12.	Note to the Statement of Cash Flows		
	12.1 Reconciliation of Cash		
	For the purposes of the Statement of Cash Flows, the Board considers cash to include cash on hand and in banks and those investments that are able to be converted to cash within two working days.		
	12.2 Reconciliation of Net Cash (used in) provided by Operating Activities to (Deficit) Surplus from Ordinary Activities	2002	2001
		\$'000	\$'000
	(Deficit) surplus from ordinary activities	(1 383)	757
	Depreciation	44	67
	Transfers and write off of non-current assets	491	24
	(Increase) - Receivables	(183)	(65)
	(Increase) - Prepayments	(1)	-
	Increase - Payables	31	85
	Increase - Provisions	1	11
	Net Cash (used in) provided by Operating Activities	(1 000)	879
13.	Auditors' Remuneration		
	Amount paid or payable to the Auditor-General's Department with respect to the audit of the Board's financial report.	11	11
	No other services were provided by the auditors.		

Torrens Catchment Water Management Board

14. **Remuneration of Board Members**

Members of the Torrens Catchment Water Management Board during the financial year were:

Mr Jay Hogan: Presiding Member	Mr Peter Koukourou
Ms Penny Paton	Ms Valerie Bonython
Mr Peter Cooper	Mr Tim Potter
Mr Jason Kuchel	Ms Cathryn Hamilton.
Mr Harry Wierda (term expired 31.8.01)	

Total income received, or due and receivable, by Board Members was \$32 000 (\$35 000). Other expenses of Board Members were \$6 000 (\$6 000).

The number of Members whose income from the entity falls within the following bands is:

	2002 Number of Members	2001 Number of Members
\$0 - \$9 999	8	7
\$10 000 - \$19 999	1	1

Prescribed benefits given by the Board to prescribed superannuation funds or otherwise in connection with the retirement of Board Members were \$2 000 (\$2 000).

In accordance with the Department of the Premier and Cabinet Circular No. 100, one Board Member (Cathryn Hamilton) did not receive any remuneration as this Member was an employee of the Government.

Related Party Disclosures

One Board Member has a direct affiliation with a Local Government Council from which Council contributions are received by the Board. The member is Mr Tim Potter, Adelaide Hills Council.

During the year grants totalling \$34 000 were approved for the Council of the Board Member, who is an employee of that Council. Schedule 2 clause 10(10) of the *Water Resources Act 1997* provides that a member of the Board does not have a direct or indirect personal or pecuniary interest in any matter under consideration by the Board simply by being a member of a constituent council. The nature of the grants and conditions attached, were similar to other grants provided to various organisations.

15. **Remuneration of Executives**

The number of Executive Officers whose remuneration from the Torrens and Patawalonga Catchment Water Management Boards falls within the following bandwidth:

	2002 Number of Executive	2001 Number of Executive
\$110 000 - \$119 999	-	1
\$120 000 - \$129 999	1	-

Remuneration of the executive officer was shared with the Patawalonga Catchment Water Management Board on a 60/40 basis. Refer Note 2.3.

16. **Financial Instruments**

Interest Rate Risk Exposure

The Board's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

	Floating Interest Rate \$'000	2002 Non- Interest Bearing \$'000	Total Carrying Amount \$'000	Floating Interest Rate \$'000	2001 Non- Interest Bearing \$'000	Total Carrying Amount \$'000
Financial Assets:						
Cash assets	1 058	-	1 058	2 934	-	2 934
Receivables	-	385	385	-	202	202
	1 058	385	1 443	2 934	202	3 136
Weighted average interest rate (percent)	4.40			5.06		
Financial Liabilities:						
Payables	-	222	222	-	191	191
	-	222	222	-	191	191
Weighted average interest rate (percent)	-			-		
Net Financial Assets	1 058	163	1 221	2 934	11	2 945

Reconciliation of Net Financial Assets to Net Assets

	2002 \$'000	2001 \$'000
Net financial assets as above	1 221	2 945
Non-financial assets and liabilities:		
Plant, equipment, gross pollutant traps and work in progress	1 615	1 218
Prepayments	4	3
Provisions	(45)	(44)
Net Assets per Statement of Financial Position	2 795	4 122

Torrens Catchment Water Management Board

Net Fair Value of Financial Assets and Liabilities - On-Statement of Financial Position

The net fair value of cash and equivalents and non-interest bearing monetary financial assets and financial liabilities of the Board approximates their carrying value.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

On-Statement of Financial Position	2002		2001	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial Assets:				
Cash assets	1 058	1 058	2 934	2 934
Receivables	385	385	202	202
Financial Liabilities:				
Payables	(222)	(222)	(191)	(191)
	1 221	1 221	2 945	2 945

DEPARTMENT FOR ENVIRONMENT AND HERITAGE

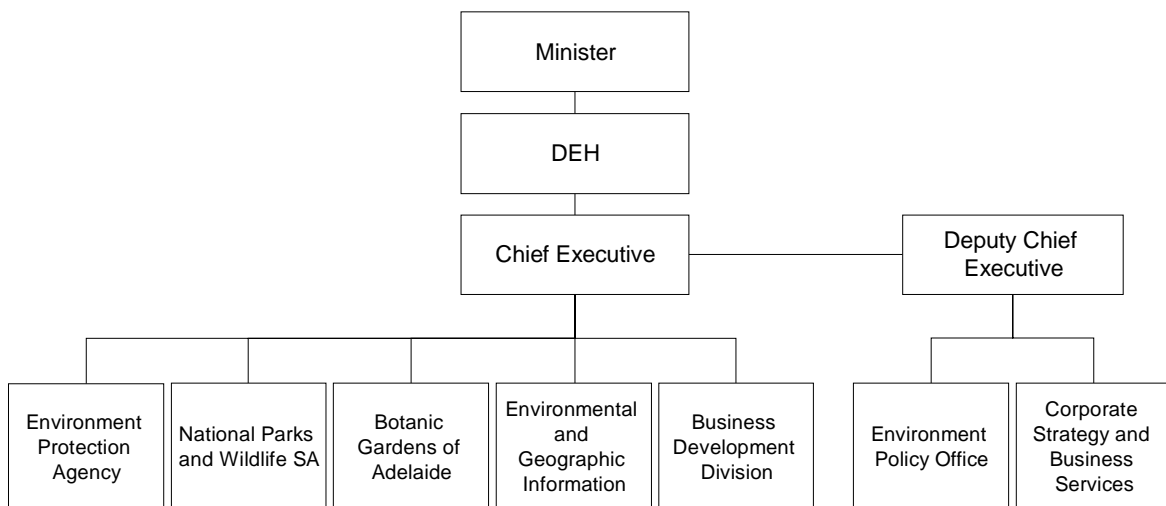
FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Department for Environment and Heritage (DEH) is an administrative unit established pursuant to the *Public Sector Management Act 1995*. On 4 December 2001 the Office for Recreation, Sport and Racing and the Office for Volunteers were transferred from DEH to other government agencies. In addition the Geographic Analysis and Research Unit was transferred to DEH on 1 January 2002.

DEH is responsible for:

- management of South Australia's national parks, botanic gardens and coastline;
- protection and management of State heritage;
- protection, conservation and restoration of the State's ecosystems with emphasis on the public reserve system;
- environment protection, policy and regulation;
- provision of environmental and geographic information;

The structure of DEH is shown in the following diagram.



As from 1 July 2002 the Environment Protection Agency was established as a separate administrative unit (the Environment Protection Authority).

SIGNIFICANT FEATURES

- Net expenses resulting from restructuring of administrative arrangements amounted to \$61.2 million.
- Total revenues from government were \$94.7 million.
- Assets received free of charge amounted to \$7.7 million.
- Cash Assets decreased by \$24.1 million to \$49.4 million.
- Grants and contributions expenditure increased by \$2.9 million or 21 percent to \$16.7 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

The audit program covered all major financial areas of activity and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control.

During 2001-02 specific areas of audit attention included:

- revenue, receipts and receivables
- purchases, payments and payables
- employee expenses and related benefits
- fixed assets
- procurement
- Financial Management Framework.

Audit Communications to Management

During the year Audit forwarded several management letters communicating issues arising from the audit to the Chief Executive. Satisfactory responses have been received in relation to the matters raised. The main findings together with responses received from DEH are explained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on Computer Information Systems (CIS) Environment

Audit is in the process of finalising reviews to further document and assess the computer processing environments (CPEs) of a number of agencies including the Department for Environment and Heritage (DEH).

These reviews cover aspects of organisational management, CPEs, systems and associated internal controls for the following areas:

- Strategic Policy and Planning — strategic policy and planning for the agency's business operations, including organisation, resource strategy and planning, business continuity planning, security policy and procedures and the use of communications networks and internet/intranets; and
- CPEs (Mid Range, LAN, Stand Alone) — including information systems operation, relationships with outsourced vendors, logical and physical security, application systems and database implementation and maintenance, and network and systems software support.

In relation to DEH, as part of finalisation of the review, any issues arising will be discussed and communicated to the Department. Where relevant, commentary on the outcome of the review will be included in a subsequent report to Parliament along with other agency reviews being finalised.

Financial Management Framework

Previous years' Reports included commentary on DEH's progress toward meeting the principles outlined in the Financial Management Framework (FMF). Broadly, Audit observed that during 2001-02 DEH has provided additional focus toward progressing various governance initiatives. The following summarises matters raised in relation to progress with the implementation of the FMF.

Financial Management Framework Implementation

In previous years Audit reported that DEH had not established a specific management process (ie from a project management sense) to implement and monitor the requirements of the FMF.

In response to Audit follow-up DEH advised a review of the implementation of the FMF has been conducted for corporate activities, completed in June 2001, and divisional activities, completed June 2002. The Audit Committee agenda now includes a standing item relating to the progress of FMF implementation across DEH.

Audit Committee

Review in the previous year noted that an Audit Committee was not fully operational for the whole year.

Audit follow-up revealed that an Audit Committee has been established and was operational throughout the year.

Internal Audit

Audit observed in prior years that no internal audit function had been established and only limited internal audits had been conducted.

In response to Audit follow-up, DEH advised an internal audit plan was established based on a preliminary risk assessment undertaken and that the internal audit activities include a combination of outsourced internal audit reviews, in-house conducted reviews and recognition of reviews sponsored by divisional management. DEH further advised that the Audit Committee has not developed a formal position on the requirements of an internal audit function for DEH, particularly in light of budget and resource constraints.

Risk Management

In previous years Audit reported that, while DEH had established a risk management policy statement and was in the process of developing mechanisms for risk identification and mitigation, the Department did not have a consolidated risk management plan in a form as outlined in the FMF.

During the year the DEH engaged consultants to assist the Department in a Strategic Risk Overview. DEH advised that the outcome of the Strategic Risk Overview have been consolidated into a DEH Risk Profile and that a Risk Management Framework has been developed. The Risk Management Framework is based on the principles of enterprise wide risk management, which recognises that risk management should be integrated within all key activities of the organisation and managed at that level.

Strategic Planning

In 2001 Audit observed that the Department had prepared a draft strategic plan and was considering further developing the strategic planning process in conjunction with the risk assessment process.

In response to audit follow up, the Department advised that a review of DEH's Strategic Planning Framework was undertaken during 2001-02. The framework was used to develop a performance measurement framework detailing output classes as well as strategic initiatives and priorities. A strategic plan for DEH 2002-05 was launched in June 2002.

Monitoring and Reporting

In previous years Audit suggested that DEH consider the level of financial reporting relating to outputs.

In response to audit follow-up DEH advised that output reporting commenced in March 2002. DEH further advised that the new output structure will be implemented into the general ledger systems effective from 1 July 2002 so that revised output reporting can be undertaken.

Procurement Practices

In May 1998 the Government published the SA Government Procurement Reform Strategy (Reform Strategy), which outlined the Government's procurement reform policy framework. The implementation of the reform objectives was envisaged to have benefits for government, industry and agencies, particularly with respect to developing strategic purchasing capabilities, improving the management of procurement, considering value for money when making procurement decisions and lowering the cost of doing business with government.

Last year, Audit's review of DEH's progress in implementing the Reform Strategy resulted in a number of observations being reported. In 2001-02 Audit followed up the observations raised from the 2000-01 review and examined tendering and contracting processes for a sample of case studies for compliance with DEH's Procurement Policies and Procedures and the principles of the Reform Strategy. In addition Audit reviewed DEH's compliance with the requirements of the Government's policy for contract disclosure, 'A New Dimension In Contracting With The South Australian Government' which became effective on 1 July 2001.

The 2001-02 follow-up review revealed that, at the time of audit, there appeared to be limited progress in regards to the issues raised in the previous year, particularly relating to important matters such as establishing the scope of the Accredited Purchasing Unit (APU) activities, formulation of a Procurement Development Strategy and management review and reporting on the strategic and operational aspects of procurement. The review of the case studies revealed examples where the Procurement Policies and Guidelines were not consistently applied across DEH and potential opportunities to be more strategic in the procurement process. In addition, a mechanism had not been implemented to ensure that DEH is complying with the Government's policy for contract disclosure, 'A New Dimension In Contracting With The South Australian Government', and, at the time of review, DEH had not published details of any contracts on the prescribed website.

Audit considered that the observations arising from the follow-up, case studies and contract disclosure reviews reflect DEH's decentralised approach to purchasing and also highlight a need for some degree of centralised procurement reporting and review (monitoring) processes directed toward procurement reform management, risk management, internal control compliance, and strategic purchasing. In this context, Audit noted that the APU was mainly engaged in operational processes (eg approving individual procurement activities) rather than the more strategic elements relating to procurement reform. Whilst, Audit was advised that DEH was considering and progressing a number of these matters relating to managing and progressing procurement reform, at the time of audit, there was limited documentation on DEH's approach to these matters.

In addition to making specific recommendations pertaining to matters raised as a result of the audit, it was suggested that DEH review and document its approach (from a departmental perspective) to addressing the requirements and principles of the Reform Strategy.

DEH Response

DEH advised that matters relating to documenting DEH's APU governance structure and production of a Procurement Development Strategy have now been completed. In addition, DEH advised that:

- the operational responsibilities of the APU have been devolved to a subcommittee with the APU meetings focussing on the strategic procurement agenda;
- in relation to management review and reporting on the strategic and operational aspects of procurement, DEH considered there is '... no evidence of significant risk or the failure to meet business objectives, however, this will be monitored as resources permit, centrally as well as at the Divisional level ...'.

In addition, a pilot project to build and operate a contracts register has been established and all non-goods contracts will be recorded in another contracts register in Corporate Services;

- an audit of a sample of procurement transactions to identify areas that should be targeted for closer scrutiny, business process review and/or training has been commissioned;
- procurement profiling to identify contracts that may benefit from review as to value for money has been commissioned for the 2001-02 and 2002-03 financial years;
- a report on the implementation of the Government's policy for contract disclosure, 'A New Dimension In Contracting With The South Australian Government' is being prepared.

Accounting for Crown Land

Over the past three years Audit has commented on action taken in relation to the treatment of Crown lands for accounting purposes and the completeness and accuracy of information available on Crown lands. This has included consideration of the proposed approach by DEH for the recognition of Crown lands in DEH's financial statements. The results of these audits concluded that there was insufficient information available to enable a broad appreciation of the impact the various types of Crown tenures may have on the accounting treatment for these lands. After consideration of these limitations DEH resolved to treat the Crown lands as administered rather than controlled.

In prior years Audit has also relayed to DEH concerns regarding the use of information from the Land Ownership and Tenure System (LOTS) for financial reporting purposes. These concerns relate to anomalies that adversely impacted on the completeness and accuracy of information relating to Crown lands obtained from LOTS. These concerns were also reiterated by an independent valuer's report. In previous responses DEH advised that it considers the valuation and recording of Crown lands to be an issue that should be addressed from a whole-of-government perspective.

As a result of the aforementioned matters the Independent Audit Report on the Department's financial statements for past years were qualified with respect to administered property.

In June 2001 DEH forwarded a minute to the Under Treasurer on this matter. At the time of preparing this Report, a formal response had not been received from the Under Treasurer.

Due to there being no resolution to the valuation of Crown lands the Independent Audit Report to the financial statements has been qualified with respect to the completeness and valuation of property plant and equipment included in the Schedule of Administered Items.

Accounting for Fixed Assets

The 2001-02 audit revealed continued improvement in methods and processes utilised to account for fixed assets. Whilst advances have been made there remain areas that could be improved, particularly in regard to the regular and timely review and analysis of fixed asset information. In addition the accounting processes may be improved by bringing forward the timing of review processes associated with the asset stock take program and capital works in progress.

DEH Response

DEH's response provided details of action being taken or proposed to address all matters raised by Audit.

Land Information Revenue

LOTS is primarily directed toward recording land information. Information from LOTS is provided to government and non-government users. Many users are charged for information provided, whilst others (eg other government Agencies, etc), are not charged. LOTS information is provided either by Internet access (Property Assist), by dial up/direct connection (LOTS Enquiries) or over the counter.

Audit noted that DEH had established various processes to manage the access and charging of customers. Notwithstanding these processes, there were areas where the controls over the completeness of LOTS revenue and the management of access to Property Assist and LOTS Enquiries could be improved.

In addition, the audit revealed that there were no processes in place for the review of the usage of non-charged clients to ensure enquiries were for bona-fide purposes. Consequently, there is the risk that the Government may be forgoing revenue through inappropriate use and dissemination of LOTS information. Audit suggested DEH review the level of control over the provision of LOTS information through Property Assist and LOTS Enquiries to users who are currently not charged.

DEH Response

DEH advised that a review of the risks to revenue and the procedures for user registration and management will be undertaken.

Land Services Group

As part of the 23 October 1997 restructure of government agencies the functions, assets and liabilities of the Land Services Group (LSG) were transferred to the Department for Administrative and Information Services (DAIS).

Since that time, Audit has on several occasions corresponded with DEH seeking clarification of a number of outstanding issues regarding the transfer. Those communications highlighted the need to formally document the final negotiated position and establish formal service agreements between DEH and DAIS outlining the responsibilities, rights and obligations of each agency resulting from the transfer of LSG and resulting IT assets.

DEH Response

In response to Audit follow up of progress with respect to action being taken or planned to resolve outstanding matters, DEH advised an inter-agency working party was established to finalise outstanding arrangements and all business operations are covered by formal management arrangements over the next 12 months. In addition, the inter-agency working party will re-examine the functional alignment of land administration information systems and land management information systems between the two agencies.

Other Matters

Other matters raised by Audit related to:

- Waste Depot Levies — Management reporting and quality review processes associated with waste depot audits undertaken by DEH.
- Payroll — The extent of review by some managers of the information on the bona-fide report. The review and certification of this report is a key management control for ensuring that payroll payments are valid complete and accurate.

Environment and Heritage

- Accounts Payable — The documentation of policies and procedures, and internal controls over the system for recording and processing workers compensation payments.
- Receipting and Banking — The documentation of policies and procedures, internal controls over masterfiles and the level of access controls.

DEH Response

A satisfactory response to each of the matters raised was received.

EXTRACT FROM THE INDEPENDENT AUDIT REPORT

The following is an extract from the 2001-02 Independent Audit Report, which details the qualification to DEH's financial report. A similar qualification was included in last year's Independent Audit Report.

Qualification

Due to limitations with respect to the reliability and completeness of information maintained on property administered by the Department that have prevented the production of timely and appropriate information, I am unable to form an opinion on the completeness and reliability of values ascribed to the property, plant and equipment component of the Schedule of Administered Items. Recognising this property using similar valuation methodology to that used for other property in this financial report may have material effects, the amounts of which are uncertain, on the property, plant and equipment reported in the Schedule of Administered Items.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department for Environment and Heritage as at 30 June 2002, its financial performance and its cash flows for the year then ended.

CONTROLS OPINION

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

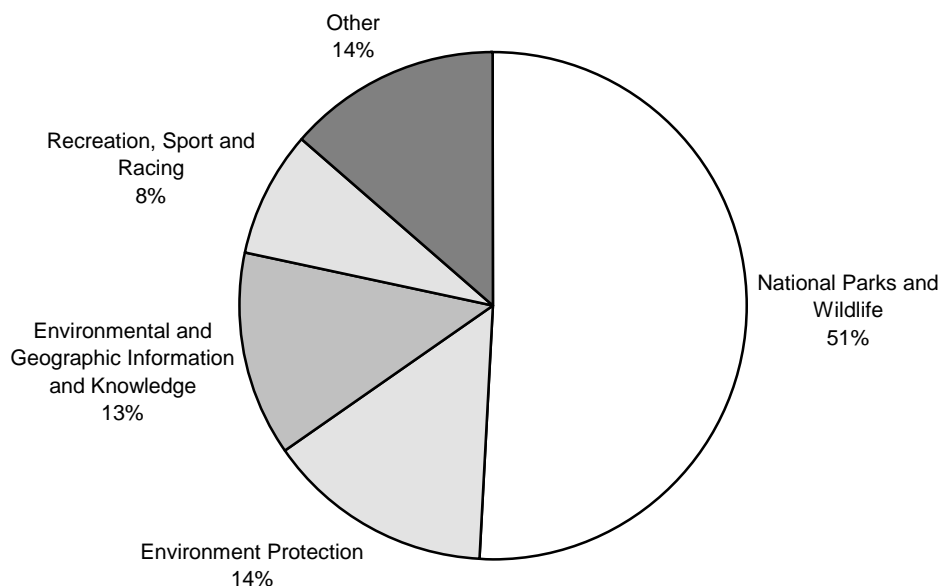
Audit formed the opinion that the controls exercised by the Department for Environment and Heritage in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, except for the matters outlined under 'Audit Findings and Comments',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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

During 2001-02, certain functions (including assets and liabilities) were transferred out of and into DEH. As a result of these changes comparison of figures between financial years may not be appropriate. The analysis below highlights some observations from the financial statements.

Expenditure by Output Class

The following diagram shows the DEH expenditure by output class



The proportion of expenditure for Recreation Sport and Racing is for the period 1 July 2001 to 4 December 2001. From 4 December 2001 this function was transferred to the Department for Administrative and Information Services. In addition, as explained in Note 35 to the accounts, the Environment Protection Agency within DEH was established as a separate administrative unit from 1 July 2002.

Statement of Financial Performance

Expense from Restructuring of Government

Net expense from restructuring amounted to \$61.2 million. This expense comprised the transfer of the:

- Office for Recreation, Sport and Racing to the Department for Administrative and Information Services on 4 December 2001 - recorded as a \$63.4 million expense;
- Office for Volunteers to the Emergency Services Unit - recorded as a \$235 000 revenue;
- Geographic Analysis and Research Unit to DEH from the Department for Transport, Urban Planning and the Arts on 1 January 2002 - recorded as a \$187 000 expense;
- Water related functions to the Department for Water Resources in February 2000. During the year a \$2.1 million cash transfer was made from the Department for Water Resources to DEH as a result of finalising the transfer. This amount was recorded as revenue.

Note 15 to the accounts provides full details of transfers made.

Expenses

Total expenses from ordinary activities increased to \$167.1 million from \$164.1 million. This increase was recorded even though a significant component of DEH's activities (ie Office for Recreation, Sport and Racing) were transferred partway through the year. Major items effecting that movement were:

- salaries and wages, which increased by \$3 million (5 percent) to \$68.6 million. The main contributing factor to the increase was Targeted Voluntary Separation Packages, which increased by \$3.4 million to \$4 million;

Environment and Heritage

- grants and contributions, which increased by \$2.9 million (21 percent) to \$16.7 million. Note 5 provides details.

Revenues

Revenues from ordinary activities increased by \$12.5 million to \$63.7 million. Major items effecting that movement were:

- assets acquired free of charge amounted to \$7.7 million, an increase of \$7.4 million over the previous year. These assets were primarily related to new parks being established;
- grants and contributions increased by \$2.6 million to \$20.4 million.

Appropriations

The accrual appropriation was \$4.1 million (\$21.7 million). This amount was placed in a Special Deposit Account with the Department of Treasury and Finance. DEH's balance in this account totalled \$47.4 million (\$40.9 million) as at 30 June 2002.

Statement of Financial Position

Assets

Cash assets decreased by \$24.1 million to \$49.4 million. The transfer of the Office for Recreation, Sport and Racing accounted for \$14.1 million of the reduction. Of the \$49.4 million balance at 30 June 2002, \$47.4 million relates to accrual appropriation (refer above to appropriations).

The decrease in property, plant and equipment from \$270.2 million to \$218.8 million is due mainly to the transfer of the Office for Recreation, Sport and Racing (refer above). Other major factors influencing the written down value of property, plant and equipment was the depreciation expense of \$25.5 million and additions of \$26.9 million.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Salaries and wages and other employee related expenses		68 590	65 624
Goods and services	4	52 222	53 040
Grants and contributions	5	16 671	13 796
Depreciation and amortisation	6	25 545	25 106
Borrowing cost expense		2 634	3 479
Net loss from disposal of non-current assets	7	304	326
Other expenses	8	1 169	2 709
Total Expenses from Ordinary Activities		167 135	164 080
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	9	24 346	22 455
Grants and contributions	10	20 444	17 820
Interest and dividends		3 361	4 766
Assets received free of charge	11	7 736	324
Other revenues	12	7 772	5 787
Total Revenues from Ordinary Activities		63 659	51 152
NET COST OF SERVICES		103 476	112 928
REVENUES FROM GOVERNMENT:			
Recurrent appropriations		89 489	94 866
Accrual appropriations		4 098	21 738
Contingency provision grants		1 096	954
Assumption of liabilities		-	550
Total Revenues from Government	13	94 683	118 108
FUNDAMENTAL ERROR	14	-	42 230
NET REVENUE(EXPENSE) FROM RESTRUCTURING	15	(61 202)	1 227
SURPLUS (DEFICIT) ON ORDINARY ACTIVITIES		(69 995)	48 637
Increase in asset revaluation reserve		-	13 855
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(69 995)	62 492

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets	16	49 355	73 520
Receivables	17	8 304	8 400
Inventory	18	1 530	1 445
Other	20	781	600
Total Current Assets		59 970	83 965
NON-CURRENT ASSETS:			
Receivables	17	541	1 435
Inventory	18	3 837	4 694
Other financial assets	19	11	12
Property, plant and equipment	21	218 836	270 226
Other	20	30	22
Total Non-Current Assets		223 255	276 389
Total Assets		283 225	360 354
CURRENT LIABILITIES:			
Payables	22	10 098	14 846
Employee entitlements	23	7 509	5 492
Finance leases	24	104	181
Interest-bearing liabilities	25	-	23
Provision for workers compensation	26	245	214
Total Current Liabilities		17 956	20 756
NON-CURRENT LIABILITIES:			
Payables	22	1 719	2 477
Employee entitlements	23	7 955	10 984
Finance leases	24	34	131
Interest-bearing liabilities	25	38 054	38 544
Provision for workers compensation	26	807	767
Total Non-Current Liabilities		48 569	52 903
Total Liabilities		66 525	73 659
NET ASSETS		216 700	286 695
EQUITY:			
Accumulated surplus		202 162	272 157
Reserves		14 538	14 538
TOTAL EQUITY	27	216 700	286 695
Restrictions on Contributions	33		
Contingent Obligations	34		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee entitlements		(69 132)	(63 416)
Goods and services		(53 636)	(49 794)
Grants and contributions		(16 671)	(13 796)
Interest		(2 680)	(3 505)
GST payments on purchases	2(p)	(8 379)	(8 406)
RECEIPTS:			
Fees and charges		20 964	22 131
Interest income		4 837	3 538
Grants and contributions		20 444	17 820
GST receipts on sales	2(p)	2 531	2 178
GST receipts from taxation authority	2(p)	5 939	5 495
Other revenues		7 839	6 719
CASH FLOWS FROM GOVERNMENT:			
Recurrent appropriations		89 489	94 866
Accrual appropriations		4 098	21 738
Contingency provision grants		1 096	954
Transfer payments to other Government entities on restructure		(14 168)	-
Transfer receipts from other Government entities on restructure		2 411	884
Net Cash provided by (used in) Operating Activities	28	(5 018)	37 406
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Disposal of non-current assets	7	241	287
PAYMENTS:			
Loans to customers		-	(643)
Purchase of non-current assets		(19 209)	(14 549)
Net Cash used in Investing Activities		(18 968)	(14 905)
CASH FLOWS FROM FINANCING ACTIVITIES:			
PAYMENTS:			
Principal repayments under finance leases and repayments of borrowings		(179)	(36)
Net Cash used in Financing Activities		(179)	(36)
NET (DECREASE) INCREASE IN CASH HELD		(24 165)	22 465
CASH AT 1 JULY		73 520	51 055
CASH AT 30 JUNE	16	49 355	73 520

Schedule of Administered Items for the year ended 30 June 2002 (refer Note 1)

Output Class (Refer Note 3)	1 \$'000	2 \$'000	3 \$'000	4 \$'000	6 \$'000	Not Attributed \$'000	Total 2002 \$'000	2001 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:								
Salaries and wages and other employee related expenses	253	195	83	36	-	262	829	529
Goods and services	812	455	391	154	283	-	2 095	2 258
Grants and contributions	8 002	784	543	382	2 850	8 737	21 298	23 892
Depreciation and amortisation	-	-	-	1 343	-	-	1 343	1 245
Borrowing cost expense	56	-	-	3	-	-	59	28
Net loss from disposal of non-current assets	-	-	-	7	-	-	7	-
Other expenses	-	-	-	2	671	-	673	(251)
Total expenses from Ordinary Activities	9 123	1 434	1 017	1 927	3 804	8 999	26 304	27 701
REVENUES FROM ORDINARY ACTIVITIES								
Fees and charges	(6 854)	(1 600)	(107)	(575)	-	(5 414)	(14 550)	(12 721)
Grants and contributions	(6)	(685)	(406)	(287)	(77)	-	(1 461)	(2 239)
Interest and dividends	(264)	(177)	(18)	(86)	-	-	(545)	(562)
Assets received free of charge	-	-	-	(61)	-	-	(61)	-
Other revenues	(75)	(1)	(2)	(18)	(1 781)	(123)	(2 000)	(1 179)
Total revenues from Ordinary Activities	(7 199)	(2 463)	(533)	(1 027)	(1 858)	(5 537)	(18 617)	(16 701)
NET COST OF SERVICES	1 924	(1 029)	484	900	1 946	3 462	7 687	11 000
REVENUES FROM GOVERNMENT								
Revenues from Government	(1 725)	-	(500)	-	-	(3 315)	(5 540)	(4 887)
FUNDAMENTAL ERROR	-	-	-	-	-	-	-	235
NET EXPENSE (REVENUE) FROM RESTRUCTURING	-	-	-	-	-	-	-	21 981
DEFICIT (SURPLUS) ON ORDINARY ACTIVITIES	199	(1 029)	(16)	900	1 946	147	2 147	28 329

Schedule of Administered Items for the year ended 30 June 2002 (refer Note 1) (continued)

	2002	2001
	Total	Total
	\$'000	\$'000
ADMINISTERED ASSETS AND LIABILITIES:		
ASSETS:		
Cash assets	16 557	14 924
Current receivables	1 443	2 025
Inventory	116	114
Non-current receivables	720	305
Capital works in progress	-	1 027
Property, plant and equipment	110 692	112 603
Total	129 528	130 998
LIABILITIES:		
Payables	1 394	2 662
Other current liabilities	4 892	2 399
Interest bearing liabilities	-	200
Total	6 286	5 261

Output Class Schedule of Expenses and Revenues for the year ended 30 June 2002

Output Class (Refer Note 3)	1	2	3	4	5	6	7	8	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	Total
									\$'000
EXPENSES FROM ORDINARY ACTIVITIES:									
Salaries and wages and other employee related expenses	31 145	13 253	1 383	4 878	9 219	2 176	4 284	2 252	68 590
Goods and services	26 679	7 878	745	2 853	9 039	1 471	1 909	1 648	52 222
Grants and contributions	4 748	1 320	34	351	553	101	226	9 338	16 671
Depreciation and amortisation	19 767	1 026	872	248	2 523	70	528	511	25 545
Borrowing cost expense	1 199	510	53	108	488	86	175	15	2 634
Net loss from disposal of non-current assets	230	15	12	3	35	1	8	-	304
Other expenses	964	40	74	96	10	(17)	2	-	1 169
Total Expenses from Ordinary Activities	84 732	24 042	3 173	8 537	21 867	3 888	7 132	13 764	167 135
REVENUES FROM ORDINARY ACTIVITIES:									
Fees and charges	(537)	(8 014)	(213)	-	(12 185)	(3 176)	(2)	(219)	(24 346)
Grants and contributions	(15 242)	(2 469)	(244)	(481)	(733)	(66)	(449)	(760)	(20 444)
Interest and dividends	(1 418)	(603)	(73)	(128)	(565)	(126)	(207)	(241)	(3 361)
Assets received free of charge	(7 736)	-	-	-	-	-	-	-	(7 736)
Other revenues	(3 385)	(1 082)	(134)	(261)	(985)	(176)	(387)	(1 362)	(7 772)
Total Revenues from Ordinary Activities	(28 318)	(12 168)	(664)	(870)	(14 468)	(3 544)	(1 045)	(2 582)	(63 659)
NET COST OF SERVICES	56 414	11 874	2 509	7 667	7 399	344	6 087	11 182	103 476
REVENUES FROM GOVERNMENT									
Revenues from Government	(54 849)	(14 283)	(1 944)	(7 065)	(3 414)	(8)	(2 950)	(10 170)	(94 683)
NET EXPENSE (REVENUE) FROM RESTRUCTURING	(964)	(410)	(42)	(87)	(197)	(70)	(378)	63 350	61 202
DEFICIT (SURPLUS) ON ORDINARY ACTIVITIES	601	(2 819)	523	515	3 788	266	2 759	64 362	69 995

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Strategic Context and Financial Arrangements

Strategic Context

The Department for Environment and Heritage (DEH) is working to secure a thriving, diverse future for South Australia characterised by a healthy environment, healthy communities and healthy people.

DEH is a diverse agency with principal responsibilities for:

- management of South Australia's national parks, botanic gardens and coastline;
- protection and management of State heritage;
- protection, conservation and restoration of State's ecosystems with emphasis on the public reserve system;
- environment protection, policy and regulation;
- monitoring and reporting of the quality of South Australia's water, air and land;
- provision of environmental and geographic information;
- promotion of recreation, sport and racing (transferred to the Department for Administrative and Information Services on 4 December 2001, as disclosed in Note 2(a)); and
- promotion of and support for the volunteer sector (transferred to the Emergency Services Administrative Unit on 4 December 2001, as disclosed in Note 2(a)).

DEH makes a significant contribution to the well-being of South Australians, promoting sustainable development and quality of life in this State. In partnership with the community, DEH is helping to create the right conditions for natural resources to be used for their best outcome within sustainable limits.

Financial Arrangements

The Department's sources of funds consist of monies appropriated by Parliament together with income derived from fees and charges for services to the public and industry. These include:

- fees, levies and licenses;
- rents for Crown Land;
- sales of spatial information.

The financial activities of the Department are primarily conducted through Deposit Accounts with the Department of Treasury and Finance pursuant to Section 8 of the *Public Finance and Audit Act 1987*. The Deposit Accounts are used for funds provided by Parliamentary appropriation together with revenues from services provided. All contracts and balances of the Department are denominated solely in Australian dollars, therefore there are no foreign currency assets or liabilities.

Administered Activities

The Department is responsible for the administration of certain activities described below on behalf of the Department of Treasury and Finance, other South Australian Government Agencies, the Crown, industry, interstate governments and the Minister for Environment and Conservation. The transactions relating to these activities are not recorded in the Department's Statement of Financial Performance or Statement of Financial Position, as the Department does not have any control over these activities and merely acts as an agent. Administered revenues, expenses, assets and liabilities are detailed in the Schedule of Administered Items. The administered items are:

- War Service Land Settlement Scheme;
- Crown Land Sales Freeholding Account;
- Surplus Land and Property Sales;
- Wildlife Conservation Fund;
- Bookmark Biosphere Trust;
- General Reserves Trust;
- Martindale Hall Conservation Trust;
- Board of the Botanic Gardens and State Herbarium;
- Environment Protection Fund;
- State Heritage Fund;
- Native Vegetation Fund;
- Coast Protection Fund;
- Adelaide Coastal Water Study;
- Murray Mallee Partnership;
- Land Services Group;
- Racing Industry Development Authority decommissioning costs;
- Ministerial other payments:
 - War concessions;
 - Royal Zoological Society of South Australia Inc.;
- Special acts allocation:
 - Salary and allowances - Minister;
- Consolidated revenue:

Full Time Equivalents

The Department was operating with 1098 full time equivalent employees as at 30 June 2002 (1147 as at 30 June 2001).

2. Significant Accounting Policies

(a) Changes to Agency Structure

The Department underwent several restructures during the year ended 30 June 2002. The Office for Recreation, Sport and Racing transferred to the Department for Administrative and Information Services on 4 December 2001, the Office for Volunteers transferred to the Emergency Services Administrative Unit on 4 December 2001 and the Geographic Analysis Research Unit transferred from the Department for Transport, Urban Planning and the Arts on 1 January 2002.

The Mt Lofty Summit Development Trust came into being on 1 August 2000. As the Board has not received written direction regarding management functions, the Department has continued to manage and control these operations. The accounting arrangements are that revenues earned and expenses incurred by the Mt Lofty Summit Development Trust have been reported by the Department.

The Environment Protection Agency was a Division within the Department for the year ended 30 June 2002. As of 1 July 2002 its functions were reassigned to the new independent administrative unit named Environment Protection Authority.

(b) Basis of Accounting

This financial report is a general purpose financial report which has been prepared in accordance with the Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group Consensus Views (UIGs), *Public Finance and Audit Act 1987*, Treasurer's Instructions and Accounting Policy Statements issued by the Department of Treasury and Finance.

The financial statements, including administered items, have been prepared on the accrual basis of accounting. Accordingly, revenues are recognised when they are earned or when the Department has control over them, rather than when they are received and expenses are recognised when they are incurred, rather than when they are paid. Some revenues are recognised when cash is received because only at this time can the Department be certain about the amounts to be collected. These revenues include items such as licence and accreditation fees, fines and penalties.

(b) Basis of Accounting (continued)

The financial statements have been prepared in accordance with the historical cost convention, with the exception of certain types of physical non-current assets which are valued at written down current cost, in accordance with Department of Treasury and Finance guidance. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements detail the revenues, expenses and financial position of the Department as a single entity and accordingly all intra Departmental transactions and balances have been eliminated.

(c) Property, Plant and Equipment

All items of property, plant and equipment controlled by the Department have been brought to account at current cost, with assets other than land, being reduced to reflect the portion of economic benefits that had been consumed since the asset was acquired, ie 'depreciated current cost'.

Current cost has been determined using deprival value methodology, whereby assets are valued at the replacement cost of procuring assets with similar functions and which provide comparable future service potential. Accordingly, all assets acquired since 1 July 1996 are accounted for at cost of acquisition unless revalued in accordance with the Department's revaluation policy. Assets received free of charge are brought to account at their net fair value.

All classes of physical non-current assets with fair values at the time of acquisition equal to or greater than \$1 million and estimated useful lives equal to or greater than three years were to be revalued at intervals not exceeding three years as per previous Treasurer's Instructions. However, the Department has approval from the Treasurer to use the transitional provisions of Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments' allowing the first revaluation to be an interval not exceeding five years, but prior to 30 June 2004, and then revaluations at every three years thereafter.

Under the transitional provisions of Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' the Department will continue to use deprival methodology for revaluations undertaken prior to 30 June 2002.

During the financial year ended 30 June 2001, the Department revalued certain buildings, infrastructure, roads, tracks and trails within National Parks statewide. This work was carried out by Valcorp in June 2001. The revaluation of infrastructure, roads, tracks and trails resulted in an asset revaluation reserve of \$13.8 million being recognised in the 2000-01 financial statements.

Heritage assets are recognised in the Statement of Financial Position as part of the aggregate value of major classes of assets (building/improvements or other). Heritage assets and works of art that are unique are not depreciated due to their long useful lives. Heritage assets that provide a functional service are recorded at depreciated current cost.

Minor items of plant and equipment with an individual value of less than \$2 000 are expensed in the Statement of Financial Performance at the time they are acquired.

(i) Land

Land comprising National Parks, Conservation Parks, Recreation Parks, Wilderness Protection Areas and Reserves, generally have restrictions on use imposed by statute or regulation. Independent valuers, using the deprival value approach, and having regard to restrictions on use, have determined the carrying amount of this type of land.

The Department is custodian of unallotted Crown Land, by virtue of its responsibilities under the *Crown Lands Act 1929*. This land is considered to be an administered asset. As the Department has been unable to formulate a suitable methodology for determining a reliable measure of value of the asset, unallotted Crown Land is not included in the Schedule of Administered Items.

The Schedule of Administered Items includes the Crown's interest in land leased to third parties under miscellaneous leases, perpetual leases, and annual licences.

(ii) Buildings, Improvements and Infrastructure

Independent valuers have valued selected items in this category. Other items have been measured at cost, or at estimated replacement cost using methodology developed by independent valuers.

(iii) Intellectual Property, Databases and Information Systems

Selected items have been measured at cost, or at estimated replacement cost using methodology developed by independent valuers. The Department controls a large number of databases, registers, information systems and other intellectual property. All databases were developed in-house and are used to store and manage intellectual property owned by the Department. While the development and maintenance of these databases involve on-going costs to the Department, neither the systems nor the data have been recognised in the financial statements as assets, as it has not been possible to reliably measure the value of those assets.

The purchase costs of information systems used by the Department have been recognised as assets. However, the implementation and development costs related to the systems have not been capitalised as assets. These costs therefore have been expensed when incurred, as it has not been possible to reliably identify and match the expenditure to economic benefits attributable to future reporting periods.

(iv) Capital Work in Progress

Capital work in progress consists of actual expenditure carried forward, where it is possible to reliably measure the cost of the asset/work, and it is probable that future economic benefits will flow to the Department from use or conversion of the asset/work.

(d) Depreciation

All items of property, plant and equipment, with the exception of land, unique heritage assets and works of art have a limited useful life and are systematically depreciated in a manner which reflects the consumption of service potential. The depreciation rates are reviewed annually. In the 2001-02 financial year the Department specifically reviewed and amended the useful lives of jetties, airstrips and other buildings. No depreciation is applied to capital work in progress, as this asset category consists of unfinished projects, which have not been commissioned into service.

Assets are subject to straight-line depreciation over the following periods:	Years
Buildings/improvements	10-80
Infrastructure	2-50
Roads, tracks and trails	4-50
Moveable vehicles	5-20
Computing equipment	3
Application software	5
Furniture and fittings	5-20
Plant and equipment	3-30
Other	3-25

(e) Repairs and Maintenance

Repairs and maintenance costs are expensed as incurred.

(f) Income Recognition

All revenue recorded in the Statement of Financial Performance, including appropriations, grants, donations and other contributions are recognised as revenues when the Department obtains control over the assets comprising the contributions. Control over appropriations and granted assets is normally obtained upon their receipt.

Licences, leases and accreditation fees, where the period exceeds one reporting period, are recorded as revenue in the period in which they are received.

The Department is not economically dependent on one individual for its revenue, however, the amount of revenue earned from transactions with our customer base can be influenced by the South Australian economy.

(g) Cash Assets

Cash assets consist of cash on hand, at call accounts with Australian commercial banks and monies held by the Department of Treasury and Finance in Special Deposit Accounts. Interest is received on credit balances in accordance with standard commercial terms for deposits not held by the Treasurer. Deposit Account balances are at call amounts, which earn interest at a rate determined by the Treasurer. Interest is received quarterly in arrears. The average effective interest rate for the reporting period was 6.16 percent (8.3 percent during 2000-01).

(h) Receivables

Receivables in respect of fees and charges are generally settled within 60 days and are recorded at their recoverable amount. At the end of each reporting period these receivable balances are reviewed and a provision is raised in respect of any balance where recoverability is considered doubtful. Bad debts are written off in the period in which they are identified. Credit risk therefore is confined to the amount set aside as the provision for doubtful debts. The resulting carrying amount of receivables is considered to approximate their net fair values.

The Department does not have any significant exposure to any individual customer, thus its credit risks are due to its customer base being influenced by the South Australian economy.

(i) Creditors/Payables

Trade creditors are unsecured debts, recognised in the financial statements when contracted goods or services have been received by the Department. These debts generally are settled within 30 days of invoice. Retention monies held on capital works projects are carried at their nominal face value. On-costs associated with employee entitlements have been recognised as accrued payables for the period ending 30 June 2002 in accordance with Accounting Policy Statement APS 9 'Employee Entitlements', paragraph 30. The resulting amount of creditors/payables is considered to approximate their net fair values.

(j) Employee Entitlements Provisions

A provision is raised at the end of the reporting period to reflect employee entitlements to annual leave, long service leave and accrued salaries and wages.

(i) Annual Leave

The annual leave entitlement is calculated by multiplying each employee's entitlement by the remuneration rate current at the reporting date. Where leave loadings are paid, they are included in the calculation.

(ii) Long Service Leave

In calculating long service leave entitlements the Department uses a benchmark of eight years, based on an actuarial assessment undertaken by the Department of Treasury and Finance of a significant sample of employees throughout the South Australian public sector. This calculation is consistent with the Department's experience of employee retention and leave taking. (Refer to Note 2(s)).

(iii) Sick Leave

The Department's employees' entitlement to sick leave is non vesting. Sick leave is only recognised as a liability at reporting date to the extent it is probable that sick leave expected to be taken in future periods will be greater than entitlements which are expected to accrue in those future periods. No sick leave liability has been recorded as the sick leave taken during the period was less than the sick leave entitlements accrued.

- (k) **Interest-Bearing Liabilities**
Interest-bearing liabilities consist of loans advanced by the Department of Treasury and Finance. The loans, which are unsecured, generally incur interest at a rate determined by the Treasurer. Interest is paid quarterly in arrears. The average effective interest rate for the reporting period was 6.21 percent (8.35 percent during 2000-01).
- (l) **Leases**
The Department has entered into lease agreements for property, plant and equipment.

Where the lessors effectively retain all of the risks and benefits incidental to ownership of the items the arrangements are considered to be operating leases. For these cases equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term as this is representative of the pattern of benefits to be derived from the leased property. Details of operating leases are disclosed in Note 32.

The Department's rights and obligations under finance leases, which are leases that effectively transfer to the Department substantially all of the risks and benefits incidental to ownership of the leased items, are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as plant and equipment under lease, and are amortised to the Statement of Financial Performance over the period during which the Department is expected to benefit from the use of the leased assets. Minimum lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease. Details of finance leases are disclosed in Note 24.
- (m) **Superannuation**
The Department made contributions of \$5.5 million to Employer Contribution Accounts administered by the South Australian Superannuation Board, in respect of future superannuation liabilities.
- (n) **Inventories**
Inventories are valued in the accounts at the lower of cost and net realisable value.
- (o) **Lease Incentive**
The Department has entered into an operating accommodation lease where it received an incentive, in the form of structural improvements and the provision of certain items of furniture and fittings. A liability has been raised to reflect the deferred benefits received under the lease incentive arrangement and this liability is systematically reduced by the allocation of lease rental payments between rental expense and reduction of the lease incentive liability.
- (p) **Goods and Services Tax (GST)**
The Department is registered for GST, as such it charges GST on its products and claims input tax credits on its purchases where required by legislation. The net amount of GST recoverable from the Australian Taxation Office has been recognised as part of current receivables in the Statement of Financial Position. In accordance with Urgent Issues Group Abstract 31 'Accounting for Goods and Services Tax (GST)', receivables and payables have been recognised inclusive of GST. The only exception to grossing up for GST is for accrued expenses where a valid tax invoice is not on hand at the time of accruing the revenue or expense and the amount of the transaction has been estimated.

The Department prepares a Business Activity Statement on behalf of its administered entities under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payments and entitled to the receipt of GST. As such, the GST applicable to these entities forms part of the receivables and payables recorded in the Statement of Financial Position and the GST Cash Flows recorded on the Statement of Cash Flows of the Department.
- (q) **Cash Flows**
For the purpose of the Statement of Cash Flows, cash includes cash on hand (including petty cash and cashier floats), deposits held at call with banks and Deposit Accounts with the Department of Treasury and Finance.
- (r) **Comparative Figures**
The Statement of Financial Performance for the 2000-01 financial year includes the full year operating results for the Office for Recreation and Sport (ORS) and the Office for Volunteers (OFV). However, the Statement of Financial Performance for the 2001-02 financial year includes five months operating results for both ORS and OFV up until the time of their transfer out of DEH on 4 December 2001. The 2001-02 statement reflects six months of operating results for the Geographic Analysis Research Unit (GAR), which transferred into DEH on 1 January 2002 from the Department for Transport, Urban Planning and the Arts (refer Note 2(a)).

Accordingly the Statement of Financial Position as at 30 June 2001 includes items relating to ORS and OFV but not GAR. The Statement of Financial Position as at 30 June 2002 excludes items relating to ORS and OFV but does include those related to GAR.

The comparative figures in the Schedule of Administered Items have been amended to reflect the final audited position of administered entities for the year ended 30 June 2001. As a result, there are differences when comparing the comparative figures to the Schedule of Administered Items as published in the Report of the Auditor-General for the year ending 30 June 2001.
- (s) **Change in Accounting Estimate**
DEH has changed its method for estimating the proportion of long service leave liability attributable as current and non-current. As at 30 June 2001 the estimate of the split between current and non-current was based on the previous twelve months leave expense. As at 30 June 2002 this estimation method has been revised to being based on the previous three years leave expense.
- (t) **Rounding**
All amounts are rounded to the nearest thousand dollars.

3. Output Classes of the Department

The Department is funded by appropriation for the provision of the following output classes as set out below:

1. National Parks and Wildlife
2. Environmental Protection
3. Heritage Conservation
4. Botanic Gardens
5. Environmental and Geographic Information and Knowledge
6. Administration and Stewardship of Crown Lands
7. Coordination and Advice
8. Recreation, Sport and Racing (to 4 December 2001)

Administered items not attributed to the above classes include:

- Land Services Group
- Minister other payments
- War Services Land Settlement Scheme
- Special Acts allocation
- Consolidated revenue.

4. Goods and Services

Goods and service expenses for the reporting period comprised:

	2002	2001
	\$'000	\$'000
Accommodation and service expenses	8 984	10 990
Section 7 remittances	3 050	2 571
Materials and consumables	3 283	3 022
Vehicle and aircraft operating expenses	4 000	4 595
Travel and accommodation	1 310	1 695
Contractor expenses	13 219	13 329
Consultancies	731	1 135
Computing expenses	5 679	6 435
Minor plant and equipment purchases	710	1 063
Auditor's remuneration - Auditing services	222	206
Equipment repairs and maintenance	284	484
Printing and publishing	1 298	1 199
Goods held for resale	1 661	830
Bank fees	85	136
Postage, courier and freight	511	571
Advertising	595	646
Scholarships, awards and prizes	97	355
Scientific and technical services	1 008	351
Telephone expenses	2 579	2 167
Other	2 916	1260
	52 222	53 040

5. Grants and Contributions

Grants and contributions for the reporting period comprised:

Contribution to:

State Heritage Fund	406	350
Adelaide Coastal Water Study	340	75
Department for Water Resources	-	190
Coast Protection Fund	5	-
Board of the Botanic Gardens and State Herbarium	337	100
Department for Education, Training and Employment	45	-
Department for Transport, Urban Planning and the Arts	605	-
Department of the Premier and Cabinet	53	-
Department of Primary Industries and Resources SA	517	-
Department for Administrative and Information Services	547	-
Department of Human Services	35	-
Coast Care grants	608	219
Animal Welfare grants - RSPCA	500	525
National Estate program grants	4	89
Natural Heritage Trust grants	790	1 238
Resource Conservation grants	172	271
Waterwatch Program	85	267
KESAB	375	317
Mt Lofty Watershed program	-	345
Recreation and Sport financial assistance grants	9 074	9 204
Urban forest grants	166	-
On ground works mallee grants	52	-
Friends of Parks grants	117	-
Conservation Council grants	172	-
Hills Face grants	76	-
Miscellaneous grants	1 590	606
	16 671	13 796

6. Depreciation and Amortisation	2002	2001
Depreciation and amortisation expenses for the reporting period were charged in respect of:	\$'000	\$'000
Buildings/improvements	1 531	2 688
Infrastructure	5 580	6 611
Roads, tracks and trails	8 367	7 075
Moveable vehicles	538	517
Computing equipment	4 203	3 355
Application software	3 134	2 551
Furniture and fittings	211	200
Plant and equipment	897	1 103
Amortisation of plant and equipment under finance lease	226	280
Other	858	726
	25 545	25 106
7. Net Loss from Disposal of Non-Current Assets		
Proceeds from disposal of non-current assets	241	287
Less: Written down value of non-current assets	545	613
	304	326
8. Other Expenses		
Doubtful debts	6	938
Bad debts	23	81
Capital work in progress write-off	1 140	1 690
	1 169	2 709
9. Fees and Charges		
Fees and charges for the reporting period comprised:		
Rent and other related income	2 297	1 919
Fees, levies and licences	8 772	8 695
Admissions and guided tour charges	87	77
Section 7 enquiries	7 979	6 851
Remote user property inquiry fees	2 234	2 083
Sale of products and other services	2 977	2 830
	24 346	22 455
10. Grants and Contributions		
Grants and contributions for the reporting period comprised:		
Commonwealth contributions	7 110	6 383
State Government grants	2 823	5 110
Contributions from General Reserves Trust	6 942	5 537
Contributions from Board of Botanic Gardens and State Herbarium	382	333
Contributions from Environment Protection Fund	532	-
Contributions from Coast Protection Fund	210	-
Contributions from Department of Water, Land and Biodiversity Conservation	80	-
Contributions from Planning SA	472	-
Contributions from Office for Recreation, Sport and Racing	385	-
Contributions from South Australian Housing Trust	58	-
Grant from Northern Adelaide and Barossa Catchment Board	60	-
Sundry grants and contributions received	1 390	457
	20 444	17 820
11. Assets Received Free of Charge		
Assets received free of charge*	7 736	260
Assets transferred in from the Environment Protection Fund	-	64
	7 736	324
* These assets represent the creation of new parks, the extension of existing parks and the first time recognition of assets.		
12. Other Revenues		
Other revenues for the reporting period comprised:		
Salary and wage expenses recouped	4 436	1 116
Gaming revenue	1 141	3 199
Insurance recovery	653	163
Service charge to DAIS for Corporate Finance and IT Services	481	481
Other revenue	1 061	828
	7 772	5 787
13. Revenues from Government		
Reconciliation of Government Revenues		
Total appropriations	93 853	116 862
Contingency provision grants	1 096	954
Net draw on Consolidated Account not recognised in the Statement of Financial Performance*	(266)	(258)
Net cash from government	94 683	117 558
Other government revenues, assumption of liabilities	-	550
Total Government Revenues	94 683	118 108

* The Department does not control how these funds are to be spent and acts only as an agent in an administrative capacity on behalf of the Minister for Environment and Conservation.

13. Revenues from Government (continued)		2002	2001
The net draw on the Consolidated Account not recognised in the Statement of Financial Performance comprised:	Note	\$'000	\$'000
Ministerial other payments		(4)	(12)
Special Acts - recurrent expenditure		(262)	(254)
Recurrent receipts		-	8
		(266)	(258)
14. Fundamental Error			
Overstated depreciation in prior years - roads, tracks and trails		-	36 900
First time recognition of assets - located at the Gawler and Flinders Ranges National Parks		-	5 330
		-	42 230

15. Net Revenues (Expenses) from Restructuring of Administrative Arrangements			
The net revenues/expenses relating to the restructuring of administrative arrangements are the following:			
Office for Recreation, Sport and Racing to the DAIS	(a)	(63 350)	-
Office for Volunteers to Emergency Services Administrative Unit	(b)	235	-
The Geographic Analysis Research Unit (GAR) from the Department for Transport, Urban Planning and the Arts	(c)	(187)	-
Pastoral function to Primary Industries and Resources SA	(d)	-	190
Geodetic and Geographical Names to DAIS	(e)	-	148
Martindale Hall Conservation Trust to administered funds	(f)	-	(315)
Assets from the Minister	(g)	-	23
Office for Recreation and Sport from the Department of Industry and Trade	(h)	-	1 181
Water-related functions to the Department for Water Resources	(i)	2 100	-
		(61 202)	1 227

(a) During the 2000-01 financial year, the Department relinquished responsibility for the Office for Recreation, Sport and Racing to the Department for Administrative and Information Services, effective from 4 December 2001. The following assets and liabilities were transferred:

Assets:		2002	2001
		\$'000	\$'000
Cash		(14 120)	-
Receivables		(2 402)	-
Inventory		(5)	-
Property, plant and equipment		(51 070)	-
Other		(15)	-
Liabilities:			
Payables		2 620	-
Employee entitlements		1 133	-
Provisions		1	-
Borrowings		508	-
		(63 350)	-

(b) During the 2001-02 financial year the Department relinquished responsibility for the Office for Volunteers to the Emergency Services Administrative Unit, effective from 4 December 2001. The following assets and liabilities were transferred:

Assets:		2002	2001
		\$'000	\$'000
Cash		(48)	-
Receivables		(1)	-
Property, plant and equipment		(22)	-
Liabilities:			
Payables		49	-
Employee entitlements		257	-
		235	-

(c) During the 2001-02 financial year, the Department assumed responsibility for GAR from the Department for Transport, Urban Planning and the Arts (DTUPA), effective from 1 January 2002. The following is a summary of the expenses and revenue from 1 July to 31 December 2001 attributable to the period these functions were controlled by DTUPA and from 1 January to 30 June 2002 when control was with this Department. Assets and liabilities received are also summarised below:

	DTUPA	DEH	Total
Expenses	(845)	(744)	(1 589)
Revenue	278	562	840
NET COST OF SERVICES	(567)	(182)	(749)

Assets:		2002	2001
		\$'000	\$'000
Cash		311	-
Prepayments		56	-
Property, plant and equipment		72	-
Liabilities:			
Payables		(43)	-
Employee entitlements		(277)	-
Unearned revenue		(306)	-
		(187)	-

15. Net Revenues (Expenses) from Restructuring of Administrative Arrangements (continued)

- (d) During the 2000-01 financial year, the Department relinquished responsibility for the pastoral function to Primary Industries and Resources SA, effective from 1 July 2000. Amounts transferred comprised of Inventory \$12 000, Property, Plant and Equipment \$5 000 and Employee Entitlements \$207 000.
- (e) Geodetic Services and Geographical Names units transferred to the Department for Administrative and Information Services, effective from 1 July 2000. The amounts transferred were \$28 000 Property, Plant and Equipment and \$176 000 Employee Entitlements.
- (f) During the 2000-01 financial year, the Department assessed that it no longer controlled the operations of the Martindale Hall Conservation Trust. Consequently, as at 1 July 2000 cash of \$315 000 was transferred to administered operations.
- (g) During the 2000-01 financial year, the Department assumed responsibility for some additional assets with a written down value of \$23 000 relating to the change in the Department's Minister.
- (h) During the 1999-2000 financial year, the Department assumed responsibility for the Office for Recreation and Sport. During 2000-01 there was a further transfer of cash from the Department of Industry and Trade of \$1.2 million as a result of the finalisation of the Office for Recreation and Sport transfer. A summary of this and other adjustment transactions is included below:

	2002	2001
	\$'000	\$'000
Assets:		
Cash	-	1 199
Inventory	-	(210)
Property, plant and equipment	-	(665)
Liabilities:		
Payables	-	857
	<u>-</u>	<u>1 181</u>

- (i) In February 2000, the Department relinquished its responsibility for water-related functions to the Department for Water Resources. During 2001-02 there was a further transfer of cash from the Department for Water Resources of \$2.1 million as a result of the finalisation of the transfer of water-related functions.

16. Cash Assets

	2002	2001
	\$'000	\$'000
Bank accounts with non South Australian Government entities	544	1 303
Cash on hand (including petty cash)	22	25
Accrual Appropriation Excess Fund Special Deposit Account with the Department of Treasury and Finance	47 395	40 893
Special Deposit Accounts with the Department of Treasury and Finance	1 394	31 299
	<u>49 355</u>	<u>73 520</u>

17. Receivables

Current:		
Fees and charges	7 055	5 538
Loans receivable	80	2 299
Accrued investment income	31	1 507
GST receivable	1 298	1 389
Other	17	84
Less: Provision for doubtful debts	177	2 417
	<u>8 304</u>	<u>8 400</u>
Non-Current:		
Fees and charges	45	-
Loans receivable	496	1 435
	<u>541</u>	<u>1 435</u>

18. Inventory

Current:		
Raw materials and consumables	320	311
Work in progress	10	-
Finished goods held for resale	800	1 134
Land held for resale	400	-
	<u>1 530</u>	<u>1 445</u>
Non-Current:		
Land held for resale	3 837	4 694
	<u>3 837</u>	<u>4 694</u>

19. Other Financial Assets

Equity in listed entities	11	8
Equity in unlisted entities	-	4
	<u>11</u>	<u>12</u>

20. Other Assets

Current:		
Prepayments	773	594
Provision for workers compensation - Third party recoveries	8	6
	<u>781</u>	<u>600</u>
Non-Current:		
Provision for workers compensation - Third party recoveries	30	22
	<u>30</u>	<u>22</u>

21. Property, Plant and Equipment

	Land \$'000	Buildings/ Improve- ments \$'000	Other Infrastructure \$'000	Roads, Tracks and Trails \$'000	Moveable Vehicles \$'000	Computing Equipment \$'000	Application Software \$'000
Gross Carrying Amount							
Balance at 30 June 2001	73 318	103 606	117 450	97 001	6 441	14 833	12 746
Additions	3 230	1 148	51	-	528	2 821	-
Additions - Transfer from CWIP	-	366	819	1 471	37	3 367	3 797
Additions - Assets received free of charge	2 207	654	4 990	1 749	8	79	-
Disposals	-	(867)	(173)	(77)	(284)	(507)	-
Transfers within Government	(12 674)	(39 516)	(8 571)	-	(30)	(731)	-
CWIP written off	-	-	-	-	-	-	-
Balance at 30 June 2002	66 081	65 391	114 566	100 144	6 700	19 862	16 543
Accumulated Depreciation/Amortisation							
Balance at 30 June 2001	-	(36 334)	(82 109)	(42 817)	(2 895)	(8 951)	(7 382)
Disposals	-	686	63	77	199	479	-
Depreciation expense	-	(1 531)	(5 580)	(8 367)	(538)	(4 204)	(3 134)
Additions - Assets received free of charge	-	(96)	(1 753)	(191)	(7)	(67)	-
Transfers within Government	-	7 235	3 529	-	10	690	-
Balance at 30 June 2002	-	(30 040)	(85 850)	(51 298)	(3 231)	(12 053)	(10 516)
Net Book Value							
As at 30 June 2001	73 318	67 272	35 341	54 184	3 546	5 882	5 364
As at 30 June 2002	66 081	35 351	28 716	48 846	3 469	7 809	6 027

	Furniture and Fittings \$'000	Plant and Equipment \$'000	Plant and Equipment under Finance Lease \$'000	Other \$'000	Capital Work in Progress \$'000	Total \$'000
Gross Carrying Amount						
Balance at 30 June 2001	1 985	8 224	1 004	10 249	12 650	459 507
Additions	144	417	9	1 207	9 569	19 124
Additions - Transfer from CWIP	46	25	-	262	(10 190)	-
Additions - Assets received free of charge	-	-	-	206	-	9 893
Disposals	(5)	(320)	(98)	(8)	-	(2 339)
Transfers within Government	-	(2 572)	-	16	-	(64 078)
CWIP written off	-	-	-	-	(1 140)	(1 140)
Balance at 30 June 2002	2 170	5 774	915	11 932	10 889	420 967
Accumulated Depreciation/Amortisation						
Balance at 30 June 2001	(917)	(4 108)	(585)	(3 183)	-	(189 281)
Disposals	2	183	98	7	-	1 794
Depreciation expense	(211)	(896)	(225)	(859)	-	(25 545)
Additions - Assets received free of charge	-	-	-	(43)	-	(2 157)
Transfers within Government	-	1 604	-	(10)	-	13 058
Balance at 30 June 2002	(1 126)	(3 217)	(712)	(4 088)	-	(202 131)
Net Book Value						
As at 30 June 2001	1 068	4 116	419	7 066	12 650	270 226
As at 30 June 2002	1 044	2 557	203	7 844	10 889	218 836

* Valuations of protected areas, selected land and buildings (including fixtures and fittings), plant and equipment and heritage assets not providing a functional service were performed by Valcorp Australia Pty Limited. The valuers who provided professional opinions were Messrs A J Lucas, MBA, B App Sc (Val), Dip Acc, AAPI and F Taormina, B App Sc (Val), AAPI. Certain items have been valued by Mr D B Bruce AAPI (Val). Other land controlled by the Department has been valued at unimproved site value provided by the Valuer-General. Various items of infrastructure, computing equipment, movable vehicles, plant and equipment and other assets have been included at officer's valuation. For further details of valuation methodologies adopted by the Department refer to Note 2(b) and (c).

22. Payables

Current:		2002	2001
		\$'000	\$'000
Creditors		5 657	9 846
Accruals		2 977	3 776
Employee entitlements - on costs		1 163	923
Lease incentive		301	301
		10 098	14 846
Non-Current:			
Accruals		74	-
Employee entitlements - on costs		1 118	1 649
Lease incentive		527	828
		1 719	2 477

23. Employee Entitlements		2002	2001
Current:		\$'000	\$'000
Long service leave		4 572	2 302
Annual leave		2 937	3 187
Accrued salaries and wages		-	3
		7 509	5 492
Non-Current:			
Long service leave		7 955	10 984
24. Finance Leases			
At the reporting date, the Department had the following obligations under finance leases (the sum of which is recognised as a liability after deduction of future finance lease charges included in the obligation). The finance leases held by the Department are mainly PC leases which are non-cancellable and payable either six-monthly or monthly in advance. The option to renew the lease is held by DEH. There are no existing contingent rental provisions.			
		2002	2001
		\$'000	\$'000
Payable not later than one year		119	201
Payable later than one year but not later than five years		43	154
		162	355
Minimum lease payments		162	355
Less: Future finance charges		24	43
Lease liability		138	312
Classified as:			
Current		104	181
Non-Current		34	131
		138	312
25. Interest Bearing Liabilities			
Current:			
Loans - Department of Treasury and Finance		-	23
Non-Current:			
Loans - Department of Treasury and Finance		38 054	38 544
26. Provision for Workers Compensation			
A provision is raised to reflect the liability for any outstanding (unsettled) workers compensation claims for lump sum payments, adjusted for potential recoveries from negligent third parties. It is based on an actuarial assessment prepared for the Department of the Premier and Cabinet.			
These figures reflect an apportionment of the whole-of-government estimate of workers compensation liability, according to the Department's experience of claim numbers and payments based on data as at 30 April 2002, extrapolated to 30 June 2002. A separate valuation of the liabilities of the Department has not been undertaken and if such a valuation is performed this may result in a different assessed liability.			
The whole-of-government estimate can be found in a report prepared by Taylor Fry Pty Ltd, consulting actuaries, and submitted to the Public Sector Occupational Health and Injury Management Section of the Department of the Premier and Cabinet. This report conforms to the WorkCover Guidelines for Actuaries, Australian Accounting Standard AAS 26 'Financial Reporting of General Insurance Activities' and Professional Standard PS 300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance' of the Institute of Actuaries of Australia.			
The above allocation of workers compensation liabilities has also been split into current (ie the provision required to meet the liability over the coming year) and non-current (ie the provision required for later years).			
27. Equity			
Equity represents the residual interest in the Department's net assets. The South Australian Government holds the equity interest in the Department on behalf of the community.			
Accumulated Surplus:		2002	2001
		\$'000	\$'000
Opening balance accumulated surplus		272 157	223 520
Surplus (deficit) for the period		(69 995)	48 637
		202 162	272 157
Asset Revaluation Reserve:			
Opening balance asset revaluation reserve		14 538	683
Amounts recognised on revaluation of property, plant and equipment		-	13 855
		14 538	14 538
		216 700	286 695
28. Reconciliation of Net Cash provided by Operating Activities to Net Surplus			
Net surplus (deficit)		(69 995)	48 637
Depreciation and amortisation		25 545	25 106
Net loss (gain) on sale of non-current assets		304	326
Net result of transfer of assets to and from the Department		50 512	675
Assets received free of charge		(7 736)	(324)
Assumption of liabilities		-	(550)
Fundamental error		-	(42 230)
Capital WIP write-off		1 140	1 690

28. Reconciliation of Net Cash provided by Operating Activities to Net Surplus (continued)	2002	2001
Movements in assets and liabilities:	\$'000	\$'000
Receivables	990	(1 621)
Inventories	772	245
Other assets	(189)	229
Payables	(5 420)	3 754
Worker's compensation provision	71	220
Employee entitlements	(1 012)	1 249
Net Cash provided by (used in) Operating Activities	(5 018)	37 406

29. Remuneration of Employees	2002	2001
The number of employees whose remuneration received or receivable during the period 1 July 2001 to 30 June 2002 falls within the following bands:	Number of Employees	Number of Employees
\$100 000 - \$109 999	4	2
\$110 000 - \$119 999	5	4
\$120 000 - \$129 999	3	1
\$130 000 - \$139 999	-	1
\$140 000 - \$149 999	-	1
\$150 000 - \$159 999	1	1
\$160 000 - \$169 999	3	1
\$170 000 - \$179 999	1	-
\$210 000 - \$219 999	-	1
\$220 000 - \$229 999	1	-
\$240 000 - \$249 999	-	1
\$250 000 - \$259 999	-	1

Total remuneration received or due and receivable during the reporting period by these employees was \$2 396 000 (\$2 107 000). Three (three) employees transferred with the Office for Recreation, Sport and Racing (refer Note 2(a)), are not included in the 2002 column above. The total remuneration received or due and receivable for these transferred employees during the full 2001-02 financial year was \$418 000.

30. Targeted Voluntary Separation Packages (TVSPs)	2002	2001
TVSPs paid to employees during the reporting period were:	\$'000	\$'000
TVSP payments	3 961	604
Recovery from the Department of the Premier and Cabinet in respect of TVSPs	(3 961)	(594)
Annual and long service leave accrued over the period of employment paid to employees who received TVSPs	1 272	186

The number of employees who were paid TVSPs during the reporting period totalled 52 (9).

31. Audit Fees
Audit fees of \$208 000 were incurred for the period ending 30 June 2002.

32. Operating Leases
At the reporting date, the Department had the following obligations under non-cancellable operating leases. These obligations are not recognised as liabilities in the Statement of Financial Position. The operating leases held by the Department are mainly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. The leases are payable one month in advance. The option to renew the lease is held by DEH. There are no existing or contingent rental provisions. The total amount of operating lease expenses recognised in the 2001-02 Statement of Financial Performance is \$5 400 000.

	2002	2001
	\$'000	\$'000
Payable not later than one year	4 107	6 203
Payable later than one year but not later than five years	9 068	12 082
Payable later than five years	1 688	2 845
	14 863	21 130

33. Restrictions on Contributions Received
The Department receives contributions from various funding sources expressly for the purpose of undertaking specific projects. As at 30 June 2002, \$4.8 million of those contributions, which have been recognised as revenues in the Statement of Financial Performance during current or previous periods, are yet to be spent in the manner specified by the contributors.

	2002	
	Revenue Received	Unspent Amount
	\$'000	\$'000
Resource conservation and management	18 201	4 286
Environment protection	1 611	545
	19 812	4 831

34. Contingent Obligations
Wilpena Tourist Centre
The Minister (on behalf of the Department) extended a guarantee to a maximum value of \$1.25 million to ANZ Bank on behalf of Flinders Ranges Tourist Services Pty Ltd, in respect of the Wilpena Tourist Centre redevelopment/lease arrangement. This contingent liability is expected to reduce by an amount of \$125 000 per year effective from 1 July 2000 in line with loan repayment. As a result, the maximum exposure in relation to the guarantee as at 30 June 2002 is \$0.875 million. As at the reporting date, no event was known to have occurred which would crystallise liability under the guarantee.

35. Events subsequent to Reporting Date
The Environment Protection Agency was a division of the Department for the year ended 30 June 2002. As of 1 July 2002 its functions were reassigned to the new administrative unit named the Environment Protection Authority. The financial effect of this has not been brought to account in the 2001-02 financial statements.

DEPARTMENT OF WATER, LAND AND BIODIVERSITY CONSERVATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment of the Department

The Department of Water, Land and Biodiversity Conservation (DWLBC) is an administrative unit that was established pursuant to the *Public Sector Management Act 1995*. That establishment occurred on 8 April 2002 as a part of a restructure of certain government functions.

DWLBC comprises all the functions of the former Department for Water Resources, which was abolished on the creation of DWLBC, and certain sections of the Sustainable Resources Group of the Department of Primary Industries and Resources.

Role and Structure of the Department

The role of DWLBC is to deliver a range of policies, programs and advice on practices relating to the integrated management of natural resources. These are directed toward the management of the State's land and water resources, including the River Murray, in a manner that facilitates economic activity and development while ensuring the natural resources are managed in a sustainable manner.

At the time of preparing this Report, the structure and scope of the Department's operations were in the process of being determined.

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

The audit program covered all major financial areas of activity and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control. During 2001-02 specific areas of audit attention included:

- water licensing system
- accounts payable
- salaries and wages
- receipting and banking
- property, plant and equipment
- grants.

Audit Communications to Management

During the year a letter communicating the issues arising from the audit was forwarded to the Chief Executive. A satisfactory response was received.

AUDIT FINDINGS AND COMMENTS

Fixed Assets

In previous years, Audit reported that certain assets have been identified by the former Department for Water Resources (DWR) since its establishment in February 2000, but not recognised in the accounts, as uncertainty exists over where control and ownership rests and the appropriate entity that should recognise them. Examples of these assets include infrastructure assets associated with the River Murray (evaporation basins, locks, weirs, etc), metropolitan drainage assets and Linear Park. Due to the potential significance of these assets the Independent Audit Reports on the financial statements for DWR were qualified for the past two years.

Last year, DWR advised that it has been working towards identifying those assets it should be responsible for and that while progress has been made, the matter remained unresolved. As a part of this process, issues were raised as to whether, in principle, the scope of DWR was to include being a major Government asset owner with a large asset base and significant asset management responsibilities. DWR indicated that “until the matter of principle is settled, we will not be able to resolve the asset identification issue for the Department”.

As noted, all the functions and assets of the former DWR were transferred to DWLBC. Audit review revealed that uncertainty over the control and ownership of these assets remain unresolved.

Due to the potential significance of these assets on the financial statements the Independent Audit Report has again been qualified with respect to assets. An extract from the Independent Audit Report is provided hereafter.

Other Findings and Comments

Other matters arising from the audit related to checks and reconciliations over the Water Licensing System revenue and the degree of management review and checking of key accounts payable and payroll reports.

A satisfactory response was received from DWLBC on all matters raised.

EXTRACT FROM THE INDEPENDENT AUDIT REPORT

Qualification

Note 2(d) to the financial statements describes that certain assets have not been brought to account as at 30 June 2002. Due to the potential significance of these assets, I am unable to form an opinion on the completeness of values ascribed to assets included in the Statement of Financial Position and any resultant depreciation that may impact on the operating result.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraph, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Water, Land and Biodiversity Conservation as at 30 June 2002, its financial performance and its cash flows for the year then ended.

Emphasis of Matter

Without further qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note(1)(a) to the financial statements, the Department of Water, Land and Biodiversity Conservation was established on 8 April 2002 from the functions of the former Department for Water Resources and the Sustainable Resources Group from the Department of Primary Industries and Resources. Note 12 explains that the asset and liability balances transferred from the Department of Primary Industries and Resources were as agreed between the parties at the time of preparing this report and that there remain a number of matters that require further negotiation and agreement between the two agencies. The nature and amount of future transfers of assets and liabilities could not be reliably determined and measured as at the date of issuing this report and accordingly are not disclosed in this report.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

The following provides a summary of the financial operations of the Department for the period 8 April to 30 June 2002 and the financial position as at 30 June 2002:

	\$'000
Net Cost of Services	8 265
Revenues from Government	5 268
Operating Result	<u>(2 997)</u>
Transfers from Other Departments (Note 12 to the Financial Statements)	
Assets	43 538
Liabilities	13 472
Total Transfers	<u>30 066</u>
Surplus from Ordinary Activities	<u>27 069</u>
Accumulated Surplus at 30 June 2002	<u>27 069</u>

Statement of Financial Performance for the period 8 April to 30 June 2002

	Note	2002 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:		
Employee costs	4	5 255
Goods and services	5	10 062
Grants and subsidies	6	5 452
Depreciation	7	290
Total Expenses		21 059
REVENUES FROM ORDINARY ACTIVITIES:		
User charges and fees	8	3 884
Grants	9	8 520
Interest and other revenues	10	390
Total Revenues		12 794
NET COSTS OF SERVICES		(8 265)
REVENUES FROM GOVERNMENT:		
Recurrent appropriation		4 895
Accrual appropriation		62
Contingency provision grants		311
Total Revenues from Government	11	5 268
TRANSFERS:		
Transfers from the former Department for Water Resources		28 788
Transfers from the Department of Primary Industries and Resources		1 278
Total Transfers	12	30 066
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES		27 069
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		27 069

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000
CURRENT ASSETS:		
Cash on hand and deposits	13	4 435
Receivables	14	4 100
Inventory		475
Other	15	45
Total Current Assets		9 055
NON-CURRENT ASSETS:		
Property, plant and equipment	16,17	27 644
Total Non-Current Assets		27 644
Total Assets		36 699
CURRENT LIABILITIES:		
Payables	18	3 255
Provision for employee entitlements	4	1 280
Total Current Liabilities		4 535
NON-CURRENT LIABILITIES:		
Payables	18	604
Provision for employee entitlements	4	4 491
Total Non-Current Liabilities		5 095
Total Liabilities		9 630
NET ASSETS		27 069
EQUITY:		
Accumulated surplus	19	27 069
TOTAL EQUITY		27 069
Contingent Obligations	20	

Statement of Cash Flows for the period 8 April to 30 June 2002

	Note	2002 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
PAYMENTS:		
Employee costs		(4 915)
Goods and services		(14 134)
Grants and subsidies		(5 452)
GST paid on purchases		(781)
Total Payments		(25 282)
RECEIPTS:		
User charges and fees		1 669
Grants		8 520
Interest		272
Other receipts		180
GST receipts on sales		297
GST receipts from the taxation authority		368
Total Receipts		11 306
CASH FLOWS FROM GOVERNMENT:		
Appropriation		5 268
Transfers from other Government agencies		14 251
Total Cash Flows from Government		19 519
Net Cash provided by Operating Activities	21	5 543
CASH FLOWS FROM INVESTING ACTIVITIES:		
PAYMENTS:		
Property, plant and equipment		(1 108)
Net Cash used in Investing Activities		(1 108)
NET INCREASE IN CASH HELD		4 435
CASH AT 8 APRIL		-
CASH AT 30 JUNE	13	4 435

Output Class Schedule of Departmental Operating Expenses and Revenues
for the period 8 April to 30 June 2002

	Coordin- ation and Advice	Water Resources Manage- ment	Information Services	State Resource Regulation Services	Facilitation Services	Total
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee costs	478	3 222	198	118	1 239	5 255
Goods and services	916	6 169	378	224	2 375	10 062
Grants and subsidies	496	3 343	205	123	1 285	5 452
Depreciation	26	178	12	6	68	290
Total	1 916	12 912	793	471	4 967	21 059
REVENUES FROM ORDINARY ACTIVITIES:						
Appropriation	480	3 230	198	118	1 242	5 268
User charges and fees	354	2 382	146	86	916	3 884
Grants	776	5 224	322	189	2 009	8 520
Interest and other revenues	36	239	15	8	92	390
Total	1 646	11 075	681	401	4 259	18 062
TRANSFERS:						
Transfers from the former Department for Water Resources	3 742	25 046	-	-	-	28 788
Transfers from Department of Primary Industries and Resources	-	-	166	102	1 010	1 278
Total	3 742	25 046	166	102	1 010	30 066
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES	3 472	23 209	54	32	302	27 069

Schedule of Administered Items for the year ended 30 June 2002

	Catchment Water Management Board Levies \$'000	Qualco Sunlands \$'000	Penalty Charges \$'000	Ministerial Payments \$'000	Arid Areas Catchment Water Management Board \$'000	Water Resources Levy Fund \$'000
ADMINISTERED ASSETS AND LIABILITIES:						
ASSETS:						
Cash on hand and on deposit	1 578	254	774	(125)	648	178
Current receivables	428	1	2 538	125	3	14
Non-Current assets	-	-	-	-	-	-
Total	2 006	255	3 312	-	651	192
LIABILITIES:						
Current creditors and accruals	1 578	-	774	-	11	-
Current provision for employee entitlements	-	-	-	-	6	-
Non-Current creditors and accruals	-	-	-	-	-	-
Non-Current provisions for employee entitlements	-	-	-	-	-	-
Total	1 578	-	774	-	17	-
NET ADMINISTERED ASSETS	428	255	2 538	-	634	192
ADMINISTERED ASSETS AND LIABILITIES:						
ASSETS:						
Cash on hand and on deposit	-	6 033	5 623	24	(162)	14 825
Current receivables	-	-	-	-	-	3 109
Non-current assets	23 583	-	-	-	-	23 583
Total	23 583	6 033	5 623	24	(162)	41 517
LIABILITIES:						
Current creditors and accruals	-	-	-	-	10	2 373
Current provision for employee entitlements	-	-	-	-	55	61
Non-Current creditors and accruals	-	-	-	-	23	23
Non-Current provisions for employee entitlements	-	-	-	-	173	173
Total	-	-	-	-	261	2 630
NET ADMINISTERED ASSETS	23 583	6 033	5 623	24	(423)	38 887
ADMINISTERED REVENUES AND EXPENSES:						
EXPENSES FROM ORDINARY ACTIVITIES:						
Employee costs	-	-	-	125	205	23
Grants	-	-	-	-	-	-
Goods and services	-	188	-	-	197	-
Amounts remitted and due to consolidated account	-	-	774	-	-	-
Amounts remitted and due to Catchment Water Management Boards	5 141	-	-	-	-	-
Amounts remitted to South Eastern Water Conservation Drainage Board	-	-	-	-	-	-
Total	5 141	188	774	125	402	23
REVENUES FROM ORDINARY ACTIVITIES:						
Appropriations	-	250	-	125	400	-
Grants	-	-	-	-	-	-
User charges and fees	5 388	187	2 305	-	-	112
Other revenues	20	6	71	-	53	93
Total	5 408	443	2 376	125	453	205
NET PROFIT	267	255	1 602	-	51	182

Schedule of Administered Items for the year period ended 30 June 2002 (continued)

	Pastoral Board \$'000	National Heritage Trust Grants \$'000	National Action Plan for Salinity and Water Quality \$'000	Soil Conservation and Landcare \$'000	South Eastern Water Conservation Drainage Board \$'000	2002 Total \$'000
ADMINISTERED REVENUES AND EXPENSES:						
EXPENSES FROM ORDINARY ACTIVITIES:						
Employee costs	-	-	-	-	1 013	1 366
Grants	-	19 872	7 365	-	-	27 237
Goods and services	-	22	-	-	15	422
Amounts remitted to consolidated account	-	-	-	-	-	774
Amounts remitted and due to Catchment Water Management Boards	-	-	-	-	-	5 141
Amounts remitted to South Eastern Water Conservation Drainage Board	-	-	-	-	1 551	1 551
Total	-	19 894	7 365	-	2 579	36 491
REVENUES FROM ORDINARY ACTIVITIES:						
Appropriations	-	-	7 203	-	1 551	9 529
Grants	-	22 820	5 729	-	-	28 549
User charges and fees	-	-	-	-	-	7 992
Other revenues	-	15	23	1	605	887
Total	-	22 835	12 955	1	2 156	46 957
NET PROFIT	-	2 941	5 590	1	(423)	10 466

Schedule of Transferred Functions for the year ended 30 June 2002

	DWR \$'000	Sustainable Resources \$'000	DWLBC \$'000	2002 Total \$'000
EXPENSES FROM ORDINARY ACTIVITIES:				
Employee costs	11 848	4 997	5 255	22 100
Goods and services	10 249	14 405	10 062	34 716
Grants and subsidies	16 589	6 445	5 452	28 486
Depreciation	605	218	290	1 113
Total Expenses	39 291	26 065	21 059	86 415
REVENUES FROM ORDINARY ACTIVITIES:				
User charges and fees	1 712	2 039	3 884	7 635
Grants	2 286	8 267	8 520	19 073
Interest and other revenues	1 225	3 228	390	4 843
Total Revenues	5 223	13 534	12 794	31 551
NET COSTS OF SERVICES	(34 068)	(12 531)	(8 265)	(54 864)
REVENUES FROM GOVERNMENT:				
Recurrent appropriation	38 150	10 236	4 895	53 281
Accrual appropriation	-	-	62	62
Contingency provision grants	-	-	311	311
Total Revenues from Government	38 150	10 236	5 268	53 654
TRANSFERS:				
Barcoo Outlet	16 312	-	-	16 312
Other Transfers to government departments	(3 134)	-	-	(3 134)
Transfers from the former Department for Water Resources	-	-	28 788	28 788
Transfers from the Department of Primary Industries and Resources	-	-	1 278	1 278
Total Transfers	13 178	-	30 066	43 244
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES	17 260	(2 295)	27 069	42 034
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	17 260	(2 295)	27 069	42 034

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Departmental Objectives

(a) *Establishment of the Department*

The Department of Water, Land and Biodiversity Conservation (DWLBC) was established by proclamation in the Government Gazette dated 8 April 2002 as an Administrative Unit under the *Public Sector Management Act 1995*. The Department was created from the functions transferred from the former Department for Water Resources and Sustainable Resources Group from the Department of Primary Industries and Resources. Employees relating to these functions were transferred effective from 8 April 2002 and 1 May 2002 respectively, pursuant to section 7 of the *Public Sector Management Act 1995*.

(b) Departmental Objectives

The objectives of the Department of Water, Land and Biodiversity Conservation are to:

- influence perceptions, understandings and behaviours to achieve better use and management of our natural resources;
- understand the natural resource condition by monitoring, assessment and reporting;
- create a culture of excellence in which we attract, grow and promote skills, knowledge and enthusiasm within and outside the organisation;
- build informed resources partnerships to adopt sustainable resource management;
- restore, maintain and enhance healthy ecosystems that provide the service and the intrinsic value for the community; and
- create and sustain a highly responsive, ethical and accountable organisation that applies sound management practices.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report which has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards, Statements of Accounting Concepts and Urgent Issues Group Consensus Views (UIG's). The financial statements are prepared on the accrual basis of accounting and in accordance with historical cost convention, except for certain types of physical non-current assets which are valued at written down current cost.

The Statement of Financial Performance, Statement of Cash Flows and the Output Class Schedule report the financial activities since the establishment of the Department on 8 April 2002 to 30 June 2002. The Schedule of Administered Items reports financial activity for the 12 months ended 30 June 2002. In addition, the Schedule of Transferred Functions reports financial activities of the functions transferred to the Department for the 12 months ended 30 June 2002.

(b) The Reporting Entity

The financial activities of the Department are primarily conducted through a Special Deposit Account established pursuant to section 8 of the *Public Finance and Audit Act 1987* and held with the Department of Treasury and Finance.

The Department's sources of funds consist of monies appropriated by Parliament together with grants revenue and income derived from user charges and fees for services to the public and industry.

Administered Resources

The Department administers, but does not control, certain resources on behalf of the South Australian Government. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the Department's objectives. For these resources, the Department acts only on behalf of the South Australian Government.

Transactions and balances relating to administered resources are not recognised as Departmental assets, liabilities, revenues or expenses, but are disclosed separately in the Schedule of Administered Items.

The administered resources reported in these financial statements have been reported for the full year as the restructuring of government departments, which brought about the establishment of the Department of Water, Land and Biodiversity Conservation, did not have any effect on their financial activities.

(c) Income Recognition

(i) User Charges and Fees

User charges and fees controlled by the Department are recognised as revenues. User charges and fees are controlled by the Department where they can be deployed for the achievement of Departmental objectives.

User charges and fees collected by the Department but not controlled by it are not recognised as revenues, but are reported as administered revenues in the Schedule of Administered Items. Such amounts are paid to the Consolidated Account or other Funds not controlled by the Department.

(ii) Appropriation

Appropriations are recognised as revenue when the Department obtains control over the cash. Control over appropriation is normally obtained upon receipt.

(iii) Grants

Grants, whether operating, investing, or other, are recognised as revenue when the Department obtains control over the assets comprising the contributions. Control over grants is normally obtained upon receipt.

(d) Non-Current Assets

The Statement of Financial Position includes those non-current assets where identification, ownership, control and valuations can be reliably determined. Certain assets have been identified but not recognised by the Department as uncertainty exists over where control and ownership of these assets rests and the appropriate entity that should recognise them. It was on this basis that these assets were not previously recognised by the former Department for Water Resources, prior to the establishment of the Department of Water, Land and Biodiversity Conservation. An implementation plan has been established whereby control and ownership will be identified and the assets will be valued and recognised where the Department is deemed to control those assets.

The Department has adopted an asset capitalisation limit of \$5 000. The capitalisation amount is within the limitations set by Accounting Policy Statement APS 2 'Asset Recognition'.

(d) Non-Current Assets (continued)

All items of property, plant and equipment controlled by the Department have been brought to account at current cost, with assets other than land, being reduced to reflect the portion of economic benefits that had been consumed since the asset was acquired, ie 'depreciated current cost'.

Current value has been determined using deprival value methodology, whereby assets are valued at the replacement cost of procuring assets with similar functions and which provide comparable future service potential.

The Department has adopted a policy of performing revaluations of property, plant and equipment at intervals not exceeding three years in accordance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'.

Land and Buildings

Land and buildings have been independently valued by Valcorp Pty Ltd as at 30 June 1999.

Borehole Network

The borehole network utilised for groundwater measurement, was independently valued by Valcorp Pty Ltd as at 30 June 1999 on the basis of deprival value and recorded at replacement cost less accumulated depreciation.

Barcoo Outlet

The Barcoo Outlet project was commissioned during November 2001 by the major projects group, Department for Administrative and Information Services (DAIS). With the completion of the project the asset was transferred to the Department for Water Resources from the previous Minister for Infrastructure at cost. As part of the overall infrastructure at Holdfast Shores, the Glenelg lock gates have also been upgraded but the transfer of this asset, which is also intended to come to the Department, will not be effected until 2002-03.

Hydrometric Gauging Stations

The hydrometric gauging stations utilised to measure and control salinity have been included at officer's valuation.

Waste Disposal Stations

The houseboat waste disposal stations were independently valued by Valcorp Pty Ltd as at 30 June 1999.

Plant and Equipment

Plant and equipment are brought to account at cost or at officer's valuation for initial recognition purposes. Items with an individual value of less than \$5 000 are expensed in the Statement of Financial Performance at the time they are acquired.

(e) Depreciation

All items of property, plant and equipment, with the exception of land, have a limited useful life and are systematically depreciated in a manner that reflects the consumption of service potential. The depreciation rates are reviewed annually. No depreciation is applied to capital work in progress, as this asset category consists of unfinished projects that have not been commissioned into service.

Assets are subject to straight line depreciation over the following periods:

Buildings	Years
	50
Borehole Network	30
Barcoo Outlet	25-50
Hydrometric Gauging Stations	4-213
Waste Disposal Station	50
Plant and equipment	3-30

(f) Inventories

Inventories are measured at the lower of cost and net realisable value on an item by item basis. Where the net market value of an inventory item is less than cost, provision is made for the anticipated loss on realisation.

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

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

(ii) Sick Leave

No provision has been made for sick leave as entitlements are non-vesting and it is considered that sick leave is taken from the current year's entitlement.

(iii) Long Service Leave

A liability for long service leave is calculated by using the product of the current liability for all employees who have completed eight or more years of service and the current rate of remuneration for each of these employees respectively. The eight years has been based on an actuarial calculation as directed in Accounting Policy Statements. The liability is measured as the amount unpaid at the reporting date.

(iv) Employee Entitlement On-Costs

Related on-costs of payroll tax and superannuation are recorded under the item payables for any annual and long service leave accrued at the end of the year.

(v) Superannuation

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

(vi) **Workers Compensation**

A provision is raised to reflect the liability for any outstanding (unsettled) workers compensation claims for lump sum payments, adjusted for potential recoveries from negligent third parties. It is based on an actuarial assessment prepared for the Department of the Premier and Cabinet.

These figures reflect an apportionment of the whole-of-government estimate of workers compensation liability, according to the Department's experience of claim numbers and payments.

The whole-of-government estimate can be found in a report prepared by Taylor Fry Pty Ltd, consulting actuaries, and submitted to the Public Sector Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet. This report conforms to the WorkCover Guidelines for Actuaries, Australian Accounting Standard AAS 26 'Financial Reporting of General Insurance Activities' and Professional Standard PS 300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance' of the Institute of Actuaries of Australia.

The allocation of Workers Compensation liabilities has also been split into current and non-current portions.

(h) **Leases**

The Department has entered into non-cancellable operating lease agreements for office accommodation where the lessor effectively retains all the risk and benefits incidental to ownership of the items held under the operating lease. Refer to Note 22 for further details.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

The Department has not entered into any finance leases.

(i) **Provision for Doubtful Debts**

The provision for doubtful debts has been calculated as a percentage of all receivables, together with an allowance for specific debts that are unlikely to be collected.

(j) **Cash**

For the purpose of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis. Cash includes \$123 000 in accrual appropriation and its use is restricted by conditions established by the Treasurer.

(k) **Goods and Services Tax**

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as a part of the cost of acquisition of the asset, or as part of the expense item. All GST remitted to and received from the ATO in relation to the Sustainable Resources Group has been accounted for by the Department of Primary Industries and Resources.

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

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

(l) **Comparative Figures**

The general purpose Financial Report is the first produced by the Department of Water, Land and Biodiversity Conservation. Comparative information is therefore not available for the Statement of Financial Performance, Statement of Financial Position or Statement of Cash Flows.

(m) **Rounding**

All amounts are rounded to the nearest thousand dollars.

3. **Output Classes of the Department**

The Department has specified five major classes of outputs that it delivers to the community and the Minister for Environment and Conservation. Outputs are defined as goods and services produced, provided to or acquired for external customers. The identity and description of each major output class of the Department are summarised below (refer to the Output Class Schedule of Departmental Operating Expenses and Revenues).

Output Class 1 Coordination and Advice

The coordination of whole-of-government initiatives or services as well as policy advice and development for and on behalf of the Minister for Environment and Conservation.

Output Class 2 Water Resources Management

The provision of a range of water resource management services including resource planning and management; the administration of the *Water Resources Act 1997*; water licensing; and the assessment, monitoring and evaluation of water resources.

Output Class 3 Information Services

Services for the generation, synthesis and dissemination of information and technology.

Output Class 4 State Resource Regulation Services

Services that are required to regulate the use of and protect the State's natural and productive resources. These services are the responsibility of the Department of Water, Land and Biodiversity Conservation by either legislative responsibilities or Cabinet policy.

Output Class 5 Facilitation Services

Facilitation services that establish strategic alliances and strategies in the areas of wealth, health, welfare, safety, sustainability or self-reliance of industries, enterprises or communities.

4.	Employee Entitlements	2002
	(a) Employee Costs	\$'000
	Wages, salaries and other employee related expenses	4 855
	Workers Compensation	-
	Superannuation	400
		<u>5 255</u>
	(b) Employee Entitlements Liabilities	
	Current Liabilities:	
	Long service leave	183
	Annual leave	1 069
	Workers Compensation	28
		<u>1 280</u>
	Non-Current Liabilities:	
	Long service leave	4 399
	Workers Compensation	92
		<u>4 491</u>
5.	Goods and Services	
	Goods and service expenses for the reporting period comprised of:	
	Contractor expenses	6 038
	Accommodation and service expenses	413
	Consultancies	122
	Travel and accommodation	247
	Vehicle operating expenses	290
	Materials and consumables	408
	Minor plant and equipment purchases	447
	Printing, publishing and stationery	113
	Computer expenses	593
	Equipment repairs and maintenance	125
	Legal fees	36
	Service Level Agreement	663
	Advertising expenses	187
	Chemical analysis	79
	Maps, photographs and plans	153
	Audit remuneration	10
	Other	138
		<u>10 062</u>
6.	Grants and Subsidies	
	Grants and subsidies for the reporting period comprised:	
	Catchment Management Subsidy Scheme	1 591
	Loxton Irrigation	452
	Gawler River Flood Mitigation	278
	GH Michelle Trade Waste Subsidy	265
	Regional Flood Mitigation Program	163
	Centre for Groundwater Studies	50
	Great Artesian Basin Bore drain*	408
	Miscellaneous grants	2 245
		<u>5 452</u>
		<u>5 452</u>
	* This amount was granted by way of work undertaken for the project, ie contribution of assets	
7.	Depreciation	
	Depreciation expenses for the reporting period were charged in respect of:	
	Building improvements	5
	Borehole network	72
	Hydrometric gauging stations	20
	Waste disposal stations	15
	Barcoo Outlet	87
	Plant and equipment	91
		<u>290</u>
		<u>290</u>
8.	User Charges and Fees	
	User charges and fees for the reporting period comprised:	
	Fees, levies and licences	235
	Sale of goods and services	3 649
		<u>3 884</u>
		<u>3 884</u>

Water, Land and Biodiversity Conservation

9. Grants	2002
Grant revenue for the reporting period comprised:	\$'000
Loxton District Irrigation Rehabilitation	4 596
National Action Plan	1 885
Environmental Flows	421
Great Artesian Basin	400
Regional Flood Mitigation	146
Watercare	46
Sundry grants and contributions received	996
Spencer Region Strategic Water Management	30
	<u>8 520</u>
10. Interest and Other Revenues	
Interest and other revenues for the reporting period comprised:	
Salaries and wages recouped	87
Interest income	210
Other revenue	93
	<u>390</u>
11. Revenues from Government	
Department of Water, Land and Biodiversity Conservation:	
Recurrent appropriation	4 895
Accrual appropriation	62
Contingency provision grants	311
	<u>5 268</u>
12. Transfers as a Result of Restructure	
Transfers from the Department for Water Resources	
Net assets transferred to the Department:	
Cash	14 251
Receivables	1 830
Other current assets	33
Property, plant and equipment	24 439
	<u>40 553</u>
Net liabilities transferred to the Department:	
Payables	(7 819)
Provision for employee entitlements	(3 946)
	<u>(11 765)</u>
Net transfers from the Department for Water Resources	<u>28 788</u>
Transfers from the Department of Primary Industries and Resources	
Net assets transferred to the Department:	
Cash	-
Receivables	-
Inventory	598
Property, plant and equipment	2 387
	<u>2 985</u>
Net liabilities transferred to the Department:	
Payables	(184)
Provision for employee entitlements	(1 523)
	<u>(1 707)</u>
Net transfers from the Department of Primary Industries and Resources	<u>1 278</u>
	<u>30 066</u>

The assets and liabilities transferred from the Department of Primary Industries and Resources represents amounts agreed to between the two agencies at the date of signing this report. Notwithstanding that agreement there remain a number of matters that require further negotiation and agreement between the two agencies. The nature and amount of future transfers of assets and liabilities could not be reliably measured and consequently are not disclosed in this report. Any subsequent changes will be reported in future accounting periods.

13. Financial Instruments

The following disclosures have been provided in accordance with the requirements of Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'.

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

- Cash on hand and deposits are available at call and are recorded at cost.
- Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 60 days.

(ii) Financial Liabilities

- Trade creditors are raised for all amounts billed or ordered but unpaid. Trade creditors are normally settled within 30 days.

(b) Interest Rate Risk	2002			Weighted Average Effective Interest Rate Percent
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000	
Financial Instrument				
Financial Assets:				
Cash on hand and deposits	4 435	-	4 435	4.9
Receivables	-	3 841	3 841	-
	<u>4 435</u>	<u>3 841</u>	<u>8 276</u>	
Financial Liabilities:				
Trade creditors	-	2 738	2 738	-
	<u>-</u>	<u>2 738</u>	<u>2 738</u>	

(c) **Net Fair Value**

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

(d) **Credit Risk**

At the end of each reporting period these receivable balances are reviewed and a provision is raised in respect of any balance where recoverability is considered doubtful. Bad debts are written off in the period in which they are identified. Credit risk therefore is confined to the amount set aside as a provision for doubtful debts. The resulting carrying amount is considered to approximate their net fair values. The Department does not have any significant exposure to any customer, thus its credit risks are due to its customer base being influenced by the South Australian economy.

14. Receivables	2002 \$'000
Current:	
User charges and fees receivable	3 808
Accrued interest	33
Goods and services tax receivable	293
Less: Provision for doubtful debts	<u>34</u>
	<u>4 100</u>
15. Other Current Assets	
Prepayments	<u>45</u>

16. Property, Plant and Equipment	2002			
	Cost \$'000	Valuation \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
Land and buildings	388	2 356	640	2 104
Borehole network	-	8 691	6 282	2 409
Hydrometric gauging stations	-	3 883	1 164	2 719
Waste disposal stations	-	2 996	1 588	1 408
Barcoo Outlet	16 312	-	203	16 109
Plant and equipment	6 044	682	5 015	1 711
Work in progress	1 184	-	-	1 184
	<u>23 928</u>	<u>18 608</u>	<u>14 892</u>	<u>27 644</u>

Land and buildings, waste disposal stations and borehole network assets were independently valued by Valcorp Australia Pty Ltd as at 30 June 1999. The valuer who provided professional opinions was Messrs A J Lucas, MBAm B App Sc (Val), Dip Acc, AAPI. The hydrometric gauging stations and various plant and equipment have been included at officer's valuation.

For further details of valuation methodologies adopted by the Department refer to Note 2(d).

17. **Property, Plant and Equipment Movement Schedule**

	Land*and Buildings \$'000	Borehole Network \$'000	Hydrometric Gauging Station \$'000	Water Disposal Stations \$'000	Barcoo Outlet \$'000	Plant and Equipment \$'000	Work in Progress \$'000	Total \$'000
Gross Carrying Amount:								
Balance as at 8 April 2002	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	154	954	1 108
Transfer from Work in Progress	312	-	-	-	-	-	(312)	-
Transfers in	2 432	8 691	3 883	2 996	16 312	6 572	542	41 428
Balance as at 30 June 2002	<u>2 744</u>	<u>8 691</u>	<u>3 883</u>	<u>2 996</u>	<u>16 312</u>	<u>6 726</u>	<u>1 184</u>	<u>42 536</u>
Accumulated Depreciation:								
Balance as at 8 April 2002	-	-	-	-	-	-	-	-
Depreciation expense	(5)	(72)	(20)	(15)	(87)	(91)	-	(290)
Transfers in	(635)	(6 210)	(1 144)	(1 573)	(116)	(4 924)	-	(14 602)
Balance as at 30 June 2002	<u>(640)</u>	<u>(6 282)</u>	<u>(1 164)</u>	<u>(1 588)</u>	<u>(203)</u>	<u>(5 015)</u>	<u>-</u>	<u>(14 892)</u>
Net Book Value:								
As at 8 April 2002	-	-	-	-	-	-	-	-
As at 30 June 2002	<u>2 104</u>	<u>2 409</u>	<u>2 719</u>	<u>1 408</u>	<u>16 109</u>	<u>1 711</u>	<u>1 184</u>	<u>27 644</u>

* Value of land at 30 June 2002 is \$731 000

Water, Land and Biodiversity Conservation

18. Payables		2002
Current:		\$'000
Employee costs		517
Trade creditors		2 738
		<u>3 255</u>
Non-Current:		
Employee costs		604
		<u>604</u>
19. Accumulated Surplus		
Increase in net assets resulting from operations		27 069
Accumulated Surplus at 30 June		<u>27 069</u>
20. Contingent Obligations		
Section 14A of the <i>Irrigation Act 1994</i> , inserted by the <i>Irrigation (Dissolution of Trusts) Amendment Act 1998</i> , contains the following provision:		
<i>If in the opinion of the Minister it is not practicable or appropriate to vest the property and rights, or attach liabilities, of a dissolved trust on or to another trust, the property, rights and liabilities of the trust will, subject to subsection (3) vest in or attach to the Crown.</i>		
At the time of preparing this report the Department's exposure arising from the aforementioned could not be reliably measured.		
21. Reconciliation of Net Cash provided by Operating Activities to Surplus from Ordinary Activities		2002
		\$'000
Net cash provided by operating activities		5 543
Net transfers of assets to the Department		26 826
Non-cash items:		
Depreciation expense		(290)
Change in operating assets and liabilities:		
Increase in receivables		4 100
Increase in other assets		45
Increase in inventory		475
(Increase) in payables		(3 859)
(Increase) in employee entitlements		(5 771)
Surplus from Ordinary Activities		<u>27 069</u>
22. Lease Commitment		
At 30 June 2002, the Department of Water, Land and Biodiversity Conservation has the following obligations under non-cancellable operating leases:		
Not later than one year		1 000
Later than one year but not later than five years		3 419
Later than five years		2 691
		<u>7 110</u>
23. Remuneration of Employees		2002
For the period 1 July to 30 June there were 13 employees whose remuneration received or receivable exceeded \$100 000. The number of employees whose packages as at 30 June were equal to or exceeded \$100 000 fell within the following bands:		Number of Employees
\$100 001 - \$110 000		4
\$120 001 - \$130 000		4
\$140 001 - \$150 000		1
\$150 001 - \$160 000		2
\$170 001 - \$180 000		1
\$200 001 - \$210 000		1
		<u>13</u>
Total remuneration paid was \$1 745 000 paid in the following breakdowns:		
• Department for Water Resources remunerated 10 employees amounting to \$1 011 000 for period up to 8 April.		
• Department of Primary Industries and Resources remunerated three employees amounting to \$331 000 for the period up to 1 May.		
• Department of Water, Land and Biodiversity Conservation remunerated 13 employees amounting to \$403 000 for the period between 8 April and 30 June 2002.		
24. Payments to Consultants		2002
Payments to consultants fell within the following bands:		Number of Consultants
\$0 - \$10 000		23
\$10 001 - \$50 000		7
\$50 001 and above		-
25. Remuneration to Auditors		
Audit fees accrued for the period 8 April 2002 to 30 June 2002 are \$10 000.		
26. Enhanced Targeted Voluntary Separation Package Scheme		
There were no Enhanced Targeted Voluntary Separation Packages paid to employees between 8 April 2002 and 30 June 2002.		
27. Restrictions on Contributions Received		
The Department received contributions from various funding sources, expressly for the purposes of undertaking specific projects. As at 30 June 2002, \$11 759 000 of contributions, which have been recognised as revenues in the Statement of Financial Performance, are yet to be spent in the manner specified by the contributors.		

MINISTER FOR HEALTH; MINISTER FOR SOCIAL JUSTICE; MINISTER FOR HOUSING; MINISTER FOR YOUTH

PORTFOLIO – HUMAN SERVICES

INTRODUCTION

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

- Minister for Health
- Minister for Social Justice
- Minister for Housing
- Minister for Youth

The agencies included herein relating to the portfolio of Human Services are:

- HomeStart Finance
- Human Services - Department of
- South Australian Aboriginal Housing Authority
- South Australian Community Housing Authority
- South Australian Housing Trust

HOMESTART FINANCE

FUNCTIONAL RESPONSIBILITY

HomeStart Finance is a statutory corporation established pursuant to the *Housing and Urban Development (Administrative Arrangements) Act 1995*. The Act provides for the Governor to establish, by regulation, statutory corporations to undertake specified functions. It has a Board of Management appointed by the Minister for Human Services and is subject to the control and direction of the Minister.

Specific Functions

The functions of HomeStart Finance as prescribed by regulation include the:

- lending of monies or provision of other financial assistance to facilitate home ownership by persons of low to moderate income;
- provision, marketing and management of home finance products;
- provision, management or facilitation of finance for housing schemes or housing associations and of mortgage relief schemes.

In meeting these functional responsibilities, HomeStart Finance's activities includes the following:

- the management of existing loans and advance of new loans which form part of the ongoing HomeStart program;
- the management of concessional home loans advanced under the Home Ownership Made Easy Scheme which was closed to new borrowers in 1989;
- management of loans advanced by the South Australian Housing Trust to enable tenants to purchase their Trust homes;
- the Mortgage Relief Scheme which provides assistance to home owners who are experiencing temporary difficulty in meeting mortgage commitments.

Specific Obligations

HomeStart Finance is required by regulation to conduct its business in accordance with established principles of financial management. It is also required to coordinate its activities with those of other public sector agencies and to ensure its activities are consistent with the planning of a desirable physical and social environment and with the enhancement of the Government's physical and social development objectives.

Lending Services and Debt Funding

HomeStart Finance uses the services of a number of financial institutions and other intermediaries to provide essential services including loan origination, loan management and arrears management. Debt funding for HomeStart Finance lending has been provided by the South Australian Government Financing Authority (SAFA).

SIGNIFICANT FEATURES

The level of outstanding home loans fell by \$45.6 million (rose by \$9.7 million in 2000-01) to \$761.8 million (\$807.4 million) as at 30 June 2002.

The Net Profit from Ordinary Activities after Related Income Tax Expense was \$6.7 million (\$4.8 million), an increase of \$1.9 million compared to the previous year. An income tax equivalent expense of \$2.9 million (\$2.5 million) was incurred.

HomeStart paid guarantee fees to the Treasurer of \$5.0 million (\$5.1 million) and a dividend of \$2.2 million (\$1.65 million) to the Department of Human Services. A repayment of capital was made during the year of \$2.8 million (\$3.35 million)

Bad and doubtful debts expense was \$120 000, a decrease of \$1.8 million from the previous year (\$1.9 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* requires statutory corporations established pursuant to the Act to keep proper accounting records in relation to their financial affairs and to prepare annual statements of accounts for each financial year. That section also empowers the Auditor-General to audit the accounts of HomeStart Finance and the annual statement of accounts.

Scope of Audit

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

During 2001-02 specific areas of audit attention included:

- lending activities including loan approvals, monitoring of arrears and loss write-off procedures
- raisings and receipting of loan repayments
- loan loss provisioning
- completeness and accuracy of the Loan Management System including general IT controls
- funding including treasury risk management and accruals
- other expenditure.

HomeStart Finance has an Internal Audit function which uses an external contractor to undertake the internal audit program. External Audit has considered the work undertaken by Internal Audit to supplement other procedures performed in evaluating HomeStart's internal control.

Audit Communications to Management

No significant matters arose from the external audit of HomeStart Finance.

Audit Committee

HomeStart has an Audit Committee with three members, including two non-executive Board members. The Committee's responsibilities include ensuring effective management of business and financial risk, reliable financial reporting and compliance with laws and regulations. The Audit Committee met on six occasions during 2001-02.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

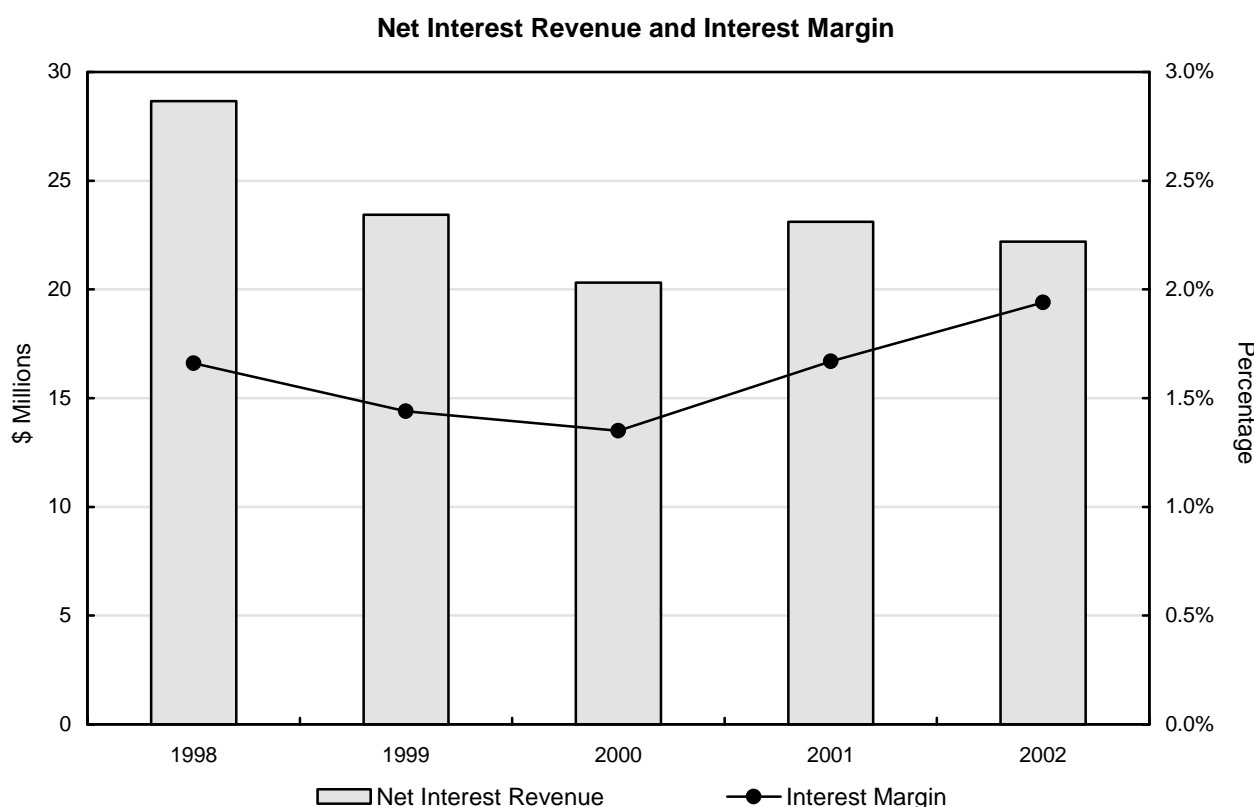
Statement of Financial Performance

Profit after income tax increased to \$6.7 million from \$4.8 million in 2000-01 due to a number of factors, including:

- a reduction in net interest revenue of \$0.9 million
- an increase in income from investments of \$1.3 million
- a decrease in the bad and doubtful debt expense of \$1.8 million

Net Interest Revenue

Net interest revenue decreased by \$0.9 million to \$22.2 million, notwithstanding the 'write-back' to income of \$1.2 million of interest income on non-accrual loans during the year. The decrease was a result of lower levels of lending, offset by an improved interest rate margin between loans and cost of funds as demonstrated in the following chart.



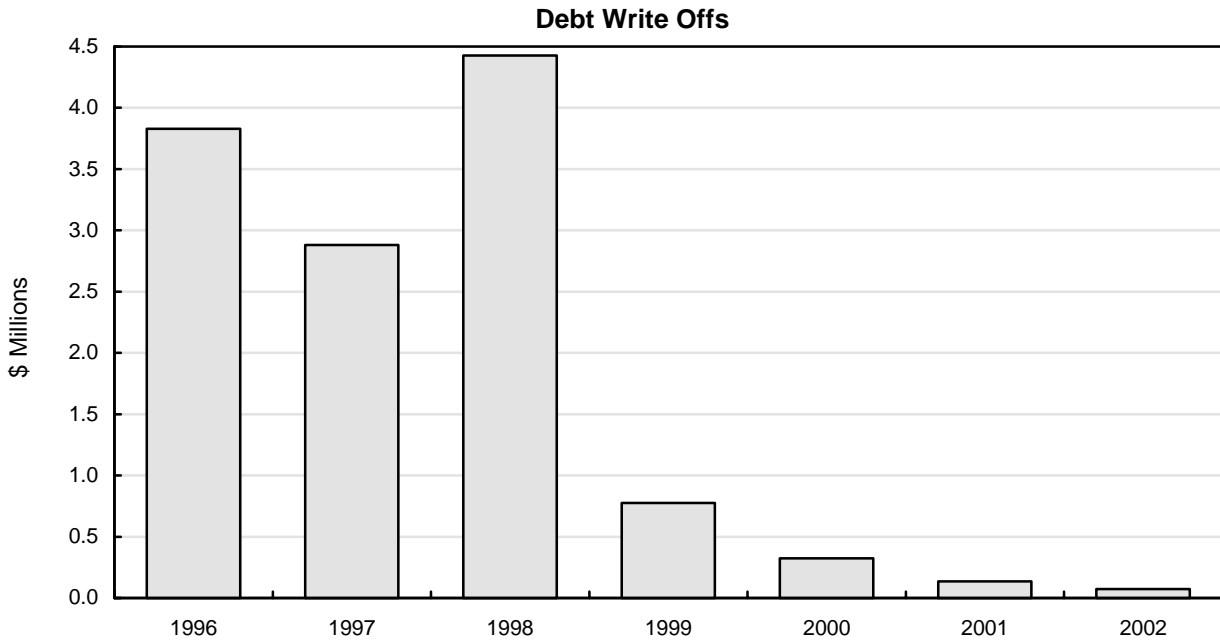
Income from Investments

Over the past two years HomeStart have undertaken investments as part of a strategy for meeting loan shortfalls. Income from these investments increased by \$1.3 million during the year to \$1.4 million. This included \$227 000 (\$nil) of unrealised gains on investments.

Bad and Doubtful Debts Expense

The bad and doubtful debts expense for the year decreased by \$1.8 million to \$120 000 (\$1.9 million), notwithstanding that HomeStart has continued to maintain or raise their overall provisioning in recent years. The relatively low expense reflects the level of actual write-offs that have had to be made over the last few years in an environment of decreasing interest rates and rising property values (that provide the loan security to HomeStart).

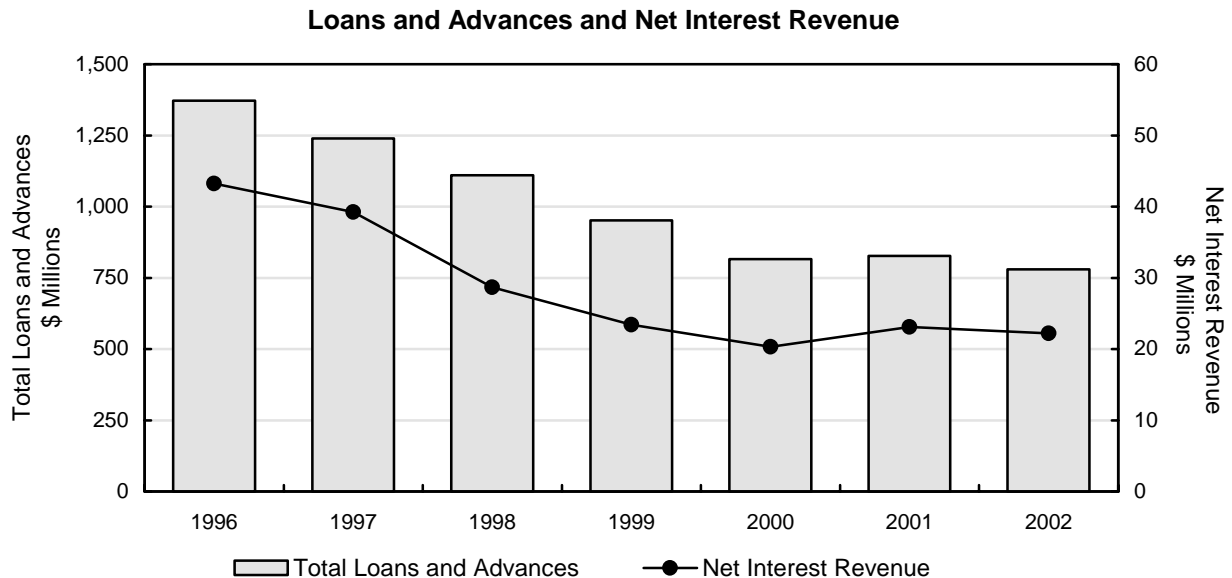
The decrease in actual write-offs can be seen in the following chart.



Statement of Financial Position

Loans and Advances

As mentioned, lower net interest revenue has principally been a result of a decrease in the levels of lending. One of the reasons for the decrease over recent years has been the ability of borrowers to obtain finance from other lenders in a low interest rate environment. The extent of the decrease in lending is demonstrated in the following chart, together with the impact that it has had on the net interest revenue.



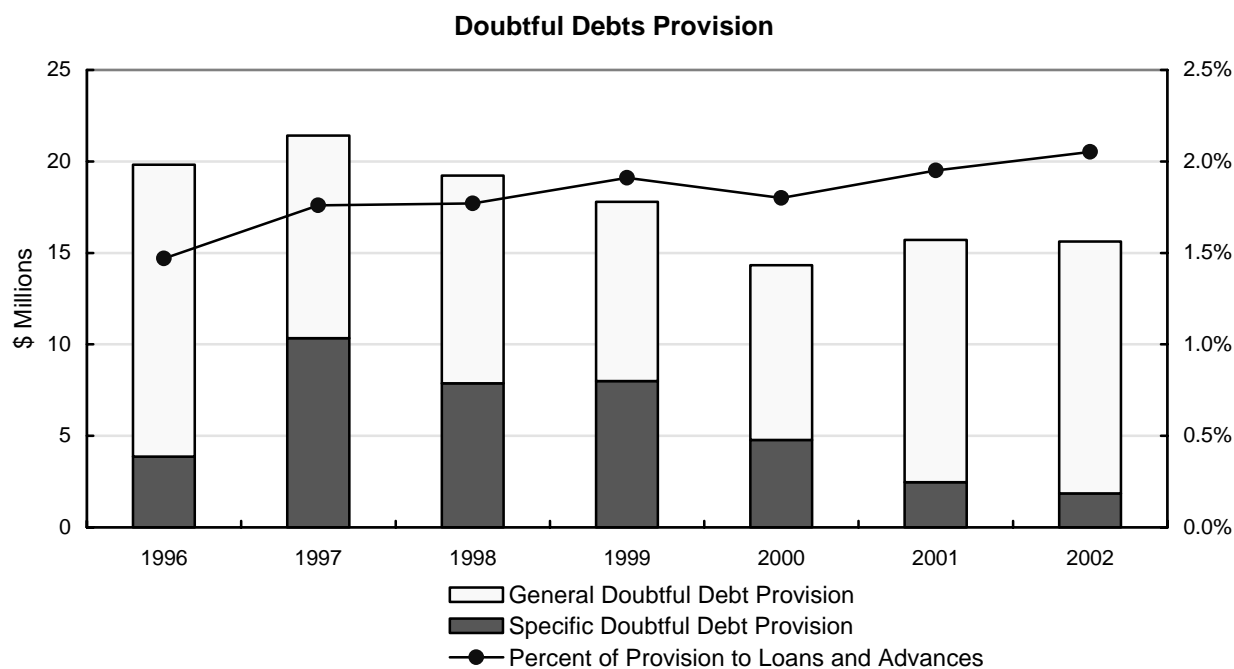
Asset Quality - Provision for Doubtful Debts

The market conditions have also influenced HomeStart’s provision for doubtful debts but in two different ways. The total provision is comprised of two components being the specific and general provision.

The specific provision (the estimate of potential loss exposure on identified problem loans) has decreased a further \$620 000 in 2001-02 (\$2.3 million decrease in 2000-01) to \$1.9 million (\$2.5 million) due to continued property value growth, improved principal repayments due to low interest rates and a reduction in loans in arrears.

The general provision (provision for presently unidentifiable losses that may arise in the portfolio) has increased to \$13.8 million (\$13.2 million) due to HomeStart's concern about the possibility of a correction in property values in the event of reductions to the First Home Owners Grant (FHOG) and the outlook for rising interest rates. HomeStart's projections in this regard reflect experience in past markets in similar circumstances and stress testing carried out on its loan portfolio.

As a result of the movements in the specific and general provisions, the total provision for doubtful debts has remained relatively stable at \$15.6 million, notwithstanding that total loans have decreased. The following chart shows the level of the total doubtful debts provision over the past seven years, and demonstrates that total provisions as a proportion of loans and advances is at a peak for that period.

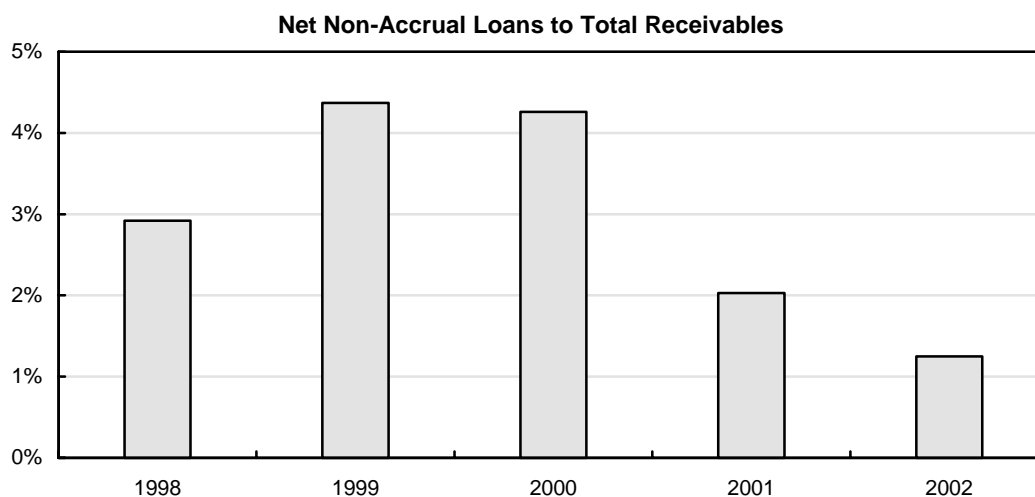


Asset Quality – Non-Accrual Loans

Non-accrual loans reflect balances where management have assessed that loan recovery is doubtful.

Interest and charges are not taken to profit for such loans and they are written down to estimated realisable values through the specific provision referred to above.

The proportion of net non-accrual loans (that is after specific provisions and interest foregone) to total receivables (net of interest foregone) is the lowest for five years as shown in the following graph. Again, this reflects the market conditions and is consistent with the specific provision for the year.



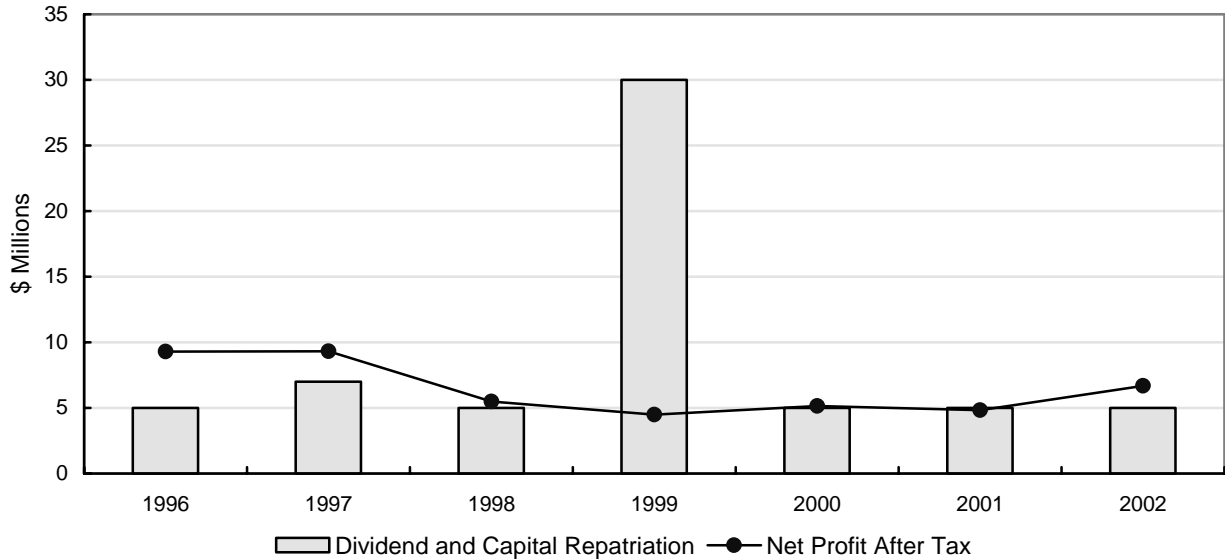
Statement of Cash Flows

Distributions to Government

HomeStart has been required to maintain its distributions to the Government (Department of Human Services) and in 2001-02 made a dividend payment of \$2.21 million (\$1.65 million) and a capital repatriation of \$2.79 million (\$3.35 million). The payment of dividends and the capital repatriation reduces the level of interest free capital available to HomeStart. It is, however, noted that the level of retained surplus at 30 June 2002 was \$132.4 million (\$130.7 million).

The following chart shows net profit after tax and distributions made for the past seven years.

Distributions to Government



In addition to these distributions, HomeStart pays a guarantee fee of 0.75 percent to the Government based on the outstanding funding balance at the end of each quarter of the financial year. The amount paid in 2001-02 was \$5.0 million (\$5.1 million).

HomeStart is also subject to an income tax equivalent regime. The income tax expense in 2001-02 was \$2.9 million (\$2.5 million).

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
Interest revenue	3	53 056	63 227
Borrowing costs	3	<u>(30 851)</u>	<u>(40 109)</u>
NET INTEREST REVENUE		22 205	23 118
Other revenue from ordinary activities	3	2 328	1 449
Bad and doubtful debts (expense) credit	3	(120)	(1 902)
Government guarantee fee	3	(5 046)	(5 087)
Retailer and management fees	3	(2 510)	(2 607)
Depreciation expense	3	(594)	(573)
Personnel expense	3	(3 666)	(3 774)
Other expenses from ordinary activities	3	<u>(3 052)</u>	<u>(3 291)</u>
PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EXPENSE		9 545	7 333
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	<u>(2 863)</u>	<u>(2 493)</u>
NET PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE	16	6 682	4 840
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		6 682	4 840

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
ASSETS:			
Cash	21(a)	2 274	13 292
Investments	6	21 680	8 965
Housing loans and advances	7	761 765	807 389
Office and computer equipment	10	685	977
Other assets	11	<u>214</u>	<u>1 013</u>
Total Assets		786 618	831 636
LIABILITIES:			
Short-term interest bearing borrowings	12,13	349 836	230 633
Long-term interest bearing borrowings	12,13	293 021	459 955
Tax liability	4	1 814	1 048
Provisions	14	434	429
Other liabilities	15	<u>4 169</u>	<u>3 909</u>
Total Liabilities		649 274	695 974
NET ASSETS		137 344	135 662
EQUITY:			
Capital grants		4 918	4 918
Retained surplus	16	<u>132 426</u>	<u>130 744</u>
TOTAL EQUITY		137 344	135 662
Commitments	18		
Contingent Liabilities	19		

Statement of Cash Flows for the year ended 30 June 2002

		2002	2001
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received on:	Note	\$'000	\$'000
Cash		29	801
Investments		1 445	-
Housing loans		50 798	62 925
Fees and commissions received		468	809
Interest paid on borrowings		(29 837)	(39 588)
Government guarantee fee		(5 046)	(5 087)
Retailer and management fees		(2 556)	(2 581)
Administration		(6 833)	(6 791)
Income tax paid		(2 098)	(2 938)
Net Cash provided by Operating Activities	21(b)	6 370	7 550
CASH FLOWS FROM INVESTING ACTIVITIES:			
Customer loans repaid		224 911	203 985
Customer loans settled		(176 603)	(215 153)
Payments for investments		(12 716)	(8 965)
Payments for office and computer equipment		(306)	(333)
Other		29	(39)
Net Cash provided by (used in) Investing Activities		35 315	(20 505)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from new borrowings		1 778 202	1 149 650
Principal repaid on borrowings		(1 825 934)	(1 121 184)
Financial instruments		29	(3)
Capital repatriation		(2 790)	(3 350)
Dividend paid		(2 210)	(1 650)
Net Cash (used in) provided by Financing Activities		(52 703)	23 463
NET (DECREASE) INCREASE IN CASH HELD		(11 018)	10 508
CASH AT 1 JULY		13 292	2 784
CASH AT 30 JUNE	21(a)	2 274	13 292

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Role of HomeStart Finance

The role of HomeStart Finance is to provide affordable home finance and housing initiatives to low and moderate income persons and to other needs groups in South Australia.

During the financial year ended 30 June 2002, HomeStart administered the following schemes:

- The HomeStart Loan
- The Advantage Loan
- Home Ownership Made Easier (HOME)
- Rental Purchase
- The Refinance Loan
- The Seniors Loan
- The Rosewood Village Advantage Loan
- Mortgage Relief
- Carers Home Maintenance Loan and
- Aboriginal Loan.

HomeStart also plays a key role in supplying finance for the purchase of South Australian Housing Trust (SAHT) dwellings by tenants and has collaborated with the Trust on many joint projects through the year.

HomeStart

HomeStart provides mortgages to low income persons and other needs groups with low start indexed repayments. The HomeStart loan is the principal loan product. The outstanding value of HomeStart loans at 30 June 2002 was \$717.4 million (\$744.9 million).

HOME

The concessional HOME scheme is no longer open to new borrowers. The scheme was transferred to HomeStart from the then State Bank of South Australia in 1989-90. From 20 May 2002 the scheme is managed and also administered by HomeStart.

The outstanding value of the HOME scheme at 30 June 2002 was \$51.0 million (\$68.0 million).

Management and administration of the HOME Rental Purchase Scheme, which was for SAHT tenants, was transferred from the SAHT to HomeStart in December 1992.

Other

HomeStart owns and administers a small group of miscellaneous loans.

Subsidies

HomeStart provides subsidised loans to low income earners up to \$18 000. The Advantage Loan has an interest rebate period of five years, after which the principal is indexed to the CPI. The outstanding value of the loans at 30 June 2002 was \$35.9 million (\$36.1 million).

Subsidies (continued)

In providing these loans HomeStart forgoes interest income, estimated to be \$1.9 million on the funds lent (\$2.1 million). HomeStart does not receive any funding with respect to this subsidy.

HomeStart also has loans at concessional interest rates under the HOME and Rental Purchase Schemes.

Funding

HomeStart funds its mortgage activities from capital and by borrowing from the South Australian Government Financing Authority (SAFA).

2. Summary of Significant Accounting Policies and Factors which have been Significant in the Preparation of the Financial Report

(a) Basis of Preparation

Pursuant to section 27 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart is required to keep proper accounting records in relation to its financial affairs, and must have annual statements of accounts prepared in respect of each financial year.

This general purpose financial report has been prepared on an accrual basis in accordance with Statements of Accounting Concepts, Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and requirements of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*.

The financial statements have been prepared on the basis of historical costs and except where stated, do not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied, except where there is a change in accounting policy and are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial amounts and other disclosures.

(b) Tax Equivalents

Under the terms of the Statement of Policy Intent relating to the tax treatment of State Trading Enterprises, agreed at the 1994 Premiers' Conference, States and Territories are required to apply an income tax equivalent regime to their State Trading Enterprises. The Treasurer has determined, pursuant to section 25 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, that from 1 July 1995 HomeStart shall be subject to such a regime as established and administered by the Treasurer pursuant to relevant Treasurer's Instructions.

(c) Acquisition of Assets

Assets acquired are initially recorded at cost. Cost is determined as the value given as consideration plus incidental costs directly attributable to the acquisition, including all other costs incurred in preparing the assets for use.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the time of acquisition.

All acquisitions of assets with a cost, or other value, of \$500 or more are recognised as assets in the year of acquisition. Acquisitions with a lesser value are expensed in the period of acquisition.

(d) Depreciation

Consistent with the historic cost convention, fixed assets are recorded at cost. Depreciation for each item of plant, equipment and software is calculated on a straight line basis in accordance with the assets' estimated useful life.

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

	Percent
Computer hardware	33
Computer software	33
Accounting software	20
Loan management systems	20
Office fit-out	20
Furniture and equipment	20

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed.

(e) Loans and Advances (Housing Loans)

Loans and advances are reflected in the financial statements at their face value less assessed provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

Specific Provision

The Specific Provision is an estimate of the potential loss exposure on identified problem loans.

The provision is determined by assessing potential losses on loans where:

- arrears are 90 days or over, or exceed \$2 500; or
- repayment reductions have been negotiated; or
- in other cases HomeStart is taking action to manage the loan; or
- action is being taken to recover debt through possession of security.

The provision is calculated as the excess of the loan balance over the expected realisable amount on the sale of the security, after allowing for selling and other costs.

General Provision

This provision is created to provide for presently unidentifiable losses that may arise in the loan portfolio and for which no specific provision exists.

The General Provision for HomeStart loans is determined by assessing potential losses on the entire loan portfolio. The assessment takes account of:

- the profile of past loan losses from the portfolio;
- changes to risk levels of the portfolio - for example due to changes in new business;
- the outlook for interest rates, the housing market and other key economic trends.

The General Provision for the HOME and Rental Purchase Scheme is set at a standard percentage of the portfolio balance, as these loans have seasoned and are now low risk.

(f) Bad and Doubtful Debts

All bad and doubtful debts are written off in the period in which they are identified. The write-off of individual debts over \$20 000 requires the approval of the Board. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Financial Performance.

(g) Non-Accrual Loans

HomeStart ceases accruing interest income on loans when it is considered that HomeStart would be unable to recover that interest income from either the customer or from the sale of the security.

Interest on these loans is only taken to account when realised or when loans are returned to accrual status. Non-accrual loans are recognised where loans are contractually past due 90 days with security insufficient to cover principal and arrears of interest, or where there is doubt as to the full recovery of principal and interest.

(h) Employee Entitlements

Liabilities for employee entitlements to wages, salaries and annual leave are recognised and measured as the amount unpaid at the balance date at current pay rates plus employment related on-costs, in respect of employees' service up to balance date.

The provision for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by HomeStart resulting from employees' services provided up to the balance date.

During 2001-02 HomeStart paid \$254 708 (\$246 013), with respect to HomeStart's superannuation obligations for employees in line with the requirements of the Commonwealth legislation.

\$116 428 (\$122 515) was paid to employees who made contributions to complying superannuation funds and \$138 280 (\$123 498) was paid to those employees who made no personal superannuation contributions during 2001-02.

Superannuation contributions are charged against income as they are made.

(i) Other Liabilities

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to HomeStart Finance.

Accounts payable are normally settled within 30 days.

(j) Borrowings

Borrowings are reflected in the financial statements at their face value. Interest expense is accrued at the contracted rate and included in other liabilities.

(k) Derivative Financial Instruments

HomeStart is exposed to changes in interest rates and uses forward rate agreements, interest rate swap agreements and futures contracts to hedge this risk.

Derivative financial instruments are not held for speculative purposes.

The net amount receivable or payable under interest rate agreements and realised losses and gains on forward rate agreements and futures contracts are recognised on an accrual basis in the statement of financial performance as an adjustment to interest expense during the period.

(l) Revenue Recognition

Interest income is recognised as it accrues.

Non-interest income is recognised when earned or recovered.

(m) Goods and Services Tax

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

HomeStart, being a provider of financial services, is classified as an input taxed entity for GST purposes and consequently has to absorb GST costs passed on by suppliers. Reduced input taxed credits can only be claimed on a very limited number of input costs.

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

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Recoverable Amount of Non-Current Assets Valued on a Cost Basis

The carrying amounts of non-current assets valued on a cost basis, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

(o) Operating Leases

Incentives received on entering into operating leases are recognised as liabilities that are reduced by allocating lease rental payments between rental expense and reduction of the liability. The allocation of lease rental payments is made such that rental expense is recognised on a basis which is representative of the pattern of benefits derived from the rental property.

(p) Investments

Investments in managed funds, regardless of the composition, are reflected in the financial statements at their market value at each balance date, which approximates their fair value. The gains or losses from changes in market value during the year, whether realised or unrealised, are included in the Statement of Financial Performance.

Investments in financial instruments such as bank accepted bills and cash are recognised in the financial statements at the lower of cost (adjusted for premium or discount) or recoverable amount. Interest income on these investments is recognised as it accrues.

3. Profit from Ordinary Activities Before Income Tax

	2002	2001
	\$'000	\$'000
Revenue from Ordinary Activities:		
Interest Revenue:		
HomeStart and HOME	52 149	61 074
Deposits with Treasury and banks	112	888
Other	795	1 265
Total Interest Revenue	53 056	63 227
Other Revenue from Ordinary Activities:		
Fees and charges	727	730
Bad debts recovered	107	151
Unrealised gains on change in market value of investments	227	-
Income from Investments	1 090	59
Other	177	509
Total Other Revenue from Ordinary Activities	2 328	1 449
Expenses from Ordinary Activities:		
Borrowing Costs:		
HomeStart and HOME	30 851	40 109
Total Borrowing Costs	30 851	40 109
Bad and doubtful debts expenses:		
Direct write-offs:		
HomeStart	61	135
HOME	13	-
Other	-	-
Total Direct Write-offs	74	135
Doubtful debt provisions expenses:		
HomeStart	109	1 873
HOME	(16)	(38)
Other	(47)	(68)
Total Doubtful Debt Provisions Expenses	46	1 767
Total Bad and Doubtful Debts Expenses	120	1 902

3. Profit from Ordinary Activities Before Income Tax (continued)	2002	2001
	\$'000	\$'000
Government guarantee fee	5 046	5 087
Retailer and Management fees:		
HomeStart	2 252	2 246
HOME	258	361
Total Retail and Management Fees	2 510	2 607
Depreciation expense:		
Computer hardware	169	158
Computer software	113	107
Loan Management System	231	231
Office fit-out	36	34
Furniture and equipment	45	43
Total Depreciation Expense	594	573
Personnel expenses:		
Charges to provisions for annual leave	(15)	11
Charges to provisions for long service leave	21	98
Salaries and related costs	3 660	3 665
Total Personnel Expenses	3 666	3 774
Other Expenses from Ordinary Activities:		
Office accommodation	266	288
Marketing, product development and advertising	811	729
External Auditor's remuneration	77	63
Internal audit fees	172	79
Loan Management fees	163	169
IT - Loan management system	298	129
IT - Support and maintenance	256	297
Consultants' fees	253	313
Other	756	1 224
Total Other Expenses from Ordinary Activities	3 052	3 291

4. Income Tax

HomeStart is required to pay income tax equivalents to the State Government through the Department of Treasury and Finance, using the Accounting Profits Model. The Accounting Profits Model adopts as its basis, the application of the corporate income tax rate for *Income Tax Assessment Act 1936* purposes (30 percent for 2001-02, 34 percent for 2000-01), to the Audited Accounting Profit of HomeStart. Audited Accounting Profit is defined as operating profit from ordinary activities after extraordinary items.

Audited accounting profit of \$9.5 million at 30 percent is equal to Income Tax Equivalents of \$2.9 million (\$2.5 million).

5. Payment of Dividend to the Department of Human Services

Pursuant to section 26 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart must recommend to the Minister for Human Services, that the statutory corporation pay a specified dividend or not pay a dividend, for that financial year, as the statutory corporation considers appropriate. It further provides for the Minister, in consultation with the Treasurer, to approve the recommendation of the statutory corporation, or to determine that another dividend, or no dividend, should be paid.

During 2001-02, the Department of Human Services requested payment of a dividend of \$5 million which HomeStart has allocated between dividend (\$2.21 million) based on the current year net profit from ordinary activities of \$6.7 million and capital repatriation (\$2.79 million) from the retained surplus in accordance with an established dividend policy based on commercial principles.

6. Investments	2002	2001
At cost:	\$'000	\$'000
Bank Bills	9 956	4 979
At fair value:		
Composite Bond Index Investment	4 483	3 986
Listed Equities Funds	2 217	-
Listed Properties Funds	5 024	-
Total Investments	21 680	8 965

The Composite Bond Index Investment has a maturity date of 30 June 2002.

The following table breaks down Bank Bills into individual deals with corresponding market values, yield and maturity dates.

	Face Value \$'000	Market Value \$'000	Yield Percent	Maturity Date
Bank Accepted Bill	1 000	996	4.86	15.7.02
Bank Accepted Bill	1 000	992	4.90	13.8.02
Bank Accepted Bill	2 000	1 992	4.83	15.7.02
Bank Accepted Bill	1 000	996	4.85	3.7.02
Commercial Bills	5 000	4 980	4.83	15.7.02
Total Bank Bills	10 000	9 956		

7. Housing Loans and Advances	2002	2001
	\$'000	\$'000
Primary loans	743 116	791 311
Subsidised loans	35 894	36 115
Control accounts	233	(231)
Gross Loans and Advances	779 243	827 195
Specific provisions for impairment	(1 854)	(2 474)
Unearned income	(1 849)	(4 102)
	775 540	820 619
General provisions for impairment	(13 775)	(13 230)
Net Loans and Advances	761 765	807 389

The balance of the housing loans are shown after deducting the provision for doubtful debts, ensuring that the balance reflects the expected recoverable amount of these loans. The basis of determining the provision for doubtful debts is disclosed at Note 2(e).

Maturity Profile of HomeStart's Loans and Advances at 30 June:	2002	2001
	\$'000	\$'000
Not longer than 3 months	-	18
Longer than 3 months and not longer than 12 months	-	-
Longer than 1 year and not longer than 5 years	6 213	6 186
Longer than 5 years	773 030	820 991
Total Loans and Advances	779 243	827 195

The maturity distribution of loans and advances is based on contractual terms and not when they are due to reprice or are likely to be repaid. HomeStart loans do not have fixed contractual terms as they vary with changes in inflation and interest rates. Based on standard assumptions, these loans would have an initial term ranging up to 28 years, but the majority are anticipated to have actual contractual terms of a much shorter maturity period.

The following table shows the breakdown of the loan portfolio for the individual schemes, with the provisions allocated.

	2002	2001
	\$'000	\$'000
HomeStart	717 414	744 942
Less: - Specific provisions for impairment	1 727	2 333
- General provisions for impairment	13 631	13 037
- Impaired loans unearned income	1 806	4 058
	700 250	725 514
HOME	50 995	67 985
Less: - Specific provisions for impairment	19	-
- General provisions for impairment	102	137
- Impaired loans unearned income	2	-
	50 872	67 848
Other	10 834	14 268
Less: - Specific provisions for impairment	108	141
- General provisions for impairment	42	56
- Impaired loans unearned income	41	44
	10 643	14 027
Total Housing Loans after provision for Doubtful Debts	761 765	807 389

Total loans approved but not settled at 30 June 2002 amounted to \$12.4 million (\$8.0 million).

8. Provisions for Doubtful Debts		
SPECIFIC PROVISION:		
Opening Balance:		
HomeStart	2 333	4 659
HOME	-	-
Other	141	123
Total Opening Balance	2 474	4 782
Movement:		
HomeStart doubtful debts expense	(485)	(1 930)
HomeStart bad debt write-off	(121)	(396)
HOME doubtful debts expense	19	-
Other doubtful debts expense	(33)	18
Total Movement	(620)	(2 308)
Closing Balance:		
HomeStart	1 727	2 333
HOME	19	-
Other	108	141
Total Closing Balance	1 854	2 474
GENERAL PROVISION:		
Opening Balance:		
HomeStart	13 037	9 235
HOME	137	175
Other	56	142
Total Opening Balance	13 230	9 552

8. Provisions for Doubtful Debts (continued)		2002	2001
Doubtful Debts Expense:		\$'000	\$'000
HomeStart		594	3 802
HOME		(35)	(38)
Other		(14)	(86)
Total Doubtful Debts Expense		545	3 678
Closing Balance:			
HomeStart		13 631	13 037
HOME		102	137
Other		42	56
Total Closing Balance		13 775	13 230
Total Provision for Doubtful Debts		15 629	15 704
9. Asset Quality Disclosures			
HomeStart provides for doubtful debts as discussed in Note 2(e). When management determines that a loan recovery is doubtful, the principal amount and accrued interest on the obligation are written down to estimated realisable values. Interest and charges are no longer taken to profit when their payment is considered unlikely.			
		2002	2001
Non-Accrual Loans:		\$'000	\$'000
With provision		10 079	14 783
Without provision		3 328	8 443
Total		13 407	23 226
Specific provision		1 828	2 392
Interest forgone on non-accrual loans		1 849	4 102
Real Estate Acquired:			
Balance of loans at 30 June		395	1 090
Specific provision		26	82
Past Due Loans:			
Balance at 30 June		4 120	2 548
Total Impaired Assets		17 922	26 864
Total Specific Provision		1 854	2 474
10. Office and Computer Equipment			
Computer hardware - At cost		833	736
Less: Accumulated depreciation		557	442
		276	294
Computer software - At cost		547	483
Less: Accumulated depreciation		399	286
		148	197
Loan Management Systems - At cost		1 155	1 155
Less: Accumulated depreciation		1 111	880
		44	275
Office fitout - At cost		196	170
Less: Accumulated depreciation		136	100
		60	70
Furniture and equipment - At cost		342	299
Less: Accumulated depreciation		185	158
		157	141
Total Fixed Assets		685	977
Reconciliations			
Reconciliations of the carrying amounts for each class of office equipment are set out below:			
Computer Hardware:			
Carrying amount at 1 July		294	258
Additions		154	198
Disposals		(3)	(4)
Depreciation		(169)	(158)
Carrying Amount at 30 June		276	294
Computer Software:			
Carrying amount at 1 July		197	231
Additions		64	73
Disposals		-	-
Depreciation		(113)	(107)
Carrying Amount at 30 June		148	197
Loan Management System:			
Carrying amount at 1 July		275	506
Additions		-	-
Disposals		-	-
Depreciation		(231)	(231)
Carrying Amount at 30 June		44	275
Office Fit-out:			
Carrying amount at 1 July		70	88
Additions		26	16
Disposals		-	-
Depreciation		(36)	(34)
Carrying Amount at 30 June		60	70

Reconciliations (continued)		2002	2001
Furniture and Equipment:		\$'000	\$'000
Carrying amount at 1 July		141	138
Additions		61	48
Disposals		-	(2)
Depreciation		(45)	(43)
Carrying Amount at 30 June		157	141
11. Other Assets			
Accrued interest		166	250
Debtors		48	64
Deferred gains on derivatives		-	699
Total Other Assets		214	1 013
12. Borrowings			
Short-term interest bearing borrowings		349 836	230 633
Long-term interest bearing borrowings		293 021	459 955
Total Borrowings		642 857	690 588
Maturity Profile of HomeStart's Borrowings at 30 June 2002			
At call		1 836	1 133
Not longer than 3 months		158 000	229 500
Longer than 3 months and not longer than 12 months		190 000	-
Longer than 1 year and not longer than 5 years		293 021	459 955
Total Borrowings		642 857	690 588
13. Financing Arrangement			
HomeStart was required to pay a guarantee fee of 0.75 percent of outstanding borrowings, to the Department of Treasury and Finance in 2001-02 (0.75 percent).			
HomeStart sources its borrowings from the South Australian Government Financing Authority and has no restrictions on its borrowing facilities, however, it is subject to a gross borrowing limit.			
14. Provisions			
	Note	2002	2001
		\$'000	\$'000
Provision for annual leave		161	176
Provision for long service leave		273	253
Total Provisions		434	429
15. Other Liabilities			
Accrued interest		3 051	2 776
Accrued scheme fees		187	233
Creditors		198	208
Aboriginal loan security deposit		250	250
Other		485	442
Total Other Liabilities		4 169	3 909
16. Retained Surplus			
Retained surplus at 1 July		130 744	130 904
Profit from ordinary activities after related income tax expense		6 682	4 840
Dividend paid	5	(2 210)	(1 650)
Capital repatriation	5	(2 790)	(3 350)
Retained Surplus at 30 June		132 426	130 744
17. Additional Financial Instruments Disclosure			
(a) Interest Rate Risk			
Interest rate risk is managed through matching HomeStart's borrowings with its home loan assets portfolio. The resulting repricing mismatch is measured and monitored by the Asset and Liability Committee on a monthly basis.			
The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest income or expense and the average interest rate.			

	2002		Average Interest Rate ⁽¹⁾
	Average Balance	Interest	Percent
	\$'000	\$'000	
Interest Revenue:			
Cash used for operating activities	1 132	26	2.30
Cash used for investing activities	1 698	86	5.06
Loans and advances	801 644	52 944	6.60
	804 474	53 056	6.60
Interest Expense:			
Interest on borrowings	662 552	30 851	4.66

(a) Interest Rate Risk (continued)	2001		Average Interest Rate ⁽²⁾
	Average Balance \$'000	Interest \$'000	Percent
Interest Revenue:			
Cash used for operating activities	891	42	4.71
Cash used for investing activities	15 627	846	5.41
Loans and advances	824 732	62 339	7.56
	<u>841 250</u>	<u>63 227</u>	<u>7.52</u>
Interest Expense:			
Interest on borrowings	680 881	40 109	5.89

(1) Interest rate calculated on average balances over the year to June 2002.

(2) Interest rate calculated on average balances over the year to June 2001.

HomeStart's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Weighted Average Interest Rate ⁽³⁾ Percent	Floating Interest Rate \$'000	2002 Fixed Interest Maturing in			Non-Interest Bearing \$'000	Total \$'000
			1 Year or Less \$'000	1 Year to 5 years \$'000	More than 5 years \$'000		
Financial Assets:							
Cash used for operating activities	4.22	757	-	-	-	757	
Cash used for investing activities	4.70	1 517	-	-	-	1 517	
Composite Bond Index Investment	-	-	-	-	4 483	4 483	
Investment - Property and Equity	-	-	-	-	7 241	7 241	
Bank Bills	4.84	-	9 956	-	-	9 956	
Loans and advances	6.75	757 731	4 981	16 404	-	779 243	
Other assets	-	-	-	-	214	214	
		<u>760 005</u>	<u>14 937</u>	<u>16 404</u>	<u>12 065</u>	<u>803 411</u>	
Financial Liabilities:							
Borrowings	4.72	642 857	-	-	-	642 857	
Interest rate swaps (notional principal amounts) ⁽⁴⁾		<u>(29 000)</u>	<u>5 000</u>	<u>24 000</u>	<u>-</u>	<u>-</u>	

	Weighted Average Interest Rate ⁽⁵⁾ Percent	Floating Interest Rate \$'000	2001 Fixed Interest Maturing in			Non-Interest Bearing \$'000	Total \$'000
			1 Year or Less \$'000	1 Year to 5 years \$'000	More than 5 years \$'000		
Financial Assets:							
Cash used for operating activities	2.74	953	-	-	-	953	
Cash used for investing activities	4.95	12 339	-	-	-	12 339	
Composite Bond Index Investment	-	-	-	-	3 986	3 986	
Bank Bill	5.06	-	4 979	-	-	4 979	
Loans and advances	6.89	804 675	-	22 520	-	827 195	
Other assets	-	-	-	-	1 013	1 013	
		<u>817 967</u>	<u>4 979</u>	<u>22 520</u>	<u>4 999</u>	<u>850 465</u>	
Financial Liabilities:							
Borrowings	4.93	690 588	-	-	-	690 588	
Interest rate swaps (notional principal amounts)		<u>(20 000)</u>	<u>-</u>	<u>20 000</u>	<u>-</u>	<u>-</u>	

(3) Weighted average interest rate at 30 June 2002 on the outstanding balances.

(4) The effect of the interest rate swaps and forward rate agreements has been incorporated into the weighted average interest rate.

(5) Weighted average interest rate at 30 June 2001 on the outstanding balances.

Off-Balance Sheet Derivative Instruments

Forward Rate Agreements and Futures Contracts

HomeStart enters into forward rate agreements and/or 90 day bank bill futures contracts with a maximum tenor of six months for forward rate agreements and maximum maturity of 12 months for both in order to hedge its interest exposure.

There were no forward rate agreements outstanding as at 30 June 2002.

HomeStart had a short net position of \$90.0 million bank bill futures as at 30 June 2002. \$30.0 million of the futures contracts will settle in September 2002 and \$60.0 million in December 2002, with the average price being 94.55 or 5.45 percent.

Interest Rate Swaps

At 30 June 2002 HomeStart had floating/fixed swaps with a total notional value of \$29.0 million with the fixed rates varying between 5.07 percent and 6.62 percent. HomeStart also had a floating/fixed swap with a notional value of \$60.0 million with the rates set at 30 and 90 day BBSW. This assists HomeStart in eliminating the mismatch between repricing of its assets with that of its liabilities.

(b) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets has been recognised in the Statement of Financial Position as the carrying amount, net of any provisions for doubtful debts.

HomeStart manages its credit risk through compliance with credit policies and procedures. It also has registered mortgages over the security properties.

HomeStart is not materially exposed to any individual borrower.

HomeStart only lends in South Australia, and is therefore exposed to the housing market in this State.

(c) Net Fair Value

The carrying amount of HomeStart's financial assets approximate net fair value and the financial liabilities are recorded at face value.

On-Balance Sheet Financial Instruments

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	2002		2001	
	Carrying Value \$'000	Net Fair Value \$'000	Carrying Value \$'000	Net Fair Value \$'000
Assets:				
Cash	2 274	2 274	13 292	13 292
Composite Bond Index Investment	4 483	4 483	3 986	3 986
Bank Bills	9 956	9 956	4 979	4 979
Loans and advances	761 765	762 792	807 389	807 726
Investment	7 241	7 241	-	-
Other assets	214	214	1 013	1 013
Liabilities:				
Borrowings	642 857	642 274	690 588	689 295

Cash

The carrying value of cash approximates its net fair value.

Loans and Advances

The carrying value of loans and advances is net of specific and general provisions for impairment and impaired loans unearned income.

The carrying amount is a reasonable estimate of net fair value of variable rate loans. The net fair value of fixed rate loans has been calculated by discounting the future principal and interest cash flows using rates determined from the current yield curve and loan repricing dates.

Investment

The net fair value of the investment is based on quoted market price.

All Other Financial Assets

The carrying values of all other financial assets approximate their net fair values.

Borrowings

The net fair value of HomeStart's borrowings was determined based on the quoted marked prices.

Off-Balance Sheet Financial Instruments

	2002 \$'000	2001 \$'000
The net fair value of off-balance sheet financial instruments held as at the reporting date are:		
Futures	(7)	-
Interest rate swaps	(88)	(294)

18. Commitments

Operating lease commitments:

 Future operating lease rentals not provided for in the financial statements and payable:

Not later than one year	235	171
Later than one year but not longer than five years	492	727

Total	727	898
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19. Contingent Liabilities

HomeStart has no material contingent liabilities.

20. Segment Reporting

HomeStart operates in one geographical segment, South Australia, and its principal activities are the provision of home finance to low and moderate income groups.

21. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and 'at call' deposits with other financial institutions. Cash at the end of the financial year, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

	2002	2001
	\$'000	\$'000
Cash	2 052	12 325
Cash at clearing banks	222	415
Cash in transit	-	552
Cash at 30 June	2 274	13 292

(b) Reconciliation of Profit from Ordinary Activities after Income Tax to Net Cash provided by Operating Activities

Profit from ordinary activities after tax	6 682	4 840
Add (Less): Items classified as investing activities:		
Loss (Gain) on sale of fixed assets	(4)	1
Dividend received	-	-
(Gain) on disposal of investment	-	(59)
Add(Less): Non-cash items:		
Depreciation expense	594	573
Provision for probable credit losses	46	1 763
Direct bad debts written off	74	135
Unearned income on bad debts written off	68	254
Investment in securities	-	-
Fees applied directly to loan accounts	(620)	(635)
Net Cash provided by Operating Activities before changes in Assets and Liabilities	6 840	6 872

Changes in assets and liabilities:

Increase (Decrease) in accrued interest expense	275	1 250
Decrease in accrued interest income	85	249
Increase in provisions for employee entitlements	5	109
Increase (Decrease) in management fees payable to retailers	(46)	26
Increase (Decrease) in creditors and other liabilities	(16)	213
Increase (Decrease) in unearned interest income	(2 253)	12
Increase (Decrease) in provision for income tax	765	(445)
Decrease (Increase) in debtors and other assets	715	(736)

Net Cash provided by Operating Activities

6 370	7 550
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All cash flows are presented on a gross basis.

22. Remuneration and Retirement Benefits

(a) Board Members' Remuneration

	2002	2001
	Number of Board Members	Number of Board Members
Number of HomeStart Board Members whose income from HomeStart was within the following bands:		
\$0 - \$9 999	1	1
\$20 000 - \$29 999	3	4
\$30 000 - \$39 999	1	-

Members of the Board of HomeStart who are employed under the *Public Sector Management Act 1995* are not entitled to fees. Four members received remuneration during the financial year.

	2002	2001
	\$'000	\$'000
Total income paid or payable or otherwise made available to all Board Members of HomeStart	106	97

The names of the Board Members who held office during the financial year are:

Kate Spargo	Samuel Walters (appointed 1.7.01)
Jay Hogan	Vivienne Pring
Stephen Mann	Graham Duncan (term expired 7.7.01)

No Board Member has entered into a material contract with HomeStart during the financial year.

(b) Executive Remuneration

	2002	2001
	Number of Executive	Number of Executive
The number of executive officers whose remuneration, including non-monetary benefits, on-costs and back pay for previous years, was within the specified bands are as follows:		
\$100 000 - \$109 999	-	2
\$110 000 - \$119 999	1	-
\$120 000 - \$129 999	1	1
\$140 000 - \$149 999	-	1
\$160 000 - \$169 999	1	1
\$190 000 - \$199 999	1	-

Total income paid or payable or otherwise made available to executive officers of HomeStart whose income is \$100 000 or more	\$'000 596	\$'000 645
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(c) Auditors' Remuneration

Amounts received or due and receivable by HomeStart's auditors for:		
Auditing the accounts	77	63
Other services	-	-

23. Related Parties Disclosure

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

Identification of Related Parties

Minister for Housing
 Department of Human Services
 Department of Treasury and Finance
 Board Members
 South Australian Government Financing Authority

The names of the Board Members who held office during the financial year are identified in Note 22.

24. Economic Dependency

HomeStart has an economic dependency on the following suppliers of services:

Financing Services

South Australian Government Financing Authority (SAFA) is the sole provider of funds to HomeStart.

Retailing Services

HomeStart contracts out its retailing services to Bank SA, Home Loan Centre Pty Ltd, Home Loans Plus and Bernie Lewis Home Loans.

25. Number of Employees

	2002	2001
	Number	Number
Number of employees at 30 June	53	56
Number of employees at 30 June - full time equivalent	50.5	51.5

26. Events Subsequent to Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of HomeStart Finance, the results of those operations, or the state of affairs of HomeStart in subsequent years.

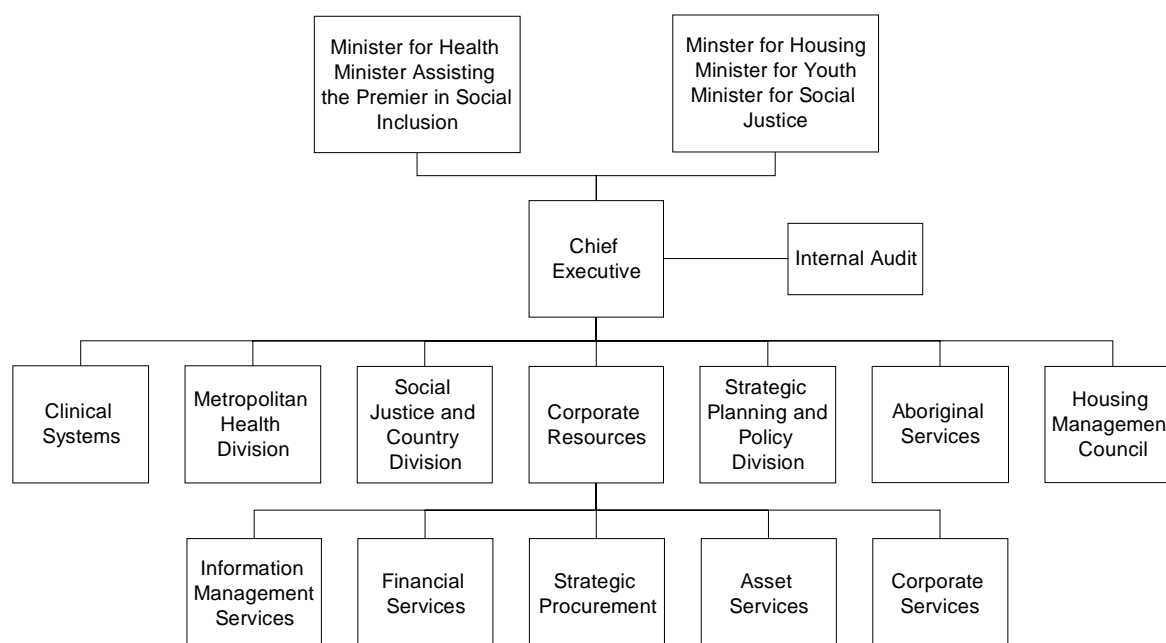
DEPARTMENT OF HUMAN SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

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

The Department is charged with broad ranging policy and certain administrative responsibilities associated with health, housing and support and protection of people as members of families and communities. The Department performs a coordinating role for the Ministerial Portfolio of Human Services.

The following is a diagrammatic representation of the principal functions and responsibilities of the organisation:



The Department has links with a range of entities including:

- the South Australian Health Commission and Incorporated Health Services (Units) established under the *South Australian Health Commission Act 1976*;
- Statutory Authorities established under specific legislation including the South Australian Housing Trust and Community Housing Authority;
- Statutory corporations established under the *Housing and Urban Development (Administrative Arrangements) Act 1995* including HomeStart Finance and the Aboriginal Housing Authority;
- other independent service providers.

The Department's role includes that as funder or service purchaser, policy setter and strategic planner and provider of services. The Department's role as service provider includes its role as the employer of staff who are assigned to statutory authorities and corporations, as provider of risk management, internal audit and insurance services and in management of portfolio information systems.

Change to Organisational Structure

In early 2002 the Department was significantly reorganised to reflect the structure depicted above. Key elements of the restructure were the reallocation of responsibility for Health Service coordination on a geographic basis and the integration of metropolitan primary health and acute or hospital care arrangements within the Metropolitan Health Division. Corporate and support services within the Department were brought together into a new division which incorporates the Financial Services, Asset Services, Information Management Services, Corporate Services and Strategic Procurement units.

A Housing Management Council was established as the interface between the Department and portfolio housing agencies with the Chair of the Council, who is a housing agency General Manager, representing the Council on the Department Executive. The housing agencies had previously related to the Department Chief Executive, and the responsible Minister, through the Executive Director of the Metropolitan Division.

Initiation of Reviews associated with Ministerial and Departmental Responsibilities

The Government has initiated reviews of key areas of Departmental operations including provision of Health and Child Protection services.

Generational Health Review

The review of Health has been asked to consider a broad range of issues associated with provision of health services through community health, other primary health services and acute or hospital settings. Matters to be addressed include the following:

- strategies to meet future demand and investment requirements;
- changes to the Health System considering arrangements for planning, legislation, governance, administration and management;
- mechanisms for ensuring coordination and integration;
- funding models which support emphasis on prevention and primary health care, regional funding and efficiency and effectiveness;
- strategies to improve community participation and for facilitating whole-of-government planning, service integration and social inclusion;
- facilitating cooperation of non-government and private sectors;
- workforce requirements;
- strategies to support long term reform in the Health Sector.

This review is supported by a Review Committee and is expected to provide input to the 2003-04 budget formulation process and the final review report is planned to be completed by the end of March 2003.

Child Protection Review

The terms of reference for the Child Protection Review require the provision of a plan to the Minister of Social Justice which assesses and evaluates Departmental policies, practices and procedures as they relate to services funded by the Department and those it directly provides. The plan is also required to consider legislation, practices and services for protecting children and young people and early intervention and prevention strategies that prevent abuse of children. Consideration is also required to the needs of indigenous children and their families.

In addition to provision of the plan to the Minister, the Review is required to examine the adequacy of criminal law and police procedures in dealing with child abuse and to advise on strategies and systems to support a coordinated whole-of-government response to child protection. It is further required to advise on measures to ensure organisations protect children from abuse whilst in their care.

The plan for the Minister is expected to be finalised in December 2002.

AUDIT MANDATE AND COVERAGE

Audit Authority

Pursuant to subsection 31(1)(b) of the *Public Finance and Audit Act 1987*, the Auditor-General is required to annually audit the accounts of the Department.

A discussion of the arrangements for the preparation and audit of financial statements for Incorporated Health Services (Hospitals, Health Centres and Services) is provided in the section of this report titled 'Commentary on Health Services Activities' following presentation of the Department's financial statements.

Scope of Audit

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

During 2001-02 auditable areas of attention included:

- payroll
- accounts payable
- receipting and banking
- grants to non-Government Organisations
- funding to Health Services
- general ledger
- non-current assets.

Focus was given to arrangements for management of Capital Projects funded by the Department principally with respect to Health Services. The arrangements for management of the redevelopment of the Royal Adelaide Hospital were addressed as part of this review with consideration being given to project management structures, contractual arrangements, transactions processing, information systems and monitoring and reporting.

Matters considered as part of this review are relevant not only to the Department but also to:

- the Department for Administrative and Information Services as Risk Manager;
- the Royal Adelaide Hospital as the Client;
- consultants engaged to assist in managing the redevelopment project.

This aspect of the audit of the Department will continue into the 2002-03 financial year and will be the subject of reporting on completion.

At the time of preparing this Report, Audit has also recently completed or is in the process of finalising reviews relating to computing environments and operations of systems. The status of the reviews is commented on below under the section 'Audit Findings and Comments'.

Audit Communications to Management

During the year audit findings and recommendations arising from the review and testing of the activities and financial systems and records of the Department have been communicated in audit management letters to the Department. Comment with respect to these communications and other matters are conveyed in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Financial Management Framework

The Department is required by the Treasurer's Instructions to implement the Financial Management Framework (FMF). The following provides an overview of key areas of the Department's control environment relevant to the FMF.

As the Department has adopted a Portfolio approach to development of certain functions which are relevant to the FMF the Audit comments contained herein are relevant to other Portfolio entities including the South Australian Housing Trust.

Risk Management

The Risk Management Unit supports risk management practices both within the Department and in portfolio agencies. During the year the Department continued with implementation of risk management practices within Divisions. This has involved Divisional staff, supported by staff from Risk Management, developing risk management reports along with standard Divisional Risk Management Frameworks and Risk Registers. The Divisional Risk Registers and other documentation support a DHS Risk Profile which was prepared in July 2002.

The Department has implemented a Risk Management Committee to oversee progress with implementation of Risk Management practices and to receive specific documentation from Divisions. This committee has provided reports to the Audit Committee.

The Audit Committee and Internal Audit

The Department Audit Committee has continued in operation throughout the 2001-02 financial year. The new Department Chief Executive has reviewed the composition of the committee and now attends and chairs its meetings.

During the year the Department finalised an approved organisation structure for Internal Audit and has appointed staff to the Internal Audit group to fill the positions reflected in the structure. This process was not finalised until the later part of the 2001-02 year which had some impact on the completion of planned audit activities. Following the appointment of new staff Internal Audit have foreshadowed the need to review and update both the planning methodology used and the specific planned audit assignments.

The Department's Internal Auditors have continued to conduct audits within the Department and in Portfolio Housing Agencies. In addition to using Departmental staff assignments have been undertaken by private sector firms as contractors. Work undertaken for the Department has included review of aspects of Family and Youth Services operations and review of Information Systems including post implementation reviews.

Commentary on General Financial Controls

Accounts Payable

The audit of the Department for the year ended 30 June 2002 included follow up of progress by the Department in addressing matters arising from the audit for the year ended 30 June 2000 which were detailed in a management letter to the Department in July 2000.

Documented Policies and Procedures

In 1999-2000 Audit noted the Department had not prepared documented policies and procedures relevant to Accounts Payable processing. This was considered an important control feature in an organisation as large as the Department which would provide assurance that appropriate practices are understood and effectively communicated to all relevant Departmental officers. Follow up in 2001-02 indicated work had been undertaken in preparing draft documented policies and procedures and in providing associated training but that the draft had not been finalised or formally adopted.

On-line Purchasing Facility

The audit for 1999-2000 also indicated the Department was making only limited use of its accounts payable system's on-line purchasing facility. This facility was considered by Audit to incorporate sound system controls for verifying the authorisation of payments, the receipting of goods or services supplied and that the amount invoiced by suppliers was consistent with that agreed when the order for supply was placed. These systems controls were also seen by Audit to compensate for identified weakness in the Department's processes for paying accounts using manual vouchers.

The audit in 2001-02 indicated that the extent of use of the on-line system at the time of the audit was still limited. The review established that the Department has sought to increase use of the on-line facility by monitoring use of manual vouchers and following up works sites where that usage is inappropriate. Training in use of the on-line facility has also been provided.

Service Provider Arrangements

Arrangements implemented by the Department for a service provider to print and mail accounts payable cheques were reviewed by Audit in 1999-2000. This review established that the service provider held Departmental cheque stationery and had a capacity to draw and sign cheques which exposes the Department to risk of financial loss due to error or unauthorised use by the service provider or its employees. It further indicated that the Department did not have a formal documented contract with the contractor. Follow up of this matter in 2001-02 indicated that contractual arrangements were still not formalised. In response to this matter the Department advised it would work with other portfolio agencies to negotiate new arrangements with the service provider.

Payroll Processing

Payroll processing by the Department involves disbursement of significant amounts for employees working within the Department and assigned to other portfolio agencies. Areas were identified by Audit in previous years where aspects of controls exercised by the Department needed to improve and they were again the focus for the 2001-02 audit.

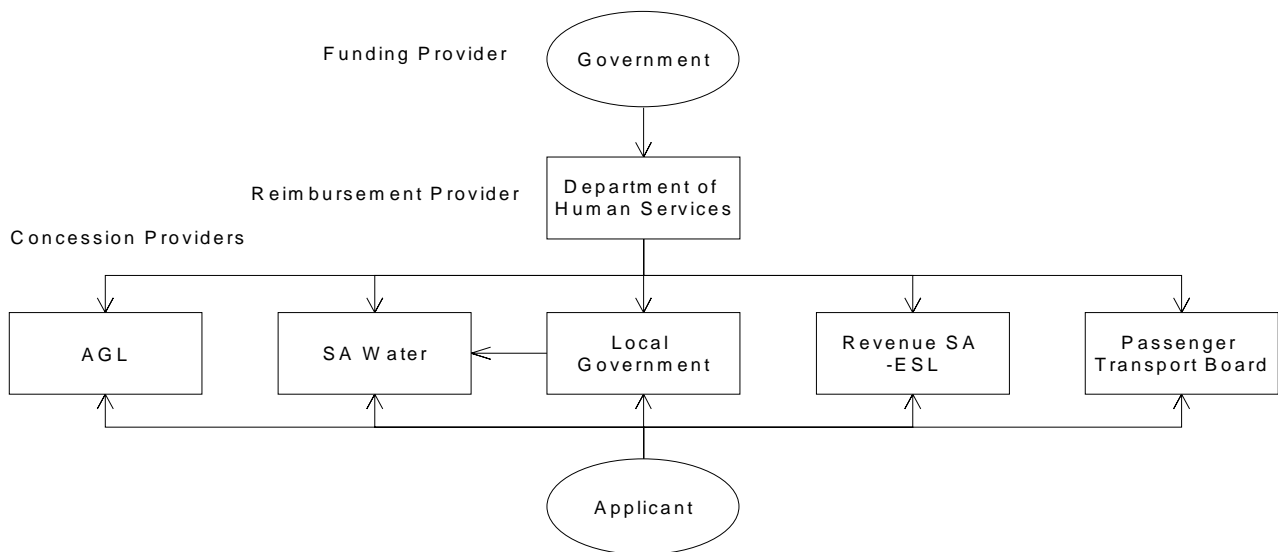
The Department continued to operate three payroll installations through out the 2001-02 financial year with the consolidation of the payroll being effected in 2002-03 following the implementation of the new CHRIS payroll facility. The consolidation of the payroll provides opportunity for increased efficiency of operations and reduction in complexity of processing.

Documentation of policies and procedures has been an ongoing process by the Department. Audit note that progress has been achieved in preparing documented procedures and their provision to staff through the Departmental intranet.

Audit testing of payroll processing by the Department highlighted the breakdown of performance of key reconciliations and effective maintenance of clearing accounts. While the Department advised of strategies implemented to address these areas they remained unsatisfactory at year end.

Administration of Concession Payments

The Department administers programs for provision of concessions to eligible recipients with respect to the Emergency Services Levy, water, sewer and council rates, electricity and transport charges. The value of concessions provided in the year to 30 June 2002 was \$89.8 million. The following diagram depicts the arrangements for provision of concessions and the parties involved.



The audit of concessions payments for a number of years has highlighted that the Department has not implemented appropriate documented agreements with the parties providing concessions which detail the respective roles, responsibilities and terms of arrangements. The need for documented agreements was reinforced when the private sector service provider AGL commenced granting concessions on electricity charges.

The need to develop and implement appropriate documented agreements between the Department and parties providing concessions was communicated by Audit to the Department in 1999-2000. Follow up of this matter in 2001-02 indicated that, at the time of the Audit review, limited progress had been achieved in addressing this matter. Following that review and communication of Audit concerns to the Department work has been undertaken in preparing draft agreements and associated policy and procedures documentation prior to commencing negotiations with concession providers.

The audit for 2001-02 also highlighted that the Department's processes for assessing claimants entitlement to concessions was essentially a paper based process and that automation of these processes may support increased efficiency and improved automated checking of entitlements. The Department has prepared scoping documents for automated systems but to date has not committed to their development and implementation.

Funeral Assistance Program

Programs conducted by Family and Youth Services include provision of financial assistance to meet the cost of funerals for families in financial difficulty. Review of this program by Audit highlighted that the Department has taken a role in administering deceased estates on behalf of the Public Trustee. This occurs where it is estimated the estate will have a value of less than \$3 000.

Audit noted that in acting on behalf of the Public Trustee the Department did not confirm that the Public Trustee had authority to administer the estate and consequently was at risk of acting without authority. The review also indicated Family and Youth Services had not undertaken a risk assessment of activities associated with this program. Audit is awaiting a response to the issues communicated to the Department.

Review of Departmental Funding to Health Services and Non-Government Organisations

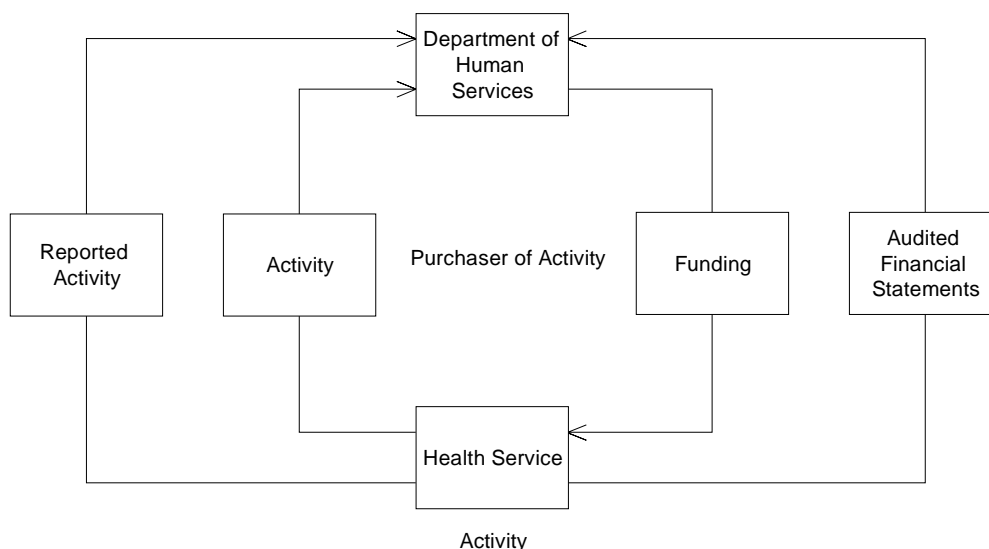
The provision of funding to Health Services and to Non-Government Organisations is a core function of the Department to support the policy objectives for which it is responsible. Expenditure by the Department included grants to Health Services of \$1.6 billion for recurrent purposes and \$77.8 million for capital purposes and grants to Non-Government Organisations of \$88.7 million.

The audit of the Department for the year ended 30 June 2002 included follow up of matters arising from reviews finalised in the latter part of the previous financial year.

Health Services

The Audit of the Department for 2000-01 included review of the arrangements for providing funding to Health Services. Funding is provided to Health Services pursuant to funding agreements which require Health Services to manage their operations within funding levels reflected in the agreements while achieving specified activity levels. The funding agreements provide for financial penalties where agreed activity levels are not achieved by Health Services.

The following diagram depicts the relationship between the Department and funded Health Services.



A key finding of the 2000-01 review was that neither the Department or the South Australian Health Commission before it had consistently undertaken audits of activity data reported by funded Health Services to meet their obligations under case mix funding arrangements. Audit consider the auditing of activity data provided to the Department by Health Services would provide assurance that:

- activity data was prepared by Health Services on a consistent basis between Health Services, in accordance with guidelines and with Departmental intentions;
- manipulation of data by Health Services is identified.

The audit findings were communicated to the Department which indicated it would undertake audits of funded Metropolitan Hospitals within twelve months. Follow up by Audit with the Department indicated a contractor had been engaged to undertake the activity audits and a program had been established for performance of the audits between August and December 2002.

The 2000-01 review also noted that the standard funding agreement between the Department and Health Services required Health Services to comply with directions from the Department. This requirement was considered by Audit to be inconsistent with relevant legislation and associated delegations of authority which provide that the Minister for Human Services and not the Department may direct Health Services. Follow up by Audit in 2001-02 indicated funding agreements were amended to address this issue.

Non-Government Organisations

The review of arrangements for managing funding to Non-Government Organisations in 2000-01 concluded that the Department:

- had not implemented arrangements to share best practice between the divisions or to develop common policies, procedures and systems for management of grants;
- provided funding to some organisations notwithstanding that formal funding agreements defining each parties responsibilities had not been concluded;
- had not implemented funding arrangements which consistently require the evaluation of outcomes for programs funded by the Department.

Review during 2001-02 of the Department's progress in addressing the matters raised by Audit in the previous year noted that generally administration of individual grants was satisfactory with funding agreements being in place and generally signed on a timely basis. Progress by the Department in improving coordination between divisions was limited and funding agreements had not been amended to provide for evaluation of funded outcomes.

Audit understand that implementation of improved practice in this area of the Department's operations is constrained by the number of Non-Government Organisations dealt with and the need to consult with them in amending practice. It is also understood that the Department has developed initiatives which may be expected to result in improvement in these areas, particularly evaluation of funded outcomes.

In this regard Audit note that during the year the Department completed and released a Service Excellence Framework for use within the Human Services portfolio and by funded Non-Government Organisations. This initiative is seen by Audit to support improved management and performance and to incorporate provisions relevant to areas identified by Audit as requiring improvement including contract administration and a focus on outcomes and evaluation.

Review of Computing Environment and Operations

Review of Selected Health Unit Computer Processing Environments

During the latter part of the year Audit undertook specific reviews to document and assess the computer processing environments (CPEs) at selected Health Units. The reviews covered aspects of organisational management, CPEs, systems and associated internal controls for the following areas:

- *Strategic Policy and Planning* — high level strategic policy and planning for the agency's business operations, including organisation, resource strategy and planning, business continuity planning, security policy and procedures and the use of communications networks and internet/intranets;
- *CPEs (Mid Range, LAN, Stand Alone)* — including information systems operation, relationships with outsourced vendors, logical and physical security, application systems and database implementation and maintenance, and network and systems software support.

At the time of preparation of this Report the reviews had been finalised and outcomes formally communicated to the Health Units which are responsible for reviewed systems. General findings emanating from the reviews will be subject to future communication with the Department to support the Department in planning and service improvement.

Review of OACIS Infrastructure and Network

To further Audit's understanding of the security and control arrangements for the Department of Human Services' OACIS infrastructure and communications network, Audit undertook a review of certain high level aspects of the communications network operations and the Unix environment that supports the OACIS application. This work was principally undertaken at the EDS Australia Pty Ltd Information Processing Centre at Glenside.

The outcomes from Audit's review were in a stage of finalisation at the time of preparation of this Report and will be subject to future communication with the Department.

Complete Human Resource Management System (CHRIS)

The Department of Human Services is responsible for managing the contract and project implementation of a new payroll and integrated human resource management system being implemented with a private sector bureau service provider for the Department of Human Services and major metropolitan Health Units. Audit commenced a review of some security control matters for the new system.

Audit's review has a particular focus on the adequacy of controls over the computer processing environment managed by the private sector bureau service provider.

The review process was at a preliminary stage of finalisation at the time of preparation of this Report. Any issues resulting from the review will be conveyed to the Department.

The outcomes from the above reviews will be included in a subsequent Report to Parliament along with the outcomes relating to other agency reviews presently in progress.

Contractual Arrangements - Modbury Hospital

The Government, through the Minister for Human Services and the Modbury Hospital Board, has entered into arrangements with a private sector Hospital operator to manage the Modbury Public Hospital. The contractual arrangements with the operator have been amended twice since their inception with the most recent amendments being effected in 2001.

In conjunction with the audit of the Modbury Hospital Board aspects of the contract management were reviewed. The review incorporated consideration of:

- whether certain requirements of relevant contractual arrangements had been met by the Department and the Hospital Board;
- developments with respect to the private manager's obligation to build a private hospital on the Modbury Hospital site.

The review noted that contractual arrangements, as amended, required the Department and the Board to provide the private manager with specific documentation which may be used by the manager to assess whether it was entitled to additional funding in accordance with the agreement for managing the Hospital. At the time of the review the information had not been provided to the private manager as was specified in the contract. Audit have recommended the Board and Department address this matter by either providing relevant information or obtaining confirmation from the private manager that it is not required.

The agreement with the private manager has included, from its inception, a requirement that the manager construct a private hospital on the Modbury Public Hospital site. The manager has not proceeded with this element of its obligations and has, as part of the most recent contractual amendments, sought to have these obligations waived. The amended agreement provided that the manager would be required to build the private hospital if two conditions were met:

- the level of participation in private health insurance exceeded an agreed benchmark;
- a feasibility study supported the viability of the private hospital.

The amended agreement also provided that the right to initiate the feasibility study was reserved to the Minister for Human Services and that if the feasibility study found the private hospital was not viable the requirement for it to be built would lapse.

In 2001 the private health insurance participation rate exceeded the benchmark and a feasibility study was commissioned. The report on the feasibility study was completed in June 2001 and it concluded that the private hospital was not viable. Consequently the manager is no longer required to build the private hospital.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

The Department recorded a Deficit from Ordinary Activities of \$24.1 million for the year compared to a \$48.4 million Deficit for the previous year.

The Deficit took into account an increase in Professional Indemnity Insurance of \$30.7 million due to a change in accounting policy treatment with the Department recognising a provision for Incurred But Not Reported claims.

Excluding the effect of the increase in Professional Indemnity Insurance the Department's activities resulted in a Surplus of \$6.6 million (\$7.3 million Deficit).

Grants, Subsidies and Client Payments were \$2.1 billion and included the payment of grant funding to Health Services of \$1.6 billion for recurrent purposes and \$77.3 million for capital purposes and payments of grants to Non-Government Organisations of \$88.8 million.

Supplies and Services

Expenditure of \$215.5 million on supplies and services included:

- communication and computing costs of \$45.2 million;
- insurance costs of \$52.2 million including the increase of \$30.7 million from the change in accounting policy as discussed above;
- contractors and agency staff of \$24.4 million;
- the cost of interstate patient transfers of \$12 million;
- bad and doubtful debts expense of \$6.2 million.

Staffing Costs

The Department's expenditure on salaries, wages and related costs increased by \$13.8 million to \$186.7 million due mainly to:

- 79 Targeted Voluntary Separation Packages amounting to \$7.1 million;
- 4 percent salary increase across the Department due to Enterprise Bargaining;
- an increase of 71 FTEs compared with the previous year.

Revenue

Funding from the Commonwealth and State Governments to the Department totalled \$2.4 billion which is an increase of \$182.6 million from the previous year. Note 6 to the financial statements provides a full analysis of the components of the funding from the Commonwealth and State Governments.

The ordinary revenues of the Department excluding funding received from the Commonwealth and State Governments increased by \$7.3 million due principally to an increase in the balance of recoveries from Health Services and other Non-Government Organisations.

Statement of Cash Flows

The Statement of Cash Flows highlights that the Net Cash Flow from Operating Activities was \$24.4 million.

The net inflow of cash is attributable to the Department receiving greater Commonwealth and State funding than in previous years for a variety of funding programs.

Cash at 30 June 2002 was \$61.3 million. However as at 30 June 2002, \$59.9 million in relation to these programs had been unspent and have been recognised by the Department as outstanding funding commitments. Note 20 provides full details of unspent grant monies.

Statement of Financial Position

Amounts due to the Department of \$57.3 million with respect to Health Service budget over-runs has decreased by \$3.8 million compared to previous years.

However the Department has increased the provision for doubtful debts by \$6 million to \$55.2 million against the budget over-runs even though the total budget over-run has reduced.

Total liabilities of the Department were \$213.4 million comprising:

- payables of \$58.5 million (\$82.5 million) which includes \$29.9 million with respect to Health Services' Workers Compensation claims;
- provisions of \$78.2 million principally related to the Health Services' Professional Indemnity Insurance claims which increased by \$30.7 million with the recognition of Incurred But Not Reported claims.

Capital Expenditure

The Department manages Capital expenditure on behalf of itself and Health Services which for the year ended 30 June 2002 totalled \$122.5 million.

The major component of this expenditure was \$60.6 million associated with the redevelopment and upgrading of metropolitan hospitals which included:

- Lyell McEwin Health Service \$17.7 million;
- Queen Elizabeth Hospital \$10.5 million;
- Royal Adelaide Hospital \$17.7 million.

Expenditure by the Department on the development of information systems included \$17.7 million associated with the implementation of the OACIS clinical information system throughout metropolitan hospitals and \$4.1 million for the implementation of the CHRIS Human Resource Management system within Metropolitan Hospitals and other services and within the Department itself.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
ORDINARY REVENUES:			
Rent, fees and charges	5(a)	126 882	116 968
Interest	5(b)	4 756	7 525
Dividends - HomeStart Finance		5 000	5 000
South Australian Government appropriations	6(a)	1 414 148	1 269 898
Commonwealth Government grants	6(b)	919 095	883 115
Other South Australian Government Agencies	6(c)	29 623	27 240
Other revenue	5(c)	6 592	6 365
Total Ordinary Revenue		2 506 096	2 316 111
ORDINARY EXPENSES:			
Salaries, wages and other employee entitlements	4(a)	186 697	172 876
Supplies and services	4(b)	215 502	158 386
Grants, subsidies and client payments	4(c)	2 121 027	1 985 325
Depreciation	4(d)	2 628	3 154
Borrowing costs	4(e)	3 008	2 981
Net loss from disposal of non-current assets	7	1 298	176
Net loss from restructure	8	-	41 078
Other expenses	4(f)	34	506
Total Ordinary Expenses		2 530 194	2 364 482
DEFICIT FROM ORDINARY ACTIVITIES		(24 098)	(48 371)
Non-owner transaction changes in equity			
Net increase in asset revaluation reserve		-	1 201
Total revenues, expenses and valuation adjustments recognised in equity		-	1 201
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	18	(24 098)	(47 170)

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash on hand and deposit accounts	19	61 278	36 741
Receivables	9	29 453	58 208
Inventories	12	624	391
Other current assets	11	1 923	3 002
Total Current Assets		93 278	98 342
NON-CURRENT ASSETS:			
Receivables	9	39 580	40 100
Property, plant and equipment	10	67 501	75 667
Total Non-Current Assets		107 081	115 767
Total Assets		200 359	214 109
CURRENT LIABILITIES:			
Payables	13	33 183	56 693
Employee entitlements and other provisions	14	14 470	14 809
Borrowings	15	161	74
Provisions	16	10 330	10 172
Other	17	945	1 803
Total Current Liabilities		59 089	83 551
NON-CURRENT LIABILITIES:			
Payables	13	25 275	25 769
Employee entitlements and other provisions	14	30 742	26 954
Borrowings	15	29 863	29 597
Provisions	16	67 852	36 853
Other	17	536	571
Total Non-Current Liabilities		154 268	119 744
Total Liabilities		213 357	203 295
NET ASSETS		(12 998)	10 814
EQUITY:			
Asset revaluation reserve	18	9 892	10 299
Accumulated surplus (deficit)	18	(22 890)	515
TOTAL EQUITY		(12 998)	10 814
Unexpended Funding Commitments	20		
Commitments for Expenditure	21		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Rent, fees and charges		141 721	148 703
Interest		1 579	4 263
Dividends - HomeStart Finance		5 000	5 000
Goods and services tax collected from other grouped members		353	21
Goods and services tax refund from the Australian Taxation Office		45 748	31 707
Goods and Services tax received from customers		4 592	6 636
South Australian Government appropriations		1 425 338	1 263 803
Commonwealth Government grants		919 095	883 115
Other South Australian Government agencies		29 623	27 239
Loan principal repayments		1 195	517
Interest on loans		3 375	3 065
Other receipts		6 559	6 117
Administrative restructure		-	30 140
Total Receipts		2 584 178	2 410 326
PAYMENTS:			
Salaries, wages and other employee entitlements		(182 643)	(172 047)
Supplies and services		(181 989)	(159 981)
Grants, subsidies and client payments		(2 143 154)	(2 013 733)
Borrowing costs		(2 585)	(2 677)
Goods and services tax paid to other grouped members		(2 666)	(1 986)
Goods and services tax paid to suppliers		(46 675)	(43 766)
New loans		-	(4 592)
Other payments		(34)	(506)
Total Payments		(2 559 746)	(2 399 288)
Net Cash provided by Operating Activities	19(b)	24 432	11 038
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(2 048)	(5 433)
Proceeds from sale of property, plant and equipment		2 228	804
Net Cash provided by (used in) Investing Activities		180	(4 629)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		(75)	473
Net Cash (used in) provided by Financing Activities		(75)	473
NET INCREASE IN CASH HELD		24 537	6 882
CASH AT 1 JULY		36 741	29 859
CASH AT 30 JUNE	19(a)	61 278	36 741

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding of the Department

The vision of the Department of Human Services (the Department) is to significantly enhance the quality of life and safeguard the health and wellbeing of South Australians by leading the development of high performing integrated health, housing and community services for individuals, families and communities.

To achieve this vision, the Department will:

- Provide a coordinated response to human services needs with a focus on wellbeing, illness prevention, safety, early intervention and the provision of quality care;
- Foster strong partnerships with the community and service providers to promote resilient, caring and productive communities;
- Encourage individuals, families and communities to take responsibility for their own health and wellbeing;
- Take a holistic approach based on principles of justice and equality.

The Department is responsible for policy formulation and planning for the Human Services portfolio and also controls and coordinates portfolio funding arrangements. It has responsibility for the administration and coordination of portfolio Human Resource Management and provides Corporate and Business Service functions to portfolio agencies. The Department has the responsibility for delivery of specific programs to the public with respect to activities assigned to the Department and the powers and functions performed under the *South Australian Health Commission Act 1976*, delegated by the Minister for Human Services (The Minister) to the Chief Executive of the Department of Human Services.

(a) Departmental Functions

The functions of the Department altered significantly during the 2000-01 financial year due to amendments to the *South Australian Health Commission Act 1976* that transferred many powers and functions formerly with the South Australian Health Commission to the Minister. The Minister then delegated many of those powers and functions to the Chief Executive of the Department of Human Services.

The assets, rights and liabilities of the South Australian Health Commission were vested in the Minister by proclamation of the Governor on 6 July 2000. These assets, rights and liabilities are reflected in the financial statements of the Department.

(a) **Departmental Functions (continued)**

While the amendments to the *South Australian Health Commission Act 1976* and the vesting of assets, rights and liabilities in the Minister were proclaimed on 6 July 2000, the effect of these amendments have been applied as at 1 July 2000. As such the financial information reflected in these financial statements is inclusive of the powers and functions delegated under the *South Australian Health Commission Act 1976*, and the assets, rights and liabilities vested in the Minister.

One of the major functions delegated to the Chief Executive Officer of the Department under the amendments to the *South Australian Health Commission Act 1976* places a requirement upon the Department to ensure that there is proper allocation and use of resources between Hospitals, Health Centres and Health Services. Hospitals, Health Centres and Health Services are either incorporated as body corporates under the *South Australian Health Commission Act 1976* (Incorporated Health Services) or are unincorporated (Unincorporated Health Services).

The financial affairs of Incorporated Health Services do not form part of the Department's financial report. Under the *South Australian Health Commission Act 1976*, Incorporated Health Services are required to maintain separate accounts of their respective financial affairs and to have them separately audited by the Auditor-General or an auditor approved by the Auditor-General.

The Department also functions as a service provider to the South Australian Housing Trust, South Australian Community Housing Authority, Aboriginal Housing Authority, HomeStart Finance and various other non-government organisations. Similarly the financial affairs of these organisations do not form part of the Department's financial report.

(b) **Administrative Restructure**

The delegation by the Minister of many of the powers and functions formerly with the South Australian Health Commission to the Chief Executive Officer of the Department as described in Note 1(a) has been treated as an administrative restructure in the 2000-01 financial year and reflected as such in the financial statements.

The Department now recognises transactions and balances which were formerly recognised by the South Australian Health Commission (SAHC).

(c) **Funding for the Department**

Funding for the Department comes from two main sources:

- Appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities;
- Payment from portfolio agencies for Business Service and Human Resource Management functions performed on behalf of the agencies, with fees for these services being determined on a cost recovery basis.

In addition to the main funding sources the Department receives amounts from other sources including interest on cash deposits and dividends paid by portfolio agencies.

As a result of the utilisation of common systems across the portfolio, the Department processes transactions on behalf of other agencies within the portfolio resulting in timing differences between the incurring of expenditure, earning of revenue and the associated cash flows. Additional timing differences arise from the final determination of Service Fees payable between these agencies. These timing differences give rise to the recognition of receivables and payables within the portfolio.

2. **Summary of Significant Accounting Policies**

(a) **Basis of Accounting**

The Department's Financial Statements are a general purpose financial report which have been prepared on an accrual basis pursuant to the *Public Finance and Audit Act 1987* and in accordance with:

- Statement of Accounting Concepts;
- Applicable Australian Accounting Standards (AAS);
- Other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views; and
- Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Australian Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in Australian Accounting Standard AAS 6 'Accounting Policies' is considered.

All amounts are rounded to the nearest thousand dollars and expressed in Australian currency.

(b) **Change in Accounting Policies**

Professional Indemnity Insurance

During the 2001-02 financial year, the Department changed its accounting policy for determining the Provision for Professional Indemnity Insurance.

In previous reporting period the Department only included Incurred but Not Yet Reported (IBNR) claims where an event had occurred, prior to balance date, which indicated that the Department had a present obligation to an external party.

In the current reporting period, the Department has elected to include all IBNR claims in determining the Provision for Professional Indemnity Insurance by adopting the recognition and reporting principles in AAS 26 'Financial Reporting of General Insurance Activities'. This resulted in an additional \$30 685 million being recognised in the Statement of Financial Performance and Statement of Financial Position for the current reporting period with the overall Provision for Professional Indemnity Insurance increasing to \$77 882 million compared to \$46 725 million in the previous reporting period.

Workers Compensation Liability Actuarial Assessment

The workers compensation liability recognised by the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 31 May data. Taylor Fry Consulting Actuaries have extrapolated this data to 30 June. For the 2001-02 financial year the Department has reflected a workers compensation provision of \$6.73 million (\$7.56 million).

The workers compensation liability recognised in prior years was based on the apportionment of an actuarial assessment of the whole-of-health workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 30 June data.

Long Service Leave

The long service leave liability recognised by the Department as at 30 June 2002 is based upon an actuarial assessment conducted by William M Mercer Pty Ltd, in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

The long service leave liability recognised in prior years was determined by employing the short hand method using benchmark number of years recommended by the Department of Treasury and Finance.

Property, Plant and Equipment

In 1999-2000, the valuations of some land and buildings were disclosed on a net basis. For 2000-01 and the current financial year these valuations have been restated to show separately the gross amount and related accumulated depreciation. There has been no effect on net written down value.

(c) Administered Items

The Department administers certain revenues, expenses, assets and liabilities on behalf of other government agencies and non government entities. These revenues, expenses, assets and liabilities are not controlled by the Department and consequently are not recognised in the Department's Financial Statements. These administered amounts are disclosed in the Schedules of Administered Revenues and Expenses, and Administered Assets and Liabilities, as reflected in Note 25.

The accrual basis of accounting and all applicable accounting standards have been adopted for the reporting of the administered activities.

(d) Revenue Recognition*Government Appropriations*

All Government Appropriations are recorded as revenue in the Statement of Financial Performance at the time they are earned or at the time control passes to the Department.

Service Fee Income

Service fee income comprises revenue earned from the provision of services to entities external to the Department. The revenue is recognised when the fee in respect of services provided is receivable.

Dividends

Dividends are received by the Department from HomeStart Finance in compliance with section 26(8) of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and redistributed to portfolio entities consistent with Department strategic plans. Revenue is recognised upon agreement by the Minister for Housing to the dividend proposed by the HomeStart Board.

(e) Property, Plant and Equipment

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

Assets Disclosed at Transferred Value

As a result of the administrative restructure detailed in Note 1(a) the Department assumed the reporting for assets, rights and liabilities of the South Australian Health Commission that were vested in the Minister by proclamation by the Governor. This involved the acquisition of property, plant and equipment at no cost to the Department and as permitted by Australian Accounting Standards AAS 29 'Financial Reporting by Government Departments' and AAS 38 'Revaluation of Non-Current Assets' all of these assets are recognised at their value immediately prior to the transfer.

Assets Disclosed at Valuation

In accordance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' issued by the Department of Treasury and Finance, the Department has applied the AASB 1041 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis (deprival value methodology).

Revaluation decrements are recognised immediately as an expense, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to that asset revaluation reserve.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense, the increment is recognised immediately as revenue.

Revaluation increments and decrements are offset against one another only within the same class of non-current assets.

Assets Disclosed at Cost

Plant, equipment and leasehold improvements not revalued as at 30 June 2002 are reflected at the value as at 1 July 1996 calculated on the basis of replacement cost (or historic cost where replacement cost is not available) less a deduction to reflect the portion of service potential which has been consumed since the asset was acquired, that is, written down replacement cost (or depreciated historic cost).

All property, plant and equipment acquired since the last revaluation of a class of non-current assets are accounted for at cost.

Vacant land is reflected at its cost value.

Other Property, Plant and Equipment Disclosure Information

The recoverable amount test prescribed in AASB 1041 'Revaluation of Non-Current Assets' has not been applied as the Department is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

Property, plant and equipment provided free of charge is recorded as an asset at its fair value at the time control passes to the Department. Assets received in this way are disclosed as income in the Statement of Financial Performance and Note 5(c)(i).

Items of property, plant and equipment with an individual value of less than \$5 000 are expensed at the time they are acquired.

Work in progress stated as assets under construction are projects physically incomplete as at balance date and are accounted for at cost.

(f) Depreciation of Non-Current Assets

All non-current assets with an initial cost greater than \$5 000 having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation is provided for on a straight line basis, with the following depreciation periods:

	Years
Computer equipment/systems development	3
General plant and equipment	3-15
Medical, surgical, dental and biomedical equipment	5-10
Buildings	25-50

Leased assets are amortised over the useful life of the asset or the lease term, in accordance with Australian Accounting Standard AAS 4 'Depreciation'. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

(g) Leased Assets

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

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred, these leases are identified in Note 21(c) to the accounts.

(h) Receivables

Receivables are recognised and carried at the original invoiced amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(i) Payables

Those amounts which represent liabilities for goods and services provided to the Department and other amounts, including interest are identified as payables.

(j) Employee Entitlements and Other Provisions

Provision is made for the Department's liability for employee entitlements arising from services rendered by employees to balance date.

(i) Annual Leave and Long Service Leave

The provision for annual leave and long service leave represents the amount which the Department has a present obligation to pay resulting from employee's services provided up to the reporting date. The long service leave liability was determined through an actuarial assessment undertaken by William M Mercer Pty Ltd, in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. A provision has been made for the unused component of annual leave as at balance date, based on current salary rates and related on-costs.

(ii) Superannuation

Contributions are made by the Department to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. Any liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes, any such amount will be treated as a payable not an employee related entitlement.

(iii) Sick Leave

No provision is made for sick leave because entitlements do not vest in the employee and because of the material uncertainty which precludes reliable estimation of future usage of sick leave by Departmental employees.

(iv) Workers Compensation

The Department is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. Under a scheme arrangement the Department and participating exempt Health Services are responsible for the management of workers rehabilitation and compensation.

The workers compensation liability as at 30 June 2002 \$6.73 million (\$7.56 million) reflects an apportionment of the whole-of-government estimate of the workers compensation liability as at 30 June 2002. The whole-of-government estimate is based on an actuarial assessment conducted by Taylor Fry Consulting Actuaries and submitted to the Office for the Commissioner for Public Employment (refer Note 14).

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the Payment Per Claim Incurred (PPCI) valuation method. The assessment has been conducted in accordance with Australian Accounting Standard AAS 26 'Financial Reporting for General Insurance Activities' and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

Health Services participating in the scheme continue to be directly responsible for the cost of workers compensation claims and the implementation and funding of preventative programs. The Department has agreed to specifically fund safety net funded Health Services workers compensation expenditure and lump sum settlements and redemption payments. The Department also specifically funds non safety net funded Health Services workers compensation lump sum settlements and redemption payments. Accordingly the Department recognises a payable to Health Services equivalent to the liability for these specifically funded items which Health Services recognise as a provision in their financial statements. The workers compensation amount payable to Health Services as at 30 June 2002 is \$29.87 million (\$31.74 million) (refer Note 13).

(v) Employee On-Costs

Related on-costs of payroll tax and superannuation have been calculated by applying their corresponding levied rates to employee entitlements and are shown under Payables.

(k) Professional Indemnity and General Public Liability Insurance**Professional Indemnity**

The Department is a participant in the State Government's Insurance Program. The Department pays a premium to SA Government Captive Insurance Corporation (SAICORP) and is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible.

The determination of professional indemnity insurance provision was carried out through an actuarial assessment in accordance with AAS 26 conducted by Brett & Watson Pty Ltd. Current and non-current liabilities of the Department are determined by taking into account prudential margins, inflation, taxes, claims incurred but not reported and claims incurred but not enough reported.

General Public Liability Insurance and Property

The provision for claims is a management assessment based on advice from the claims manager (AON Risk Services Ltd). The claims manager assesses the claim and places a reserve on the claim file after receiving legal advice.

(l) Inventories

Items held for use by the Department are accounted for at cost unless it is apparent that they are obsolete or surplus to requirements in which case they are written off.

Items held for sale are accounted for at the lower of cost or net realisable value.

(m) Tax Status

The activities of the Department are exempt from Commonwealth income tax but other Commonwealth taxes such as Fringe Benefits Tax, Goods and Services Tax (GST) and other State taxes including Payroll Tax are applicable.

(n) Accounting for Goods and Services Tax (GST)

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

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

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

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

(o) Reclassification of financial information

To ensure compliance with Australian Accounting Standards the Department has changed the format of the Statement of Financial Performance. In prior years, the Net Cost of Services format (as permitted by AAS 29 'Financial Reporting by Government Departments') was adopted whereas in the 2001-02 financial year the Department has adopted the format specified in AAS 1 'Statement of Financial Performance'. Accordingly, comparative figures for 2000-01 have been amended for consistency.

3. Report by Output Class

(a) Department's Outputs

Information about the Department's outputs and the revenues and expenses which are reliably attributable to those outputs is set out in the Output Schedule.

(b) Output Class Summary

<i>Output Class 1</i>	<i>Promotion and Protection of Health and Wellbeing</i>
	Outputs that promote and protect health and wellbeing for the whole population or population groups, including outputs that provide information, regulation of environmental and living standards, and community infrastructure.
<i>Output Class 2</i>	<i>Personal Financial Assistance</i>
	Outputs that provide financial assistance to individuals in the form of payment, concessions, loans or guarantees.
<i>Output Class 3</i>	<i>Housing Services</i>
	Outputs that provide accommodation to individuals and families and regulation of private housing standards.
<i>Output Class 4</i>	<i>Community Based Care</i>
	Outputs that provide care and support in a community based or home based setting to individuals and families for their safety and wellbeing.
<i>Output Class 5</i>	<i>Accommodation and Support</i>
	Outputs that provide accommodation in conjunction with care or support to individuals and families for their safety and wellbeing.
<i>Output Class 6</i>	<i>Hospital Based Treatment Services</i>
	Outputs that provide treatment services in a hospital setting to individuals for their health and wellbeing.
<i>Output Class 7</i>	<i>Coordination and Advice</i>
	Outputs that provide advice and information to the Minister.

Output Class	1	2	3	4	5	6	7	2002 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Ordinary Revenues:								
Rent, fees and charges	6 004	235	56 689	8 221	1 111	54 622	-	126 882
Interest	-	-	-	980	-	3 776	-	4 756
Dividends - HomeStart Finance	-	-	5 000	-	-	-	-	5 000
South Australian Government appropriations	42 113	25 547	70 158	201 143	141 267	933 920	-	1 414 148
Commonwealth Government Grants	34 888	14 136	78 991	234 139	16 899	540 042	-	919 095
Other South Australian Government Agencies	2 006	924	107	7 547	323	18 716	-	29 623
Other revenue	2 563	70	60	1 485	88	2 326	-	6 592
Total Revenue	87 574	40 912	211 005	453 515	159 688	1 553 402	-	2 506 096
Ordinary Expenses:								
Salaries, wages and employee entitlements	24 074	4 610	49 363	72 470	20 050	14 752	1 378	186 697
Supplies and services	32 546	2 335	882	48 869	4 362	125 630	878	215 502
Grants, subsidies and client payments	30 957	34 492	148 400	330 381	137 161	1 439 636	-	2 121 027
Depreciation	712	22	578	1 048	201	67	-	2 628
Borrowing costs	138	-	2	765	555	1 548	-	3 008
Net loss from disposal of non-current assets	15	-	-	877	356	50	-	1 298
Other expenses	3	-	-	21	-	10	-	34
Total Expenses	88 445	41 459	199 225	454 431	162 685	1 581 693	2 256	2 530 194
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES	(871)	(547)	11 780	(916)	(2 997)	(28 291)	(2 256)	(24 098)

4. Ordinary Expenses

(a) Salaries, Wages and other Employee Entitlements

	Note	2002 \$'000	2001 \$'000
Salaries and wages	4(a)(i)	138 286	122 814
Superannuation		15 134	15 281
Annual leave		12 172	11 424
Payroll tax		8 874	14 802
Long service leave		7 767	3 346
Workers compensation		2 487	3 055
Other employee related expenses		1 977	2 154
		186 697	172 876

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

TVSP amounts paid by the Department are included within salary and wages expenses.

During the year a total of 79 (21) employees of the Department accepted packages in line with the State Government's policy.

The TVSP component of termination payments totalled \$5.69 million (\$1.71 million). These costs were met from a central fund administered by the Office for the Commissioner for Public Employment (OCPE). A total of \$5.69 million (\$0.77 million) has been recovered relating to 2001-02, in addition \$0.94 million relating to 2000-01 has also been recovered.

In addition, accrued annual leave, leave loading and long service leave entitlements amounting to \$1.44 million (\$0.496 million) were paid to employees who received a TVSP.

(b) *Supplies and Services*

	Note	2002 \$'000	2001 \$'000
Communication and computing		45 186	32 270
Insurance		52 215	4 261
Contractors and agency staff		24 410	17 053
Accommodation and property related		18 172	17 172
Client related expenses		14 734	11 923
Interstate patient transfers		12 006	15 733
Drugs and medical supplies		9 892	10 419
Printing, stationery, postage and periodicals		4 370	4 654
Motor vehicle		3 856	3 489
Travel and accommodation		2 983	2 487
Seminars, courses and training		2 184	1 866
Minor equipment		1 236	3 139
Consultant fees		1 105	1 877
Bad and doubtful debts		6 188	14 570
External audit		331	695
Interpreter/translation fees		94	47
Other administration expenses		16 540	16 731
		215 502	158 386

(c) *Grants, Subsidies and Client Payments*

Recurrent funding to incorporated health services	4 (c) (i)	1 633 813	1 516 126
Housing assistance grants		108 388	110 145
Recurrent funding to non-government organisations	4 (c) (iii)	88 766	86 021
Capital funding to incorporated health services	4 (c) (ii)	77 308	77 663
SA Housing Trust - Tax equivalent regime		54 888	53 280
Community accommodation and respite services		26 340	18 676
Supported accommodation assistance		24 799	23 800
Home and community care		21 713	26 234
Goods and services tax (GST) compensation grants		12 940	12 731
Children's payments		11 066	10 238
Family and community development grants		6 499	6 474
Alternative care grants		6 367	5 902
Patient assisted transport scheme		3 145	2 936
Emergency financial assistance		2 362	2 468
Parks Community Centre - Community Cultural Recreation Centre		1 769	2 082
Concessions		1 394	1 486
Funds for seniors		418	492
Other various grants		39 052	28 571
		2 121 027	1 985 325

(i) *Funding to Incorporated Health Services*

Royal Adelaide Hospital	350 399	308 547
North Western Adelaide Health Service	285 956	253 553
Flinders Medical Centre	188 981	175 971
Women's and Children's Hospital	147 708	137 560
Repatriation General Hospital	77 415	73 345
Intellectual Disability Services Council	62 366	56 750
Northern and Far Western Regional Health Service	59 001	55 668
Modbury Hospital	52 787	48 708
Hills Mallee Southern Regional Health Service	49 924	50 112
South East Regional Health Service	46 367	45 590
Wakefield Regional Health Service	35 581	33 396
South Australian Dental Service	34 228	34 287
Noarlunga Health Service	32 986	27 733
Mid North Regional Health Service	30 961	29 630
Eyre Regional Health Service	27 397	25 705
Riverland Health Authority	25 595	24 470
Julia Farr Services	23 191	27 711
Child and Youth Health	20 161	19 196
Institute of Medical and Veterinary Science	19 596	39 241
Drug and Alcohol Services Council	15 982	17 368
Other	47 231	31 585
	1 633 813	1 516 126

(ii)	<i>Capital Funding to Incorporated Health Services:</i>	2000 \$'000	2001 \$'000
	North Western Adelaide Health Service	28 510	18 896
	Royal Adelaide Hospital	17 705	20 032
	Flinders Medical Centre	5 476	5 366
	Northern and Far Western Regional Health Service	4 151	1 636
	Modbury Hospital	3 578	4 890
	Intellectual Disability Services Council	3 285	800
	South East Regional Health Service	2 505	847
	Noarlunga Health Service	1 718	4 812
	Child and Youth Health	1 685	595
	South Australian Dental Service	1 598	3 004
	Mid North Regional Health Service	816	1 618
	Adelaide Central Community Health Service	793	352
	Wakefield Regional Health Service	780	1 952
	Hills Mallee Southern Regional Health Service	731	550
	Northern Metropolitan Community Health Service	699	379
	Women's and Children's Hospital	667	4 688
	Riverland Health Authority	627	199
	Repatriation General Hospital	625	2 846
	Eyre Regional Health Service	562	910
	Institute of Medical and Veterinary Science	129	2 107
	Independent Living Council	-	777
	Other	668	407
		77 308	77 663
(iii)	<i>Recurrent Funding to Non-Government Organisations:</i>		
	Minda Incorporated	22 745	24 019
	Australian Red Cross	22 340	20 070
	Royal District Nursing Service of SA Inc.	19 574	18 398
	Crippled Children's Association	8 669	7 474
	SHINE SA	2 927	2 649
	Royal Society for the Blind	1 939	1 826
	SA Rural & Remote Medical Support Agency	1 378	948
	Royal Flying Doctors Service	1 173	1 144
	Southern District War Memorial Hospital	1 046	1 144
	Nganampa Health Council	930	1 229
	Calvary Hospital	927	678
	Southern Cross Care	720	729
	Port Adelaide Central Mission	264	857
	Other	4 134	4 856
		88 766	86 021
(d)	Depreciation		
	Buildings and improvements	1 238	1 245
	Leasehold improvements	738	1 067
	Medical, surgical, dental and biomedical equipment	348	307
	Other plant and equipment	208	208
	Computing equipment/systems development	82	311
	Vacant buildings	14	16
		2 628	3 154
(e)	Borrowing Costs		
	Interest on borrowings	2 996	2 961
	Other	12	20
		3 008	2 981
(f)	Other Expenses		
	Prior period adjustments not assignable	34	506
		34	506
5.	Ordinary Revenue		
(a)	Rent, Fees and Charges		
	Employee services ⁽¹⁾	40 981	38 281
	Interstate patient transfers	27 808	28 511
	Insurance recoveries from Health Services	24 940	23 948
	Business services	16 341	15 802
	Recoveries	14 430	6 242
	Fees, fines and penalties	1 914	3 482
	Rent	468	702
		126 882	116 968
		126 882	116 968
	(1) Represents the recovery of costs for the provision of employee related services to the South Australian Housing Trust (SAHT), the South Australian Community Housing Authority (SACHA) and the Aboriginal Housing Authority (AHA).		
(b)	Interest	2002 \$'000	2001 \$'000
	Interest on funds held	1 685	4 156
	Interest on loans	3 071	3 369
		4 756	7 525
		4 756	7 525

(c) Other Revenue	2002	2001
	\$'000	\$'000
Assets received for nil consideration ⁽ⁱ⁾	183	395
Prior period adjustments not assignable	10	2 758
Other	6 399	3 212
	6 592	6 365
<i>(i) Assets Received for Nil Consideration</i>		
During the reporting period the Department received property, plant and equipment free of charge or for nominal consideration as follows:		
Vacant buildings	60	395
Site Land	114	-
Other plant and equipment	9	-
	183	395
6. Contribution from Government		
(a) South Australian Government Appropriations		
General appropriation	1 321 912	1 179 442
Tax equivalent regime reimbursement - SA Housing Trust	54 888	53 146
State Housing Assistance Funds	35 281	33 977
Tax equivalent regime reimbursement - HomeStart Finance	2 067	3 333
	1 414 148	1 269 898
(b) Commonwealth Grants		
Australian Health Care Agreement - Base Funding Arrangement	564 498	534 238
Housing Assistance	73 138	74 346
Department of Veteran Affairs Funding	61 119	63 820
Commonwealth - State Disability Agreement	56 969	50 643
Home and Community Care	54 023	50 195
Highly Specialised Drugs	22 039	18 098
Supported Accommodation Assistance Program	15 217	14 783
Pathology Laboratory Grant ⁽ⁱ⁾	-	13 656
Public Health Outcome Funding Agreement	10 980	18 126
Fringe Benefit Tax (FBT) Employee Remuneration	10 742	11 266
Goods and Services Tax (GST) Compensation Grant	9 517	9 517
Red Cross Blood Transfusion Service	9 660	7 103
Aged Care Assessment Program	3 664	3 236
Woomera Hospital	1 051	1 028
Commonwealth - General receipts	1 286	2 137
Family Law Act	1 202	1 486
National Development Funding	8 452	5 977
Mental Health Information	1 696	778
Essential Vaccines	6 418	-
Police Diversion	4 584	-
Other	2 840	2 682
	919 095	883 115
<i>(i) In the 2001-02 financial year the Commonwealth Government, in conjunction with the Department, elected to provide Pathology Laboratory Grants directly to the Institute of Medical and Veterinary Science (IMVS). In prior years the grant was provided to the Department who then distributed the funding in accordance with established funding procedures.</i>		
(c) Other South Australian Government Agencies	2002	2001
	\$'000	\$'000
Department of Treasury and Finance - Contingency Funds	13 842	14 798
Community Development Fund	9 900	9 900
Other	5 881	2 542
	29 623	27 240
Refer to Note 20 'Unexpended Funding Commitments'		
7. Net Loss from Disposal of Non-Current Assets		
Proceeds from disposal of non-current assets	2 228	819
Less: Additional disposal costs	-	15
Less: Written down value of non-current assets	3 526	980
	1 298	176
8. Net loss on Restructure		
Net loss on restructure - South Australian Health Commission	-	41 078

9. Receivables		2002	2001
Current Receivables:		\$'000	\$'000
Debtors		12 934	9 403
Goods and Services Tax (GST) Recoverable from Australian Taxation Office		6 319	7 724
Tax equivalent regime (Treasury Appropriation)		1 925	2 970
Health service budget over-runs		1 930	10 206
Goods and Services Tax (GST) Recoverable from Group members		-	297
Service level agreements		-	892
Grants		1 185	11 330
Loan receivables		595	2 356
Interest		597	496
Interstate patient transfers		371	8 901
Sundry receivables		4 571	4 103
Less: Provision for doubtful debts		974	470
		29 453	58 208
Non-Current Receivables:			
Health service budget over-runs		55 409	50 932
Loan receivables		37 167	36 900
Sundry receivables		1 285	999
Less: Provision for doubtful debts		54 281	48 731
		39 580	40 100
10. Property, Plant and Equipment			
(a) Land and Buildings			
Vacant land (At valuation)		8 350	9 334
Site land (At valuation)		15 041	16 852
Vacant buildings (At valuation)		125	647
Less: Accumulated depreciation		19	118
		106	529
Buildings and improvements (At valuation)		75 086	75 086
Less: Accumulated depreciation		39 598	38 360
		35 488	36 726
Leasehold improvements (At cost)		10 672	10 754
Less: Accumulated depreciation		9 213	8 557
		1 459	2 197
Buildings and improvements under construction (at cost)		3 838	2 822
Total Land and Buildings		64 282	68 460
(b) Plant and Equipment			
Medical, surgical, dental and biomedical equipment (At cost)		3 646	3 306
Less: Accumulated depreciation		2 484	2 148
		1 162	1 158
Computing equipment/systems development (At cost)		3 898	3 990
Less: Accumulated depreciation		3 775	3 851
		123	139
Other plant and equipment (At cost)		2 448	2 532
Less: Accumulated depreciation		1 137	1 121
		1 311	1 411
Plant and Equipment under Construction (at cost)		623	4 499
Total Plant and Equipment		3 219	7 207
Total Property, Plant and Equipment		6 7501	75 667

Reconciliation

Reconciliations of the carrying amount of each class of land and building at the beginning and end of the current and previous financial year are displayed in the tables below.

	Vacant Land \$'000	Site Land \$'000	Vacant Buildings \$'000	Buildings & Improve- ments \$'000	Leasehold Improvements \$'000	Building & Improve- ments Under Construction \$'000	2002 Total \$'000
Carrying amount at 1 July	9 334	16 852	529	36 726	2 197	2 822	68 460
Purchases	-	-	-	-	-	1 016	1 016
Disposals	(984)	(1 925)	(469)	-	-	-	(3 378)
Assets received for nil consideration	-	114	60	-	-	-	174
Depreciation expense	-	-	(14)	(1 238)	(738)	-	(1 990)
Carrying Amount at 30 June	8 350	15 041	106	35 488	1 459	3 838	64 282

Reconciliation (continued)

A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of the current financial year is displayed in the table below:

	Medical Surgical Dental and Biomedical Equipment	Computing Equipment/ Systems Development	Other Plant and Equipment	Plant and Equipment Under Construction	2002 Total \$'000
Carrying amount at 1 July	1 158	139	1 411	4 499	7 207
Purchases	-	96	180	-	276
Disposals	-	-	(83)	-	(83)
Write-offs	-	(45)	(41)	(3 720)	(3 806)
Assets received for nil consideration	-	-	9	-	9
Assets recognised for the first time	198	-	58	-	256
Transfers from works in progress	156	-	-	-	156
Transfers to completed works	-	-	-	(156)	(156)
Depreciation expense	(348)	(82)	(208)	-	(638)
Other movements	(2)	15	(15)	-	(2)
Carrying Amount at 30 June	1 162	123	1 311	623	3 219
11. Other Assets				2002	2001
Other Current Assets:				\$'000	\$'000
Prepayments				1 923	2 457
Other				-	545
				1 923	3 002
12. Inventories					
Drug supplies				579	340
Other				45	51
				624	391
13. Payables					
Current Payables:					
Creditors				12 979	19 418
Health service workers compensation				9 030	9 881
Health service budget under-runs				3 957	4 849
Accruals (Grants to non-government organisations)				4 617	18 865
Employee entitlement on costs				1 851	1 714
Accruals (Tax equivalent regime - Grants to SA Housing Trust)				273	1 118
Interest				300	304
Goods and services tax (GST) Refunds payable to other Group Members				-	351
Other payables				176	193
				33 183	56 693
Non-Current Payables:					
Health service workers compensation				20 843	21 857
Employee entitlements on costs				2 877	2 409
Accruals (grants to non government organisations)				1 555	1 503
				25 275	25 769
14. Employee Entitlements and Other Provisions					
Current employee entitlements and other provisions:					
Annual leave				8 628	7 711
Long service leave				3 638	3 424
Provision for workers compensation				1 689	2 473
Accrued salaries and wages				554	691
Other employee provisions				(39)	510
				14 470	14 809
Non-Current employee entitlements and other provisions:					
Long service leave				25 701	21 872
Provision for workers compensation				5 041	5 082
				30 742	26 954
15. Borrowings					
Current Borrowings:					
Department of Treasury and Finance - Loans				161	74
				161	74
Non-Current Borrowings:					
Department of Treasury and Finance - Loans				29 578	29 312
Advance - Treasury Imprest Account				285	285
				29 863	29 597
Repayable:					
Not later than one year				161	74
Later than one year but not later than five years				1 950	2 111
Later than five years				27 913	27 486
				30 024	29 671

(a)	Reconciliation of Inter-Health Loans	2002	2001
	As at 30 June 2002 the balance of loans to Health Services and related movements is as follows:	\$'000	\$'000
	Balance at 1 July	39 256	-
	Add: Health Service loan transferred	-	34 679
	Advances to Health Services	-	4 592
	Capitalised interest charges	427	486
	Total repayable	39 683	39 757
	Less: Principal repayments received	1 863	501
	Loans written-off	58	-
	Balance at 30 June	37 762	39 256

The Department to 30 June 2002 has financed the Health Services with loans amounting to \$8.02 million (\$9.87 million) from Department funds and \$29.74 million (\$29.39 million) from back-to-back loan arrangements with the Department of Treasury and Finance.

	The movements and status of the back to back loan arrangements are as follows:	2002	2001
		\$'000	\$'000
	Balance at 1 July	29 386	28 910
	Add: Capitalised interest charges	427	486
	Total Repayable	29 813	29 396
	Less: Principal repayments	74	10
	Balance at 30 June	29 739	29 386

16.	Provisions		
	Current Provisions:		
	Insurance	10 030	9 872
	Other	300	300
		10 330	10 172
	Non-Current Provisions:		
	Insurance	67 852	36 853
		67 852	36 853
17.	Other Liabilities		
	Other Current Liabilities:		
	Unclaimed monies	761	558
	Unearned revenue	93	1 155
	Other	91	90
		945	1 803
	Other Non-Current Liabilities:		
	Unearned revenue	536	571
		536	571
18.	Equity		

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

	Accumulated Funds \$'000	Asset Revaluation Reserve \$'000	2002 Total Equity \$'000
Balance at 1 July	515	10 299	10 814
Deficit for the year	(24 098)	-	(24 098)
Administered item equity over statement adjustment	(20)	-	(20)
Transfers to accumulated funds	-	(407)	(407)
Transfer from asset revaluation reserve	407	-	407
Transfers to accumulated funds on disposal of assets	306	-	306
Balance as at 30 June	(22 890)	9 892	(12 998)
	Accumulated Funds \$'000	Asset Revaluation Reserve \$'000	2001 Total Equity \$'000
Balance at 1 July	49 080	8 904	57 984
Deficit for the year	(48 371)	-	(48 371)
Increments/decrements related to the revaluation of:			
Site land	-	99	99
Vacant land	-	1 658	1 658
Buildings and improvements	-	(649)	(649)
Prior period adjustment	-	93	93
Revaluation realised on disposal	(386)	386	-
Transfers to accumulated funds	-	(192)	(192)
Transfers from asset revaluation reserve	192	-	192
Balance as at 30 June	515	10 299	10 814

19. Notes to the Statement of Cash Flows	2002	2001
(a)	\$'000	\$'000
Cash held at the end of the reporting year as shown in the Statement of Cash Flows is represented by the following balances:		
Special deposit account	60 141	36 305
Advance accounts	1 095	384
Other deposits	42	49
Cash on hand	-	3
	61 278	36 741
(b) Reconciliation of Net Cash Used In Operating Activities to Net Cost of Services		
Deficit from operating activities	(24 098)	(48 371)
Adjustments:		
Depreciation	2 628	3 154
Bad and doubtful debts	6 188	14 570
Assets received for nil consideration	183	395
Changes in assets and liabilities:		
Movement in receivables	28 986	(67 628)
Movement in other restructure assets	-	(11 357)
Movement in other assets	846	(3 961)
Movement in payables	(24 014)	36 843
Movement in employee entitlements and related provisions	3 449	(1 698)
Movement in other restructure liabilities	-	28 914
Movement in other liabilities	(893)	(1 834)
Movement in provisions	31 157	47 025
Net Cash Inflow from Operating Activities	(24 432)	(11 038)

20. Unexpended Funding Commitments

The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the program. As at 30 June 2002 the Department had outstanding funding commitments to the following programs:

	2002	2001
	\$'000	\$'000
Commonwealth State Housing Agreement	35 258	49 047
Home and Community Care	5 660	6 309
Commonwealth State Disability Agreement	4 344	2 577
Quality Development Funding	2 268	4 390
Police Diversion	2 136	-
Supported Accommodation Assistance Program	2 079	2 318
National Health Development Fund	2 402	-
Patient Assistance Transport Scheme Expansion	1 500	-
Health Promotions	1 021	260
Mental Health Programs	970	2 872
Enrolled Nurses Cadetship Initiative	723	-
Veteran Homecare Program	684	-
Department of Veteran Affairs Risk Management	-	2 384
Public Health Outcome Funding Agreement	-	1 749
Other Funding Programs	852	5 085
	59 897	76 991

21. Expenditure Commitments

(a) Capital Expenditures Commitments

The total value of outstanding capital projects as at the end of the reporting period for specific projects are detailed below. These amounts have not been brought to account in the financial statements.

Not later than one year	850	1 390
Later than one year but not later than five years	-	-
Later than five years	-	-
Total (including GST)	850	1 390

Included in the capital expenditure commitments above is \$0.077 million (\$0.13 million) which is the GST component of the capital expenditure commitments.

(b) Other Expenditure Commitments

The total value of outstanding other expenditure commitments as at the end of the reporting period for specific projects detailed below. These amounts have not been brought to account in the financial statements.

Not later than one year	100 120	28 193
Later than one year but not later than five years	40 795	27 200
Later than five years	-	-
Total (including GST)	140 915	55 393

Included in the other expenditure commitments above is \$12.81 million (\$2.65 million) which is the GST component of the capital expenditure commitments.

The Department also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements. The value of these commitments as at 30 June 2002 has not been quantified.

(c) Operating Lease Commitments	2002	2001
Future non-cancellable operating lease rentals not provided for and payable	\$'000	\$'000
Not later than one year	14 334	13 181
Later than one year but not later than five years	31 000	31 666
Later than five years	14 650	13 219
Total (including GST)	59 984	58 066

Included in the operating lease commitments above is \$8.819 million (\$4.33 million) which is the GST component of the operating lease payments.

The Department has over 60 lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominately paid in advance. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee. Contingent rental payments are determined using a set rate. In most cases either CPI or current market rates.

22. Employee Remuneration

The number of employees whose remuneration was over \$100 000 were:

	2002	2001
	Number of	Number of
	Employees	Employees
\$100 000 - \$109 999	7	13
\$110 000 - \$119 999	6	8
\$120 000 - \$129 999	11	17
\$130 000 - \$139 999	2	2
\$140 000 - \$149 999	6	5
\$150 000 - \$159 999	4	1
\$160 000 - \$169 999	3	-
\$170 000 - \$179 999	-	3
\$180 000 - \$189 999	3	-
\$190 000 - \$199 999	1	1
\$200 000 - \$209 999	-	-
\$210 000 - \$219 999	-	1
\$220 000 - \$229 999	-	1
\$230 000 - \$239 999	-	1
\$240 000 - \$249 999	-	1
\$250 000 - \$259 999	-	1
\$260 000 - \$269 999	1	-
\$270 000 - \$279 999	1	-
\$340 000 - \$349 999	1	-
	46	55
Total remuneration received or due and receivable by employees whose remuneration exceeds \$100 000	6 678	7 447

The table above discloses the number of employees of the Department as at whose remuneration received exceeded \$100 000. This includes Departmental employees assigned to the South Australian Housing Trust, Aboriginal Housing Authority and the South Australian Community Housing Authority.

The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated Fringe Benefits Tax and contract termination payments, but does not include any amounts payable due to retirement under the Targeted Voluntary Separation Package (TVSP).

23. Financial Instruments Disclosure

(a) Accounting Policies and Terms and Conditions Affecting Future Cash Flows

Financial Assets

Cash deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues. The Department invests surplus funds with the Treasurer at call. Interest is earned on the average monthly balance at rates based on the Department of Treasury and Finance 90 day bank bill rate. Interest is paid at the end of each quarter.

Trade accounts receivables are generally settled within 30 days and are carried at amounts due. Credit terms are net 30 days. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

Loans are recognised at the amounts lent. Collectibility of amounts outstanding is reviewed at balance date. Provision is made for bad and doubtful loans where collection of the loan or part thereof is judged to be less rather than more likely. Loan repayments may be waived. Interest is credited to revenue as it accrues. Principal is repaid in full at maturity. Interest rates are fixed and interest payments are due on the day of the scheduled agreed terms of payment.

Financial Liabilities

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

Borrowings are recognised when issued at the amount of the net proceeds due and carried at cost until settled. Interest is recognised as an expense on an effective yield basis.

All financial assets and liabilities are unsecured.

(b) Interest Rate Risk Exposure

The Department's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

	Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	2002 Fixed Interest Maturing in			Non- Interest Bearing \$'000	Total \$'000
			1 Year or Less \$'000	1 Year to 5 years \$'000	More than 5 years \$'000		
Financial Assets:							
Cash and deposits	4.52	61 278	-	-	-	-	61 278
Loans	9.73	-	657	4 153	30 764	2 188	37 762
Health services budget over-run	n/a	-	-	-	-	3 058	3 058
Debtors	n/a	-	-	-	-	28 213	28 213
		61 278	657	4 153	30 764	33 459	130 311
Financial Liabilities:							
Creditors and accruals	n/a	-	-	-	-	24 628	24 628
Borrowings	10.14	-	161	1 950	27 628	285	30 024
Health services budget under-run	n/a	-	-	-	-	3 957	3 957
Health services workers Compensation	n/a	-	-	-	-	29 873	29 873
		-	161	1 950	27 628	58 743	88 482

	Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	2001 Fixed Interest Maturing in			Non- Interest Bearing \$'000	Total \$'000
			1 Year or Less \$'000	1 Year to 5 years \$'000	More than 5 years \$'000		
Financial Assets							
Cash and deposits	5.06	36 741	-	-	-	-	36 741
Loans	9.65	-	1 198	6 609	28 102	3 348	39 257
Health services budget over-run	n/a	-	-	-	-	12 406	12 406
Debtors	n/a	-	-	-	-	46 645	46 645
		36 741	1 198	6 609	28 102	62 399	135 049
Financial Liabilities							
Creditors and accruals	n/a	-	-	-	-	45 875	45 875
Borrowings	10.16	-	74	2 111	27 201	285	29 671
Health services budget under-run	n/a	-	-	-	-	4 849	4 849
Health services workers Compensation	n/a	-	-	-	-	31 738	31 738
		-	74	2 111	27 201	82 747	112 133

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

	2002		2001	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:				
Cash and deposits	61 278	61 278	36 741	36 741
Loans	37 762	50 515	39 257	51 999
Health services budget over-run	3 058	3 058	12 406	12 406
Debtors	28 213	28 213	46 645	46 645
	130 311	143 064	135 049	147 791
Financial Liabilities:				
Creditors and accruals	24 628	24 628	45 875	45 875
Borrowings	30 024	42 089	29 671	42 657
Health services budget under-run	3 957	3 957	4 849	4 849
Health services workers compensation	29 873	29 873	31 738	31 738
	88 482	100 547	112 133	125 119

24. Auditors' Remuneration

Services provided by the Auditor-General's Department with respect to the audit of the Department totalled \$0.300 million (\$300 million) for the reporting period.

25. Administered Items

The following revenues, expenditures, assets and liabilities were administered but not controlled by the Department. In accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments' the items have been classified as Administered and have not been included in the Financial Statements.

Schedule A (i):	Administered Assets and Liabilities as at 30 June 2002
Schedule A (ii):	Administered Assets and Liabilities as at 30 June 2001
Schedule B (i):	Administered Revenues and Expenses as at 30 June 2002
Schedule B (ii):	Administered Revenues and Expenses as at 30 June 2001

Human Services

Schedule A (i)

Schedule of Administered Assets and Liabilities as at 30 June 2002

	HCSMCS	Gambler's	Concessions	Minister's	SAICORP	Charitable and Social	Other	Total
	\$'000	Rehab		Salary		Welfare	\$'000	\$'000
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered Current Assets:								
Cash on hand and deposit accounts	7 163	260	1 404	-	-	1 312	2 484	12 623
Receivables	854	-	-	126	185	-	-	1 165
Administered Non- Current Assets:								
Property, plant and equipment	10	-	-	-	-	-	-	10
Total Administered Assets	8 027	260	1 404	126	185	1 312	2 484	13 798
Administered Current Liabilities:								
Payables	133	-	160	-	-	-	-	293
Borrowings	-	-	-	126	185	-	-	311
Employee entitlements	64	-	-	-	-	-	-	64
Total Administered Liabilities	197	-	160	126	185	-	-	668
Total Net Administered Assets	7 830	260	1 244	-	-	1 312	2 484	13 130

Schedule A (ii)

Schedule of Administered Assets and Liabilities as at 30 June 2001

Administered Current Assets:								
Cash on hand and deposit accounts	4 402	838	2 373	-	-	1 195	1 810	10 618
Receivables	12	-	-	196	1 808	-	-	2 016
Administered Non- Current Assets:								
Property, plant and equipment	12	-	-	-	-	-	-	12
Total Administered Assets	4 426	838	2 373	196	1 808	1 195	1 810	12 646
Administered Current Liabilities:								
Payables	215	-	295	-	-	-	-	510
Borrowings	-	-	-	196	1 808	-	-	2 004
Employee entitlements	82	-	-	-	-	-	-	82
Total Administered Liabilities	297	-	295	196	1 808	-	-	2 596
Total Net Administered Assets	4 129	838	2 078	-	-	1 195	1 810	10 050

Other Consisting of:

United Medical Protection
Alternative Care Fund
Aboriginal Health Council
Family Maintenance Orders
Enfield Council
Supported Residential Trust Fund
Duke of Edinburgh Trust Fund
Dame Roma Mitchell Trust Fund
Beyond Blue

Schedule B (i)

Schedule of Administered Revenues and Expenses for the year ended 30 June 2002

	HCSMCS	Gambler's	Concessions	Minister's	SAICORP	Charitable and Social	Other	Total
	\$'000	Rehab		Salary		Welfare	\$'000	\$'000
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses from Ordinary Activities								
Employee related	272	-	-	247	-	30	154	703
Supplies and services	352	209	-	-	-	124	1 045	1 730
Grants, subsidies and client payments	4 713	2 686	89 807	-	-	2 777	302	100 285
Depreciation	3	-	-	-	-	-	-	3
Borrowing costs	-	-	-	-	-	-	-	-
Total Ordinary Expenses	5 340	2 895	89 807	247	-	2 931	1 501	102 721
Revenues from Ordinary Activities								
Department Appropriation	-	2 300	88 930	-	-	3 000	875	95 105
Commonwealth Grants	-	-	-	-	-	-	-	-
Other Government Grants and Contributions	-	-	43	247	-	-	491	781
Rent, Fees and Charges	8 627	-	-	-	-	44	630	9 301
Interest	374	18	-	-	-	-	118	510
Other	-	-	-	-	-	4	61	65
Total Ordinary Revenues	9 001	2 318	88 973	247	-	3 048	2 175	105 762
Surplus (Deficit) from Ordinary Activities	3 661	(577)	(834)	-	-	117	674	3 041

Schedule B (ii)

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

	HCSMCS	Gambler's Rehab	Concessions	Minister's Salary	SAICORP	Charitable and Social Welfare	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses from Ordinary Activities								
Employee related	314	-	-	196	-	14	576	1 100
Supplies and services	416	180	-	-	2 017	133	1 396	4 142
Grants, subsidies and client payments	1 060	2 325	78 656	-	-	3 123	1	85 165
Depreciation	5	-	-	-	-	-	-	5
Borrowing costs	-	-	-	-	-	-	-	-
Total Ordinary Expenses	1 795	2 505	78 656	196	2 017	3 270	1 973	90 412
Revenues from Ordinary Activities								
Department Appropriation	-	2 000	83 173	-	-	3 000	1 701	89 874
Commonwealth Grants	-	-	-	-	-	-	16	16
Other Government Grants and Contributions	-	-	(13)	196	-	-	826	1 009
Rent, Fees and Charges	5 072	-	-	-	2 017	-	617	7 706
Interest	205	47	-	-	-	-	14	266
Other	33	-	-	-	-	-	676	709
Total Ordinary Revenues	5 310	2 047	83 160	196	2 017	3 000	3 850	99 580
Borrowing Costs Expense	-	-	-	-	-	-	-	-
Surplus (Deficit) from Ordinary Activities	3 515	(458)	4 504	-	-	(270)	1 877	9 168

Other consisting of:

United Medical Protection
Alternative Care Fund
Aboriginal Health Council
Family Maintenance Orders
Enfield Council
Supported Residential Trust Fund
Duke of Edinburgh Trust Fund
Dame Roma Mitchell Trust Fund
Beyond Blue

COMMENTARY ON HEALTH SERVICES ACTIVITIES

Health Sector Staffing Statistics

The following table illustrates the trend in staffing levels in the health sector, excluding staff of the Department of Human Services, over the past three years.

Health Sector FTE Mix (Unaudited)				
Staff Categories:	2002	2001	2000	1999
Nurses	8 117	7 904	7 975	7 882
Medical Staff	1 475	1 423	1 411	1 354
Scientific and Technical	1 113	1 160	1 181	1 205
Administrative and Clerical	4 024	3 958	3 920	3 835
Allied Health, Hotel, and other staff	6 607	6 472	6 491	6 603
Total Staff	21 336	20 917	20 979	20 878
Increase (Decrease)	419	(62)	101	42
Percentage Increase (Decrease)	2	(0.2)	0.5	0.2

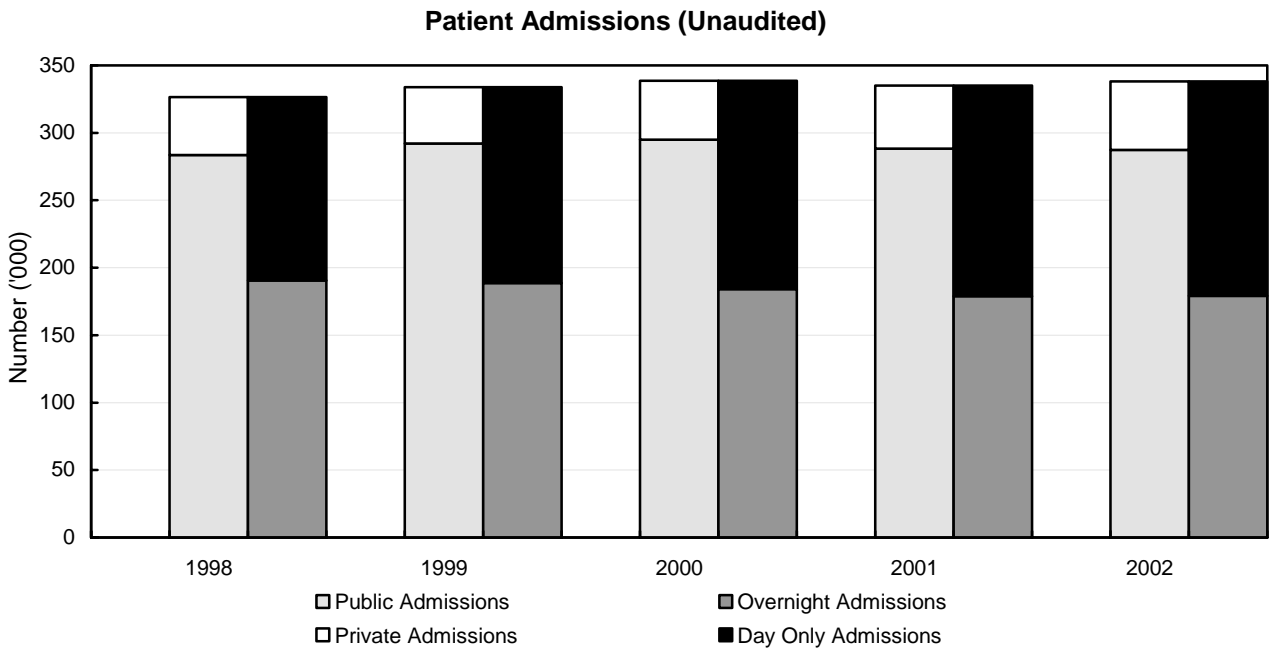
The increase in staffing numbers for the year ended 30 June 2002 reflects an increase in most staff categories but with the largest increase being in nursing staff principally in metropolitan hospitals.

Hospital Activity Statistics

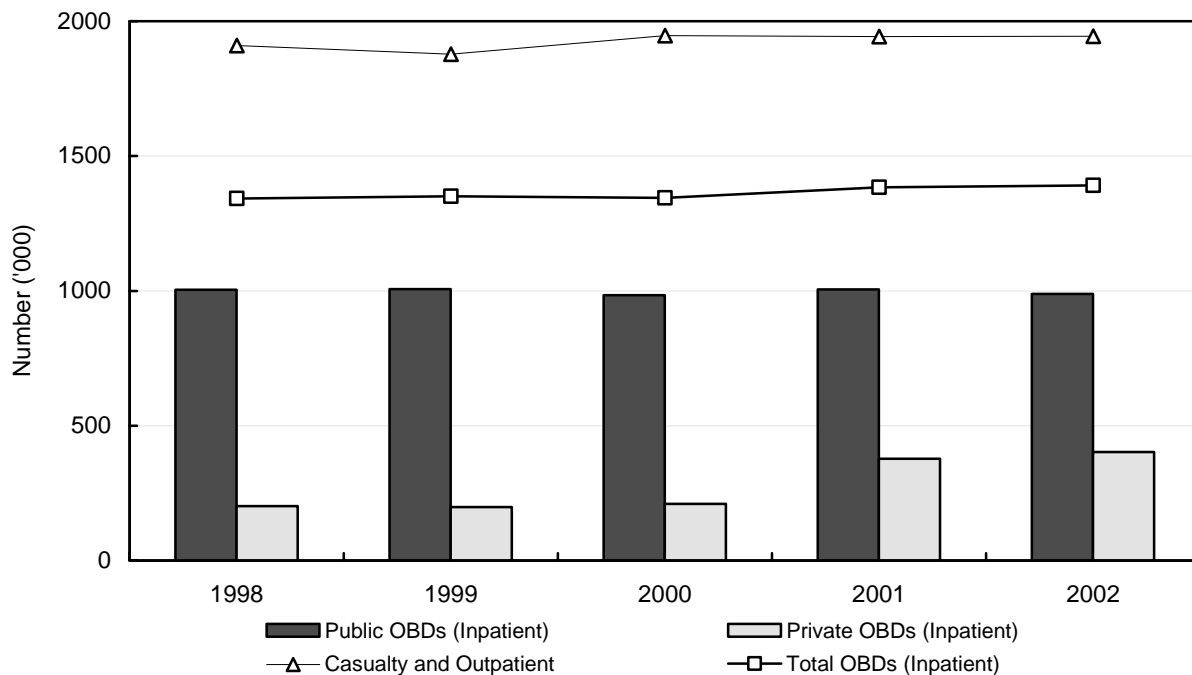
The charts below indicate the trends over the past five years in respect of patient admissions, the change in the patient mix, length of hospital stay, and bed utilisation at hospitals.

The charts illustrate:

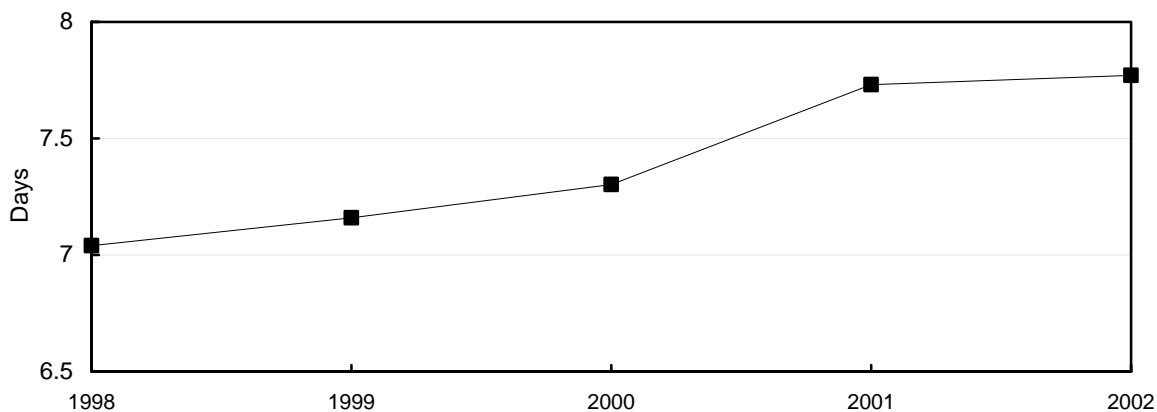
- an increased number of attendances at hospitals;
- a consistent level of public admissions and increased private admissions;
- no change in total Average Occupied Bed Days but a reduction in public Occupied Bed Days offset by increased private Occupied Bed Days and an increase in the Average Patient Length of Overnight Hospital Stay.



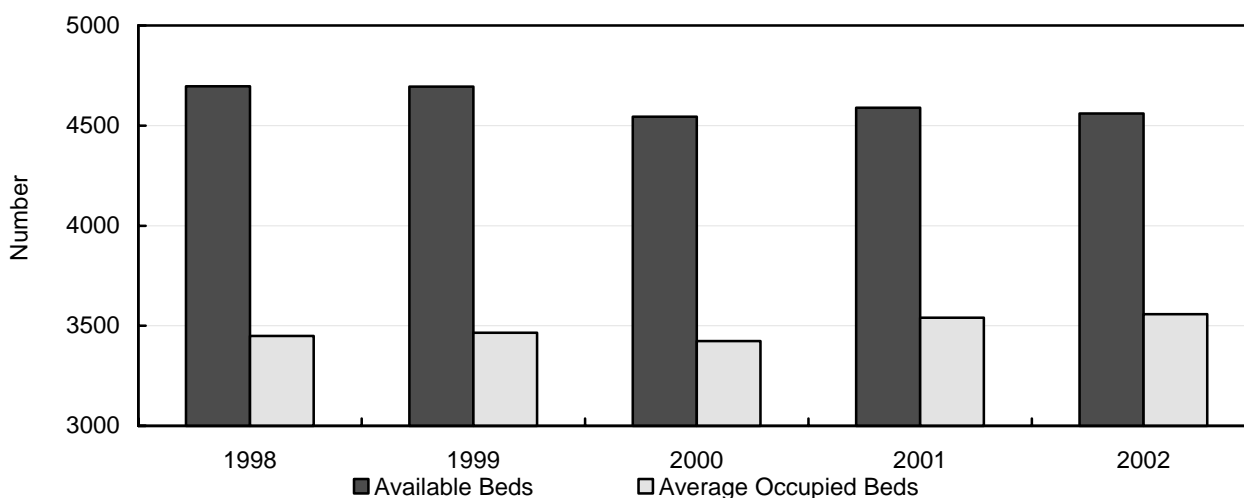
Patient Mix and Activity (Unaudited)



Average Patient Length of Overnight Hospital Stay (Unaudited)



Hospital Bed Utilisation (Unaudited)



Audit Mandate and Coverage - Health Services (Units)

Sections 34 and 55 of the *South Australian Health Commission Act 1976* require incorporated hospitals and health centres to maintain proper accounts of their respective financial affairs and require those accounts to be

audited in respect of each financial year. The accounts of the major metropolitan hospitals and some health centres are subject to audit by the Auditor-General. Other hospitals and health centres are audited by auditors approved by the Auditor-General.

In general, audit of Health Units would include review coverage of the following auditable areas:

- patient billing and receipts;
- cash holdings;
- salaries and wages;
- trade accounts;
- general ledger;
- inventory;
- pharmacy;
- asset register;
- building services;
- non-Commission funds;
- specific purpose funds;
- financial statements.

Issues arising from the reviews of the auditable areas are referred to Health Unit management for consideration and comment regarding action proposed or taken.

In respect of the audit verification of financial statements of Health Units, audits are generally in progress, at the time of finalising this Report to Parliament. In recognition, however, of the general importance of providing at the time of publication of this Report some useful financial information concerning health services' operations, albeit unaudited and on a cash basis, tabular data on Health Unit financial activity is presented below.

Unaudited Health Service Financial Activity

The following tables principally reflect operating payments and receipts information associated with various areas of Health Service (Unit) activity. The information, which is unaudited, has been provided by the Department for inclusion in this Report. The Department maintains a Monthly Management Summary System (MMSS) which records data submitted by Health Services to the Department. As the information is presented on a cash basis of reporting it is not reconcilable to data included in the audited financial statements of the Department presented earlier in this section of the Report. The Department's financial statements present data on an accrual basis of reporting.

Changed Accounting Procedures

The Department has implemented two changes to the reporting framework reflected in the MMSS arrangements during the 2001-02 year which have impacted upon the presentation of information included below.

In previous years Health Services have credited amounts arising from the recovery of salary and related costs for their staff who are working in another Health Service against the expense line to which the costs were originally charged. In the current year this practice was changed with the recoveries now being shown as receipts and the salary and related costs being recognised as expenses. The financial information for the previous year has not been restated for this changed accounting policy.

The format of the financial reports has also changed with Net Payments being determined after the inclusion in receipts of funding provided by the Department to Health Services. The change in format reflects a change from a focus on assessing the net cost of health services to a focus on the Health Services' management within available funding. Again the financial information for the previous year has not been restated for this changed accounting policy.

Metropolitan Hospitals - Unaudited

The following table shows the operating payments and receipts for the six larger hospitals and other metropolitan hospitals in South Australia.

	2002								Total 2001 \$'000
	Flinders \$'000	Royal Adelaide \$'000	North Western Adelaide Health Service \$'000	Women's and Children's \$'000	Modbury \$'000	Repat- riation General Hospital \$'000	Other Hospitals \$'000	Total 2002 \$'000	
PAYMENTS:									
Salaries and Wages:									
Non-Medical:									
Nursing	51 704	94 530	81 160	40 079	-	23 731	20 932	312 136	276 768
Other	41 364	62 612	42 763	32 449	737	18 023	11 195	209 143	197 591
Medical and visiting medical	28 777	42 997	45 360	21 136	60	10 853	5 008	154 191	145 029
Workers compensation	983	4 281	4 414	964	16	934	1 070	12 662	12 416
Superannuation and termination payments	11 835	19 357	14 412	12 822	332	4 955	3 294	67 007	62 507
Total	134 663	223 777	188 109	107 450	1 145	58 496	41 499	755 139	694 311

	2002								Total 2001 \$'000
	Flinders \$'000	Royal Adelaide \$'000	North Western Adelaide Health Service \$'000	Women's and Children's \$'000	Modbury \$'000	Repat- riation General Hospital \$'000	Other Hospitals \$'000	Total 2002 \$'000	
Goods and Services:									
Fee for service	3 627	(28)	321	41	-	-	4 821	8 782	10 819
Food supplies	270	2 814	3 119	644	2	1 352	669	8 870	8 374
Drug supplies	10 417	25 360	14 700	5 000	264	3 180	2 439	61 360	56 320
Medical and surgical supplies	8 688	23 970	18 045	7 220	-	5 243	2 607	65 773	61 167
Pathology charges	159	12 166	10 309	251	-	1 658	708	25 251	21 063
Fuel, light and power	2 042	3 858	2 641	1 874	117	1 011	403	11 946	9 884
Domestic charges	1 622	3 696	3 200	1 137	31	861	591	11 138	14 302
Additional & replacement equipment	-	(678)	1 591	72	94	468	645	2 192	2 006
Repairs and minor works	4 656	7 499	5 916	4 216	298	3 163	802	26 550	28 252
Grants	-	105	222	864	-	302	115	1 608	1 462
Net GST paid	130	476	-	-	175	-	98	879	-
Other	21 839	40 526	30 151	13 884	53 715	6 730	5 275	172 120	140 354
Total	53 450	119 764	90 215	35 203	54 696	23 968	19 173	396 469	354 002
Total Payments	188 113	343 541	278 324	142 653	55 841	82 464	60 672	1 151 608	1 048 313
RECEIPTS:									
Patient fees	3 918	14 346	7 853	4 920	1 007	1 829	4 759	38 631	34 152
Net GST received	-	-	453	-	-	494	-	947	-
Salary recharge	-	7 500	-	-	307	-	429	8 236	-
Other	165	738	1 929	288	1 704	2 512	417	7 753	7 413
Total Receipts	4 083	22 584	10 235	5 208	3 018	4 835	5 605	55 567	41 565
Net payments before funding from DHS	184 030	320 957	268 089	137 445	52 823	77 629	55 067	1 096 041	1 006 749
Funding from DHS	182 148	325 265	264 977	137 281	53 017	78 049	55 618	1 096 355	-
NET PAYMENTS	1 882	(4 308)	3 112	164	(194)	(420)	(551)	(314)	-

Country Health Services - Unaudited

Health Services in the Country are provided through seven regional areas. The services provided in each geographical region include hospitals, Domiciliary Care, Community Health and other services.

	2002							Total 2002 \$'000	Total 2001 \$'000
	Hills Mallee \$'000	Wakefield \$'000	Mid North \$'000	Riverland \$'000	South East \$'000	Eyre \$'000	Northern & Far Western \$'000		
PAYMENTS:									
Salaries and Wages:									
Nursing	16 269	12 413	11 890	7 706	14 059	10 716	17 830	90 883	83 255
Other	13 090	9 255	8 549	6 553	9 349	8 853	13 214	68 863	64 731
Medical and visiting medical	36	320	33	189	1 528	565	452	3 123	1 632
Workers compensation	876	652	207	492	997	214	751	4 189	4 027
Superannuation and termination payments	2 809	2 177	1 983	1 350	2 465	1 863	2 791	15 438	14 753
Total	33 080	24 817	22 662	16 290	28 398	22 211	35 038	182 496	168 398
Goods and Services:									
Fee for service	6 372	4 319	3 383	4 342	7 486	3 086	8 478	37 466	35 574
Food supplies	534	473	367	301	410	509	504	3 098	2 713
Drug supplies	799	690	665	476	1 100	531	1 179	5 440	4 973
Medical and surgical supplies	2 074	1 272	1 019	1 175	2 574	1 107	2 636	11 857	10 594
Pathology charges	359	243	206	275	547	188	706	2 524	2 381
Fuel, light and power	772	544	491	327	642	574	1 104	4 454	4 221
Domestic charges	478	397	476	270	568	95	342	2 626	4 214
Additional and replacement equipment	847	254	477	460	331	543	838	3 750	4 545
Repairs and minor works	2 407	2 212	1 555	1 188	2 442	1 396	3 132	14 332	13 112
Grants	20	459	104	-	518	485	-	1 586	737
Net GST Paid	-	-	888	-	1 429	107	-	2 424	-
Other	5 134	3 297	2 803	2 787	6 088	3 784	7 415	31 308	26 454
Total Goods and Services	19 796	14 160	12 434	11 601	24 135	12 405	26 334	120 865	109 518
Total Payments	52 876	38 977	35 096	27 891	52 533	34 616	61 372	303 361	277 916

	2002							Total 2002	Total 2001
	Hills Mallee	Wakefield	Mid North	Riverland	South East	Eyre	Northern & Far Western		
RECEIPTS:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Patient fees	2 643	2 883	2 822	1 319	2 629	2 387	1 862	16 545	13 924
Net GST received	7	13	-	-	-	-	115	135	-
Salary recharge	482	-	-	-	-	-	-	482	-
Other	469	279	107	598	311	4 800	260	6 824	3 589
Total Receipts	3 601	3 175	2 929	1 917	2 940	7 187	2 237	23 986	17 513
Net Payments before funding from DHS	49 275	35 802	32 167	25 974	49 593	27 429	59 135	279 375	260 403
Funding from DHS	49 785	35 527	31 743	25 942	48 451	27 320	58 817	277 585	-
NET PAYMENTS	(510)	275	424	32	1 142	109	318	1 790	-

Hospital Support Services - Unaudited

The following table provides a summary of operating payments and receipts in respect of certain organisations which provide support services to Health Units.

	Institute of Medical and Veterinary Science	Red Cross Blood Transfusion	Total 2002	Total 2001
	\$'000	\$'000	\$'000	\$'000
PAYMENTS:				
Salaries	52 294	8 459	60 753	56 932
Goods and services	25 595	12 704	38 299	35 742
Total Payments	77 889	21 163	99 052	92 674
RECEIPTS	58 454	697	59 151	45 070
NET PAYMENTS BEFORE FUNDING FROM DHS	19 435	20 466	39 901	47 604
Funding from DHS	19 543	20 269	39 812	-
NET PAYMENTS	(108)	197	89	-

Mental Health Services - Unaudited

Services for Mental Health are mainly provided through the Mental Health Service, Child and Adolescent Mental Health Service (SAMHS) and Windana.

The following table gives a summary of operating payments and receipts for the three programs.

	Mental Health Service	CAMHS	Windana	Total 2002	Total 2001
	\$'000	\$'000	\$'000	\$'000	\$'000
Salaries and Wages:					
Nursing	1 962	1 434	-	3 396	3 103
Other	600	5 770	-	6 370	6 494
Medical and visiting medical	1 223	884	-	2 107	1 679
Workers compensation	12	13	-	25	54
Superannuation and termination payments	368	756	-	1 124	1 084
Total Staffing Costs	4 165	8 857	-	13 022	12 414
Goods and Services:					
Fee for service	31	-	-	31	38
Food supplies	82	28	-	110	85
Drug supplies	88	14	-	102	78
Medical and surgical supplies	5	32	-	37	36
Pathology charges	39	-	-	39	53
Fuel, light and power	-	67	-	67	66
Domestic charges	59	-	-	59	157
Additional and replacement equipment	-	-	-	-	53
Repairs and minor works	67	501	-	568	478
Grants	104	-	191	295	201
Net GST paid	-	2	-	2	-
Other	730	1 724	-	2 454	2 800
Total Goods and Services	1 205	2 368	191	3 764	4 045
Total Payments	5 370	11 225	191	16 786	16 461
RECEIPTS:					
Patient fees	-	-	-	-	-
Other	-	-	-	-	-
Total Receipts	-	-	-	-	-
NET PAYMENTS BEFORE FUNDING FROM DHS	5 370	11 225	191	16 786	16 461
Funding from DHS	5 370	11 511	191	17 072	-
NET PAYMENTS	-	(286)	-	(286)	-

Disability Services - Unaudited

Services for the disabled are provided through two programs comprising Disability Services and Guardianship.

Disability Services are principally provided by The Intellectual Disability Services Council, the Julia Farr Centre Minda Incorporated and Options Coordination.

The following table gives a summary of operating payments and receipts for the principal units and other services.

	IDSC \$'000	Julia Farr Centre \$'000	Options Coordin- ation \$'000	Other Services \$'000	Total 2002 \$'000	2001 \$'000
PAYMENTS:						
Salaries and Wages:						
Nursing	859	8 991	-	457	10 307	11 580
Other	40 836	12 176	3 969	24 768	81 749	81 379
Medical and visiting medical	171	259	-	-	430	696
Workers compensation	2 735	1 304	69	777	4 885	5 968
Superannuation and termination payments	3 866	1 734	336	1 921	7 857	7 882
Total Staffing Costs	48 467	24 464	4 374	27 923	105 228	107 505
Goods and Services:						
Fee for service	-	-	-	-	-	154
Food supplies	851	526	2	1	1 380	1 384
Drug supplies	432	298	-	-	730	843
Medical and surgical supplies	403	535	-	430	1 368	1 253
Fuel, light and power	437	564	2	25	1 028	1 077
Domestic charges	(6)	762	-	-	756	1 462
Additional and replacement equipment	26	34	-	159	219	462
Repairs and minor works	2 911	1 231	104	582	4 828	4 452
Grants	1 193	-	1 101	50 679	52 973	54 638
Net GST paid	119	6	-	5	130	-
Other	12 855	1 629	13 257	8 389	36 130	23 294
Total Goods and Services	19 221	5 585	14 466	60 270	99 542	89 019
Total Payments	67 688	30 049	18 840	88 193	204 770	196 524
RECEIPTS:						
Patient fees	5 151	3 086	26	-	8 263	8 943
Net GST received	-	-	72	-	72	-
Salary recharge	-	116	-	-	116	-
Other	603	3 341	1 103	81 417	86 464	14 779
Total Receipts	5 754	6 543	1 201	81 417	94 915	23 722
NET PAYMENTS BEFORE FUNDING FROM DHS	61 934	23 506	17 639	6 776	109 855	172 802
Funding from DHS	61 934	23 532	17 639	6 102	109 207	-
NET PAYMENTS	-	(26)	-	674	648	-

Community Based Services - Unaudited

Service comprise Community Health Services, Home Based Care Services, Hospice Services and the Spectacles Scheme.

Community Health Services: Comprise health centres throughout the metropolitan area, including SA Dental Service and grant payment to community services.

Home Based Care Service: Comprises the Royal District Nursing Society and metropolitan Domiciliary Care Services.

Hospice Services: Comprises Hospice Services not provided in recognised metropolitan hospitals, and the Chair in Palliative Care.

Human Services

The following table provides a summary of operating payments and receipts for the subprograms.

	Community Health \$'000	Home Based Care \$'000	Hospice \$'000	Total 2002 \$'000	Total 2001 \$'000
PAYMENTS:					
Salaries and Wages:					
Nursing	13 861	8 892	-	22 753	23 791
Other	46 803	20 287	-	67 090	64 997
Medical and visiting medical	2 843	1 280	-	4 123	3 381
Workers compensation	865	817	-	1 682	1 712
Superannuation and termination payments	6 301	5 123	-	11 424	9 499
Total	70 673	36 399	-	107 072	103 380
Goods and Services:					
Fee for service	5 245	-	-	5 245	6 054
Food supplies	296	103	-	399	320
Drug supplies	813	5	-	818	1 002
Medical and surgical supplies	2 577	1 307	-	3 884	3 514
Pathology charges	157	-	--	157	6
Fuel, light and power	770	208	-	978	1 055
Domestic charges	79	188	-	267	569
Additional and replacement equipment	1 163	942	-	2 105	1 164
Repairs and minor works	4 787	3 395	-	8 182	6 647
Grants	7 108	-	1 703	8 811	10 667
Net GST Paid	751	517	-	1 268	-
Other	12 272	11 046	-	23 318	20 068
Total Goods and Service	36 018	17 711	1 703	55 432	51 066
Total Payments	106 691	54 110	1 703	162 504	154 446
RECEIPTS:					
Patient fees	2 398	1 080	-	3 478	2 470
Net GST received	-	-	-	-	-
Salary recharge	498	27	-	525	-
Other	3 875	19 604	-	23 479	4 081
Total Receipts	6 771	20 711	-	27 482	6 550
NET PAYMENTS BEFORE DHS FUNDING	99 920	33 399	1 703	135 022	147 895
Funding from DHS	101 779	33 259	1 703	136 741	-
NET PAYMENTS	(1 859)	140	-	(1 719)	-

SOUTH AUSTRALIAN ABORIGINAL HOUSING AUTHORITY

FUNCTIONAL RESPONSIBILITY

The South Australian Aboriginal Housing Authority (the Authority) was established in October 1998 as a statutory corporation under the *Housing and Urban Development (Administrative Arrangements) Act 1995*.

The functions of the Authority include:

- developing strategies, policies and guidelines for the provision, management and maintenance of appropriate housing for Aboriginal people;
- liaising with other agencies providing assistance to Aboriginal people to achieve a coordinated response;
- to receive and allocate resources for Aboriginal housing programs.

The Authority provides these functions through two main activities being the rental of State Government owned housing to Aboriginal people and the provision of grants to fund housing owned by Aboriginal communities.

The Authority is established with a Board of Management comprising members and deputy members. All members and their deputies must be Aboriginal people and are appointed by the Governor with five members, including the presiding member, nominated by the Minister and four nominated by the Aboriginal and Torres Strait Islander Commission.

The staff of the Authority are employees of the Department of Human Services assigned to work for the Authority. The Department and the South Australian Housing Trust (the Trust) provide management, accounting and systems services to the Authority. The Authority uses the Trust's systems to record and account for assets, raise and follow up rents and other charges, to manage the maintenance of properties and to control costs associated with properties.

CHANGES TO OPERATIONS

In February 2000 control of Aboriginal rental housing and other housing programs for Aboriginal people was transferred from the South Australian Housing Trust to the Authority. The transfer involved reassignment of staff from the Trust to the Authority and the transfer of rental housing and other properties, along with associated assets, rights, liabilities and obligations from the Trust to the Authority.

SIGNIFICANT FEATURES

- The surplus after asset disposals attributable to ordinary activities of the Authority was \$4.7 million (\$10.8 million).
- Rental properties were revalued resulting in an increment of \$8.4 million.
- Receivables decreased by \$3.7 million to \$4.9 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* requires statutory corporations established pursuant to the Act to keep proper accounting records and to prepare annual statements of accounts for each financial year. The Act also empowers the Auditor-General to audit the accounts of the Authority and its annual statement of accounts.

Scope of Audit

The scope of the audit took into account the relationship between the Authority and its two main service providers, being the Trust and the Department of Human Services. The audit program covered all major financial systems and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial report and the adequacy of internal controls.

The specific areas of audit attention included:

- monitoring of service providers
- budgetary control and management reporting
- Community Housing Program
- raising and recovery of rent and other tenant charges
- capital expenditure
- repairs and maintenance of properties
- purchase and sale of properties.

The systems operated by the Trust to process transactions and account balances of the Authority were audited as part of the audit of the Trust.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the General Manager. The main issues related to opportunities to improve the control environment by improving the processes for managing risk and the procedures for ensuring service providers perform their obligations under service level agreements. A satisfactory response was received. Further details relating to these issues are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The control environment was affected by the arrangements for the preparation of the financial statements, whereby the Authority prepared the financial statements while the Trust prepared most of the supporting reconciliations, asset revaluations and accounting estimates.

The potential risk associated with these arrangements is mitigated by the Trust having performed these activities for many years prior to the establishment of the Authority and the Trust having appropriate controls to ensure they are performed effectively. The audit of these controls is covered within the scope of the audit of the Trust.

Risk Management

Audit identified opportunities to improve the processes for managing risk through the establishment of a risk management plan, monthly certification to the General Manager that internal controls have been performed, prompt renewal of insurance arrangements, performance of regular reviews of the progress of internal audits and regular monitoring of the implementation of internal and external audit recommendations.

The Authority responded that: a risk management plan will be developed; monthly certification will be provided each month to the General Manager that internal controls have been performed; processes will be implemented to ensure insurance arrangements are finalised before the year of coverage; service level agreements will be monitored to ensure that all internal audits are conducted; and an Audit Findings and Implementation Register will be established and monitored.

Monitoring of Service Provision

Last year Audit identified that the Authority had not implemented procedures to ensure services are provided in accordance with service level agreements.

The Authority responded that a contractor would be appointed to review all aspects of the service providers and included in that function would be the development and implementation of procedures to ensure all services are provided in accordance with the agreements.

This year Audit noted that the procedures remained to be developed and implemented, and the requirement of most service level agreements that six monthly review meetings be held with service providers was not occurring.

The Authority responded that an officer has now been appointed responsibility for holding quarterly meetings with service providers and ensuring services are provided in accordance with the agreements.

Strategic Asset Management

Audit noted that a strategic asset management plan had not been established for the maintenance, upgrade, acquisition and disposal of houses controlled by the Authority.

The Authority responded that a plan will not be established until after the task of progressively determining the condition of each house is completed.

Management Reports to the Board

Audit identified that little information was provided each month to the Board with respect to the management of:

- tenant and other debt
- vacancy, responsive and planned maintenance on houses and the amount of such maintenance recharged to tenants
- housing applicant waiting list
- home visits program
- capital program
- lettable and unlettable vacant houses
- each community housing project.

The Authority responded that better information on management of the aforementioned activities will be provided to the Board.

Ex-Tenant Debt Recovery

Last year Audit commented that the Trust had restricted its ex-tenant debt recovery services to the Authority due to a perceived limitation on authority.

The Authority responded that it had approached the Trust to jointly address this issue.

This year Audit noted that the issue had not been finalised.

The Authority responded that legislative amendments have been sought to remove the perceived limitation on authority.

Delegations and Policies of the Board

Audit identified opportunities to improve the processes for ensuring compliance with the Board's delegations of authority and policies, and the regular update of those delegations and policies.

The Authority responded that the delegations have been updated and distributed to all officers, and that the policies will be updated in September 2002.

Transfer of Houses Pursuant to the Bilateral Agreement

Audit identified that in those years prior to 2001-02 the targeted number and value of houses required to be transferred from the Trust to the Authority, pursuant to the Bilateral Agreement between the State and Commonwealth Governments, had not been achieved.

The Authority responded that it will ensure compliance with the Agreement.

Rent Rebates

Similar to the Trust, the amount of rent rebate provided by the Authority to its tenants is mainly based upon the household composition and household income. The Authority, like the Trust, faces challenges in verifying information provided by tenants in respect of household composition and household income. The Trust has been developing and implementing initiatives to improve the verification process which are detailed within that part of the Report dealing with the South Australian Housing Trust. In summary, the initiatives include regularly obtaining proof of income from tenants and the home visits program. The Authority has included these initiatives within its operations.

CONTROLS OPINION

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

Audit formed the opinion that the controls exercised by the South Australian Aboriginal Housing Authority in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, except for the matters outlined under ‘Audit Findings and Comments’, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

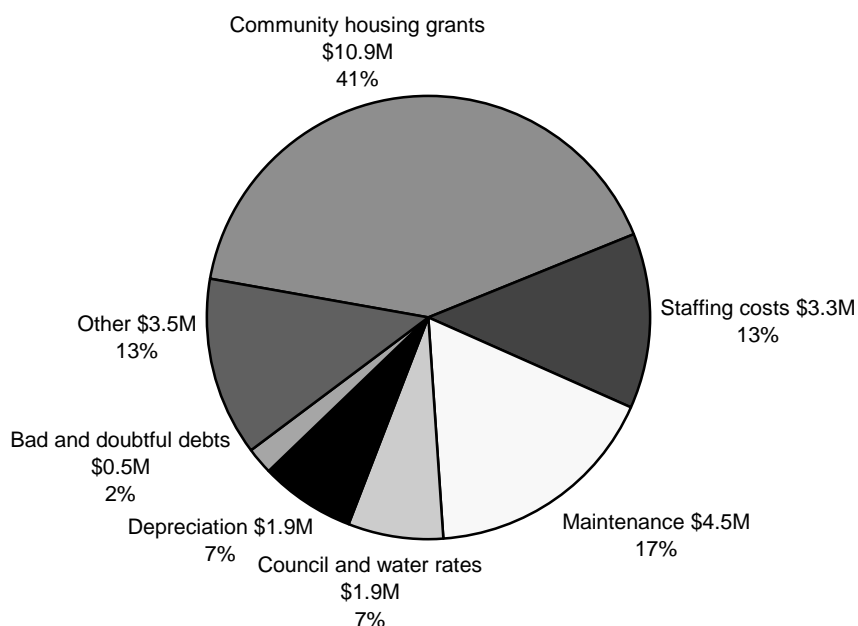
The short period of operation of the Authority limits the opportunity to undertake comparison of financial information.

Statement of Financial Performance

Expenses and Revenues

The surplus after asset disposals attributable to ordinary activities of the Authority was \$4.7 million. Contributions from the Government of \$21.8 million forms 70 percent of the Authority’s funding, while rent received from tenants of \$7.2 million forms 23 percent.

Expenses from ordinary activities were \$26.5 million. The main expenses, as depicted in the following chart, were community housing grants and expenses incurred on Government owned rental properties including maintenance, depreciation and council and water rates. A more detailed analysis of activities related to government-owned housing and community owned housing follows the chart.



State Government Owned Housing

At 30 June 2002 there were 1798 properties owned by the State Government and controlled by the Authority for rental to Aboriginal people. The Authority is responsible for the acquisition and maintenance of these properties and obtains funding for this purpose through Government grants, sale of properties and collection of rents from tenants.

In respect of rental housing activities, revenues from ordinary activities were \$17.5 million while expenses were \$11.8 million resulting in a surplus of \$5.7 million before asset disposals. Refer to Note 3(e) to the Financial Statements. Proceeds from the sale of 27 rental properties provided a further \$2.3 million. Both the surplus and sales proceeds were used to acquire 33 properties and perform capital upgrades at a combined cost of \$10.3 million.

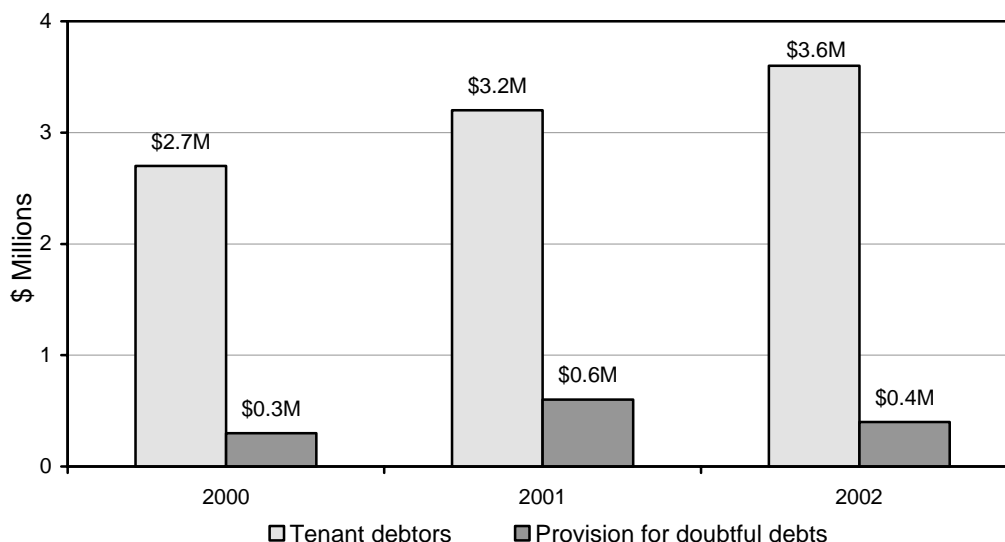
Rent Revenue

Tenants meeting specified criteria, for instance those with low household income, are provided with a rebate and charged a reduced rent. Rent charged to tenants was \$7.2 million (\$7.0 million) and the rental rebates were \$4.6 million (\$4.2 million).

The number of tenancies at 30 June 2002 was 1710 (1704). The percentage of tenancies receiving rebates at 30 June 2002 was 85 percent.

Tenant Debtors

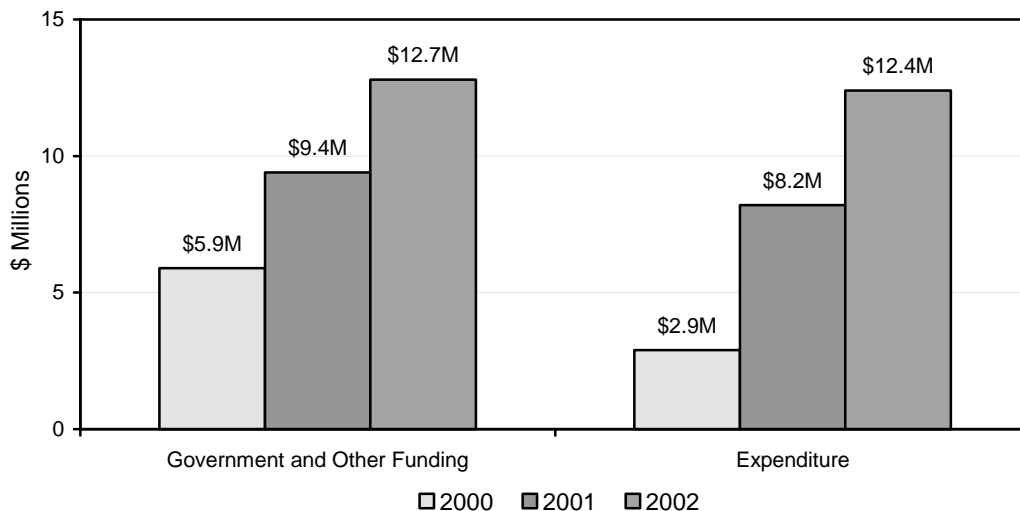
The following graph reflects the increase in gross tenant debt due mainly to tenants not paying rent and other charges when due. The provision for doubtful debt was reduced in 2001-02 reflecting a change to the method for calculating the provision.



Community Owned Housing

Community housing grants are mainly used by the Authority to acquire housing for Aboriginal communities. Ownership of the housing is transferred to the Aboriginal communities, who are responsible for the repair and maintenance of the properties. Community housing grants are also provided to assist in funding repairs and maintenance. Refer to Note 3(e) to the Financial Statements.

The following graph depicts the increase up to 30 June 2002 in accumulated funds held for the community owned housing program since the program was transferred to the Authority. At 30 June 2002 the accumulated surplus was \$4.6 million and the program had commitments of \$5.9 million.



Statement of Financial Position

Cash assets increased by \$2.8 million to \$7.4 million due mainly to the \$7.2 million increase in cash received from Government grants being greater than the \$4.0 million increase in grants paid under the Community Housing Program.

Receivables decreased by \$3.7 million to \$4.9 million due mainly to grant funding due last year but not paid to the Authority by the Department until 2001-02, offset by increases in tenant debtors.

Rental properties were revalued resulting in an increment of \$8.4 million.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Rent	4(a)	7 203	7 010
Recoveries	4(b)	1 333	1 412
Interest		248	106
Other revenue		405	327
Total Ordinary Revenues		9 189	8 855
CONTRIBUTIONS FROM GOVERNMENT:			
Grant programs		18 752	18 813
Rebate subsidy grant		1 800	1 995
Other grants		1 247	1 904
Total Contributions from Government		21 799	22 712
Total Revenues		30 988	31 567
EXPENSES FROM ORDINARY ACTIVITIES:			
Grants		10 890	6 894
Maintenance		4 476	4 034
Staffing costs	5(a)	3 320	2 773
Council and water rates		1 888	1 803
Depreciation	5(b)	1 868	1 754
Business services fees		1 016	913
Bad and doubtful debts	5(c)	452	871
Rent		399	344
Insurance		134	127
Other	5(d)	2 091	1 199
Total Ordinary Expenses		26 534	20 712
Surplus from Ordinary Activities before Asset Disposals		4 454	10 855
Net revenue (expense) from disposal of non-current assets	6	227	(23)
SURPLUS FROM ORDINARY ACTIVITIES AFTER ASSET DISPOSALS		4 681	10 832
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net Increase in asset revaluation reserve		8 374	3 857
Total Revenues, Expenses and Valuation Adjustments Recognised directly in Equity		8 374	3 857
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		13 055	14 689

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets	13(a)	7 350	4 575
Receivables	7	4 851	8 537
Inventories	8	42	44
Total Current Assets		12 243	13 156
NON-CURRENT ASSETS:			
Property, plant and equipment	9	155 294	140 567
Total Non-Current Assets		155 294	140 567
Total Assets		167 537	153 723
CURRENT LIABILITIES:			
Payables	10	2 666	1 912
Other	11	304	271
Total Current Liabilities		2 970	2 183
NON-CURRENT LIABILITIES:			
Payables	10	359	387
Total Non-Current Liabilities		359	387
Total Liabilities		3 329	2 570
NET ASSETS		164 208	151 153
EQUITY:			
Accumulated surplus	15	151 977	147 296
Asset revaluation reserve	15	12 231	3 857
TOTAL EQUITY		164 208	151 153
Commitments	12		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Supplies and services		(9 474)	(10 302)
Staffing costs		(3 262)	(2 587)
Grants		(10 890)	(6 894)
Goods and services tax remitted to the Department of Human Services		(14)	(144)
Goods and services tax paid to suppliers		(1 053)	(657)
RECEIPTS:			
Receipts from customers		7 521	8 896
Goods and services tax received from the Department of Human Services		728	507
Goods and services tax received from customers		412	441
Cash flows from Government		25 997	18 801
Interest received		227	106
Net Cash provided by Operating Activities	13(b)	10 192	8 167
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(10 259)	(6 799)
Proceeds from sale of property, plant and equipment		2 842	606
Net Cash used in Investing Activities		(7 417)	(6 193)
NET INCREASE IN CASH HELD		2 775	1 974
CASH AT 1 JULY		4 575	2 601
CASH AT 30 JUNE	13(a)	7 350	4 575

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The South Australian Aboriginal Housing Authority (AHA) is the State's Aboriginal public housing authority. The AHA's strategic goals are to significantly enhance the quality of life and safeguard the health and well being of South Australian Aboriginal people through the provision of housing and housing related services to customers in need. The AHA principal sources of funds include grants from the Commonwealth and State Governments, rents and other payments by tenants, and the proceeds from the sale of houses and other assets.

The AHA objectives are to:

- promote self determination and self management;
- expand the level of housing provision;
- analyse and develop a program that is responsive to Aboriginal housing needs;
- expand training and employment opportunities for Aboriginal people in the housing sector;
- improve housing management in the rural and remote areas;
- integrate the provision of Aboriginal housing;
- improve access to home ownership for Aboriginal people;
- maintain and improve efficiency of Aboriginal housing administration.

2. Summary of Significant Accounting Policies

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

(a) Basis of Preparation of the Financial Statements

The AHA's financial statements are a general purpose financial report which have been prepared on an accrual basis and in accordance with:

- Statement of Accounting Concepts;
- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in Accounting Standard AASB 1001 'Accounting Policies' is considered.

All amounts are rounded to the nearest thousand dollars and are expressed in Australian currency.

(b) Revenue Recognition

Rental Income

Residential rents are recognised as revenue and charged to tenants weekly, in advance.

Market rents are set for each property, however assistance by way of a rental rebate to provide a reduced rent is offered to low income tenants by means of an income based reduced rent formula.

Disposal of Non-Current Assets

The proceeds of real property asset sales are included as revenue of the AHA when settlements are completed. Refer to Note 6 for further details.

Recoveries

Recoveries for costs on-charged by the AHA are included in revenue.

Grants

Grants for all purposes have been recognised as revenue when received.

(c) Property, Plant and Equipment

The Statement of Financial Position includes all land, buildings, plant and equipment controlled by the AHA.

The Capital Works in Progress reflects developments that will be utilised in the AHA's operations. The carrying amounts for capital works in progress have been projected to completion and compared with an independent valuation. Any over capitalisation identified has been provided for as a loss on capital works in progress and expensed in the current year. The carrying amount for capital works in progress includes a revaluation increment or decrement where the property has previously been revalued.

The AHA has set a policy that all land and buildings are to be revalued annually at each respective 31 October. This policy complies with the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'.

In accordance with current Accounting Policy Statements issued by the Department of Treasury and Finance, the AHA has applied the Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis (that is deprival value methodology) while the relationship between fair value and the existing valuation basis in the South Australian public sector is examined further.

The recoverable amount test has not been applied as the AHA is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

Plant, equipment and leasehold improvements not revalued as at 30 June 2002 are reflected at replacement cost (or historic cost where replacement cost is not available) less a deduction to reflect the portion of service potential which has been consumed since the asset was acquired, that is, written down replacement cost (or depreciated historic cost).

All land, buildings, plant and equipment acquired since the last revaluation of a class of non-current asset are accounted for at cost.

(i) Rental Properties:

All land and buildings have been revalued to reflect the Valuer-General's values (for rating purposes) as at 30 June 2002.

(ii) Vacant Land:

All vacant land, which is held for future development and AHA use, has been revalued to reflect the Valuer-General's values (for rating purposes) as at 30 June 2002.

Items of plant and equipment with an individual value of less than \$5 000 are expensed at the time they are acquired.

(d) Inventories

The AHA has a policy that annually at 31 October the carrying amount of real property inventories other than those subject to development as capital work in progress are compared with an independent valuation and where the carrying amount exceeds the independent valuation, the carrying amount is adjusted to reflect the independent valuation.

Inventories of Stores are carried at cost.

(e) Depreciation

Property, plant and equipment are depreciated from the date of acquisition or in respect of internally developed assets, from the time an asset is completed and held ready for use.

The AHA's property, plant and equipment are depreciated over their estimated useful life using the straight line basis.

The basis of depreciating AHA rental dwellings is the remaining useful life of the building component of rental dwellings to fifty years. During the period the AHA calculated the depreciation expense charged to the Statement of Financial Performance for the building component of rental dwellings at a rate of one fiftieth per annum of the revalued balance of each building.

The basis and rate of depreciation for rental dwellings is consistent with the national accounting policy framework for State Housing Authorities. This approach promotes consistency and comparability.

Deriving an appropriate measure for depreciation of the public housing rental stock is a complex and subjective exercise requiring considerable judgement of useful lives and salvage values. The potentially long lived nature of the assets, changing demographics and socio-economic conditions increase the inherent uncertainty involved in any determination of depreciation expense.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

General plant and equipment is depreciated over 3 to 10 years and computing equipment is depreciated over 3 years. A review of useful lives is performed annually.

(f) **Leased Property, Plant and Equipment**

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred. These leases are identified in Note 12.

(g) **Employee Benefits as Staffing Costs**

Employees of the Department of Human Services are assigned to staff the AHA. The accruing entitlement of Department of Human Services' employees assigned to the AHA has been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department of Human Services.

The amount payable for annual leave and long service leave represents the amount which the AHA has a present obligation to pay resulting from employee's services provided up to the reporting date. In respect of long service leave the payable was estimated using the short hand method in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. The Department of Treasury and Finance advised benchmark of eight years service was used. A payable has been made for the unused component of annual leave as at balance date, based on current salary rates and related on costs. Accruing employee entitlements to long service and annual leave were charged to the Statement of Financial Performance as they were incurred.

The AHA has accrued the cost of payroll tax on accrued employee entitlements for annual leave, long service leave and the employer's superannuation contributions thereon.

This provision, relating to employee entitlements of Department of Human Services' employees assigned to the AHA has been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department of Human Services.

(h) **Superannuation**

The accruing on costs relating to employee entitlements of the Department of Human Services' employees assigned to the AHA has been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department of Human Services.

During the year the AHA has provided for employer superannuation contributions, at the rate of 10 percent, on accruing employee entitlements to annual leave and on part of the provision for long service leave. Superannuation on costs are included for part only of the long service leave provision in recognition that it is estimated that 45 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions.

Contributions are made by the AHA to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. Any liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes, and such amounts will be treated as a payable not an employee related entitlement.

(i) **Insurance**

The AHA has an agency agreement with SA Government Captive Insurance Corporation (SAICORP) in which the Treasurer indemnifies the AHA against damage suffered to the AHA's property or claims made against the AHA. The AHA pays a contribution to SAICORP for this cover which, in the case of rental properties, is without limit. The AHA assumes part of the risk through accepting deductibles in each category of cover.

The Statement of Financial Performance expense item 'Insurance' reflects the cost of the contribution to SAICORP.

(j) **Workers Compensation**

The AHA, by virtue of the Department of Human Services exemption, is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. The AHA has insurance cover which limits the exposure for losses.

(k) **Provisions**

Doubtful Debts

Specific provision has been made for any doubtful debts identified. In addition, a general provision based on the profile of the AHA's debt and its debt write-off history has also been raised.

(l) **Unearned Revenue**

Lump sums received for leases assigned on AHA properties are progressively brought to account as income on a straight line basis over the term of their respective agreements.

(m) **Receivables**

Receivables are recognised and carried at the original invoiced amount less a provision for any doubtful debts identified. Bad debts are written off as incurred.

(n) **Payables**

Those amounts which represent liabilities for goods and services provided to the AHA and other amounts, including interest are identified as payables.

(o) **Tax Status**

The activities of the AHA are exempt from Commonwealth income tax but other Commonwealth taxes such as Fringe Benefits Tax, Goods and Services Tax (GST) and other State taxes including payroll tax are applicable.

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

The AHA is part of a GST group. The nominated representative (Department of Human Services) of the GST group is responsible to pay GST and is entitled to claim input tax credits.

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

- The amount of GST incurred by the AHA as a purchaser that is not recoverable from the Department of Human Services is recognised as part of the cost of acquisition of an asset or as a part of an item of expense;
- Receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the Department of Human Services has been recognised as a receivable/payable in the Statement of Financial Position.

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

3. Report by Major Activities**(a) Tenant/Client Services Public Rental**

Statewide AHA program incorporating the management of public rental housing.

(b) Community Housing Program

The Community Housing Program provides funding support to indigenous Community Housing Organisations across South Australia, for new housing, housing upgrades, insurance, community administration assistance and repairs and maintenance subsidies.

(c) AHA Board

Board fees and other related expenses of board members.

(d) Housing Management Committees

Housing Management Committees are comprised of Aboriginal and Torres Strait Islander people elected by their communities to provide advice on the allocation of properties, assessment of applications and other housing related activities.

(e) Other

Includes mainly transactions attributable to the operations of the AHA Policy, Planning and Service Development unit.

	Tenant/Client Services Public Rental		Community Housing Program		AHA Board	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenues from Ordinary Activities:						
Rent	7 201	7 008	-	1	-	-
Recoveries	1 223	1 223	68	179	-	-
Interest	125	53	48	21	-	-
Other revenue	73	61	332	229	-	-
Total Ordinary Revenues	8 622	8 345	448	430	-	-
Contributions from Government:						
Grant programs	6 490	8 488	12 262	8 880	-	-
Rebate subsidy grant	1 800	1 995	-	-	-	-
Other grants	621	1 688	-	84	-	-
Total Contributions from Government	8 911	12 171	12 262	8 964	-	-
Total Revenues	17 533	20 516	12 710	9 394	-	-
Expenses from Ordinary Activities:						
Grants	-	-	10 890	6 894	-	-
Maintenance	4 403	3 934	42	46	-	-
Staffing costs	1 521	1 307	631	509	86	98
Council and water rates	1 884	1 803	4	-	-	-
Depreciation	1 732	1 628	53	50	-	-
Business services fees	508	457	198	178	-	-
Bad and doubtful debts	452	871	-	-	-	-
Rent	199	172	78	67	-	-
Insurance	134	127	-	-	-	-
Other	984	523	467	351	46	43
Total Ordinary Expenses	11 817	10 822	12 363	8 095	132	141
Surplus (deficit) from ordinary activities before Asset Disposals	5 716	9 694	347	1 299	(132)	(141)
Net revenue (expense) from disposal of non-current assets	227	(23)	-	-	-	-
Surplus (deficit) from ordinary activities after asset disposals	5 943	9 671	347	1 299	(132)	(141)
OPENING ACCUMULATED SURPLUS (DEFICIT)	12 243	2 572	4 270	2 971	(213)	(72)
CLOSING ACCUMULATED SURPLUS (DEFICIT)	18 186	12 243	4 617	4 270	(345)	(213)
Outstanding Commitments	784		5 912			

3.	Report by Major Activities (continued)	Housing Management Committees		Other		Total	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
	Revenues from Ordinary Activities:						
	Rent	-	-	2	1	7 203	7 010
	Recoveries	-	-	42	10	1 333	1 412
	Interest	-	-	75	32	248	106
	Other revenue	-	-	-	37	405	327
	Total Ordinary Revenues	-	-	119	80	9 189	8 855
	Contributions from Government:						
	Grant programs	-	-	-	1 445	18 752	18 813
	Rebate subsidy grant	-	-	-	-	1 800	1 995
	Other grants	-	-	626	132	1 247	1 904
	Total Contributions from Government	-	-	626	1 577	21 799	22 712
	Total Revenues	-	-	745	1 657	30 988	31 567
	Expenses from Ordinary Activities:						
	Grants	-	-	-	-	10 890	6 894
	Maintenance	-	-	31	54	4 476	4 034
	Staffing costs	95	63	987	796	3 320	2 773
	Council and water rates	-	-	-	-	1 888	1 803
	Depreciation	-	-	83	76	1 868	1 754
	Business services fees	-	-	310	278	1 016	913
	Bad and doubtful debts	-	-	-	-	452	871
	Rent	-	-	122	105	399	344
	Insurance	-	-	-	-	134	127
	Other	29	10	565	272	2 091	1 199
	Total Ordinary Expenses	124	73	2 098	1 581	26 534	20 712
	Surplus (deficit) from ordinary activities before asset disposals	(124)	(73)	(1 353)	76	4 454	10 855
	Net revenue (expense) from disposal of non-current assets	-	-	-	-	227	(23)
	Surplus (deficit) from ordinary activities after asset disposals	(124)	(73)	(1 353)	76	4 681	10 832
	OPENING ACCUMULATED SURPLUS (DEFICIT)	(144)	(71)	131 140	131 064	147 296	136 464
	CLOSING ACCUMULATED SURPLUS (DEFICIT)	(268)	(144)	129 787	131 140	151 977	147 296
4.	Revenues from Ordinary Activities					2002	2001
	(a) Rent					\$'000	\$'000
	Gross rent					12 771	12 342
	Rental rebates					(4 645)	(4 198)
	Market rebates					(509)	(639)
	Loss on vacancy					(414)	(495)
						7 203	7 010
	(b) Recoveries						
	Maintenance					548	501
	Bad debts					369	284
	Water charges					209	262
	Salary and wages					132	139
	Other					75	226
						1 333	1 412
5.	Expenses from Ordinary Activities						
	(a) Staffing Costs						
	Salaries and wages					2 475	2 043
	Superannuation					253	210
	Annual leave					252	188
	Payroll tax					129	136
	Board and committee fees					78	109
	Long service leave					59	59
	Other salary related expenses					74	28
						3 320	2 773
	(b) Depreciation						
	Freehold buildings					1 594	1 500
	Computing equipment					205	203
	Leasehold improvements					47	45
	General plant and equipment					22	6
						1 868	1 754
	(c) Bad and Doubtful Debts						
	Bad debts written off					664	551
	Doubtful debts expense					(212)	320
						452	871

5. Expenses from Ordinary Activities (continued)	2002	2001
(d) Other	\$'000	\$'000
Communication and computing	339	106
Accommodation and travel	371	220
Contractors fees	242	262
Minor equipment	217	21
Vehicle expenses	178	222
Printing, stationery, postage periodicals	125	119
Consultancies	91	8
Audit remuneration*	67	45
Training	64	35
Bank charges	-	8
Other expenses	397	153
	2 091	1 199

* Includes remuneration of \$50 000 paid or payable to the auditors for the audit of the financial report of the AHA for the year ending 30 June 2002. No other services were provided by the auditors.

6. Net Revenue (Expense) from Disposal of Non-Current Assets	2002	2001
	\$'000	\$'000
Proceeds from disposal of non-current assets	2 265	1 500
Less: Cost of sales	2 038	1 523
	227	(23)
7. Receivables		
Debtors	4 216	4 111
Grant funding	689	4 887
Excess water	34	35
GST recoverable from the Department of Human Services	347	152
Provision for doubtful debts	(435)	(648)
	4 851	8 537
8. Inventories		
Vacant land	38	39
Stores	4	5
	42	44
9. Property, Plant and Equipment		
Freehold land and buildings (At valuation)	147 431	137 927
Accumulated depreciation	(982)	(1 023)
	146 449	136 904
Vacant land (At cost)	420	420
Leasehold improvements (At cost)	877	453
Accumulated depreciation	(290)	(241)
	587	212
Capital works in progress	7 539	2 629
General plant and equipment (At cost)	187	92
Accumulated depreciation	(37)	(50)
	150	42
Computing equipment (At cost)	628	652
Accumulated depreciation	(479)	(292)
	149	360
Total Property, Plant and Equipment	155 294	140 567

Reconciliation	Freehold Land and Buildings \$'000	Vacant Land \$'000	Leasehold Improvements \$'000	Capital Works in Progress \$'000	General Plant and Equipment \$'000	Computing Equipment \$'000	Total \$'000
Reconciliations of the carrying amount of each class of land, buildings, leasehold improvements and capital work in progress at the beginning and end of the current financial year:							
Carrying amount at 1 July	136 904	420	212	2 629	42	360	140 567
Additions	4 261	-	422	5 429	127	20	10 259
Disposals/scrapped	(2 090)	-	-	-	-	(26)	(2 116)
Transfers from (to) works in progress	1 620	-	-	(1 620)	-	-	-
Transfers to completed works	(992)	-	-	934	-	-	(58)
Net revaluation increment less revaluation decrements	8 406	-	-	-	(32)	-	8 374
Depreciation expense	(1 594)	-	(47)	-	(22)	(205)	(1 868)
Other movements	(66)	-	-	167	35	-	136
Carrying Amount at 30 June	146 449	420	587	7 539	150	149	155 294

10. Payables		2002	2001
Current Payables:		\$'000	\$'000
Creditors		2 176	1 524
GST payable to the Department of Human Services		398	297
Council and water rates		84	84
Other		8	7
		2 666	1 912
Non-Current Payables:			
Creditors		342	354
Other		17	33
		359	387
11. Other Liabilities			
Current Liabilities:			
Insurance provisions		227	189
Unearned revenue		77	55
Other		-	27
		304	271
12. Expenditure Commitments			
Capital Expenditure			
The total value of outstanding capital projects inclusive of GST as at the end of the reporting period for specific projects are detailed below. These amounts have not been brought to account in the financial statements:			
Not later than one year		784	-
Recurrent Expenditure			
The total value of outstanding recurrent expenditure inclusive of GST commitments as at the end of the reporting period. These amounts have not been brought to account in the financial statements:			
Not later than one year		5 912	6 068
Operating Lease Commitments			
Future non-cancellable operating lease rentals not provided for and payable inclusive of GST:			
Not later than one year		434	388
Later than one year but not later than five years		1 133	1 431
Later than five years		-	226
Total		1 567	2 045
The operating leases disclosed above are for administrative properties 153 Wakefield Street, 15 Cypress Street and 255 Pulteney Street, Adelaide and are for terms of 10, 4 and 2 years respectively. The leases for 153 Wakefield Street and 15 Cypress Street have four years remaining and the 255 Pulteney Street lease will expire in December 2002. All the leases contain renewal options for both lessee and lessor.			
13. Notes to the Statement of Cash Flows		2002	2001
(a) Reconciliation of Cash Assets		\$'000	\$'000
For the purposes of the Statement of Cash Flows, cash assets includes cash on hand and cash at bank. Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:			
Cash held in deposit account		7 345	4 570
Cash on hand		5	5
		7 350	4 575
(b) Reconciliation of Net Cash provided by operating activities to surplus from ordinary activities before asset disposals			
Net Cash provided by Operating Activities		10 192	8 167
Depreciation		(1 868)	(1 754)
		8 324	6 413
Change in Assets and Liabilities:			
(Decrease) increase in receivables excluding receivables from asset sales		(3 109)	3 754
(Decrease) in inventories		(2)	(2)
(Increase) Decrease in payables		(726)	699
(Increase) in other liabilities		(33)	(9)
		(3 870)	4 442
Surplus from Ordinary Activities before Asset Disposals		4 454	10 855
14. Remuneration of Board Members and Employees			
(a) Board Members' Remuneration			
The AHA Board of Management comprises nine members and eight deputy members. Board members nominated by the Aboriginal and Torres Strait Islander Commission (ATSIC), or their deputies when acting for the Board members, are paid attendance fees by ATSIC and remuneration from ATSIC is not reflected in the following table. The fees paid to Board Members are set by Executive Council in accordance with approved procedures.			
Members during the year were:			
Mr G Cooley: Chairperson		Mr K Wanganeen	
Ms S Rankine (from 18 October 2001)		Mr E McNamara	
Ms D Haseldine (to 5 September 2001)		Mr H Miller	
Dr A Barton		Mr B Bulter	
Mr V Wilson		Mr D Fraser	

(a) Board Members' Remuneration (continued)

The number of Board Members whose remuneration from the AHA falls within the following bands:

	2002 Number of Members	2001 Number of Members
\$0 - \$9 999	9	7
\$10 000 - \$19 999	1	1
\$20 000 - \$29 999	-	1
	10	9

	2002 \$'000	2001 \$'000
Total remuneration received, or due and receivable by the Board Members of the AHA	56	66

Board Members and Deputy Members of the AHA have declared the following interest in the following community organisations which have received funding from the AHA. The Board members have no other pecuniary interest direct or indirect in any Firm, Trust or Company with which the AHA had entered into transactions during the year.

Mr V Wilson - Declared his interest as Manager of Kalparrin Community.
Grant expenditure 2001-02: \$15 000

Mr G Cooley - Declared his interest as Chairperson from Umoona Community Council
Grant expenditure 2001-02: \$440 000

Mr J Scott (Deputy Member for Mr B Butler) - Declared his interest as Manager of Scotdesco Community Inc
Contract expenditure 2001-02: \$17 000

Mr H Miller and Mr B Johncock (Deputy Member for Mr H Miller) - Declared their interest in respect to the Port Lincoln Aboriginal Community Council
Grant expenditure 2001-02: \$18 000

(b) Employees' Remuneration

One employee assigned by the Department of Human Services to the AHA normal remuneration exceeded \$100 000. Remuneration includes salary, employers superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated fringe benefits tax.

The number of employees whose normal remuneration was over \$100 000 was:

	2002 Number of Employees	2001 Number of Employees
\$140 000 - \$149 999	1	1
	1	1

	2002 \$'000	2001 \$'000
Total value of remunerations in excess of \$100 000 were	149	144

15. Equity

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

	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	2002 Total \$'000	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	2001 Total \$'000
Balance as at 1 July	147 296	3 857	151 153	136 464	-	136 464
Surplus from ordinary activities after asset disposals	4 681	-	4 681	10 832	-	10 832
Increments related to the revaluation of:						
Rental properties	-	8 406	8 406	-	3 857	3 857
Revaluation decrements on disposal of properties	-	(32)	(32)	-	-	-
Balance as at 30 June	151 977	12 231	164 208	147 296	3 857	151 153

16. Additional Financial Instruments Disclosure**(a) Credit Risk**

The AHA is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. The AHA manages credit risk associated with its tenants by establishment of a Credit Policy which is communicated to AHA staff and tenants.

(b) Interest Rate Risk Exposure

The AHA is not exposed to any interest rate risk exposure, there are no fixed interest assets or liabilities. The only interest bearing component of the AHA is that of the floating interest rate for Cash and Deposits which was deemed to be 4.17 percent as at 30 June 2002.

(c) **Net Fair Value of Financial Instruments**

Analysis of the net fair value of financial instruments is detailed below. For the financial assets and liabilities which are subject to normal trade credit terms, the carrying value is considered to be fair value.

	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial Assets:				
Cash assets	7 350	7 350	4 575	4 575
Receivables	4 851	4 851	8 537	8 537
Total Financial Assets	12 201	12 201	13 112	13 112
Financial Liabilities:				
Payables	3 025	3 025	2 299	2 299
Net Financial Assets	9 176	9 176	10 813	10 813

SOUTH AUSTRALIAN COMMUNITY HOUSING AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The South Australian Community Housing Authority (the 'Authority' or 'SACHA') is established pursuant to the *South Australian Co-operative and Community Housing Act 1991* (the Act).

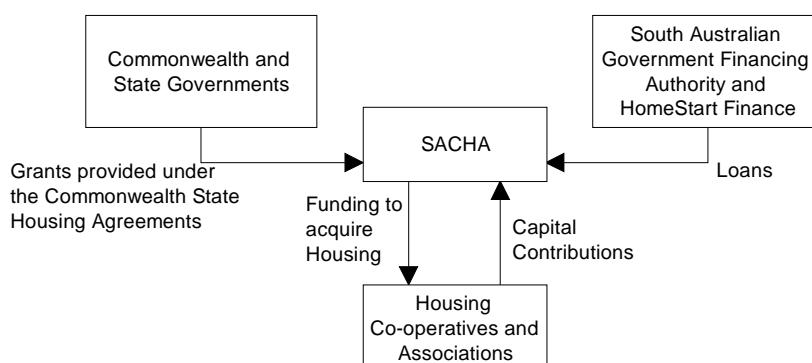
The Authority has a broad range of functions associated with the development, promotion and administration of community housing in South Australia. In performing these functions the Authority has the following main roles:

- The provision of advice to the Minister for Human Services.
- The registration of housing co-operatives and associations as provided for under the Act.
- Ensuring the full and proper accountability of community housing organisations which receive funds or other support from the Authority or other public sector agencies.
- The provision of administrative and other support services to community housing organisations.
- The provision of funding, through either loans or grants, to community housing organisations.

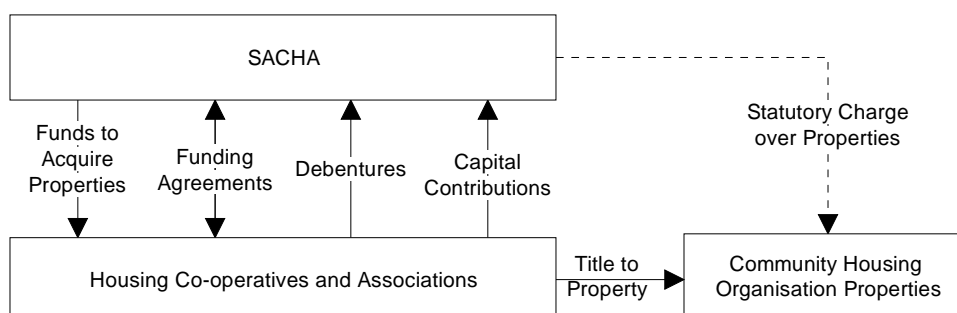
The Authority comprises five representatives appointed by the Minister, including a registered housing associations representative nominated by the Community Housing Council of South Australia, members with expertise in finance and the housing industry or community housing. A further two members are elected by members of registered housing co-operatives.

The following charts illustrate the relationship between SACHA and the agencies which provide funding to it on one hand and the community housing organisations which receive funds from it on the other.

The first chart documents the overview of the relationships.



The second chart documents in more detail the relationship between the Authority and community housing organisations.



SIGNIFICANT FEATURES

- Capital funding to Housing Organisations increased by \$67.6 million or 23.8 percent to \$351.2 million.
- The Debenture Indexation Reserve reflected a net increase of \$31.2 million from revaluations.
- Net Surplus from Ordinary Activities increased by \$11.4 million from \$22.3 million to \$33.7 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 19(2) of the *South Australian Co-operative and Community Housing Act 1991* requires the Auditor-General to audit the financial statements of the Authority.

Scope of Audit

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

During 2001-02 specific areas of audit attention included:

- planning and analysis
- internal control
- management reporting
- expenditure, including both capital and operating
- debentures and revaluation reserves
- revenue (including contributions from co-operatives and associations)
- loans (including program financing charges).

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chairperson. SACHA's Audit Committee of the Board noted the management letter and accepted management's response. The satisfactory response was subsequently received by Audit. The commentary in 'Audit Findings and Comments' hereunder summarise the major matters raised with the Authority and the related responses.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Housing Reforms

The 2000-01 audit raised a number of matters relating to the implementation of the Housing Reform Agenda. Audit coverage for 2001-02 included a follow-up of issues raised as part of the 2000-01 audit.

The following commentary outlines Audit's observations relating to a follow-up of issues raised in 2000-01.

Eligibility Criteria

In relation to the eligibility criteria and waiting lists, the Housing Reforms focus on assistance being provided to meet priority housing needs. The 2000-01 audit noted that a requirement of a segmented waiting list, needed to support the Housing Reforms, was to be incorporated into Community Housing Organisations' (CHOs) by-laws but had not been completed. Audit recommended that the process be given the appropriate priority with performance monitored on a periodic basis and that, in the interim, the exclusion of CHOs without amended by-laws from the allocation process be enforced. The Authority indicated that staff had made considerable progress in this area given a complex process involving CHOs and it aimed to complete the process by 30 September 2001.

A follow-up conducted as part of the 2001-02 audit noted that SACHA monitors CHOs on a regular basis to ensure compliance and that only compliant organisations are allocated new houses. Further, Audit noted (consistent with Internal Audit's observations) that withholding new allocations to non compliant CHOs may not be a severe enough penalty, as the organisation may not require new allocations.

Audit recommended SACHA continue to work with CHOs to ensure compliance. Furthermore, in relation to CHOs which do not require new allocations, SACHA consider the need for intervention where CHOs choose not to comply.

Response

Compliance regarding eligibility relates to both the Housing Reform Agenda, and individual CHOs by-laws. SACHA is currently working with CHOs to clarify the required response to Housing Reform expectations. While Associations are clearly expected to focus on housing people who qualify for Category 1 status (ie homeless or at risk of homelessness) and Category 2 status (ie people with disabilities, recent refugees and people in Trust Programs or Aboriginal Youth Programs), Co-operatives have individual by-laws which outline membership criteria. There is a further issue to be clarified, regarding the need for self-management by Co-operatives, which increases the imperative to select tenants who can contribute to the management of the CHOs. Some Category 1 and 2 tenants have added to the already significant workload for Co-operatives, in ways which Co-operative members are not necessarily skilled to respond.

Centralised Access Register

During the 2000-01 audit, it was noted that that SACHA established the Community Housing Eligibility Register (CHER). It was noted, however, that the adoption of the register by CHOs was voluntary and the concept of a central waiting list could not be imposed on CHOs as this concept had not been included in Funding Agreements. Audit recommended that formal consideration be given to the feasibility of a central waiting list in the context of the strategic objectives of SACHA and that the necessary action resulting from this evaluation be pursued. The Authority indicated the development of a central waiting list of community housing was a complicated area and that it proposed to pursue the issue internally and with the Department of Human Services at a policy level.

A follow-up conducted as part of the 2001-02 audit revealed that SACHA undertook certain measures to progress the development of a centralised waiting list, however, it was noted that further work needed to be undertaken to establish the waiting list. Specifically, Audit noted that no formal action plan had been established detailing timeframes, required resources, key responsibilities and deliverables. Audit suggested SACHA continue to work with key stakeholders to facilitate the establishment of a central waiting list. Furthermore, SACHA establish a formal plan detailing the process and resources required to finalise the project.

Response

Consideration of a central waiting list is to be included in the 2002-03 SACHA Business Plan. Due to the need for self-management by Co-operatives, and the specific by-laws of both Co-operatives and Associations regarding their tenant base, a central waiting list will pose significant management challenges. These need to be thoroughly considered and resolved with key stakeholders.

Initial Allocation Process

During the course of the 2000-01 audit review, it was noted that in the allocation process, there may be a significant time lag between the allocation of a house and the tenancy of the house. During this time the CHOs' prospective tenants' circumstances may have improved, and yet, the tenant may still receive the house. Equally, the house could be allocated to someone other than the tenant, notwithstanding the fact that SACHA determined the allocation on the information provided by the tenant. Audit also found that the allocation process did not capture the turnover of properties. That is, where a property is vacated, the process for reallocation is left, albeit within the ambit of the CHOs' by-laws, to the CHOs discretion. The decision is made irrespective of whether there is a greater need for the property by another CHO.

Audit recommended that SACHA consider undertaking action upon tenancy of a property to ensure that the actual tenant's circumstances are consistent with the reason that the allocation was provided in the first instance. Furthermore, consideration be given to a more equitable process being introduced where a property is to be re-allocated. In response SACHA advised Audit of a number of initiatives to assist SACHA in monitoring the adequacy of CHO eligibility criteria.

A follow-up conducted as part of the 2001-02 audit revealed that changes have been made towards monitoring CHOs and their efforts to comply with housing reform requirements (including initial allocation processes). Several new initiatives have assisted in this process including, for example, audit checklists, compliance register etc. Audit also found evidence that work is continuing to revise current policies to ensure compliance and efficiency for both SACHA and CHOs. Furthermore, consistent with Internal Audit findings, it was noted that SACHA is continuing work in developing a Funding Agreement compliance package, which is expected to improve the allocation and monitoring process.

Audit recommended that SACHA continue to work with key stakeholders to facilitate the development of the Funding Agreement compliance package. Audit acknowledged that this matter is closely aligned with work being undertaken in relation to the revision of Funding Agreements with CHOs (refer to commentary included under the heading 'Funding Agreements').

Response

The SACHA annual audit checklist has been circulated to all CHOs' Treasurers and Auditors, along with the Audit Guidelines for 2001-02. This includes a housing reforms checklist, with a focus on assessment, segmented waiting list, and proof of income documentation, which will be signed off by the CHOs' Auditors. This will be monitored by CHOs' Services Consultants.

Reporting

The 2000-01 audit noted that the Housing Reforms require the validity of continued tenure by tenants to be monitored. In this regard, SACHA implemented the collection of data on an annual basis from CHOs about tenants. Audit noted that there was a six month time lag in collecting and analysing this information. It was recommended that SACHA consider other possibilities for timely data collection (eg further promoting the use of CHER). In response the Authority advised of its commitment to the promotion of CHER (Community Housing Eligibility Register) to assist CHOs with the requirements of the Housing Reforms. However, SACHA recognised that it will take time before all CHOs take up CHER as it needed to be coupled with an acceptance in the use of computers, new technology and an education and training program not previously part of the operations of CHOs.

The 2001-02 audit revealed that the roll-out of e-CHO and CHER was deferred pending the completion of an external review of SACHA's Information Technology requirements. Further, it was noted that, in the interim, manual data collection processes will be relied upon.

Response

SACHA indicated that it will keep Audit informed of any key developments resulting from the review of SACHA's Information Technology needs.

Funding Agreements

Funding Agreements are the primary legal document between CHOs and SACHA. The agreements are standard documents and are not tailored to reflect the specific circumstances of each CHO.

There have been significant influences and changes impacting SACHA's business and the environment in which it operates, for instance, the introduction of the GST and Housing Reforms. It was noted, however, that the only revision of the Funding Agreements since the date they were first introduced (ie over 10 years ago), was for amendments processed to reflect GST requirements. Audit noted that SACHA was in the process of revising the Funding Agreements.

Audit recommended that the process of revising Funding Agreements be finalised as soon as practicable. Further, once the revision process has been finalised, the new agreements be executed on a timely basis.

Response

The revised Funding Agreement is to be written to simplify management and reporting expectations for CHOs. This will take into account the reconsideration of rent structures following the recent rent policy changes, reporting processes, and a wide spectrum of other issues which are not currently included in the Funding Agreement. This will necessarily be a comprehensive process, and is likely to flow into the 2003-04 Business Plan in addition to the current year's work.

Strategic Asset Management Planning

The 2001-02 review noted that SACHA has collected considerable data with respect to assisting with the assessment of future maintenance requirements. However, SACHA has yet to develop a strategic asset management plan identifying; strategies and resulting action plans required to address future asset maintenance/replacement needs; funding and resource requirements to carry out identified strategies/action plans; and relevant timeframes and key responsibilities.

SACHA was undertaking an internal audit review of Comhouse (an organisation established to provide major maintenance services to the South Australian community housing sector) and, in February 2002, was provided with a Comhouse Actuarial Report which raised certain concerns regarding the long term viability of Comhouse.

Audit recommended that SACHA develop an appropriate Strategic Asset Management Plan giving due consideration to the findings of Internal Audit's review and the findings of the Comhouse Actuarial Report.

Response

SACHA is making asset management a high priority. SACHA's revised Risk Management register will accord this issue a high rating while recent work on developing a new five year Strategic Plan has included the topic as one of the five key goals for the organisation. In early 2002-03 the Board will be discussing a new asset management work plan which will include, as a lead item, development of a Strategic Asset Management Plan to guide program activity.

Capital Monitoring and Reporting

The 2000-01 audit found that information provided to the Board in relation to capital expenditure could be improved. Audit recommended that information provided to the Authority and/or Finance Committee be supported by a sufficiently detailed analysis which extended to the potential impact on SACHA's operations and the achievement of its objectives.

Follow-up undertaken as part of the 2001-02 audit revealed SACHA made improvements to its capital reporting processes, however, it was considered that there was scope to further enhance the quality of information presented for information, control and decision making.

Audit recommended information provided to the Authority be supported by an appropriate analysis which includes details of reasons for significant variances against budget. Further, it was recommended that information provided also include the potential impact on SACHA's operations and the achievement of its objectives.

Response

SACHA will review its information and management reporting with a view to developing a new corporate report consistent with the Authority's requirements. Attempts will be made to consolidate building outputs information with financial reporting emanating from different SACHA branches to provide an appropriate analysis of capital program activities.

Goods and Services Tax

In February 2002, the Australian Tax Office (ATO) issued SACHA with a private ruling called the creditable purpose ruling. The ATO ruling passed significant responsibility to CHOs with respect to GST compliance. Notwithstanding this, any failure by CHOs to comply with GST requirements may ultimately have a significant impact on SACHA with respect to achieving its corporate objectives.

Audit considered that SACHA needed to play a proactive role with respect to ensuring CHOs understand their GST responsibilities. Audit noted that SACHA forwarded correspondence to CHOs advising them of the ATO ruling and the resulting implications for CHOs and forwarded CHOs a copy of a Finance Manual which was updated to reflect the requirements of the ATO ruling. It was revealed, however, that limited follow-up occurred to ascertain whether CHOs understand their responsibilities or whether they are experiencing any compliance difficulties.

Audit recommended SACHA consider taking a more proactive role in ensuring that CHOs understand their GST responsibilities. Audit also recommended that compliance with GST requirements be included in the annual CHO audit program.

Response

SACHA indicated the Annual Audit Guidelines includes a comprehensive section on GST issues specifically designed to assist CHOs to meet their GST obligations. Auditors are required to complete a GST checklist to be signed and returned to SACHA so that SACHA can gauge the levels of GST compliance by CHOs. If audit responses suggest there is evidence that CHOs are struggling to meet their requirements SACHA will commit resources to provide assistance to these groups. In addition, SACHA will closely monitor and follow up those CHOs that have received new properties funded by SACHA to ensure input tax credits receivable are correctly returned to SACHA.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Net Surplus from Ordinary Activities

Net Surplus from Ordinary Activities increased by \$11.4 million from \$22.3 million to \$33.7 million. The increase reflects a \$6.9 million increase in Revenues from Ordinary Activities and a \$4.5 million decrease in Expenses from Ordinary Activities.

The increase in Revenue from Ordinary Activities was due predominantly to an increase in Government Revenues of \$6.6 million. The decrease in Expenses from Ordinary Activities reflects the effect of the GST provision write back. (Refer to Note 12).

Government Revenues

Government revenues received by the Authority for the year were \$39.3 million (\$32.7 million) reflecting funding for both recurrent and capital purposes. The difference of \$6.6 million compared to the previous year predominantly reflects the increase in funding relating to grants specifically provided for the purpose of acquiring South Australian Housing Trust properties at market value.

Borrowing Costs

The other significant decrease in expenses in the year was borrowing costs, which decreased by \$1.2 million or 11.5 percent. This was due predominantly to the decrease in the Loan Indexation expense. The conditions applying to the related debt are that the principal is adjusted for movements in the Consumer Price Index. Notes 2.7, 11 and 21(a) to the financial statements provide details of this debt.

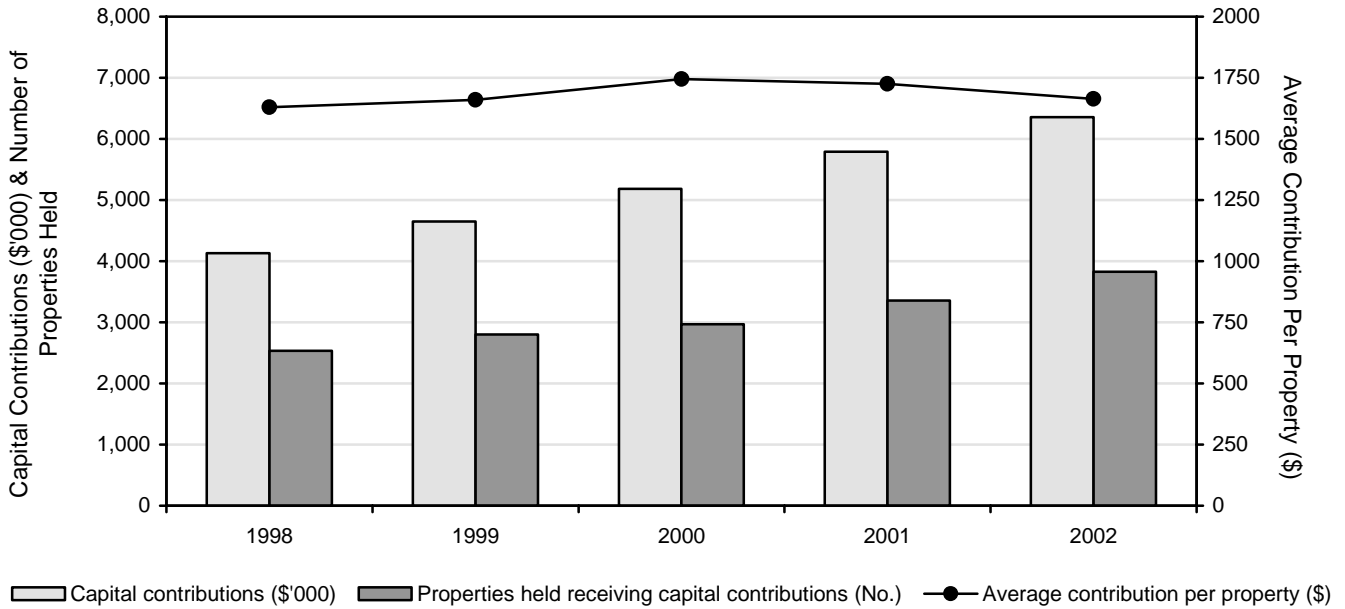
Contributions from Community Housing Organisations

During 2001-02 capital contributions from Community Housing Organisations rose by \$0.6 million to \$6.4 million from \$5.8 million.

The level of capital contributions is determined as part of the process of assessing the rents payable by CHOs' tenants and is subject to income tests. After allowing for rental subsidies, the capital contributions totalling \$6.4 million (\$5.8 million) were insufficient to meet the Authority's program financing costs, which totalled \$9.2 million (\$10.4 million).

Note 22(a) provides details of the weighted average interest rate return on capital funding to housing organisations which represents total capital contributions received divided by total funding to housing organisations. The weighted average interest rate decreased to 1.83 percent in 2001-02 from 2.13 percent. This decrease was due predominantly to higher property values relating to funding provided to housing organisations.

The following graph shows the trend of capital contributions from CHOs over the past five years.



The graph highlights that while the total capital contributions received and the number of properties have increased over the period, in 2001-02 the proportion of capital contributions per property (ie debentured, mortgaged, leased etc) actually fell.

Statement of Financial Position

Funding to Community Housing Organisations

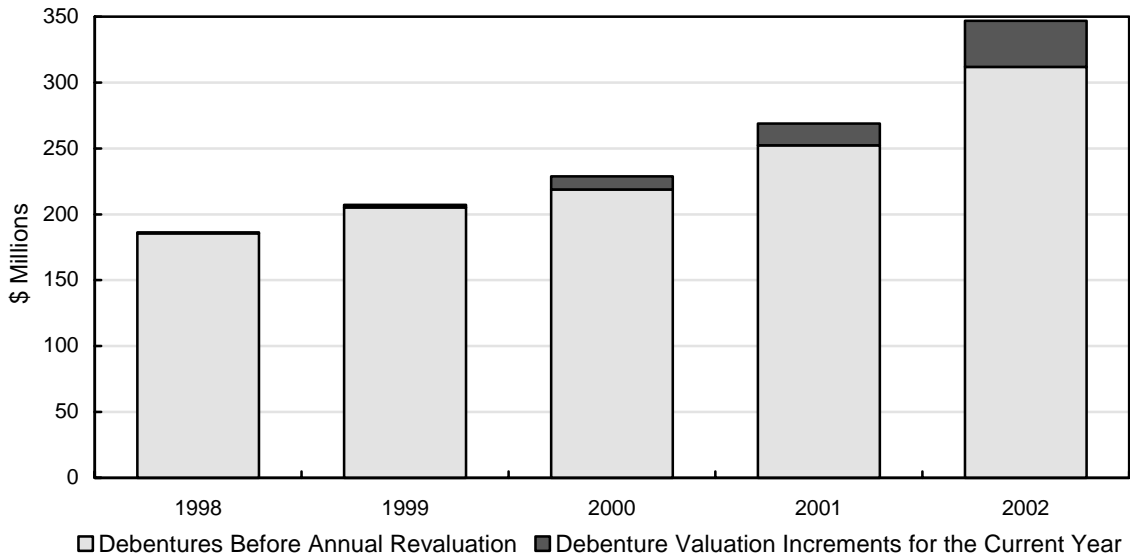
The number of CHOs receiving funding from the Authority to acquire houses was 134 (136). Properties from which the Authority has earned capital contributions totalling \$6.4 million were as follows:

PROPERTY TYPE	2002 Number	2001 Number
Debentured properties	3 666	3 182
Mortgaged properties	21	21
Properties leased from SAHT and sub-leased back to CHOs	117	151
Properties directly leased to CHOs	24	-
Total	3 828	3 354

In addition to properties receiving capital contributions, a total of 35 (2) properties were leased back to the South Australian Housing Trust (SAHT), as these properties had SAHT sitting tenants at the date the properties were transferred from the SAHT to SACHA. A total of 232 (422) properties were included in work in progress, being partially constructed, upgraded or prepared for occupation. A further 14 (16) properties were held by the Authority, which were surplus to the requirements of CHOs.

Funding to CHOs supported by issued debentures at 30 June 2002 was \$346.8 million (\$268.9 million), an increase of \$77.9 million reflecting, in the main, net additions to debentures of \$43 million and a revaluation of the underlying properties by \$34.9 million. The following graph shows the growth in the value of debentures issued to CHOs over the past five years.

The graph shows that annual debenture revaluation increments have been significant for the past three years. This highlights the proportion of growth in the value of debentures that results from the annual revaluation process. The revaluation increment in 2001-02 was \$34.9 million, which represented an increase of 10.1 percent of the value of properties debentured. The valuation increments reflect the continued strength of the property market at this point in time. Equally, any weakening in the property market can be expected to be reflected in downward movements in the value of debentures.



Loans to CHOs at 30 June 2002 were \$4.3 million (\$14.6 million). These are amounts advanced for the purchase, upgrade or construction of dwellings. On completion the Authority and CHOs enter into funding agreements and debentures are issued.

Capital Commitments

As at 30 June 2002, obligations under approved new-build and spot purchase projects in progress totalled \$13 million (\$15.1 million). Cash at Treasury and on hand totalled \$16.8 million (\$10.6 million).

Statement of Cash Flows

Net Cash Provided by Operating Activities increased by \$19.4 million resulting predominantly from increased cash flows received from Government (ie an increase of \$18.4 million from \$12.4 million to \$30.8 million).

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Government Revenues	2,2,3	39 251	32 691
Contributions received and receivable from community housing organisations		6 365	5 788
Interest and sundry income	4	528	1 045
Surplus on sale of properties	5	475	106
Capital project recoveries	2.4	224	242
Recovery on revaluation		-	52
Total Revenues from Ordinary Activities		46 843	39 924
EXPENSES FROM ORDINARY ACTIVITIES:			
Staffing and related costs	2.12	2 133	1 831
Business Plan Projects	6	165	392
Rental expense	2.3	279	238
Office expenses		213	192
Other expenses	7	436	507
Community housing organisations costs	8	707	425
Grants to community housing organisations	9	818	784
Asset Management Grant - Comhouse	10	41	298
Borrowing costs	11	9 243	10 359
Lease payments to SA Housing Trust		753	629
GST provision write back	12	(1 624)	1 936
Total Expenses from Ordinary Activities		13 164	17 591
NET SURPLUS FROM ORDINARY ACTIVITIES		33 679	22 333
Net increase in asset revaluation reserve	13	133	87
Net increase in debenture indexation reserve	14	31 227	10 496
TOTAL VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		31 360	10 583
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		65 039	32 916

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash at Treasury and on hand	15	16 836	10 552
Receivables and prepayments	16	1 516	10 430
Total Current Assets		18 352	20 982
NON-CURRENT ASSETS:			
Capital funding to housing organisations	2.8,18	351 178	283 579
Property and equipment	2.9,20	15 087	15 357
Total Non-Current Assets		366 265	298 936
Total Assets		384 617	319 918
LIABILITIES:			
CURRENT LIABILITIES:			
Trade creditors and accrued expenses	17	2 101	3 602
Total Current Liabilities		2 101	3 602
NON-CURRENT LIABILITIES:			
Trade creditors and accrued expenses	17	149	97
Loans	2.7,21	119 664	118 789
Capital indexed bond	2.16	197	157
Hot water service warranty provision	2.15,19	698	504
Total Non-Current Liabilities		120 708	119 547
Total Liabilities		122 809	123 149
NET ASSETS		261 808	196 769
EQUITY:			
Accumulated surplus	24	212 617	178 740
Asset revaluation reserve	2.9,13	110	-
Debenture indexation reserve	2.8,14	49 081	18 029
TOTAL EQUITY		261 808	196 769
Capital Commitments	25		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Payments to suppliers and employees		(4 701)	(5 393)
Borrowing costs		(8 422)	(8 484)
GST payments on purchases		(1 224)	(1 797)
RECEIPTS:			
Receipts from housing organisations		6 183	5 668
Interest received		542	1 103
Receipts from other debtors		-	9
GST receipts from taxation authority		974	1 312
GOVERNMENT RECEIPTS:			
Cash flows from government		30 827	12 378
Net Cash provided by Operating Activities	23	24 179	4 796
CASH FLOWS FROM INVESTING ACTIVITIES:			
Funding to housing organisations		(33 418)	(22 928)
Proceeds from transfers and sales of property		15 523	3 580
Net Cash used in Investing Activities		(17 895)	(19 348)
NET INCREASE (DECREASE) IN CASH HELD		6 284	(14 552)
CASH AT 1 JULY		10 552	25 104
CASH AT 30 JUNE	15	16 836	10 552

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The South Australian Community Housing Authority (SACHA) co-ordinates and provides administrative support and funding to Community Housing Organisations to enable them to acquire housing. Funding for SACHA is derived from Commonwealth and State Government grants, rents, sale of properties and other payments from tenant members. The Authority has borrowed funds from the South Australian Government Financing Authority (SAFA) and HomeStart Finance to fund non-current assets.

2. Statement of Accounting Policies

2.1 Basis of Accounting

The Authority has fully employed the accrual basis of accounting in the preparation of the accounts and has consistently applied its accounting policies. The financial statements are a general purpose financial report drawn up in accordance with Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group Consensus Views, the Accounting Policy Statements issued by the Department of Treasury and Finance and the requirements of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*. The financial statements have been drawn up in accordance with the historical cost convention and do not take account of changes in the purchasing power of money. Unless otherwise stated the amounts presented in the Statement of Financial Position do not reflect the realisable value of liabilities or assets.

2.2 Revenue Recognition

Government grants

The Authority recognises grant funds as income when monies are received and controlled or when all conditions under which funding is provided have been fulfilled by the Authority.

Other Revenue

Other revenue is recognised by the Authority when there is a legal entitlement, the amount is reliably measured and it is collectable.

2.3 Rental Expense

The Authority under arrangements with the Department of Human Services meets the cost of building occupancy and vehicle use.

2.4 Capital Project Recoveries

Technical services are provided to assist Community Housing Organisations with capital projects. Salaries and related costs for this service are recouped as a fixed fee of \$1 000 per house, which is added to the loans provided to individual Community Housing Organisations.

2.5 Insurance

SACHA has implemented master insurance policies that cover the dwellings and commercial public liability of Community Housing Organisations. In addition, the minimum insurance standards have been amended to incorporate a Financial Insurance Package. SACHA assumed responsibility for the administration and recharging of insurance premiums to Community Housing Organisations during 2001-02.

The Authority responded to the significant increases in insurance premiums and deductibles this year, by providing a 50 percent subsidy to Community Housing Organisations approximating the additional costs of cover.

2.6 Accounting for Equity Shares

The *South Australian Co-operative and Community Housing Act 1991* provides for members of Housing Co-operatives to acquire equity in the properties they occupy by the Co-operative issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific Co-operative property. Holders of equity shares obtain a proportional reduction in the capital contributions they are required to pay as tenants. The Authority is obliged to repurchase the equity shares from holders who leave relevant Co-operatives at a value reflecting their proportion of the current value of the property at the time the equity shares are redeemed.

The value of debentures for properties with associated equity shares reflects the value of the property less the proportionate interest in the property associated with the equity share.

2.7 Accounting for Capital Indexed Debt

On 1 November 1995, SAFA Capital Indexed Debt was transferred to the Authority from HomeStart Finance in connection with the transfer of the mortgages over Housing Association properties to the Authority. The debt transferred to the Authority was valued at a market value which exceeded the indexed face value of the debt. The difference between the market value of the debt at the date of transfer and the indexed face value (the premium) is being written off to the Authority's Statement of Financial Performance using a straight line method over the life of the debt. At the same time, it has been necessary to revalue the face value of the liability to reflect the change in the Consumer Price Index. The adjustment to the face value of the debt has been reflected in a charge to the Statement of Financial Performance, which ensures the face value of the debt as shown on the Authority's Statement of Financial Position reflects the value at maturity and brings to account the indexation expense over the life of the debt. The loan balance for this debt reflected on the Statement of Financial Position is the sum of the indexed debt and the unamortised premium.

2.8 Debentures

Debentures issued by Community Housing Organisations with respect to tenantable housing and reflecting the value of funds provided to Community Housing Organisations to acquire and upgrade or to construct new buildings are revalued at balance date to reflect the current value of the property. Current values are determined using the Valuer-General's capital values for rating purposes.

Revaluation increments or decrements have been reflected in the Debenture Indexation Reserve.

2.9 Property

Property owned by the Authority has been revalued at balance date to reflect the Valuer-General's capital value for rating purposes. Revaluation increments for this class of assets have been accounted for by crediting the Asset Revaluation Reserve. Revaluation decrements have been charged against any credit balance in the Asset Revaluation Reserve with any decrement in excess of the credit balance of the Asset Revaluation Reserve being charged to the Statement of Financial Performance as Decrement on Revaluation.

2.10 Depreciation

Equipment is depreciated over its estimated useful life using the straight-line basis. For computer equipment the depreciation period is three years whilst general office equipment is depreciated over a ten year period.

2.11 Accounting for Goods and Services Tax (GST)

SACHA is part of a GST group. The nominated representative of the GST group (the Department of Human Services) is responsible to pay GST and is entitled to claim input tax credits. Administrative arrangements between members of the GST group provide for the reimbursement of the GST consequences earned by SACHA. The reimbursement receivable from the nominated representative of the GST group has been recognised as a receivable in the Statement of Financial Position.

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

2.12 Staffing and Related Costs

The staff of the Authority are employees of the Department of Human Services who have been assigned by the Department's Chief Executive to work at the Authority. The Authority meets the full cost of employment for the Department's employees assigned to work at the Authority including salary payments, accruing leave entitlements, superannuation contributions and related on costs.

The balance of the employees' entitlement to accrued leave as at the date the employees were transferred to the Department is recognised in the accounts of the Department. The accrued liability which has arisen from employment since that date is recognised by the Authority as a liability of the Authority to the Department.

2.13 Provision for Doubtful Debts

An assessment has been made of the extent to which outstanding debts are recoverable. Specific provision has been made for any doubtful debts identified.

2.14 Capitalisation of Office and Computer Equipment

Office and computer equipment acquired at a cost of \$1 000 and above was capitalised during 2001-02.

2.15 Hot Water Service Warranty Provision

SACHA introduced a new Hot Water Service Replacement Policy during 1997-98, resulting in the establishment of a provision to cover future expenditure. Properties acquired by Community Housing Organisations which have hot water services older than five years are issued with a reducing scale warranty certificate by SACHA to cover the unit from the date of key handover.

The reducing scale warranty applies to the replacement cost of a new hot water service should any of these units fail during the subsequent five year period of operation on a sliding scale from 100 to 20 percent of replacement cost.

2.15 Hot Water Service Warranty Provision (continued)

During 1999-2000 SACHA extended the Hot Water Service Warranty Scheme whereby Community Housing Organisations joining Comhouse Co-operative Ltd (a co-operative facilitating the management of major maintenance on behalf of other Community Housing Organisations) and subject to a five year no-draw down period can claim under this provision the cost of replacing hot water service units that have failed.

2.16 Capital Indexed Bond

SACHA has issued a Capital Indexed Bond as part of the settlement of a land purchase. This bond is redeemable on the fifth anniversary of the completion date of the project in March 2003.

The indexed bond makes provision for payment of an adjusted principal amount based on movements in the capital value of the completed project.

3. Government Revenues (Grants)	2002	2001
	\$'000	\$'000
CSHA - Commonwealth ⁽ⁱ⁾	7 760	8 539
CSHA - State matching ⁽ⁱ⁾	3 803	4 269
CSHA grants - SAHT transfers ⁽ⁱⁱ⁾	17 671	11 066
CHP grants ⁽ⁱⁱⁱ⁾	4 982	5 017
Other State grants	5 035	3 800
Total	39 251	32 691

(i) Refers to the Commonwealth/State Housing Agreement.

(ii) Refers to Commonwealth/State Housing Agreement grants specifically provided to the Authority for the purpose of acquiring South Australian Housing Trust (SAHT) properties at market value.

(iii) Refers to a tied program (entitled the Community Housing Program) under the Commonwealth/State Housing Agreement.

4. Interest and Sundry Income	2002	2001
	\$'000	\$'000
Interest	528	1 036
Managed short term leases	-	9
	528	1 045

5. Surplus on Sale of Properties		
Transfers to Community Housing Organisations(i):		
Transfer proceeds	12 671	-
Cost of transfers	(12 488)	-
	183	-
Sales to other parties:		
Sale proceeds	2 852	3 580
Cost of sales	(2 560)	(3 474)
	292	106
Total	475	106

(i) To meet statutory obligations, from 1 January 2002, SACHA raised tax invoices against Community Housing Organisations to record the GST liability on the transfer of certain properties developed by SACHA. See also Note 12

6. Business Plan Projects	2002	2001
	\$'000	\$'000
Rent, Finance and Tenancy system for the community housing sector (e-CHO)	50	105
Tenant Access Register system (CHER)	25	41
Information Technology Review ⁽ⁱ⁾	21	-
Survey of tenant satisfaction with Community Housing Organisations ⁽ⁱ⁾	19	18
Goods and services tax implementation costs ⁽ⁱ⁾	10	40
Others	10	25
SACHA strategic plan development ⁽ⁱ⁾	10	-
Management review of poorly performing CHOs	9	25
SACHA Website	6	-
Production of SACHA newsletter and other promotional materials	2	15
Annual Report	2	10
Property database modification	1	54
Funding model for large Community Housing Organisations	-	24
Funding review of Community Housing Council of SA (CHCSA)	-	20
CHO best practice awards	-	12
Upgrading financial system to SYBIZ Vision	-	3
	165	392

(i) Includes payments to consultants for these projects totalling \$56 000.

7. Other Expenses		
Auditors remuneration ⁽ⁱ⁾	55	40
Board fees	63	57
Board expense	3	6
Depreciation	38	37
Legal fees	23	27
Brokerage and valuation fees	7	11
Department of Human Services - Service fees	131	140
Insurance	7	18
Aborted project costs	19	30

7. Other Expenses (continued)	2002	2001
	\$'000	\$'000
Fringe benefits tax	19	22
Computing costs	5	7
Sundry expenses	19	13
Product development	3	7
Training	39	52
Inspection and holding costs	5	-
Upgrade expenses	-	40
	436	507

- (i) Auditors remuneration relates directly to audit services performed. No related practice service payments were made to the auditors.

8. Community Housing Organisation Costs		
Emergency Services Levy payments ⁽ⁱ⁾	155	115
Smoke detector rebates	-	1
Provision adjustments Hot Water Service Warranty (see Note 2.15)	264	264
Insurance payments (see Note 2.5)	288	45
	707	425

- (i) SACHA agreed to meet the costs of the Emergency Services Levy on behalf of community housing organisations for the 2001-02 financial year. The Authority has approved an increase in the operating levies of Community Housing Organisations effective 1 July 2002 to address the expected future costs of this levy.

9. Grants to Community Housing Organisations	2002	2001
	\$'000	\$'000
Community Housing Council of South Australia (CHCSA) ⁽ⁱ⁾	247	279
Large Community Housing Organisations: ⁽ⁱⁱ⁾		
Northern Suburbs Housing Co-operative	67	65
The Womens Housing Association	146	140
Multi Agency Community Housing Association	35	58
Red Shield Housing Association	25	14
Housing Spectrum Housing Association	45	34
Portway Housing Association	45	41
DASH Housing Association	45	35
Lutherans Housing Association	20	13
National Community Housing Forum	-	5
Community housing sector training through external service providers	142	95
Country Community Housing Organisations travel reimbursements	1	5
	818	784

- (i) The Authority is responsible for allocating funding to the Community Housing Council of South Australia Inc (CHCSA).
(ii) During the year the Authority held negotiations with the Large Community Housing Organisations to determine the level of future funding on the basis of services provided. Funding is provided to assist these organisations with the administrative costs associated with increases in housing stock managed and tenant complexity and is conditional on performance measures outlined in their funding agreements. This is an extension to the original three year agreement.

10. Asset Management Grant - Comhouse	2002	2001
	\$'000	\$'000
Comhouse Co-operative Ltd ⁽ⁱ⁾	41	298

- (i) The Authority committed \$41 000 in funding during 2001-02 to Comhouse Co-operative Ltd to assist with major maintenance management for the community housing sector. These funds were specifically targeted towards properties held by housing associations and are secured by a fixed and floating charge and funding agreement with Comhouse.

11. Borrowing Costs	2002	2001
	\$'000	\$'000
Gross borrowing costs on debt ⁽ⁱ⁾	8 219	8 283
Loan indexation expense ⁽ⁱⁱ⁾ (see Note 2.7)	984	2 064
Capital Indexed Bond expense ⁽ⁱⁱⁱ⁾ (see Note 2.16)	40	12
Amount included as net borrowing costs	9 243	10 359

- (i) Refer to Note 21 for details of loans.
(ii) These loans are indexed in line with movements in the Consumer Price Index (CPI).
(iii) This bond is indexed in line with movements in the capital value of the completed joint venture project with the Adelaide Central Mission.

12. GST Provision Write Back	2002	2001
	\$'000	\$'000
Estimated Accrued GST Liability to the Australian Taxation Office as at 30 June 2001 ⁽ⁱ⁾	-	1 936
First settlement with the Australian Taxation Office for the period from 1 July 2000 - 30 June 2001	75	-
Second settlement with the Australian Taxation Office for the period from 1 July 2001 - 31 December 2001 ⁽ⁱⁱ⁾	237	-
Reversal of Accrued GST Liability as at 30 June 2001	(1 936)	-
	(1 624)	1 936

(i) As at 30 June 2001, SACHA estimated its liability payable to the Australian Taxation Office in respect of properties developed by SACHA and debentured to Community Housing Organisations. Following final assessment by the Australian Taxation Office, this amount was reduced to reflect the assessed outstanding GST liability for the period.

(ii) See also Note 5.

13. Asset Revaluation Reserve	2002	2001
	\$'000	\$'000
Opening Asset Revaluation Reserve	-	-
Movements during the year:		
Increments (Decrements) arising from the transfer of properties (held at Valuer-General's capital values) between SACHA and Community Housing Organisations	63	139
Increments (Decrements) arising from revaluation of properties based upon the Valuer-General's capital values as at 30 June 2002	70	-
Recovery of previous years Increment (Decrement) expensed	-	(52)
Net Increase (Decrease) in Asset Revaluation Reserve arising from revaluation	133	87
Transfer from (to) accumulated surplus on sale of properties	(23)	(87)
Closing Asset Revaluation Reserve	110	-

14. Debenture Indexation Reserve		
The Debenture Indexation Reserve is used to record increments and decrements on the revaluation of debentures. This accords with SACHA's policy on the revaluation of debentures discussed in Note 2.8.		
Opening Debenture Indexation Reserve	18 029	7 591
Movements during the year:		
Increments (Decrements) arising from debentures substituted at Valuer-General's capital values for the historical cost of acquiring or developing properties	(3 634)	(5 932)
Increments (Decrements) arising from revaluation of debentures based upon the Valuer-General's capital values as at 30 June 2002	34 861	16 428
Net Increase (Decrease) in Debenture Indexation Reserve arising from revaluation	31 227	10 496
Transfer from (to) Accumulated Surplus on sale of properties	(175)	(58)
Closing Debenture Indexation Reserve	49 081	18 029

15. Reconciliation of Cash
During the reporting year cash transactions for the Authority were transacted through the Authority's Co-operative Housing Development Fund account. A lump sum of \$6 million is on deposit at call with SAFA in a Cash Management Fund, to maximise interest received on committed but incomplete capital projects.

For the purpose of the Statement of Cash Flows, cash is represented by cash at bank, being monies held in the Authority's bank accounts and cash on hand and is represented in the Statement of Financial Position as follows:

	2002	2001
	\$'000	\$'000
Cash held in Co-operative Housing Development Fund	10 835	551
Cash held in SAFA Cash Management Fund	6 000	10 000
Cash on hand	1	1
	16 836	10 552

16. Receivables and Prepayments		
Trade Debtors	266	90
Accrued Income ⁽ⁱ⁾	660	661
GST Recoverable on trade creditors	101	540
GST Recoverable on property transfers to Community Housing Organisations (see Note 5)	604	-
	1 631	1 291
Less: Provision for doubtful debts	115	115
	1 516	1 176
Accrued grant funding from DHS	-	9 247
Prepayments	-	7
	1 516	10 430

(i) Accrued income includes capital contributions from Community Housing Organisations relating to June and payable in July, arrears in capital contributions and accrued bank interest.

17. Trade Creditors and Accrued Expenses	2002	2001
Current:	\$'000	\$'000
Trade creditors	967	792
Amount payable to the Department of Human Services relating to staff leave provisions and on costs ⁽ⁱ⁾	47	30
Accrued interest payable to SA Government Financing Authority	749	740
GST payable ⁽ⁱⁱ⁾	227	1 936
Other expenses accrued	111	104
	2 101	3 602
Non-Current:		
Amount payable to the Department of Human Services relating to staff leave provisions and on-costs ⁽ⁱ⁾	149	97
Total	2 250	3 699

- (i) This amount represents accrued salaries and staff leave provisions for the period from 25 April 1998 when staff of the Authority were transferred to the Department of Human Services.
- (ii) This amount represents SACHA's liability to the Australian Taxation Office in respect of properties developed by SACHA and debentured to Community Housing Organisations during the financial year.

18. Capital Funding to Housing Organisations	2002	2001
	\$'000	\$'000
Debentures with community housing organisations (at Valuer-General's capital values) ⁽ⁱ⁾	347 617	269 465
Less: Equity shares (see Note 2.6)	772	591
Net debentures	346 845	268 874
Loans to community housing organisations (at cost) ⁽ⁱⁱⁱ⁾	4 274	14 646
Housing Association mortgages ⁽ⁱⁱⁱ⁾	59	59
	351 178	283 579

Assets of the Authority are not held to generate income but to provide housing for Community Housing Organisation members and as such their value does not reflect the yield to the Authority from those assets.

- (i) *Debentures*
On completion and tenanting of their properties, individual Community Housing Organisations are required to issue a debenture to the Authority reflecting where available the Valuer-General's capital value for rating purposes.

The Authority recognises that the debentures issued by Community Housing Organisations in conjunction with the Authority's funding of community housing are not held by the Authority to generate income, but rather, to facilitate the provision of housing by the community housing sector. Consequently the value of the Authority's assets do not reflect the market yield on those securities.

The Authority recognises that non-current assets are required to be carried at no greater than their recoverable amount. Further, the Authority is aware that debentures are unlikely to be repaid except in cases of default by individual Community Housing Organisations or upon the sale of a property. Nevertheless the Authority has adopted the view for accounting purposes that should a case of default arise it would be entitled to sell and recover its investments from the net proceeds of sale of individual community housing properties. The Authority is of the view that the Valuer-General's property values provide a reasonable expectation of recoverable amounts to discharge Community Housing Organisations' debentures.

- (a) *New Debentures*
When the acquisition and/or construction of new properties is complete the Authority transfers to the Debenture Indexation Reserve net increments/decrements arising from differences between historical loan amounts and the value of the debentures issued in substitution for those loans. The value of new debentures is determined using the Valuer-General's rateable capital value, and in a small number of cases where this is not available, independent market valuation or total project cost is used.

- (b) *Discharge of Debentures*
When properties are sold the debentures are cancelled and the balance of the Debenture Indexation Reserve for the property concerned is appropriated to the Accumulated Surplus. The difference between the sale value (less selling costs) and the debenture value is recognised as profit or loss on sale of properties.

- (ii) *Loans to Community Housing Organisations*
The Authority advances monies to finance the purchase and upgrade of dwellings or construction of new dwellings by Community Housing Organisations. These amounts are carried at historical costs until properties are complete and let. The Authority and Community Housing Organisations enter funding agreements which document respective responsibilities and the Authority places a charge on the title of Community Housing Organisations' properties to secure the Authority's interest in the property.

- (iii) *Housing Association Mortgages*
The Authority currently holds a mortgage over one Housing Association property which was funded through the Housing Association program.

19. Hot Water Service Warranty Provision	2002	2001
	\$'000	\$'000
Opening hot water service warranty provision	504	290
Movements during the year:		
Increments (Decrements) arising from transfers to the provision (see Note 2.15)	264	264
Increments (Decrements) arising from actual claims against the provision	(70)	(50)
	698	504

20. Property and Equipment	2002	2001
(a) SACHA Owned Property	\$'000	\$'000
Owned Property ⁽ⁱ⁾	735	956
Property leased to Community Housing Organisations ⁽ⁱⁱ⁾	1 879	-
Property leased back to South Australian Housing Trust ⁽ⁱⁱⁱ⁾	2 181	139
Community Housing work-in-progress projects (at cost) ^(iv)	10 206	14 172
	15 001	15 267
(b) Office and Computer Equipment		
Office and computer equipment (at cost)	202	168
Accumulated depreciation	(116)	(78)
	86	90
Total Property and Equipment	15 087	15 357

- (i) Houses formerly belonging to Community Housing Organisations (at Valuer-General's capital values) but surplus to their requirements, awaiting to be disposed or redeveloped.
- (ii) The Authority has acquired a number of multi unit properties from the South Australian Housing Trust that are as yet not subdivided and therefore not debentured. These have been leased to Community Housing Organisations.
- (iii) The Authority holds a number of properties which were acquired from the South Australian Housing Trust for the purpose of community housing but are still tenanted by public housing tenants in the short term. These properties will be transferred to Community Housing Organisations once these tenants have vacated.
- (iv) This balance recognises the value of work in progress with respect to projects where title is held by SACHA until completion. On completion properties are allocated to Community Housing Organisations.

Property and Equipment Movement Reconciliation

		2002				Total
		Owned Property \$'000	Property Leased to CHOs \$'000	Property Leased Back to SAHT \$'000	Community Housing Work in Progress \$'000	\$'000
(a) SACHA Owned Property						
Carrying amount at start of year		956	-	139	14 172	15 267
Additions		561	1 787	2 042	6 632	11 022
Disposals		(760)	-	-	(10 598)	(11 358)
Depreciation expense		-	-	-	-	-
Property revaluation		(22)	92	-	-	70
Carrying amount at end of year		735	1 879	2 181	10 206	15 001
(b) Office and Computer Equipment						
Carrying amount at start of year				40	50	90
Additions				23	11	34
Disposals				-	-	-
Depreciation expense				(6)	(32)	(38)
Property revaluation				-	-	-
Carrying amount at end of year				57	29	86

21. Loans		30 June 2002			30 June 2001	
(a) Loans from the South Australian Government Financing Authority (SAFA)	Interest Rates Percent	Book Value \$'000	Fair Value ⁽ⁱ⁾ \$'000	Book Value \$'000	Fair Value ⁽ⁱ⁾ \$'000	
Short Term Interest Only Debt						
15 January 2003	5.615	15 100	15 303	15 100	15 328	
Medium to Long Term Interest Only Debt						
15 September 2006	7.545	10 000	10 579	10 000	10 661	
15 October 2007	6.205	7 000	7 102	7 000	7 071	
28 October 2007	6.535	10 000	10 334	10 000	10 281	
15 September 2009	7.025	14 217	14 844	14 217	14 900	
15 March 2010	7.295	10 000	10 616	10 000	10 669	
20 December 2010	6.080	10 000	9 824	10 000	9 801	
Average Weighted Cost	6.59	76 317	78 602	76 317	78 711	
Capital Indexed Debt						
20 August 2002	6.00	37 347	37 850	36 574	37 855	
Total	6.39	113 664	116 452	112 891	116 566	
Plus Treasury Guarantee Fee	0.75					
Total Weighted Cost	7.14					
(b) Loans from HomeStart Finance						
30 November 2005	5.026	6 000	6 000	5 898	5 898	
Total	5.026	6 000	6 000	5 898	5 898	
GRAND TOTAL	7.04⁽ⁱⁱ⁾	119 664	122 452	118 789	112 464	

- (i) The fair value of loans to the Authority from SAFA reflect the present value of cash flows associated with the Authority's loans discounted at market yield for loans of the equivalent maturity. Loans to the Authority from HomeStart Finance are at floating rates which are equivalent to market rates. Consequently the fair value of the HomeStart loans is considered to be the face value.

- (ii) Weighted Average Effective Interest Rate.

22. Additional Financial Instruments Disclosure**(a) Interest Rate Risk**

The Authority has certainty with respect to the interest expense arising from the fixed rate loans from SAFA that comprise the major part of the Authority's debt. Funding arrangements relevant to interest rate risk are set out in Note 11. The Authority's exposure to interest rate risk and the weighted average interest rates for classes of financial assets and liabilities is as follows.

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2002 Fixed Interest Maturing in			Non- Interest Bearing \$'000	2002 Total \$'000
			Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:							
Cash	4.12	16 836	-	-	-	16 836	
Receivables	-	-	-	-	1 516	1 516	
Funding to housing organisations	1.83	351 178	-	-	-	351 178	
		368 014	-	-	1 516	369 530	
Financial Liabilities:							
Loans from SAFA	7.14	-	52 447	10 000	51 217	113 664	
Loans from HomeStart Finance	5.03	6 000	-	-	-	6 000	
Capital Indexed Bond	-	-	-	-	-	197	
Trade creditors	-	-	-	-	2 250	2 250	
		6 000	52 447	10 000	51 217	2 447	
						122 111	

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2001 Fixed Interest Maturing in			Non- Interest Bearing \$'000	2001 Total \$'000
			Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:							
Cash	5.02	10 552	-	-	-	10 552	
Receivables	-	-	-	-	10 430	10 430	
Funding to housing organisations	2.13	283 579	-	-	-	283 579	
		294 131	-	-	-	304 561	
Financial Liabilities:							
Loans from SAFA	7.15	-	-	51 674	61 217	112 891	
Loans from HomeStart Finance	6.47	5 898	-	-	-	5 898	
Capital Indexed Bond	-	-	-	-	-	157	
Trade creditors	-	-	-	-	-	3 699	
		5 898	-	51 674	61 217	3 856	
						122 645	

(b) Credit Risk

The Authority is exposed to credit risk associated with amounts due to it from Community Housing Organisations as agreed. The credit risk on financial assets is recognised in the Statement of Financial Position as the carrying amount, net of any provisions for doubtful debts.

(c) Consumer Price Index Risk

The Authority is exposed to risks associated with increases in the Consumer Price Index that result in increases in the Capital Indexed Debt. (See Note 2.7 and Note 11).

(d) Net Fair Value of Financial Instruments

Analysis of the net fair value of financial instruments is set out below.

See also Note 21 in relation to loans. The fair value of other financial assets and liabilities, which are subject to normal trade terms, is considered to be face value.

	2002		2001	
	Carrying Value \$'000	Fair Value ⁽ⁱ⁾ \$'000	Carrying Value \$'000	Fair Value ⁽ⁱ⁾ \$'000
Financial Assets:				
Cash	16 836	16 836	10 552	10 552
Receivables	1 516	1 516	10 430	10 430
Funding to housing organisations	351 178	351 178	283 579	283 579
	369 530	369 530	304 561	304 561
Financial Liabilities:				
Loans from SAFA	113 664	116 452	112 891	116 566
Loans from HomeStart Finance	6 000	6 000	5 898	5 898
Capital Indexed Bond	197	197	157	157
Trade creditors	2 250	2 250	3 699	3 699
	122 111	124 899	122 645	126 320

(i) The fair value of loans from the South Australian Government Financing Authority has been determined by discounting back to the future cash flows on loan repayments to market interest rates.

23. Reconciliation of Net Cash provided by Operating Activities to Net Surplus from Ordinary Activities	2002	2001
	\$'000	\$'000
Net Cash Provided by Operating Activities	24 179	4 796
Adjustments:		
Government revenues	17 671	11 066
Premium on indexed loan	212	212
Depreciation	(38)	(37)
Recovery on revaluation	-	52
Provision adjustment Hot Water Service Warranty	(264)	(264)
Capital project recoveries	224	242
Surplus on sale of properties	475	106
Bond indexation	(40)	(12)
Loan indexation	(984)	(2 064)
Change in assets and liabilities:		
(Decrease) Increase in receivables - trade and other debtors	(8 914)	9 785
Decrease (Increase) in trade creditors and accruals	1 158	(1 549)
Net Surplus from Ordinary Activities	33 679	22 333

24. Accumulated Surplus		
Opening balance	178 740	156 262
Transfers from asset revaluation reserve	23	87
Transfers from debenture indexation reserve	175	58
Surplus for the year	33 679	22 333
Closing Balance	212 617	178 740

25. Capital Commitments		
Loans for Capital Expenditure Projects		
Obligations under approved new-build and spot purchase projects in progress.		
Payable not later than one year	13 039	15 072
Total Capital Commitments	13 039	15 072

26. Executive Remuneration
No officers of the Authority received remuneration of over \$100 000 in the current financial year.

27. Remuneration of Board Members and Related Party Transactions
The Board of the Authority comprises seven members. These members are:

Board Member

K F Kelly, Chairperson
P R Coidan
D R Lee
E M Melhuish
D J Sczesny
B Fischer
G C Folland
V Deegan

Retired June 2002 on completion of term of appointment
Retired February 2002 on completion of term of appointment
Appointed May 2002

The number of Board members whose remuneration from the Authority falls within the following bands were:	2002	2001
	Number of	Number of
	Members	Members
Nil	1	1
\$1 - \$9 999	6	9
\$10 000 - \$19 999	1	-
	8	10

Total remuneration received, due or receivable, by the Board members from the Authority	2002	2001
	\$'000	\$'000
	63	57

No member of the Authority had a pecuniary interest in any party which had any transaction with the Authority in the current year with the following exceptions:

- A Board Member was an employee of an organisation (Housing Spectrum Inc.) which received grant funding from the Authority.
- During 2001-02 a Board Member, who was the current occupant of a Community Housing Organisation residential property, purchased that property in accordance with the Community Housing Organisation Property Disposal Policy.

SOUTH AUSTRALIAN HOUSING TRUST

FUNCTIONAL RESPONSIBILITY

The Trust was established by the *South Australian Housing Trust Act 1936* to administer the Act. The Trust also administers the *Housing Improvement Act 1940*.

The *South Australian Housing Trust Act 1995* repealed the *South Australian Housing Act 1936* and amended the *Housing Improvement Act 1940*. It provides for the continuation of the Trust and for the Trust to continue to undertake, as the principal provider of public housing in the State, the following functions:

- The ownership of houses and units for tenant occupation.
- The construction and purchase of houses and other properties.
- The management of tenancy arrangements for Trust properties including the assessment of rents and provision of reduced rents, and the raising and receiving of rent and other monies from tenants.
- The management of costs associated with ownership of Trust properties including the maintenance of those properties.

In addition, the Trust administers a range of programs related to housing on behalf of the Government with respect to which the Trust receives direct capital and recurrent grant funding. The range of programs administered is detailed in Note 13 to the Trust's financial statements.

SIGNIFICANT FEATURES

- The Trust's Operating Deficit after Tax was \$18.7 million which compares with an Operating Deficit of \$14.8 million last year.
- Recurrent grant funding to the Trust was \$49.2 million (\$58 million) a reduction of \$8.8 million. Additional grant funding included Tax Equivalent Regime reimbursement of \$54.9 million (\$53.3 million), Capital Grants of \$1.7 million (\$1.5 million) and GST compensation of \$11.9 million (\$11.8 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

The *South Australian Housing Trust Act 1995*, subsection 27(2), requires the Trust to keep proper accounting records, and to produce financial statements, in respect of each financial year. Subsection 27(4) of the Act requires the Auditor-General to audit the accounts and financial statements.

Scope of Audit

The audit program covered all major financial systems and was directed primarily towards obtaining sufficient evidence to enable audit opinions to be formed with respect to the Trust's financial statements and internal controls.

During 2001-02 specific areas of audit attention included:

- rent raising and recovery
- house sales
- accounts receivable
- maintenance expenditure
- capital expenditure
- systems reconciliation.

Systems operations and activities undertaken by the Department of Human Services on behalf of the Trust, which included corporate related services, payroll and, for part of the year, accounts payable processing, were reviewed as part of the audit of the Department.

Reliance was placed on the work of internal audit in assessing the effectiveness of the Trust's internal controls. Specific areas in which reliance was placed on internal audit work included the review of Trust information systems development and implementation activities.

Audit Communications to Management

During the year letters communicating issues arising from the audit were forwarded to the Trust and satisfactory responses were received.

AUDIT FINDINGS AND COMMENTS

Financial Management Framework

The Trust is required by the Treasurer's Instructions to implement the Financial Management Framework. The review of controls in operation at the Trust indicate that the prescribed elements of the Financial Management Framework have received adequate attention by the Trust. The following provides an overview of key areas of the Trust's control environment relevant to the Financial Management Framework.

Risk Management

The Trust has established Risk Management programs which continued during the year. Arrangements for reporting upon and monitoring risk management outcomes were reviewed by the Trust and changes were being considered by Trust Executive and the Board at the time of preparation of this Report.

Audit Committee and Internal Audit

The Trust Board has an Audit Committee comprising members of the Board and an external adviser. Trust executives, Internal Audit staff and representatives of the Auditor-General attend Audit Committee meetings. The Audit Committee meets on a regular basis to review progress in addressing the Trust's Internal Audit Program, the outcomes of specific reviews completed, action taken with respect to previous findings and other relevant matters which emerge.

Management of the Trust's Internal Audit function is undertaken by Department of Human Services staff under a Service Level Agreement between the Trust and the Department. Specific Internal Audit assignments are performed either by Departmental staff or by external contractors from a panel of approved service providers.

The Trust supplements the work of Internal Audit with a program of self assessments which provides for the checking of processes undertaken by the Trust's regional staff. The self assessment programs cover the core business activities of Public Housing, Private Rental programs and Maintenance with the outcomes of reviews being reported upon to the Audit Committee.

Work has been undertaken in the year to 30 June 2002 to update self assessment arrangements including the systems facilities which support self assessment reviews in response to the outcomes of a review undertaken in 2000-2001.

The Internal Audit program for the year ended 30 June 2002 incorporated:

- information systems audits with an emphasis on modules of the HOMES system;
- review of the Trust's Capital Projects area including urban renewal projects;
- review of aspects of Maintenance operations.

Public Housing-Rent Rebates

The Rent Rebates provided by the Trust are a significant element in its program of providing housing assistance to those in housing need. The value of rebates for the year to 30 June 2002 was \$124.7 million (\$124.6 million) of which \$27.7 million is provided to the Trust as grant funds and the balance represents foregone revenue to the Trust.

Audit have focused on a number of areas of Trust processes which provide assurance that rent rebates provided to Trust tenants are determined in accordance with established policies and guidelines including obtaining proof of income from tenants, home visits to tenants by Trust staff and arrangements for provision of information regarding tenants income by Centrelink to the Trust.

Provision of Information by Commonwealth Agencies

A high proportion of Trust tenants and other benefit recipients receive benefits from a Commonwealth agency, Centrelink. As part of Trust processes for verifying these tenants' incomes, and hence their entitlement to rebated rent, the Trust obtains details of the tenants' income from Centrelink. Existing processes require provision of documented proof of income by Centrelink to the tenant who then provides that documentation to the Trust.

The Trust, Centrelink and other State Housing Authorities have identified the benefit of automating the exchange of information regarding tenants' income between the Commonwealth and the Housing Authorities. Audit understands that there has been ongoing discussion between officers of the State Housing Authorities and Centrelink and that in 2001 Centrelink had commenced development of a capability to provide required information to the State Housing Authorities. It is further understood that the Trust will develop its system capacity to use the data provided by the Commonwealth as part of a redevelopment of its Homes system. This is scheduled for implementation in early 2003.

Triennial Review

The *South Australian Housing Trust Act 1995* provides for an independent review of Trust operations to be undertaken every three years. During the year the most recent review was completed and a report was prepared by the Department of Human Services (the Department) and tabled in State Parliament in March 2002.

The report identified a range of strategic responses to the review considerations which fall into the following broad areas:

Asset Management	Implement specific action with respect to identified asset groups
	Develop improved asset management arrangements
Financial viability	Seek to influence the level of funding committed to public housing by State and Commonwealth Governments
	Increase revenue from rents
	Better manage administrative costs and reduce them in line with reducing housing stock
	Negotiate a principal repayment holiday on loans from the Treasurer
Community Development	Seek additional funding from Local and Commonwealth governments to upgrade infrastructure associated with Urban Renewal projects
Client Focus	Review waiting list arrangements to ensure they effectively meet the needs of identified target groups
	Review the extent and effectiveness of utilisation of services provided by the Department to support achieving successful tenancies
	Evaluate whether tenancy arrangements incorporate disincentives to tenants improving their educational, training or employment outcomes

The Report's recommendations include some matters which are directly controllable by the Trust and others which require interaction with external parties and require cooperation and agreement to proceed. Audit have identified action taken by the Trust which directly relate to report recommendations. These include:

- areas of cooperation with the Department on initiatives which support successful tenancies through provision of skill development in tenant's financial management capabilities;

SA Housing Trust

- the Trust's implementation of enhanced asset management structures;
- development of asset condition information systems and planning for the collection of information;
- adjusting rent setting arrangements for some categories of tenants to increase rents raised.

The Financial Viability of the Trust

The focus by the Review upon assessing the financial viability of the Trust follows a similar emphasis by previous Reviews. A number of factors impact on the Trust's financial viability:

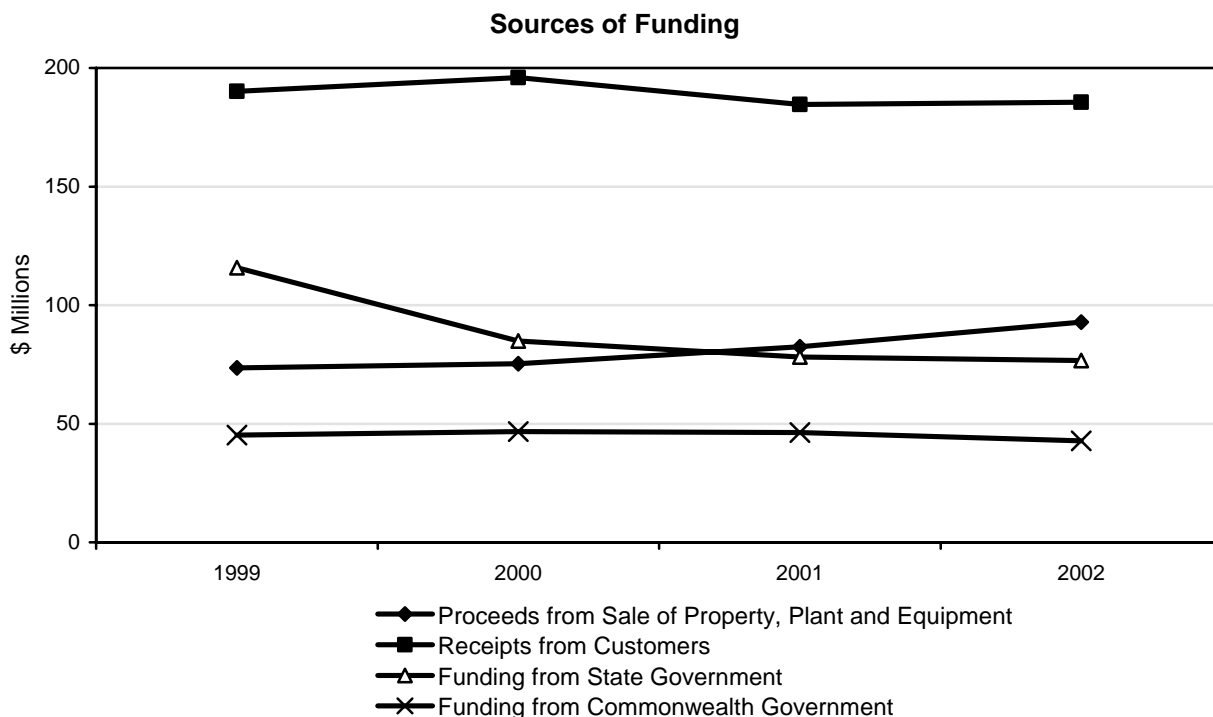
Constraints on Revenue Raising

- The Trust operates within Government policy and the terms of the Commonwealth State Housing Agreement when setting rents which means it has limited opportunity to increase its rental income.
- In accordance with State and Commonwealth Government policy the Trust has implemented changes to arrangements for allocating properties to tenants to a needs based approach which means its rental income is less and costs of administering are increased.
- As a matter of policy the Commonwealth has reduced the level of funding committed to State public housing agencies in favour of providing direct support to tenants in the private rental market, with an impact on the level of funding to the Trust.

Cost Pressures

- As a public land lord the Trust is required to maintain its properties to an appropriate standard with consequent maintenance costs.
- The Trust has a significant number of older properties which will require either significant maintenance, upgrading or replacement all of which involve significant costs.
- There are areas in which the Trust owns a high proportion of properties which do not meet contemporary needs and in which it may be expected the Trust will take a lead role in urban renewal initiatives.

The following chart illustrates the extent to which the financial viability of the Trust depends on a significant program of asset sales to generate funds for its ongoing operations.



The observed trend for an increasing proportion of the Trust's income to be derived from asset sales is associated with the ongoing reduction in Trust Housing Stock. The generation of funds from asset sales is appropriate where the asset sales program and the use of funds generated are consistent with the Trust's strategic directions. The Westwood urban renewal project illustrates this:

- The project meets Community development strategic objectives through redevelopment of an ageing neighbourhood.
- Reducing the concentration of Trust home ownership is consistent with the Trust's Asset management strategies.
- Old houses with high maintenance requirements and inappropriate amenity levels will be replaced or upgraded, again in line with asset management strategic objectives.

Westwood also illustrates the impact of the reliance on funds from asset sales on the stock of Trust houses with 2450 Trust houses being committed to the project with a planned outcome of 1217 new and refurbished properties being retained by the Trust.

CONTROLS OPINION

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

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

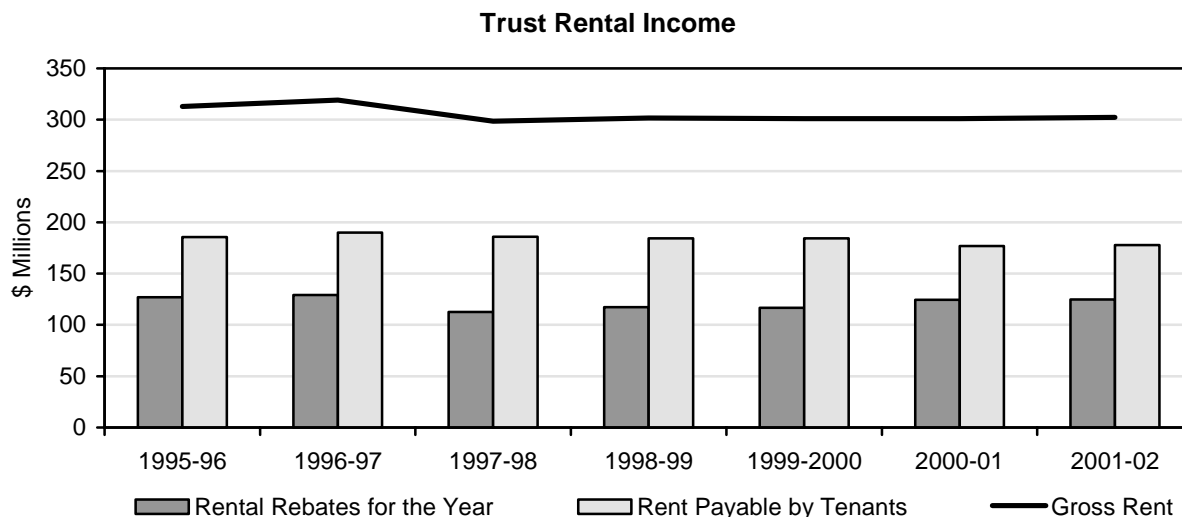
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Rental Operations

The Trust has continued to experience a high level of demand for its rental accommodation as it received 9478 (9647) new applications for tenancies and was able to house 4419 (4678) new tenants during the year. The level of applications received, and new tenants housed, compares to the level of housing stock which was 49 543 (51 251) at 30 June 2002.

The trend identified in previous years, for a higher proportion of Trust tenants to be eligible for reduced rent due to low income continued and, at 30 June 2002, 40 004 (39 977) tenants or 84.9 percent (82.4 percent) of all tenants were eligible for rent rebates. The trend is illustrated in the following chart:



Salaries and Related Payments

The number of Department of Human Services' employees assigned to the Trust at 30 June 2002, expressed as full time equivalents was 624.3 which compares to 624.7 staff as at 30 June 2001.

Grant Funded Programs

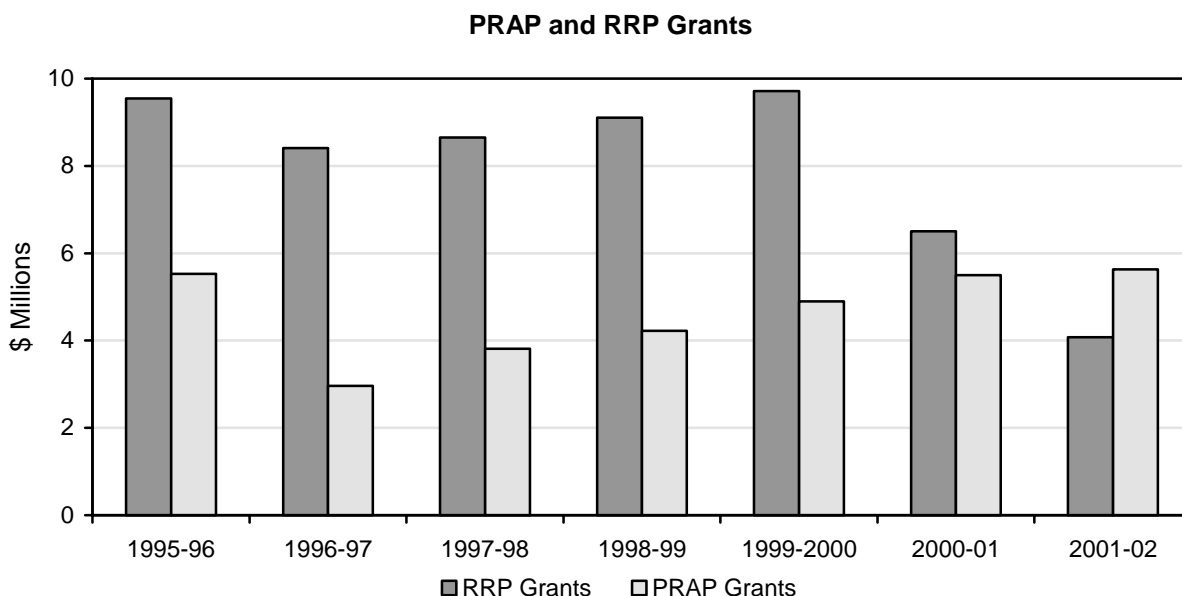
The Trust's recurrent expenditure with respect to grant-funded programs was \$23 million (\$26.4 million) reflecting direct expenditure on the programs of \$11.7 million (\$14 million) and administration costs of \$11.3 million (\$12.4 million).

The overall reduction in the Trust's expenditure on grant funded programs was due principally to the reduction in expenditure on rent relief following the closure of this program to new claimants, and reduced expenditure on the Private Rental Assistance programs.

The Private Rental Assistance programs include a bond guarantee scheme which provides for the Trust to guarantee payments to landlords in the event of a claim against a bond. The Trust's contingent liability with respect to Bond Guarantees increased by \$550 000 to \$10.4 million as at 30 June 2002.

Private Rental Assistance Programs

The two programs with respect to which the Trust incurs the largest expenditure are the Private Rental Assistance Program (PRAP) and the Rent Relief Program (RRP) which both provide support to tenants who are not placed in Trust accommodation. The following graph shows the changing level of grant funded spending.



The RRP provides assistance to tenants in private rental accommodation, who are experiencing financial difficulty, by payment to tenants, of amounts up to \$25 per week. The number of recipients of assistance for the year to 30 June 2002 was 3463 (5054), reflecting an ongoing reduction in the number of beneficiaries following changes to policy which limit entitlement to rent relief.

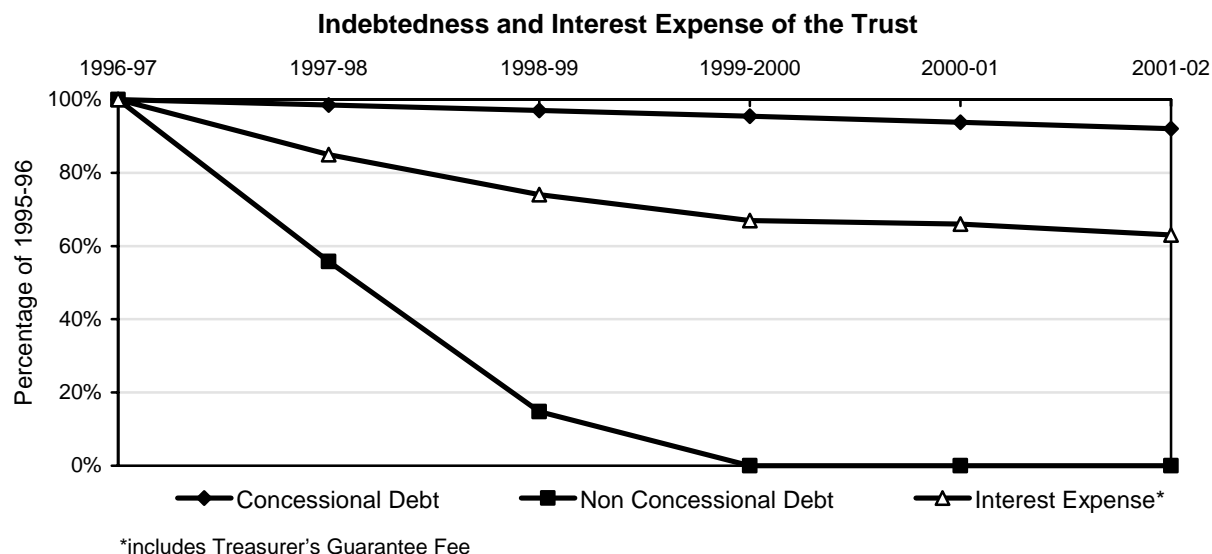
The PRAP assists people to establish themselves in privately owned rental accommodation by providing a counselling service to help locate suitable accommodation; financial assistance to tenants with respect to security bonds and rent in advance; and short term emergency accommodation in Trust houses.

Statement of Financial Position

Indebtedness

The Trust, in recent years, has sought to reduce its debt funding with an emphasis on repayment of debt which was not advanced at concessional rates. In 1999-2000 the Trust repaid the last of its non-concessional debt.

The following graph demonstrates the ongoing reduction in Trust indebtedness over the past five years, the significant level of concessional loans received by the Trust in the past, and the impact of reduced indebtedness upon the Trust's interest expense. The base year for calculation of the percentage trend is 1996-97.

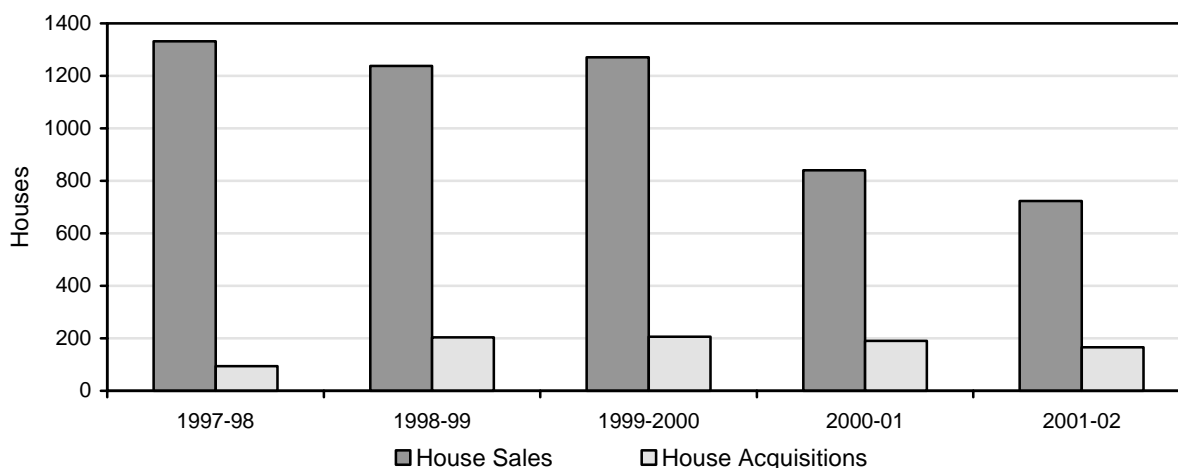


Asset Management

The Trust has responded to changes in demand for housing, the need to quit housing stock which is of inappropriate amenity or involves high levels of maintenance by establishing annual targets for house sales. The following graph depicts the level of house sales and the offsetting acquisitions of houses, over the past five years to demonstrate the net impact of house sales on the level of Trust housing stock.

In addition to house sales the Trust transfers houses to the Aboriginal Housing Authority and the South Australian Community Housing Authority. The ongoing program of house transfers is additional to the transfers of 1 790 properties to the Aboriginal Housing Authority in 2000 on its establishment.

As a consequence of adopting the house sales and house transfer programs the Trust's housing stocks have fallen from 62 322 dwellings at 30 June 1994 to 50 459 dwellings at 30 June 2002.



Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Rent		177 690	176 816
Interest	4	2 725	2 280
Recoveries	5	10 616	11 320
Sundry		1 810	3 453
Commonwealth Government	13	41 568	46 560
State Government	13	76 193	77 961
Superannuation provision adjustment	21	-	6 661
Net revenue from disposal of non-current assets	12	5 624	464
Total Revenue		316 226	325 515
EXPENSES FROM ORDINARY ACTIVITIES:			
Staffing costs	6,29	32 647	30 807
Borrowings costs	7	45 257	47 257
Maintenance		63 972	67 543
Council rates and water charges		44 973	44 327
Land tax equivalent	2(m)	54 478	52 707
Depreciation	8	39 971	38 592
Business services fees		13 207	15 662
Rent	9	4 902	4 453
Insurance		3 635	3 810
Bad and doubtful debts	10	4 203	6 979
Grants	13	11 686	14 005
Other	11	15 989	14 136
Total Expenses		334 920	340 278
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		(18 694)	(14 763)
Income tax equivalent	2(m)	-	-
SURPLUS (DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES AFTER INCOME TAX		(18 694)	(14 763)
Non-Owner Transaction Changes in Equity:			
Increase in asset revaluation reserve arising on revaluation of non-current assets	23	178 742	106 695
(Decrement) on revaluation of rental dwellings:			
Transferred to capital work programs	23	(9 780)	(13 475)
Subject to sale contracts	23	(2 181)	(5 072)
Total Revenue, Expense and Valuation Adjustments Recognised Directly in Equity		166 781	88 148
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		148 087	73 385

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash	27(a)	52 923	37 348
Receivables	15	17 012	18 440
Inventories	16	41 821	37 117
Other current assets	17	538	262
Total Current Assets		112 294	93 167
NON-CURRENT ASSETS:			
Receivables	15	1 207	1 489
Inventories	16	2 376	2 581
Property, plant and equipment	18	3 176 598	3 066 540
Total Non-Current Assets		3 180 181	3 070 610
Total Assets		3 292 475	3 163 777
CURRENT LIABILITIES:			
Payables	19	9 423	15 574
Interest-bearing liabilities	20	16 254	15 741
Employee entitlements and other provisions	21	3 754	3 621
Other current liabilities	22	9 883	7 531
Total Current Liabilities		39 314	42 467
NON-CURRENT LIABILITIES:			
Payables	19	1 878	1 513
Interest-bearing liabilities	20	814 662	831 060
Employee entitlements and other provisions	21	16 067	15 981
Other non-current liabilities	22	3 821	4 110
Total Non-Current Liabilities		836 428	852 664
Total Liabilities		875 742	895 131
NET ASSETS		2 416 733	2 268 646
EQUITY:			
Accumulated surplus	14	812 466	792 717
Asset revaluation reserve	23	1 604 267	1 475 929
TOTAL EQUITY		2 416 733	2 268 646
Commitments and Contingencies	25,26		

Statement of Cash Flows for the year ended 30 June 2002

	2002	2001
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
RECEIPTS:		
Receipts from customers	185 159	184 581
Interest received	2 712	2 254
State Government	76 638	78 171
Commonwealth Government	42 749	46 292
Total Receipts	307 258	311 298
PAYMENTS:		
Payments to suppliers and employees	(193 395)	(191 400)
Finance charges paid	(44 121)	(45 005)
Land tax equivalents paid	(54 478)	(52 707)
Total Payments	(291 994)	(289 112)
Net Cash provided by Operating Activities	15 264	22 186
	27(b)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
RECEIPTS:		
Proceeds from sale of property, plant and equipment	92 851	82 447
Net proceeds from investment mortgage loans	119	87
Total Receipts	92 970	82 534
PAYMENTS:		
Payments for property, plant and equipment	(76 774)	(76 489)
Net investment in mortgage loans	-	-
Total Payments	(76 774)	(76 489)
Net Cash provided by Investing Activities	16 196	6 045
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of borrowings	(15 885)	(15 092)
Net Cash used in Financing Activities	(15 885)	(15 092)
NET INCREASE IN CASH HELD	15 575	13 139
CASH AT 1 JULY	37 348	24 209
CASH AT 30 JUNE	52 923	37 348
	27(a)	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- Objectives and Funding**

The South Australian Housing Trust (the Trust) is the State's public housing authority. The Trust's role and powers are based on the *South Australian Housing Trust Act 1995* and *Housing Improvement Act 1940*. The Board of the Trust is responsible to the Minister for Housing for overseeing the operations of the Trust. This responsibility is formalised in a Ministerial Agreement which defines the objectives and responsibilities of both the Minister for Housing and the Trust. The Trust's objectives are to promote successful tenancies and sustainable communities in an integrated service environment. The Trust's principal revenue sources are receipts from customers, grants from the Commonwealth and State Governments, and the proceeds from the sale of assets.
- Summary of Significant Accounting Policies**

The significant policies that have been adopted in the preparation of these financial statements are:

 - Basis of Preparation of the Financial Statements**

The financial statements are a general purpose financial report which have been prepared pursuant to the *South Australian Housing Trust Act 1995* and the *Public Finance and Audit Act 1987* and in accordance with the requirements of the Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views, the Treasurer's Instructions and applicable Accounting Policy Statements. The Statements have been prepared on an accrual basis of accounting and are in accordance with the historic cost convention except for certain assets that have been revalued. The accounting policies have been consistently applied by the Trust and, except where stated are consistent with those applied in the previous year.
 - Revenue Recognition**

Rental Income

Rent payable in respect of each property is recognised as revenue and charged to tenants weekly in advance.

The Trust calculates a market rent for each property, structured on the basis of regional rental markets. This represents the potential rental income derivable from the rental stock. The Trust's policy is that no tenant will be required to pay more than 25 percent of their household assessable income in rent. The difference between the assessed rent for the property and the market rent is recognised as a rental rebate subsidy provided to tenants.

Disposal of Non-Current Assets

The proceeds of real property asset sales are included as revenue of the Trust when settlements are completed. Refer to Note 12 for further details.

Recoveries

Recoveries for costs on-charged by the Trust are included in revenue.

Grants

Grants received for all purposes have been included as revenue.

(c) Property, Plant and Equipment

Interest is capitalised to capital works in progress costs where specific project funding has been acquired. As at 30 June 2002 the Trust has no borrowings tied to such projects.

Capital work in progress included in property, plant and equipment reflects developments that will be utilised in the Trust's operations. The carrying amounts for capital work in progress have been projected to completion and compared with external market value on completion. Any estimated over capitalisation identified has been provided for as a loss on capital work in progress and expensed in the current year. The carrying amount for capital work in progress includes charges for administrative expenses and a revaluation increment or decrement where the property has previously been revalued.

The Trust has a policy that all land and buildings are to be revalued annually at 31 October. This policy complies with the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non Current Assets'. In accordance with this policy the carrying amount of Rental Properties, Administrative Properties and Vacant Land reflect the Valuer-General's values (for rating purposes) issued as at 1 July 2001.

The Trust, as part of its operations, transfers non-current assets from one class to another and in so doing also transfers the relevant assets revaluation component from one class to another within the Equity asset revaluation reserve accounts. If applicable the asset revaluation reserve so created is brought to account as revenue in the Statement of Financial Performance to the extent that the increment reverses a revaluation decrement previously recognised as an expense in net profit or loss in respect of that same class of non-current asset. Refer Note 11.

Plant and equipment are carried at cost.

(d) Inventories

At 31 October 2001 the carrying amount of real property inventories other than those subject to development as capital work in progress have been compared with an independent valuation and where the carrying amount exceeded the independent valuation, the carrying amount has been reduced to reflect the independent valuation.

The independent valuations for real property inventories reflect:

- for Vacant Land, the Valuer-General's value (for rating purposes) issued as at 1 July 2001.
- for Houses and Developed Land, the value as per current sale prices.

The capital work in progress included in Inventories reflects developments intended for sale and has been written down to the net present value of the projected cash flows to the Trust. The write down has been adjusted, first against the available Asset Revaluation Reserve, with the excess being expensed.

Inventories of Stores are carried at cost.

(e) Depreciation and Amortisation

Property, plant and equipment are depreciated or amortised from the date of acquisition or in respect of internally developed assets, from the time an asset is completed and held ready for use.

The Trust's property, plant and equipment, other than rental dwellings are depreciated over their estimated useful life using the straight-line basis.

Major depreciation periods are:	Years
Rental properties	50
Administrative properties	18-75
Plant and equipment	3-10

(f) Leased Plant and Equipment

Leases of plant and equipment under which the Trust assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Payments made under operating leases are expensed over the lease term.

As at 30 June 2002 the Trust has no finance leases.

(g) Joint Ventures

The Trust's share in the assets, liabilities and the net operating results of joint ventures are included under appropriate classifications in the Trust's Statement of Financial Position and Statement of Financial Performance and are detailed in Note 24.

(h) Employee Entitlements, as Staffing Costs

The Trust's staff are employees of the Department of Human Services who are assigned to the Trust. The accruing entitlement of departmental employees assigned to the Trust has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department.

In determining the outstanding payable to the Department, the Trust provides for long service leave in accordance with the short hand method of determination using the benchmark number of years (eight) recommended by the Department of Treasury and Finance. The amounts expected to be paid to employees for their pro rata entitlement to long service and annual leave are accrued at current pay rates.

Accruing employee entitlements to long service and annual leave were charged to the Operating Statement as they were incurred.

(i) Superannuation

The Trust's staff are employees of the Department of Human Services who are assigned to the Trust. The accruing entitlements of departmental employees assigned to the Trust has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department of Treasury and Finance.

Since 1 July 1995 the Trust has paid to the State Superannuation Fund the incremental cost of its superannuation obligations as they were incurred.

During the year the Trust has provided for employer superannuation contributions at the rate of 10 percent, on accruing employee entitlements to annual leave and on part of the provision for long service leave. Superannuation on-costs are included for part only of the long service leave provision in recognition that it is estimated that 45 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions.

Prior to 1 July 1995 the Trust made provision for its superannuation obligations in respect of contributors to the South Australian Superannuation Fund, in accordance with a formula recommended by the Public Actuary. The carried forward provision is indexed annually and subject to annual payment such that it will be extinguished by 31 December 2025.

The last actuarial review of the superannuation liabilities of the Trust was been completed by the consulting actuaries Brett & Watson Pty Ltd as at 30 June 2000. The provision for superannuation, recognised in the accounts as at 30 June 2002 is consistent with the review recommendations. Refer Note 21 for further details.

(j) Insurance

The Trust is party to an agency agreement with SAICORP (South Australian Government Captive Insurance Corporation) in which the Treasurer indemnifies the Trust against damage suffered to the Trust's property or claims made against the Trust. The Trust pays a contribution to SAICORP for this cover. The Trust assumes part of the risk through accepting deductibles in each category of cover.

The Statement of Financial Performance item 'Insurance' recognises the SAICORP contribution and the cost of losses met by the Trust as deductibles under the SAICORP cover.

The Trust is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. The Trust has insurance cover which limits the exposure for losses.

The Trust provides for losses or other charges that are not covered by the Treasurer's indemnity with respect to each category of potential loss or claim reflected below.

Insurance Provisions

The provision for Rental Properties represent payments due to contractors for incurred claims where the works have not been finalised at balance date or where properties have not been repaired and may be sold in a damaged condition.

The provision for Rental Purchase and Sale Under Agreement properties includes estimates for future claim payments for claims incurred but not reported at balance date.

The provision for Public Liability claims includes estimates for future claim payments for reported claims with an allowance for claims incurred but not reported at balance date.

The provision for Workers Compensation includes estimates for future claim payments for reported claims with an allowance made for estimated recoveries. The provision also includes an allowance for claims incurred but not reported at balance date. The provision relating to Department of Human Services employees assigned to the Trust has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department.

The provision for Professional Indemnity Claims includes estimates of future claims payable for claims incurred but not reported at balance date.

(k) Provisions**Doubtful Debts**

Specific provision has been made for particular doubtful debts. In addition, a general provision based on the profile of the Trust's debt and debt write off history has also been raised.

Payroll Tax on Employee Entitlements

The Trust has accrued the cost of payroll tax on accrued employee entitlements for annual leave, long service leave and the superannuation contributions thereon. This provision, relating to employee entitlements of departmental employees assigned to the Trust, has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department of Treasury and Finance.

Audit Fees

The Trust provides for the fees payable to the Auditor-General's Department for the current financial year's audit.

(l) Unearned Revenue

Lump sums received for leases assigned on Trust properties are progressively brought to account as income on a straight-line basis over the term of their respective agreements.

(m) Tax Status

The activities of the Trust are exempt from the Commonwealth's Income Tax but subject to other Commonwealth taxes such as Fringe Benefits Tax and Goods and Services Tax (GST). The activities of the Trust are also exempt from State Land Tax and Stamp Duty but other State taxes such as Payroll Tax are applicable.

(m) Tax Status (continued)

The Trust is part of a GST group. The nominated representative of the GST group, the Department of Human Services, is responsible to pay GST and is entitled to claim input tax credits. Administrative arrangements between members of the GST group provide for the reimbursement of the GST consequences incurred/earned by the Trust. The reimbursement receivable from/payable to the nominated representative of the GST group have been recognised as a receivable/payable in the Statement of Financial Position.

The Trust is subject to the Tax Equivalent Regime (TER) administered by the Department of Treasury and Finance. The application of the TER requires the Trust to pay to the Department of Treasury and Finance amounts which are equivalent to that which would have been payable to the Commonwealth if the Commonwealth's Income Tax and Sales Tax laws were applicable, and to the State if the State's Land Tax, Stamp Duty and Debits Taxes were applicable. Currently all amounts paid to the Department of Treasury and Finance by the Trust as tax equivalents are reimbursed to the Trust by way of grant funds.

For the purpose of determining Income Tax equivalent payments, which are applicable only to certain Property Activities of the Trust, the Income Tax liability is deemed to be equal to 30 percent of relevant Operating Profit.

(n) Rounding

Unless otherwise shown in the accounts, amounts are expressed in Australian currency and have been rounded to the nearest one thousand dollars.

(o) Administered Items, Controlled Entities, Subsidiaries and Trust Funds

The Trust does not administer any revenues, expenses, assets or liabilities controlled by the South Australian Government or another South Australian Government Agency, nor does it have an administrative role, ownership or control in any other entity, subsidiary or trust fund.

3. Statement of Outputs

The following is a summary of the Trust's outputs:

Community Support and Development

Support for community activities and networks that develop caring and cohesive communities, including liaison with Government, Local Government, and community organisations in the development and regeneration of urban environments and maintaining and improving private rental housing standards.

Environmental Health Management

Promotion of proper standards of environmental health and includes the management of hazardous substances.

Private Rental Assistance

The provision of rent relief payments, rent in advance/arrears payments, bond guarantees, and referral and advice.

Public Housing

Management of public housing assets and tenancies, including needs assessment, case management and individual support for households with complex needs, including disability, homelessness, children and families at risk, frail aged, youth and mental health and domestic violence issues.

Crisis Accommodation

Funding for the expansion and upgrading of properties which are used by community organisations to provide emergency accommodation for homeless people or those at risk of homelessness.

Net Allocated Expenses

The cost of goods and services indirectly contributing to the provision of the Trust's outputs, which have been allocated to the output through the 'other' expenditure category.

3. Statement of Outputs

	2002						2002 Total \$'000	2001 Total \$'000
	Community Support & Developmnt \$'000	Envrntal Health Mangmnt \$'000	Private Rental Assistance \$'000	Public Housing \$'000	Crisis Accomm \$'000	Reconciling Items \$'000		
REVENUES FROM								
ORDINARY ACTIVITIES:								
Gross rents	247	-	-	302 135	1	-	302 383	301 431
Less: Rental rebates	-	-	-	124 693	-	-	124 693	124 615
Rents payable by tenants	247	-	-	177 442	1	-	177 690	176 816
Interest	44	-	-	2 681	-	-	2 725	2 280
Recoveries	421	-	3 005	5 707	-	1 483	10 616	11 320
Sundry	90	-	431	784	-	505	1 810	3 453
Commonwealth Government	-	-	10 977	27 088	3 503	-	41 568	46 560
State Government	710	-	5 656	69 732	-	95	76 193	77 961
Superannuation provision adjustment	-	-	-	-	-	-	-	6 661
Net revenue (expense) from disposal of non-current assets	(1 607)	-	-	7 895	-	(664)	5 624	464
Total Revenues	(95)	-	20 069	291 329	3 504	1 419	316 226	325 515

3.	Statement of Outputs (continued)	2002					2002 Total \$'000	2001 Total \$'000	
		Communt Support & Develpmnt \$'000	Envrntal Health Mangmnt \$'000	Private Rental Assistance \$'000	Public Housing \$'000	Crisis Accomm \$'000			Reconciling Items \$'000
	EXPENSES FROM								
	ORDINARY ACTIVITIES:								
	Staffing costs	2 767	95	4 494	24 950	341	-	32 647	30 807
	Borrowing costs	-	-	-	44 110	-	1 147	45 257	47 257
	Maintenance	-	99	-	63 758	-	115	63 972	67 543
	Council rates and water charges	-	-	-	44 794	-	179	44 973	44 327
	Land tax equivalents	-	-	-	54 478	-	-	54 478	52 707
	Depreciation	-	-	-	35 876	-	4 095	39 971	38 592
	Business services fees	1 151	31	2 163	9 706	156	-	13 207	15 662
	Rent	-	-	-	1 395	-	3 507	4 902	4 453
	Insurance	-	-	-	3 635	-	-	3 635	3 810
	Bad and doubtful debts	-	-	1 653	2 550	-	-	4 203	6 979
	Grants	-	-	9 709	54	1 923	-	11 686	14 005
	Other	6 811	34	2 050	14 595	123	(7 624)	15 989	14 136
	Total Expenses	10 729	259	20 069	299 901	2 543	1 419	334 920	340 278
	Surplus (Deficit) from Ordinary Activities before Income Tax	(10 824)	(259)	-	(8 572)	961	-	(18 694)	(14 763)
	Income Tax Equivalent Surplus (Deficit) from Ordinary Activities after Tax	(10 824)	(259)	-	(8 572)	961	-	(18 694)	(14 763)
4.	Interest Income							2002	2001
	Interest received or due and receivable:							\$'000	\$'000
	Treasury deposit account							2 703	2 240
	Customers							22	40
								2 725	2 280
5.	Recoveries								
	Grant Program receipts							3 419	3 524
	Maintenance							3 675	3 081
	Water charges							1 912	2 374
	Administrative services to other agencies							1 610	2 341
								10 616	11 320
6.	Staffing Costs								
	Salaries and wages							27 940	26 299
	Long service leave							1 220	1 071
	Superannuation							3 034	3 157
	Other salary related expenses							2 613	2 830
								34 807	33 357
	Charged to capital program							(2 160)	(2 550)
								32 647	30 807
7.	Borrowing Costs								
	Interest on borrowings							37 823	38 596
	Treasurer's guarantee fee							6 287	6 401
	Interest accrued against provision for superannuation							1 136	2 252
	Bank fees							11	8
								45 257	47 257
8.	Depreciation								
	Rental houses and flats							35 876	34 939
	Administrative properties - Buildings							61	62
	- Leasehold improvements							235	135
	Plant and equipment							120	131
	Computer systems development							3 679	3 325
								39 971	38 592
9.	Rent								
	Lease rental expense - Administrative properties							3 507	3 445
	- Rental properties							1 395	1 008
								4 902	4 453
10.	Bad and Doubtful Debts								
	Bad debts written off							5 158	4 824
	Provision for doubtful debts							(955)	2 155
								4 203	6 979
11.	Specific Disclosures								
	Includes the following specific items:								
	Variances on Capital Work Program							129	27
	Increment on revaluation of vacant land property:								
	Due to transfer of assets from rental properties to vacant land class							(877)	(1 027)
	Due to annual revaluation							(52)	(315)
	Decrement (Increment) on real property inventories							12	(389)
	Consultant services							269	299
	Auditor-General's audit fees							247	242

12. Disposal of Non-Current Assets	Sale Proceeds		Cost of Sales		Surplus (Deficit)	
	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Rental properties*	60 111	58 575	54 165	56 433	5 946	2 142
Projects	28 113	22 565	30 304	24 704	(2 191)	(2 139)
Joint Ventures	-	194	7	78	(7)	116
Inventory vacant land	2 479	940	603	595	1 876	345
	90 703	82 274	85 079	81 810	5 624	464

* The cost of sales comprise the Valuer-General's property valuations, costs of separating services and titles in respect of double units sold, marketing and agent fees. In establishing the property value the Valuer-General includes the impact of capital improvements effected by tenants. Tenants purchasing properties are allowed discounts consistent with their personal investment in the property.

13. Grants	Revenue			Expenditure			
	CWth	State	Other	2002	Admin	Grants	2002
	Grants	Grants	Revenue	Total	Costs	Costs	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Crisis Accommodation	1 923	-	-	1 923	-	1 923	1 923
Housing Improvement and Rent Control	-	543	420	963	963	-	963
Private Rental Assistance Program	7 401	3 734	3 355	14 490	8 856	5 634	14 490
Rent Relief	3 577	1 921	80	5 578	1 504	4 074	5 578
Social Housing Subsidy	-	55	-	55	-	55	55
Total 2002	12 901	6 253	3 855	23 009	11 323	11 686	23 009
Total 2001	13 788	7 034	5 619	26 441	12 436	14 005	26 441

Grant Revenue Comprises:	2002			2001		
	CWth	State	Total	CWth	State	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Grant funded programs (as above)	12 901	6 253	19 154	13 788	7 034	20 822
Rebate subsidy grant	18 252	9 406	27 658	22 951	13 255	36 206
Tax Equivalent Reimbursement	-	54 888	54 888	-	53 280	53 280
GST compensation	8 835	3 105	11 940	8 821	2 977	11 798
Administration subsidy	-	763	763	-	959	959
General purpose	-	1 611	1 611	-	-	-
Capital programs	1 580	167	1 747	1 000	456	1 456
	41 568	76 193	117 761	46 560	77 961	124 521

14. Accumulated Surplus Reconciliation	2002	2001
	\$'000	\$'000
Balance at 1 July	792 717	765 925
Operating surplus (deficit) after income tax	(18 694)	(14 763)
Transfer to accumulated surplus:		
Increment realised on sale of freehold land and buildings	38 443	41 555
Balance at 30 June	812 466	792 717

15. Receivables	2002	2001
Current Assets:		
Debtors	17 430	18 160
Provision for doubtful debts	(1 518)	(2 421)
	15 912	15 739
Interest	261	248
Grants - Tax equivalent reimbursement	270	56
- Other programs	353	2 193
	884	2 497
Residential mortgage and sale under agreement loans	216	204
	17 012	18 440
Non-Current Assets:		
Mortgage and sale under agreement loans:		
Residential housing	1 267	1 601
Provision for doubtful debts	(60)	(112)
	1 207	1 489

16. Inventories	2002	2001
Current Assets:		
Stores	27	58
Finished houses	1 411	100
Developed land	16 820	6 259
Vacant land*	4 084	4 411
	22 342	10 828
Capital work in progress	19 479	26 289
	41 821	37 117
Non-Current Asset:		
Capital work in progress	2 376	2 581

* Vacant land does not include \$0.037 million (\$0.039 million) of land transferred to the South Australian Aboriginal Housing Authority under a management agreement with the Trust.

17. Other Current Assets	2002	2001
	\$'000	\$'000
Prepayments	538	262
	<hr/> <hr/>	
18. Property, Plant and Equipment		
Rental properties (dwellings):		
Freehold land:		
At independent valuation	1 325 633	1 301 295
Buildings:		
At independent valuation	1 816 532	1 743 676
Accumulated depreciation	(24 289)	(23 262)
	<hr/>	<hr/>
Total Rental Properties*	3 117 876	3 021 709
	<hr/> <hr/>	
* Includes \$16.216 million (\$15.335 million) for properties subject to lease and management agreements and \$10.854 million (\$10.385 million) for properties subject to purchase by tenants under the Trust's Progressive Purchase Scheme.		
Excludes \$0.180 million (\$0.164 million) of properties transferred to the South Australian Aboriginal Housing Authority that are subject to a management agreement with the Trust.		
18. Property, Plant and Equipment (continued)	2002	2001
	\$'000	\$'000
Administrative Properties:		
Freehold land:		
At independent valuation	735	731
Buildings:		
At independent valuation	2 026	2 176
Accumulated depreciation	(40)	(41)
	<hr/>	<hr/>
1 986	2 135	
Leasehold improvements:		
At cost	1 871	1 760
Accumulated amortisation	(858)	(623)
	<hr/>	<hr/>
1 013	1 137	
	<hr/>	<hr/>
Total Administrative Properties	3 734	4 003
	<hr/> <hr/>	
Vacant Land (Freehold)*:		
At independent valuation	10 259	6 303
	<hr/> <hr/>	
* Excludes \$182 000 (\$180 000) of properties transferred to the South Australian Aboriginal Housing Authority that are subject to a management agreement with the Trust.		
Plant and Equipment:		
Plant and equipment - At cost	12	12
Accumulated depreciation	(12)	(12)
	<hr/>	<hr/>
-	-	-
Office equipment - At cost	1 176	1 162
Accumulated depreciation	(642)	(587)
	<hr/>	<hr/>
534	575	
Computer equipment - At cost	212	417
Accumulated depreciation	(199)	(394)
	<hr/>	<hr/>
13	23	
Computer system development - At cost	20 029	18 046
Accumulated amortisation	(14 275)	(10 596)
	<hr/>	<hr/>
5 754	7 450	
	<hr/>	<hr/>
Total Plant and Equipment	6 301	8 048
	<hr/> <hr/>	
Capital Work in Progress	38 428	26 477
	<hr/>	<hr/>
Total Property, Plant and Equipment	3 176 598	3 066 540
	<hr/> <hr/>	
19. Payables		
Current Liabilities:		
Creditors	9 423	15 574
Non-Current Liabilities:		
Creditors	1 878	1 513
	<hr/> <hr/>	
20. Interest-Bearing Liabilities		
Current Liabilities:		
Borrowings - SA Department of Treasury and Finance	16 011	15 498
Managed Houses Scheme	243	243
	<hr/>	<hr/>
16 254	15 741	
	<hr/> <hr/>	
Non-Current Liabilities:		
Borrowings - SA Department of Treasury and Finance	809 987	826 142
Managed Houses Scheme	4 675	4 918
	<hr/>	<hr/>
814 662	831 060	
	<hr/> <hr/>	

20. Interest-Bearing Liabilities (continued)

South Australian Department of Treasury and Finance loans consist of Concessional Interest Rate borrowing of \$825.998 million (\$841.640 million) (originally under the Commonwealth/State Housing Agreement) which are repayable over a period of 53 years, with the final instalment scheduled for the year 2042. The loans are subject to principal repayments and interest at fixed interest rates ranging from 3 percent to 5.7 percent (3 percent to 8 percent). The weighted average interest rate is 4.47 percent (4.48 percent).

The Managed Houses Scheme of \$4.918 million (\$5.161 million) under the memorandum of understanding between the Trust and the Treasurer will be amortised against Managed Houses Scheme expenses over the remaining Agreements term.

The following table summarises the periods in which repayment of borrowings and amortisation of the Managed Houses Scheme liability will occur.

	2002	2001
	\$'000	\$'000
Borrowings - Current:		
Not later than one year	16 254	15 741
Borrowings - Non-Current:		
Later than one year but not later than five years	72 918	69 701
Later than five years	741 744	761 359
Total Non-Current Borrowings	814 662	831 060
Total Borrowings	830 916	846 801

21. Employee Entitlements and Other Provisions

Current Liabilities:

Workers compensation	-	21
Superannuation	1 000	1 017
	1 000	1 038

Other Provisions:

Insurance of rental and purchase agreement properties	709	733
Public risk claims	1 267	1 183
Professional indemnity	153	150
Deferred separation title costs for attached housing	438	280
Audit fees	187	237
	2 754	2 583
	3 754	3 621

Non-Current Liabilities:

Workers compensation	-	50
Superannuation	16 067	15 931
	16 067	15 981

Superannuation:

Refer Note 2(i) for further details.

22. Other Current and Non-Current Liabilities

Current Liabilities:

Unearned revenue	2 889	2 539
Deposits held:		
Tenant deposits held	1 949	1 951
Sale deposits held	5 045	3 041
	6 994	4 992
Total Other-Current	9 883	7 531

Non-Current Liability:

Unearned revenue	3 821	4 110
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23. Asset Revaluation Reserve

Balance at 1 July 2000	1 475 929	1 429 336
Increment on revaluation of freehold land and buildings	178 742	106 695
Decrement on revaluation of rental houses:		
Transferred to capital work programs	(9 780)	(13 475)
Subject to sale contracts	(2 181)	(5 072)
Transfer to accumulated surplus:		
Increment realised on sale of freehold land and buildings	(38 443)	(41 555)
Balance at 30 June 2002	1 640 267	1 475 929

24. Interests in Joint Ventures

The Trust has an interest in the following joint ventures:

(a) Land Management Corporation

The Trust, subject to a management agreement, has an interest of 50 percent in joint landholdings with the Land Management Corporation for the purpose of acquiring and holding land at Seaford for subsequent development and sale. The Trust's investment consists of \$2.376 million (\$2.581 million) of vacant land. For the year ending 30 June 2002 the management fee expensed to the operating result of the Trust was \$55 000 (loss \$20 000).

(b) Seaford

As anticipated at 30 June 2001 the Seaford Joint Venture was fully wound up by 30 September 2001.

For the year ending 30 June 2002 the contribution of the joint venture to the operating result of the Trust was a final loss of \$7 000 (surplus \$78 000).

Included in the Statement of Financial Position of the Trust are the following items, which represent the Trust's aggregate interest in the assets and liabilities, employed in the joint ventures:

	2002 \$'000	2001 \$'000
Current Assets:		
Cash	-	59
Receivables	2	4
	<u>2</u>	<u>63</u>
Non-Current Assets:		
Inventories	-	2 581
Total Assets	2	2 644
Current Liability:		
Payables	2	23
Total Liabilities	2	23

25. Commitments**Capital Expenditure**

Contracted but not provided for and payable:
 Not later than one year

17 566	11 193
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Recurrent Expenditure

Recurrent expenditure on operations, maintenance and grant funded programs
contracted but not provided for and payable:
 Not later than one year

5 789	6 534
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During the year the Trust incurred expenditure on a number of grant funded programs as detailed in Note 13. The Trust's financial commitment at 30 June 2002 is dependent upon the existing recipients continuing to meet the programs' eligibility criteria and the relevant legislation remaining in force. In all programs, grant funds from the State Government and/or Commonwealth Government are received which offset the full cost of the expenditure. For financial details of the programs relating to the year ended 30 June 2002 refer to Note 13.

Management Agreements

Amounts due under the agreements to manage houses subject to a lease arrangement with the SA Police Pension Fund, Funds SA and Motor Accident Commission contracted but not provided for and payable:

 Not later than one year
 Later than one year but not later than five years
 Later than five years

2002 \$'000	2001 \$'000
1 161	1 232
4 176	4 147
21 511	23 000
26 848	28 379

Operating Leases

The Trust leases several administrative properties with 10 year lease periods and also a group of rental properties for use by rental tenants over a 15 year lease period.

The following table summarises the periods in which payments of non-cancellable operating lease rentals with a term of more than one year, and not provided for within the financial statements, will occur:

	2002 \$'000	2001 \$'000
Not later than one year	3 538	3 398
Later than one year but not later than five years	11 531	13 292
Later than five years	8 459	7 527
	<u>23 528</u>	<u>24 217</u>

26. Contingent Liabilities**Progressive Purchase Scheme**

Under this scheme the Trust owns portions of properties as tenant in common with other persons. Where the Trust has signed agreements with lending institutions advancing persons mortgage monies the Trust can be called upon in cases of default to purchase the defaulter's interest at current market value. These agreements are of 12 months duration. Approximately 174 of the properties included in the scheme are subject to mortgages with a collective loan balance of \$7.1 million (\$7.41 million). The collective value of the properties subject to mortgage is estimated to be \$11.745 million (\$8.21 million), based on the Valuer-General's overall capital value.

Bond Guarantee Scheme

Under the bond guarantee scheme a guarantee for the bond is given to the landlord. In the event of a claim by a landlord, the Residential Tenancies Branch makes a payment. The Trust then reimburses the Residential Tenancies Branch and the private rental customer becomes liable to the Trust for the amount. The value of bond guarantees issued and outstanding at 30 June 2002 is \$10.441 million (\$9.891 million).

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

Rental Purchase and Sale Under Agreement House Purchase Schemes

The rental purchase and sale under agreement portfolio was transferred to HomeStart Finance on 10 December 1993 and due to conditions in some of the agreements, the Trust remains responsible to make good for loss or damage to the subject properties for specific events. The Trust remains the legal owner of these properties until they are transferred to the purchasers upon completion of their agreement. The properties included in the scheme that are subject to indemnity clauses have a collective estimated replacement value of \$14.850 million (\$13.23 million). These properties together with the Trust's and the South Australian Aboriginal Housing Authority (AHA) rental properties are subject to an agency agreement with South Australian Government Captive Insurance Corporation (SAICORP) and in the event of a claim will be indemnified by the Treasurer so as to limit the combined exposure of the Trust and the AHA to \$1 million.

Bonding Agreements with Local Government

The South Australian Housing Trust is required by the City of Port Adelaide Enfield to execute a Bonding Agreement in relation to the Trust's Windsor Gardens Redevelopment project. The Council requires the agreement to be supported by a guarantee from the Reserve Bank. As at 30 June 2002 the bond stands at \$692 000 (\$98 000).

Properties subject to lease agreement

The South Australian Housing Trust transferred properties to the AHA (SA Aboriginal Housing Authority) that are subject to a lease/management agreement. The agreement provides for the Trust to purchase the properties on vacancy of the current AHA tenant. The total value of properties subject to this agreement is \$175 000 (\$158 000).

27. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and cash held in joint venture and project bank accounts.

Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:	2002	2001
	\$'000	\$'000
Cash at Treasury*	51 744	34 204
Cash on hand	505	522
Cash - Joint venture and projects*	674	2 622
	52 923	37 348

* Interest rates applicable at 30 June 2002:

Cash at Treasury 4.17 percent (5.06 percent).

Cash - Joint ventures and projects, 2.8 percent - 3.8 percent (3.25 - 4.25 percent).

(b) Reconciliation of Net Cash provided by Operating Activities to Operating Surplus (Deficit) after Income Tax

Net Cash provided by Operating Activities	15 264	22 186
Adjustments:		
Depreciation and amortisation	(39 971)	(38 592)
Provision adjustments	942	(2 564)
Buildings written off	(4 756)	(5 470)
Notional Interest on Superannuation Provision	(1 136)	(2 252)
Construction variances, decrement on property investments	(129)	(27)
Deficit (Surplus) on revaluation	929	1 731
Net revenue (expense) from disposal of Non-Current Assets	5 624	464
Superannuation Provision Adjustment	-	6 661
	(38 497)	(40 049)
Change in Assets and Liabilities:		
Increase (Decrease) in receivables	(2 395)	10
Increase (Decrease) in other current assets	276	(153)
Decrease (Increase) in payables	5 787	(1 514)
Decrease (Increase) in operating provisions	(158)	207
Decrease (Increase) in other liabilities	(59)	2 537
Decrease (Increase) in employee entitlements	1 088	2 013
	4 539	3 100
Operating Deficit after Income Tax	(18 694)	(14 763)

28. Remuneration of Board Members and Employees**Board Members Remuneration**

The Trust Board comprises seven members appointed by the Governor. The fees paid to Board Members in their capacity as Board Members are set by the Executive Council. One member of the Board was an employee under the *Public Sector Management Act 1995* and did not receive Board Fees. This member resigned from the Board on April 2002 and was not replaced until June 2002.

The number of Board Members whose remuneration from the Trust falls within the following bands:	2002	2001
	Number of	Number of
	Members	Members
Nil payment	2	2
\$1 - \$10 000	-	3
\$10 001 - \$20 000	4	2
\$20 001 - \$30 000	2	2
	8	9
	2002	2001
	\$'000	\$'000
Total remuneration received, or due and receivable by the Board Members from the Trust	130	117

28. Remuneration of Board Members and Employees (continued)**Related Party Disclosures**

Mr Don Lee, declared his involvement with Finlaysons who are one of the legal firms selected by the Trust to act on behalf of the Trust in legal consultancy. Mr Lee resigned from Finlaysons in July 2001. The Trust was involved with this arrangement prior to the appointment of these members to the Board.

Apart from the preceding declarations, no Board Members have a pecuniary interest either direct or indirect, in any Firm, Trust or Company with which the South Australian Housing Trust had entered into transactions during the year.

Employees' Remuneration

The number of employees whose remuneration from the Trust falls within the following bands:

	2002 Number of Employees	2001 Number of Employees
\$110 000 - \$119 999	1	2
\$120 000 - \$129 999	4	4
\$180 000 - \$189 999	1	1
\$190 000 - \$199 999	-	1
	<u>6</u>	<u>7</u>
Total remuneration received, or due and receivable by employees whose remuneration exceeds \$100 000	\$'000 804	\$'000 899

The table discloses the number of staff, and the value of their remuneration where the remuneration exceeded \$100 000 for staff who were employed by the Department and subsequently assigned to the Trust.

The remuneration includes salaries and related payments, superannuation and motor vehicle benefits.

29. Targeted Voluntary Separation Packages (TVSPs)

During the year six staff members of the Trust, who were employees of the Department of Human Services and assigned to the Trust, accepted a package in line with the State Government's policy.

The TVSP component of the costs for the year amounted to \$423 000 (\$130 000). These costs were met from a central fund administered by the Office for the Commissioner for Public Employment. A total of \$423 000 (\$130 000) has been recovered.

In addition, accrued annual leave, leave loading and long service leave entitlements amounting to \$120 000 (\$13 000) were paid to employees who received a package. These payments were met from staffing costs with a corresponding adjustment effected to the respective provision accounts.

30. Additional Financial Instrument Disclosures**Interest Rate Risk**

The Trust has certainty with respect to the interest expense arising from the fixed rate concessional loans from the Treasurer which comprises the major part of its debt.

Note 20 contains details of the interest rates applicable to interest bearing liabilities and Note 27(a) contains details of the interest rates applicable to the cash held in the bank accounts.

Credit Risk

The Trust is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. Credit risk is ameliorated by the fact that amounts due from individual tenants are relatively small.

The Trust manages credit risk associated with its tenants by establishment of a Credit Policy which is communicated to Trust staff and tenants. The performance of individual tenants and of components of the total population of tenants are monitored and reported upon to Trust management and the Board.

Net Fair Value of Financial Instruments

Analysis of the net fair value of financial instruments is detailed below.

The entity has calculated net fair value for Concessional Housing Loans using estimated equivalent cost of borrowing at current yields for matching terms.

The fair value of the Trust's other financial assets and liabilities which are subject to normal trade credit terms, is considered to be face value.

Summary of Fair Values

	2002		2001	
	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000
Financial Liabilities:				
Concessional Housing Loans	825 998	654 808	841 640	653 242
Managed Houses Scheme	4 918	4 918	5 161	5 161
Payables	11 301	11 301	17 087	17 087
	<u>842 217</u>	<u>671 027</u>	<u>863 888</u>	<u>675 490</u>
Financial Assets:				
Cash	52 923	52 923	37 348	37 348
Receivables	18 219	18 219	19 929	19 929
	<u>71 142</u>	<u>71 142</u>	<u>57 277</u>	<u>57 277</u>

31. Property, Plant and Equipment Movement Schedule

	Rental Houses and Land \$'000	Administrative Properties - Buildings and Leasehold Improvements \$'000	Plant and Equipment \$'000	Vacant Land \$'000	2002 Total \$'000
Gross Carrying Amount					
Balance at 1 July	3 044 972	4 667	19 637	6 303	3 075 579
Additions	48 441	134	2 058	3 952	54 585
Disposals	(94 400)	-	(265)	(48)	(94 713)
Net revaluations increments (decrements)	145 413	(169)	-	52	145 296
Net revaluation decrement on contract for sale	(2 261)	-	-	-	(2 261)
Balance at 30 June	3 142 165	4 632	21 430	10 529	3 178 486
Accumulated Depreciation/Amortisation					
Balance at 1 July	(23 263)	(664)	(11 589)	-	(35 516)
Disposals	424	-	259	-	683
Net revaluation decrements	34 346	62	-	-	34 408
Net revaluation decrement on contract for sale	80	-	-	-	80
Depreciation/amortisation expensed	(35 876)	(296)	(3 799)	-	(39 971)
Balance at 30 June	(24 289)	(898)	(15 129)	-	(40 316)
Net Book Value					
Balance at 30 June 2001	3 021 709	4 003	8 048	6 303	3 040 063
Capital work in progress					26 477
Total Property, Plant and Equipment as at 30 June 2001					<u>3 066 540</u>
Balance at 30 June 2002	3 117 876	3 734	6 301	10 259	3 138 170
Capital work in progress					38 428
Total Property, Plant and Equipment as at 30 June 2002					<u><u>3 176 598</u></u>

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