



Government  
of South Australia

Report  
of the  
Auditor-General  
Annual Report  
for the  
year ended 30 June 2014

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Tabled in the House of Assembly and ordered to be published, 14 October 2014

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First Session, Fifty-Third Parliament

Part B: Agency audit reports  
Volume 2

By Authority: A. Martin, Government Printer, South Australia

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ISSN 0815-9157

## Part B

### Table of contents

---

#### Volume 1

##### References to matters of significance

Accounts of public authorities .....	1
Adelaide Convention Centre Corporation .....	3
Adelaide Entertainments Corporation.....	25
Adelaide Festival Centre Trust .....	50
Adelaide Festival Corporation .....	76
Adelaide Oval SMA Limited.....	95
Art Gallery Board .....	117
Attorney-General’s Department.....	152
Public Trustee.....	236
Auditor-General’s Department .....	263
Department for Communities and Social Inclusion.....	280
Department for Correctional Services .....	345
Courts Administration Authority .....	384

##### Acronyms used in this report

##### General index

#### Volume 2

##### References to matters of significance

Defence SA .....	427
Department for Education and Child Development.....	455
Electoral Commission of South Australia.....	530
Environment Protection Authority.....	555
Department of Environment, Water and Natural Resources .....	590
Flinders University of South Australia .....	654
Department of Further Education, Employment, Science and Technology .....	713
Department for Health and Ageing.....	756
Incorporated hospitals and health services.....	815
Central Adelaide Local Health Network Incorporated.....	832
Southern Adelaide Local Health Network Incorporated.....	835
Northern Adelaide Local Health Network Incorporated.....	837
Country Health SA Local Health Network Incorporated.....	839
Women’s and Children’s Health Network Incorporated.....	841
SA Ambulance Service Inc .....	843
Health sector staffing and patient activity data – unaudited .....	846

##### Acronyms used in this report

##### General index

# Part B

## Table of contents

---

### Volume 3

#### References to matters of significance

Health Services Charitable Gifts Board.....	849
HomeStart Finance .....	876
Independent Commissioner Against Corruption .....	927
Judges' Pensions Scheme .....	949
Legal Services Commission .....	961
The Legislature .....	988
Libraries Board of South Australia.....	1042
Local Government Finance Authority of South Australia.....	1071
Lotteries Commission of South Australia.....	1090
Department for Manufacturing, Innovation, Trade, Resources and Energy.....	1125
Motor Accident Commission.....	1173
Museum Board.....	1207

#### Acronyms used in this report

#### General index

### Volume 4

#### References to matters of significance

Office of the National Rail Safety Regulator .....	1237
Parliamentary Superannuation Scheme .....	1255
Department of Planning, Transport and Infrastructure.....	1270
Police Superannuation Scheme.....	1359
Department of the Premier and Cabinet .....	1376
Department of Primary Industries and Regions.....	1439
South Australia Police .....	1519
South Australian Country Fire Service.....	1570

#### Acronyms used in this report

#### General index

### Volume 5

#### References to matters of significance

South Australian Fire and Emergency Services Commission .....	1601
South Australian Forestry Corporation.....	1650

## Part B

### Table of contents

---

#### Volume 5

South Australian Government Financing Authority .....	1651
South Australian Housing Trust.....	1694
South Australian Metropolitan Fire Service .....	1744
South Australian Motor Sport Board .....	1775
South Australian State Emergency Service .....	1801
South Australian Superannuation Board.....	1828
South Australian Ambulance Service Superannuation Scheme.....	1840
South Australian Superannuation Scheme .....	1855
Southern State Superannuation Scheme.....	1878
Super SA Retirement Investment Fund.....	1896
South Australian Tourism Commission.....	1914
South Australian Water Corporation .....	1942

#### **Acronyms used in this report**

##### **General index**

#### Volume 6

#### **References to matters of significance**

Superannuation Funds Management Corporation of South Australia .....	1999
TAFE SA .....	2037
Department of Treasury and Finance.....	2072
University of Adelaide.....	2136
University of South Australia .....	2205
Urban Renewal Authority .....	2257
WorkCover Corporation of South Australia .....	2309

#### **Appendix – Treasurer’s Financial Statements (Statements A-L)**

#### **Acronyms used in this report**

##### **General index**



## Part B

### References to matters of significance

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

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

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

#### **Adelaide Convention Centre Corporation**

Redevelopment of the Adelaide Convention Centre.....	6
------------------------------------------------------	---

#### **Adelaide Entertainments Corporation**

Procurement processes for the contracting of major capital works .....	26
Qualified Opinion – Assessment of controls .....	26

#### **Adelaide Festival Centre Trust**

Information and communications technology and control .....	51
Qualified Opinion – Assessment of controls .....	51

#### **Adelaide Festival Corporation**

Cash handling .....	77
Qualified Opinion – Assessment of controls .....	77

#### **Adelaide Oval SMA Limited**

\$18 million funding deed.....	99
--------------------------------	----

#### **Art Gallery Board**

Governance .....	119
Heritage collections – Significant Pissarro artwork purchase and payments .....	121
Legal compliance – Non-compliance with the approved purpose of the bequests account.....	118
Qualified Opinion – Assessment of controls .....	118

#### **Attorney-General's Department**

Bank account access .....	156
Consumer and Business Services .....	157
Crown Solicitor's Office.....	159
Expenditure controls .....	155
Fines Enforcement and Recovery Unit.....	161
Information and communications technology and control .....	163
Payroll controls .....	155
Qualified Opinion – Assessment of controls .....	153
Residential Tenancies Fund .....	158
South Australian Government Radio Network assets.....	157
Treasurer's Instructions 2 and 28.....	153

<b>Central Adelaide Local Health Network Incorporated</b>	
Commonwealth Pharmaceutical Benefits Scheme subsidy revenue.....	822
Expenditure.....	818, 823
Fixed assets.....	822
Online banking.....	819
Patient revenue.....	819
Payroll.....	818, 823
Pharmacy inventory.....	820
Private practice.....	819
Qualified Opinion – Assessment of controls.....	832
Service level determination with Shared Services SA.....	817
Shared Services SA audit findings.....	830
<b>Communities and Social Inclusion, Department for</b>	
Brokerage expenditure.....	282
Client trust funds.....	283
Concessions.....	281
Information and communications technology and control.....	284
Qualified Opinion – Assessment of controls.....	281
<b>Correctional Services, Department for</b>	
Expenditure.....	347
Payroll.....	346
Qualified Opinion – Assessment of controls.....	346
<b>Country Health SA Local Health Network Incorporated</b>	
Cash and financial assets.....	828
Expenditure.....	829
Grant management.....	828
Qualified Opinion – Assessment of controls.....	840
Revenue.....	829
Shared Services SA audit findings.....	830
<b>Courts Administration Authority</b>	
Accounts payable.....	385
Collection of fines and penalties transferred to the Attorney-General’s Department Fines Enforcement and Recovery Unit.....	384
Payment of jury and witness fees.....	386
Payroll.....	385
Qualified Opinion – Assessment of controls.....	385
<b>Education and Child Development, Department for</b>	
Accounts payable.....	461
CHRIS payroll.....	457
Families SA expenditure.....	464
Information and communications technology and control.....	467
Proposal to modify State funding arrangements to non-government schools.....	456
Purchase cards.....	462
Qualified Opinion – Assessment of controls.....	456
School maintenance.....	463
Valeo payroll.....	458



<b>Environment Protection Authority</b>	
Information and communications technology and control .....	557
Licence Administration Modernisation Project .....	561
Licence compliance .....	556
Purchase cards.....	557
Qualified Opinion – Assessment of controls .....	556
Transfer of solid waste levies to the Waste to Resources Fund.....	561
<b>Environment, Water and Natural Resources, Department of</b>	
2013-14 Independent Auditor’s Report – Crown land.....	591
Cash .....	592
Coorong, Lower Lakes and Murray Mouth projects.....	597
Murray Futures .....	599
Murray-Darling Basin Authority .....	598
Payroll.....	592
Purchase cards.....	592
Qualified Opinion – Assessment of controls .....	592
Qualified Opinion – Financial report.....	591
Revenue – Follow-up of outstanding debtors .....	593
Save the River Murray Fund.....	598
Tenancies and billing system.....	593
<b>Flinders University of South Australia</b>	
Approval of tuition fee waivers .....	655
Cyclical declarations of conflicts of interest.....	655
Gifts and benefits register .....	655
Qualified Opinion – Assessment of controls .....	655
South Australian Health and Medical Research Institute .....	665
Property, plant and equipment accounting.....	656
<b>Further Education, Employment, Science and Technology, Department of</b>	
Expenditure.....	717
Formation of the Department of State Development.....	721
Payroll.....	716
Qualified Opinion – Assessment of controls .....	714
Skills for All .....	714, 721
<b>Health and Ageing, Department for</b>	
Accounts payable.....	762
Accounts receivable.....	763
Health sector challenges .....	757
Fixed assets .....	764
Governance and financial control.....	758
Information technology and system change .....	757
National health reforms .....	757
The new Royal Adelaide Hospital project.....	758
Health sector staffing and patient activity data – Unaudited .....	846
Implementation of Treasurer’s Instructions 2 and 28 .....	760
Information and communications technology and control .....	765
Information and communications technology procurement .....	766
Enterprise Patient Administration Systems .....	765
Oracle Corporate System.....	765
Internal audit review of medical consultant allowances .....	760

<b>Health and Ageing, Department for (continued)</b>	
Payroll.....	761
Qualified Opinion – Assessment of controls .....	759
Shared Services SA – CHRIS payroll control environment .....	762
South Australian Health and Medical Research Institute .....	768
Special purpose funds .....	764
Treasurer’s Instruction 11 creditor account payment performance .....	763
<b>Health Services Charitable Gifts Board</b>	
South Australian Health and Medical Research Institute Charitable Health Trust established by Ministerial direction.....	852
<b>HomeStart Finance</b>	
Bad and impaired loans expense.....	880
Breakthrough loans .....	881
Customer loans repaid.....	886
Distributions to government .....	885
Financial risks .....	882
HomeStart operating parameters.....	887
Loan quality .....	883
Loans and advances .....	880
Performance targets .....	887
Provisions for impairment.....	882
<b>Legal Services Commission</b>	
Information and communications technology and control.....	963
Private practitioner expenditure .....	962
Qualified Opinion – Assessment of controls .....	962
<b>Legislature, The – Joint Parliamentary Service</b>	
Qualified Opinion – Financial report – Disclaimer of Opinion .....	989
<b>Lotteries Commission of South Australia</b>	
Appointment of Tatts Lotteries SA Pty Ltd as exclusive Master Agent of the Commission .....	1090
Distributions to government .....	1096
Expenditure.....	1092
Implementation of TattsTech system.....	1091
Profit after income tax equivalent.....	1095
Qualified Opinion – Assessment of controls .....	1092
<b>Manufacturing, Innovation, Trade, Resources and Energy, Department for</b>	
Expenditure.....	1126
Payroll.....	1127
Qualified Opinion – Assessment of controls .....	1126
Revenue .....	1127
<b>Motor Accident Commission</b>	
Establishment of the Lifetime Support Authority of South Australia.....	1174
Future impact of the 2014-15 State Budget .....	1174
Investment result.....	1177
Investments .....	1179
Outstanding claims.....	1179
Scheme reform.....	1173

**Motor Accident Commission (continued)**

Solvency level.....	1181
Third party insurance premiums .....	1183
Underwriting result .....	1176

**Museum Board**

Capitalisation of heritage collections purchases and other additions.....	1210
Central register of policies and procedures.....	1209
Governance .....	1208
Non-compliance with the approved purpose of the bequests account .....	1208
Qualified Opinion – Assessment of controls .....	1208
Update on finalisation of a financial management compliance program.....	1209

**Northern Adelaide Local Health Network Incorporated**

Commonwealth Pharmaceutical Benefits Scheme subsidy revenue.....	822
Expenditure.....	818
Expenditure (Lyell McEwin Hospital).....	826
Expenditure (Modbury Hospital).....	826
Fixed assets .....	822
Online banking.....	819
Patient revenue.....	819
Payroll.....	818, 826
Pharmacy inventory .....	820
Private practice .....	819, 826
Qualified Opinion – Assessment of controls .....	837
Service level determination with Shared Services SA.....	817
Shared Services SA audit findings.....	830

**Office of the National Rail Safety Regulator**

## Revenue:

Industry annual accreditation fees.....	1238
Waiver of late payment fees.....	1239

**Planning, Transport and Infrastructure, Department of**

Accounts payable.....	1273
Adelaide Oval redevelopment .....	1286
Bank account reconciliations .....	1279
Building management .....	1280
Bus contract payments .....	1277
Commonwealth certificates .....	1283
Gawler Line Modernisation project.....	1286
Information and communications technology and control .....	1284
Management of machinery of government transitional arrangements.....	1284
Management of purchase cards.....	1274
Metrocard revenue .....	1278
Office for Recreation and Sport – Grant expenditure .....	1275
Payroll.....	1276
Qualified Opinion – Assessment of controls .....	1271
Revenue and accounts receivable .....	1278
Risk management.....	1272

<b>Premier and Cabinet, Department of the</b>	
Changes in organisational arrangements.....	1376
Corporate .....	1377
Information and communications technology and control.....	1383
Qualified Opinion – Assessment of controls .....	1377
SafeWork SA .....	1378
Service SA .....	1378
Shared Services SA:	
Accounts payable control environments .....	1379
CommBiz banking environment .....	1381
Payroll control environments .....	1380
Whole-of-government strategic contracts .....	1382
<b>Primary Industries and Regions, Department of</b>	
Expenditure.....	1440
Financial accounting .....	1443
Fisheries licensing revenue .....	1442
Grants and advances revenue:	
Rural Solutions SA.....	1443
SARDI.....	1444
Payroll.....	1441
Qualified Opinion – Assessment of controls .....	1440
<b>Public Trustee</b>	
Common fund operations.....	237
Qualified Opinion – Assessment of controls .....	237
Trust operations .....	237
<b>SA Ambulance Service Inc</b>	
Shared Services SA audit findings.....	830
<b>South Australia Police</b>	
Expenditure.....	1522
Expiation revenue .....	1520
Firearms Branch review .....	1523
Information and communications technology and control – Police Records Management System.....	1526
Procurement/Contract management.....	1521
Qualified Opinion – Assessment of controls .....	1520
Road safety camera review .....	1524
Workers compensation.....	1522
<b>South Australian Country Fire Service</b>	
Qualified Opinion – Assessment of controls .....	1571
<b>South Australian Fire and Emergency Services Commission</b>	
Banking arrangements and reporting .....	1605
Business continuity planning .....	1603
Financial management compliance programs.....	1603
Purchasing policy and recordkeeping .....	1604
Qualified Opinion – Assessment of controls .....	1602
<b>South Australian Forestry Corporation</b>	
Status of the financial report.....	1650

<b>South Australian Government Financing Authority</b>	
Business risk management.....	1657
Catastrophe reinsurance program .....	1660
Fleet operations – Contract management arrangements .....	1652
<b>South Australian Housing Trust</b>	
Council rates .....	1698
Information and communications technology and control .....	1700
Maintenance.....	1697
Multi-trade contractor – Procurement and contract management.....	1696
Payroll.....	1699
Qualified Opinion – Assessment of controls .....	1695
Rent.....	1695
Water rates .....	1698
<b>South Australian Metropolitan Fire Service</b>	
Qualified Opinion – Assessment of controls .....	1745
<b>South Australian Motor Sport Board</b>	
Qualified Opinion – Financial report.....	1777
<b>South Australian State Emergency Service</b>	
Qualified Opinion – Assessment of controls .....	1802
<b>South Australian Superannuation Board</b>	
Qualified Opinion – Assessment of controls .....	1829
<b>South Australian Superannuation Scheme</b>	
Benefits paid .....	1859
Funding of benefit payments .....	1859
Statement of Financial Position – Estimated liability for accrued benefits .....	1858
<b>South Australian Water Corporation</b>	
Adelaide Desalination Plant.....	1962
Adelaide Desalination Plant contract management .....	1946
Adelaide Services Alliance contract .....	1943
Asset value accounting matters.....	1961
Community service obligations .....	1952
Contributions to the State Government.....	1957
Information and communications technology and control .....	1947
North South Interconnection System project.....	1962
Performance statement.....	1956
Procurement practice and management .....	1947
Qualified Opinion – Assessment of controls .....	1943
Transfer of debt from Department of Treasury and Finance .....	1963
Wastewater and water rates and charges .....	1951, 1958
Water industry legislation.....	1958
<b>Southern Adelaide Local Health Network Incorporated</b>	
Commonwealth Pharmaceutical Benefits Scheme subsidy revenue.....	822
Enterprise patient administration system .....	825
Expenditure.....	818, 824
Fixed assets .....	822
Online banking.....	819
Patient billing.....	825
Patient revenue.....	819

**Southern Adelaide Local Health Network Incorporated (continued)**

Payroll.....	818, 824
Pharmacy inventory .....	820
Private practice .....	819
Qualified Opinion – Assessment of controls .....	835
Service level determination with Shared Services SA.....	817
Shared Services SA audit findings.....	830

**Superannuation Funds Management Corporation of South Australia**

Funds SA investment return for the periods ending 30 June .....	2004
Funds under management .....	1999, 2002
Income from investments.....	2003

**TAFE SA**

CommBiz limits .....	2038
Expenditure .....	2038
Payroll/Human resource management .....	2039
Qualified Opinion – Assessment of controls .....	2038
Skills for All revenue .....	2040
Student Information System .....	2040
Student revenue.....	2040

**Treasury and Finance, Department of**

Commonwealth funding arrangements .....	2082
Government Accounting, Reporting and Procurement Branch .....	2077
Information and communications technology and control.....	2079
Members of Parliament global allowance.....	2078
Qualified Opinion – Assessment of controls .....	2074
RevenueSA:	
First home and housing construction grant schemes.....	2075
RISTEC project.....	2074

**University of Adelaide**

Expenditure .....	2139
Governance .....	2137
Information and communications technology and control.....	2141
Payroll.....	2139
Procurement .....	2138
Qualified Opinion – Assessment of controls .....	2137
South Australian Health and Medical Research Institute .....	2150

**University of South Australia**

Expenditure.....	2209
Grant funding.....	2207
Information and communications technology and control.....	2209
Payroll.....	2208
Qualified Opinion – Assessment of controls .....	2207
Qualified Opinion – Financial report.....	2206
Revenue .....	2207
South Australian Health and Medical Research Institute .....	2217

**Urban Renewal Authority**

Board of Management vacancies .....	2259
Borrowings .....	2268
Bowden Urban Village .....	2272
Contract management .....	2259
Expenditure .....	2260
Finalisation and approval of the ownership framework.....	2258
Gillman site transaction .....	2262
Income .....	2263
Inventory .....	2261
Loss before income tax equivalent .....	2265
Payroll.....	2261
Playford Alive project.....	2271
Port Adelaide Renewal project .....	2271
Port Adelaide Waterfront Redevelopment – Termination of the Port Adelaide Waterfront Redevelopment agreement.....	2270
Qualified Opinion – Assessment of controls .....	2258
Sales and property income.....	2261
Tonsley Park project .....	2272
Woodville West project .....	2273

**Women’s and Children’s Health Network Incorporated**

Expenditure.....	827
Payroll.....	827
Qualified Opinion – Assessment of controls .....	842
Shared Services SA audit findings.....	830

**WorkCover Corporation of South Australia**

Information and communications technology and control .....	2317
Inherent uncertainty – Outstanding claims liability and funding ratio .....	2311
Legislative changes.....	2309
Outstanding claims – Compensation Fund .....	2323
Proposed legislative change.....	2310
Qualified Opinion – Assessment of controls .....	2311
Underwriting result .....	2319
Workers compensation monitoring controls.....	2312
Workers compensation system controls.....	2314





# Defence SA

## Functional responsibility

### Establishment

Defence SA is an administrative unit established pursuant to the PSA, and is responsible to the Minister for Defence Industries.

The Defence SA Advisory Board provides high-level advice to the Government of South Australia on strategy and policy required to deliver defence industry and facility growth in South Australia.

### Functions

The functions of Defence SA are to:

- facilitate the development and growth of a competitive and sustainable defence industry in South Australia in accordance with South Australia's Strategic Plan objectives
- deliver the Government of South Australia's commitments to the Air Warfare Destroyer project
- maximise Defence presence, including personnel and facilities, in South Australia.

Further details of Defence SA's functions are contained in note 1 to the financial statements.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

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

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

### Scope of the audit

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

During 2013-14, specific areas of audit attention included:

- payroll
- accounts payable
- cash
- general ledger
- revenue
- fixed assets.

**Audit findings and comments**

**Auditor’s report on the financial report**

In my opinion, the financial report gives a true and fair view of the financial position of Defence SA as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer’s Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

**Assessment of controls**

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

**Communication of audit matters**

The audit did not identify any notable matters requiring communication in a management letter to Defence SA’s Chief Executive Officer.

**Shared Services SA – financial systems and transaction processing environments**

SSSA processes financial transactions on behalf of Defence SA under service level determinations. The main systems and control environments include accounts payable, payroll and general ledger financial functions.

Last year’s Report made specific comment on the progress being taken by SSSA to remediate key control weaknesses raised in prior years for the systems and control environments, in order to achieve a satisfactory ongoing standard of control operation over financial transaction processing.

As discussed in the commentary under ‘Department of the Premier and Cabinet’ elsewhere in Part B of this Report, Audit review and evaluation of controls for the SSSA main accounts payable and payroll systems and environments concluded that controls met a generally satisfactory standard for 2013-14. Notwithstanding this overall conclusion, there were some specific matters that were raised with SSSA for corrective action and review for process and procedural improvement. The matters did not relate to Defence SA transaction processing.

**Interpretation and analysis of the financial report**

**Highlights of the financial report**

	2014 \$’million	2013 \$’million
<b>Expenses</b>		
Employee benefits expenses	5	5
Supplies and services	6	6
Depreciation and amortisation	8	7
Other expenses	1	1
<b>Total expenses</b>	<b>20</b>	<b>19</b>

	2014 \$'million	2013 \$'million
<b>Income</b>		
Revenues from fees and charges	4	3
Grants	-	1
<b>Total income</b>	4	4
<b>Net cost of providing services</b>	(16)	(15)
<b>Revenues from (Payments to) SA Government</b>		
Revenues from SA Government	16	22
Payments to SA Government	(14)	-
<b>Net result and total comprehensive result</b>	(14)	7
<b>Assets</b>		
Current assets	17	26
Non-current assets	252	257
<b>Total assets</b>	269	283
<b>Liabilities</b>		
Current liabilities	1	2
Non-current liabilities	1	-
<b>Total liabilities</b>	2	2
<b>Total equity</b>	267	281

#### Statement of Financial Position

Defence SA's main assets are the Techport Australia harbour and port facilities, \$220 million (\$227 million) and land, \$21.9 million (\$21.9 million).

Capital works in progress of \$3.3 million (\$822 000) includes \$2.5 million relating to the Common User Facility expansion. Capital works in progress projects completed during the year totalled \$1 million (\$5.1 million) and were transferred from capital works in progress to plant and equipment and harbour and port facilities.

#### Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2014.

	2014 \$'million	2013 \$'million	2012 \$'million	2011 \$'million
<b>Net cash flows</b>				
Operating	(6)	15	184	17
Investing	(3)	(3)	(12)	(17)
Financing	-	-	(180)	13
Change in cash	(9)	12	(8)	13
Cash at 30 June	17	26	14	22

Defence SA's cash at 30 June 2014 comprises a Defence SA operating account of \$4.3 million (\$14.8 million) and an accrual appropriation excess fund of \$12.3 million (\$11.3 million). The accrual appropriation excess fund is not available for general use and can only be used in accordance with the Treasurer's or Under Treasurer's approval.

The decrease in cash is due to a return of surplus cash of \$13.7 million pursuant to the cash alignment policy. These funds were directly paid to the Consolidated Account.

**Statement of Comprehensive Income  
for the year ended 30 June 2014**

	Note	2014 \$'000	2013 \$'000
<b>Expenses:</b>			
Employee benefits expenses	5	4 876	4 750
Supplies and services	6	6 578	6 229
Depreciation and amortisation	7	7 968	7 241
Net loss from the disposal of non-current assets	8	30	-
Grants and subsidies	9	1 135	1 231
Other expenses	10	221	131
<b>Total expenses</b>		<u>20 808</u>	<u>19 582</u>
<b>Income:</b>			
Revenues from fees and charges	12	3 887	3 533
Grants	13	64	720
Techport Australia recoveries	14	222	125
Property revenues	15	8	146
Other income	16	126	191
<b>Total income</b>		<u>4 307</u>	<u>4 715</u>
<b>Net cost of providing services</b>	29	<u>(16 501)</u>	<u>(14 867)</u>
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	17	16 498	21 842
Payments to SA Government	17	(13 687)	-
<b>Net result</b>		<u>(13 690)</u>	<u>6 975</u>
<b>Total comprehensive result</b>		<u>(13 690)</u>	<u>6 975</u>

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

## Statement of Financial Position as at 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Current assets:</b>			
Cash	18	16 592	26 068
Receivables	19	431	564
<b>Total current assets</b>		17 023	26 632
<b>Non-current assets:</b>			
Land	20,21	21 870	21 870
Buildings and improvements, plant and equipment	20,21	6 520	6 820
Harbour and port facilities	20,21	220 493	227 130
Capital works in progress	22	3 300	822
<b>Total non-current assets</b>		252 183	256 642
<b>Total assets</b>		269 206	283 274
<b>Current liabilities:</b>			
Payables	23	1 076	1 556
Employee benefits	24	345	328
Other current liabilities	25	21	21
<b>Total current liabilities</b>		1 442	1 905
<b>Non-current liabilities:</b>			
Payables	23	30	23
Employee benefits	24	486	387
Other non-current liabilities	25	20	41
<b>Total non-current liabilities</b>		536	451
<b>Total liabilities</b>		1 978	2 356
<b>Net assets</b>		267 228	280 918
<b>Equity:</b>			
Contributed capital		101 823	101 823
Retained earnings		165 405	179 095
<b>Total equity</b>		267 228	280 918
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	26		
Contingent assets and liabilities	27		

**Statement of Changes in Equity  
for the year ended 30 June 2014**

	Contributed capital \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2012	101 823	172 120	273 943
Net result for 2012-13	-	6 975	6 975
Total comprehensive result for 2012-13	-	6 975	6 975
Balance at 30 June 2013	101 823	179 095	280 918
Net result for 2013-14	-	(13 690)	(13 690)
Total comprehensive result for 2013-14	-	(13 690)	(13 690)
<b>Balance at 30 June 2014</b>	<b>101 823</b>	<b>165 405</b>	<b>267 228</b>

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

## Statement of Cash Flows for the year ended 30 June 2014

		2014	2013
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		(4 750)	(4 628)
Payments for supplies and services		(7 171)	(5 917)
Payment of grants and subsidies		(981)	(2 697)
GST paid to the ATO and suppliers		(1 548)	(1 633)
Payments for Paid Parental Leave Scheme		(16)	-
<b>Cash used in operations</b>		<u>(14 466)</u>	<u>(14 875)</u>
Cash inflows:			
Grants		64	2 260
Fees and charges		3 859	3 814
Techport Australia recoveries		222	126
Property revenues		22	200
GST recovered from the ATO and customers		1 507	1 717
Receipts for Paid Parental Leave Scheme		17	-
Other receipts		116	195
<b>Cash generated from operations</b>		<u>5 807</u>	<u>8 312</u>
Cash flows from SA Government:			
Receipts from SA Government		16 498	21 842
Payments to SA Government		(13 687)	-
<b>Cash generated from SA Government</b>		<u>2 811</u>	<u>21 842</u>
<b>Net cash provided by (used in) operating activities</b>	29	<u>(5 848)</u>	<u>15 279</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Payments for property, plant and equipment		(27)	(42)
Payments for capital work in progress		(3 601)	(3 502)
<b>Cash used in investing activities</b>		<u>(3 628)</u>	<u>(3 544)</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(3 628)</u>	<u>(3 544)</u>
<b>Net increase (decrease) in cash</b>		(9 476)	11 735
<b>Cash at 1 July</b>		26 068	14 333
<b>Cash at 30 June</b>	18,29	<u>16 592</u>	<u>26 068</u>

### Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2014

	(Activities - refer note 4)		1		2		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefits expenses	3 537	3 587	1 339	1 163	4 876	4 750		
Supplies and services	2 926	2 998	3 652	3 231	6 578	6 229		
Depreciation and amortisation	122	120	7 846	7 121	7 968	7 241		
Net loss from the disposal of non-current assets	-	-	30	-	30	-		
Grants and subsidies	1 135	1 231	-	-	1 135	1 231		
Other expenses	111	129	110	2	221	131		
<b>Total expenses</b>	<b>7 831</b>	<b>8 065</b>	<b>12 977</b>	<b>11 517</b>	<b>20 808</b>	<b>19 582</b>		
<b>Income:</b>								
Revenues from fees and charges	16	22	3 871	3 511	3 887	3 533		
Grants	-	-	64	720	64	720		
Techport Australia recoveries	-	-	222	125	222	125		
Property revenues	8	146	-	-	8	146		
Other income	124	191	2	-	126	191		
<b>Total income</b>	<b>148</b>	<b>359</b>	<b>4 159</b>	<b>4 356</b>	<b>4 307</b>	<b>4 715</b>		
<b>Net cost of providing services</b>	<b>(7 683)</b>	<b>(7 706)</b>	<b>(8 818)</b>	<b>(7 161)</b>	<b>(16 501)</b>	<b>(14 867)</b>		
<b>Revenues from (Payments to) SA Government:</b>								
Revenues from SA Government <sup>(1)</sup>	16 498	21 842	-	-	16 498	21 842		
Payments to SA Government	(13 687)	-	-	-	(13 687)	-		
<b>Net result</b>	<b>(4 872)</b>	<b>14 136</b>	<b>(8 818)</b>	<b>(7 161)</b>	<b>(13 690)</b>	<b>6 975</b>		

<sup>(1)</sup> Revenues from SA Government are provided to fund the operating activities of Defence SA and have not been allocated between activities.

### Disaggregated Disclosures - Assets and Liabilities as at 30 June 2014

	(Activities - refer note 4)		1		2		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>								
Cash	16 592	26 068	-	-	16 592	26 068		
Receivables	118	218	313	346	431	564		
Land	-	-	21 870	21 870	21 870	21 870		
Buildings and improvements, plant and equipment	235	357	6 285	6 463	6 520	6 820		
Harbour and port facilities	-	-	220 493	227 130	220 493	227 130		
Capital works in progress	-	-	3 300	822	3 300	822		
<b>Total assets</b>	<b>16 945</b>	<b>26 643</b>	<b>252 261</b>	<b>256 631</b>	<b>269 206</b>	<b>283 274</b>		
<b>Liabilities:</b>								
Payables	520	902	586	677	1 106	1 579		
Employee benefits	629	588	202	127	831	715		
Other liabilities	41	62	-	-	41	62		
<b>Total liabilities</b>	<b>1 190</b>	<b>1 552</b>	<b>788</b>	<b>804</b>	<b>1 978</b>	<b>2 356</b>		
<b>Net assets</b>	<b>15 755</b>	<b>25 091</b>	<b>251 473</b>	<b>255 827</b>	<b>267 228</b>	<b>280 918</b>		



## Notes to and forming part of the financial statements

### 1. Objectives of Defence SA

Defence SA is South Australia's lead government agency for all defence related matters. It facilitates the development and growth of Defence and defence industries in South Australia on a competitive and sustainable basis in accordance with South Australia's Strategic Plan.

Defence SA delivers the Government of South Australia's commitments to the Air Warfare Destroyer (AWD) project, as well as working towards capturing further Defence and defence industry work in the four defence sectors - maritime, land, aerospace and systems.

Defence SA is also striving to ensure the right climate exists for defence industry growth, and is working with several partners to deliver results for industry in the areas of workforce development and innovation.

### 2. Summary of significant accounting policies

#### (a) Statement of compliance

Defence SA has prepared these financial statements in compliance with section 23 of the PFAA.

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

Defence SA has applied AASs that are applicable to not-for-profit entities, as Defence SA is a not-for-profit entity. AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by Defence SA for the reporting period ending 30 June 2014 (refer note 3).

#### (b) Basis of preparation

The preparation of the financial statements requires:

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

Defence SA's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

(c) **Reporting entity**

Defence SA is a government agency of the State of South Australia, established pursuant to the PSA. Defence SA is an administrative unit acting on behalf of the Crown and has no subsidiaries.

(d) **Comparative information**

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

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

(e) **Rounding**

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

(f) **Taxation**

Defence SA is not subject to income tax. Defence SA is liable for payroll tax, FBT, GST, the Emergency Services levy and local government rate equivalents.

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

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

The amount of GST recoverable from the ATO is included as part of receivables and the amount payable to the ATO is included as part of payables in the Statement of Financial Position.

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

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

(g) **Events after the reporting period**

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

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

(h) **Income**

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

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

The following are specific recognition criteria:

*Revenues from fees and charges*

Revenues from fees and charges are derived from the provision of goods and services to external entities. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

*Revenues from SA Government*

Appropriations to fund activities are recognised as revenues when Defence SA obtains control over the funding. Control over appropriations is normally obtained upon receipt. Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of Defence SA and the appropriation is recorded as contributed capital.

*Property revenues*

Rental income is derived from property holdings and includes lease income and recoveries of tenant outgoings. Lease income is accounted for on a straight-line basis over the lease term.

*Other income*

Other income consists of recoveries of costs for work performed on behalf of external entities.

**(i) Expenses**

Expenses are recognised to the extent that it is probable that the flow of economic benefits from Defence SA will occur and can be reliably measured. Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

*Employee benefits expenses*

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

*Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by Defence SA to several State Government and externally managed superannuation schemes in respect of current services of current Defence SA staff.

*Depreciation and amortisation*

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Amortisation is applied to leasehold improvements. Depreciation is applied to other tangible assets. Defence SA has no recognised intangible assets.

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

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

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

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

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

<i>Class of asset</i>	<i>Useful life (years)</i>
Harbour and port facilities	5-50
Buildings and improvements	6-40
Leasehold improvements	Life of lease
Plant and equipment	4-25

*Net gain (loss) from the disposal of non-current assets*

The net gain or loss from the disposal of non-current assets is recognised when control of the asset has passed to the buyer or the asset is derecognised and is determined by comparing proceeds with the carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

*Grants and subsidies*

For contributions payable, the contribution will be recognised as a liability and expense when Defence SA has a present obligation to pay the contribution and the expense recognition criteria are met. All contributions paid by Defence SA have been unconditional.

*Payments to SA Government*

Payments to the SA Government consists of the return of surplus cash pursuant to the cash alignment policy. These funds are paid directly to the Consolidated Account.

**(j)** *Current and non-current classification*

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

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

**(k)** *Assets*

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event. Where an asset line item combines amounts expected to be settled within 12 months and more than 12 months, Defence SA has separately disclosed the amounts expected to be recovered after more than 12 months.

*Cash*

Cash in the Statement of Financial Position comprises deposits with the Treasurer.

For the purposes of the Statement of Cash Flows, cash consists of cash as defined above.

Cash is measured at nominal value.

*Receivables*

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

*Capital works in progress*

During the period work continued on the development of infrastructure to support the AWD construction program in accordance with the Infrastructure Assistance Agreement and other defence and industrial developments. Defence SA accounts for expenses associated with all capital projects as work in progress until the assets are installed and ready for use. On completion the assets are recognised in accordance with non-current asset acquisition and recognition (refer below).

*Non-current asset acquisition and recognition*

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

Harbour and port facilities including wharf, shiplift, transfer system and dry berth are considered specialised assets and are recorded at cost less accumulated depreciation. Other asset classes are subsequently measured at fair value less accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangement then the assets are recognised at book value, ie the amount recorded by the transferor public authority immediately prior to the restructure.

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

Complex assets are componentised when the asset's fair value at the time of acquisition is equal to, or in excess of, \$5 million for infrastructure assets and \$1 million for other assets.

Assets have been componentised where appropriate to recognise their unique nature and useful lives.

*Revaluation of non-current assets*

All non-current tangible assets are valued at written down current cost (a proxy for fair value) and revaluation of non-current assets or group of assets (excluding specialised assets) will only be performed when the assets' fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years. The Treasurer has approved that specialised assets will not need to be revalued until 30 June 2024.

Every three years Defence SA revalues its land and buildings via an independent Certified Practising Valuer. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last revaluation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value. Defence SA's land, buildings and associated plant and equipment were last revalued in the year ended 30 June 2012.

Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease in the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

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

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

*Impairment*

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

For revalued assets, an impairment loss is offset against the respective revaluation surplus.

*Fair value measurement*

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Defence SA classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3: not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed at each reporting date.

*Non-financial assets*

In determining fair value, Defence SA has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

Defence SA's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As Defence SA did not identify any factors to suggest an alternative use, fair value measurement is based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years are deemed to approximate fair value.

*Financial assets/liabilities*

Defence SA does not recognise any financial assets or financial liabilities at fair value.

(l) **Liabilities**

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event. Where a liability line item combines amounts expected to be settled within 12 months and more than 12 months, Defence SA has separately disclosed the amounts expected to be settled after more than 12 months.

*Payables*

Payables include creditors, accrued expenses, GST payable, employment on-costs and Paid Parental Leave Scheme payable.

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

The Paid Parental Leave Scheme payable represents amounts which Defence SA has received from the Commonwealth Government to forward on to eligible employees via Defence SA's standard payroll processes. That is, Defence SA is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received, in accordance with TI 11. Employee benefit on-costs include superannuation contributions and payroll tax in respect of outstanding liabilities for salaries and wages, LSL, annual leave and SERL.

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

*Leases*

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

- *Operating leases*  
Operating lease payments are recognised as an expense in the Statement of Comprehensive Income over the term of the lease.
- *Lease incentives*  
All incentives received for the agreement of a new or renewed operating lease are recognised as a liability.

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

*Employee benefits*

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

- *Wages, salaries, annual leave, SERL and sick leave*  
The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

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

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

- *LSL*  
The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and years of service.

These assumptions are based on employee data over SA Government entities.

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The LSL provision is classified as current or non-current based on the conditional and unconditional percentages respectively as per the actuarial calculations based on whole-of-government experience.

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

#### *Provisions*

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

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

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

#### *(m) Workers compensation*

Defence SA is responsible for payments of workers compensation claims. Defence SA has a service level agreement with the Public Sector Workforce Relations Division of DPC to undertake injury management and rehabilitation services in the event of a claim.

#### *(n) Insurance*

Defence SA has arranged, through SAICORP, a division of SAFA, to insure all major risks of Defence SA. The excess payable under this arrangement is \$5000 per claim.

#### *(o) Unrecognised contractual commitments and contingent assets and liabilities*

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

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Defence SA secures performance guarantees in support of contractor performance.

No value is assigned to these guarantees for financial statement purposes as they will only be called upon in the event that the contractor fails to fulfil their agreed contractual commitments.

### **3. New and revised accounting standards and policies**

Defence SA did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13, which became effective for the first time in 2013-14, Defence SA has:

- reviewed its fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, Defence SA has used the cost approach or the market approach to determine fair value. Defence SA will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements

### 3. New and revised accounting standards and policies (continued)

- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in notes 18, 19, 20, 21, 23 and 31. AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by Defence SA for the year ending 30 June 2014. Defence SA has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of Defence SA.

### 4. Activities of Defence SA

Activity information is prepared in accordance with the accounting policies of the entity as disclosed in note 2.

In achieving its objectives Defence SA provides a range of services classified into the following activities:

#### **Activity 1: Defence Industry Development**

This activity delivers strategy and policy which, together with the Defence SA Advisory Board, provides leadership across State Government on all defence-related matters.

It also targets business development opportunities and provides Defence SA's administrative, financial and other operational services.

This activity seeks to support the growth of Defence and sustainable defence industries in South Australia across the maritime, land, aerospace and systems sectors.

#### **Activity 2: Techport Australia**

This activity delivers the State's shipbuilding infrastructure commitment to the AWD project and reinforces Techport Australia as Australia's premier naval industry hub.

The disaggregated disclosures schedules present expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2014 and 30 June 2013.

### 5. Employee benefits expenses

	Note	2014 \$'000	2013 \$'000
Salaries and wages		3 488	3 263
TVSPs (refer below)		-	93
LSL		103	148
Annual leave		291	279
SERL		3	4
Employment on-costs - superannuation		346	323
Employment on-costs - other		219	212
Advisory Board and committee fees	28	351	362
Workers compensation		3	-
Other employee related expenses		72	66
Total employee benefits expenses		<u>4 876</u>	<u>4 750</u>

#### **TVSPs**

Amount paid during the reporting period to separated employees:

TVSPs	-	93
Annual leave and LSL paid to those employees	-	5
		<u>98</u>
Recovery from DTF	-	(98)
Net cost to Defence SA	-	-

The number of employees who received a TVSP during the reporting period was 0 (1).

#### **Remuneration of employees**

	2014 Number	2013 Number
The number of employees whose total remuneration received or receivable falls within the following bands:		
\$141 500 - \$151 499	-	1
\$151 500 - \$161 499	-	1
\$161 500 - \$171 499	2	1
\$171 500 - \$181 499	1	3



**Remuneration of employees (continued)**

	2014 Number	2013 Number
\$181 500 - \$191 499	3	1
\$191 500 - \$201 499	1	2
\$211 500 - \$221 499	2	1
\$221 500 - \$231 499	-	1
\$241 500 - \$251 499	1	-
\$551 500 - \$561 499	-	1
\$571 500 - \$581 499	1	-
Total	11	12

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$2.512 million (\$2.582 million).

**6. Supplies and services**

	2014 \$'000	2013 \$'000
Accommodation and service costs	325	317
Consultants (refer below)	399	224
Contractors	791	485
Electricity	1 044	976
Gas and gas equipment	154	135
Insurance	101	104
Legal fees	214	192
Minor plant and equipment	262	158
Promotion and events	795	1 069
Property	359	366
Provision of corporate services under service level agreements	309	275
Security services	723	642
Staff safety, development and recruitment	145	187
Travel and related expenses	394	472
Other expenses	563	627
Total supplies and services	6 578	6 229

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO where Defence SA does not hold a valid tax invoice or for payments relating to third party arrangements.

**Consultants**

	2014		2013	
The number and dollar amount of consultants paid/payable that fell within the following bands:	Number	\$'000	Number	\$'000
Between \$10 000 and \$50 000	1	40	-	-
Above \$50 000	1	359	2	224
Total paid/payable to the consultants engaged	2	399	2	224

**7. Depreciation and amortisation**

	2014 \$'000	2013 \$'000
Depreciation:		
Buildings and improvements	212	201
Plant and equipment	88	86
Harbour and port facilities	7 551	6 841
Total depreciation	7 851	7 128

## Amortisation:

Leasehold improvements	117	113
Total amortisation	117	113
Total depreciation and amortisation	7 968	7 241

**Revision of accounting estimates**

During the year, Defence SA reassessed the useful lives of harbour and port assets, resulting in a net reduction in the estimated useful lives. This has resulted in an increase of \$13 000 in the amount of depreciation calculated on these assets in the 2013-14 financial year relative to the amount that would have been expensed based on the previous estimates of useful lives. The higher depreciation expense will be reflected in future years.

A review of the capitalisation of the Common User Facility (CUF) identified minor discrepancies in depreciation for a limited number of assets which resulted in additional depreciation of \$476 000 being recognised for the year ended 30 June 2014.

8. Net loss from the disposal of non-current assets	Note	2014 \$'000	2013 \$'000
Net book value of harbour and port assets disposed <sup>(1)</sup>		30	-
Total net loss from disposal of non-current assets		<u>30</u>	<u>-</u>
<sup>(1)</sup> To comply with Lloyds of London certification one shiplift hoist wire rope was removed and tested to destruction.			
9. Grants and subsidies			
Defence Teaming Centre		485	477
ASC AWD Shipbuilder Pty Ltd		650	644
Other		-	110
Total grants and subsidies		<u>1 135</u>	<u>1 231</u>
10. Other expenses			
Audit fees	11	41	43
Internal audit		83	56
Allowances for doubtful debts	19	92	-
Other		5	32
Total other expenses		<u>221</u>	<u>131</u>
11. Auditor's remuneration			
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements		41	43
Total audit fees		<u>41</u>	<u>43</u>
<i>Other services</i>			
No other services were provided by the Auditor-General's Department.			
12. Revenues from fees and charges			
CUF priority access fee		2 638	2 603
Techport Australia other fees		1 233	908
Urban Renewal Authority income		16	22
Total fees and charges		<u>3 887</u>	<u>3 533</u>
13. Grants			
ASC AWD Shipbuilder Pty Ltd payment towards CUF infrastructure		63	717
Other		1	3
Total grants		<u>64</u>	<u>720</u>
14. Techport Australia recoveries			
Other Techport Australia recoveries		222	125
Total Techport Australia recoveries		<u>222</u>	<u>125</u>
15. Property revenues			
Rental income and recoveries <sup>(1)</sup>		8	146
Total property revenues		<u>8</u>	<u>146</u>

<sup>(1)</sup> All income generating properties were transferred to the Urban Renewal Authority effective 1 March 2012. Income for 2013-14 is for collection of residual 2011-12 outgoings.

<b>16. Other income</b>	2014	2013
Transfers received - Department of Further Education, Employment, Science and Technology	\$'000 76	\$'000 101
Other income	50	90
Total other income	<u>126</u>	<u>191</u>
<b>17. Revenues from (Payments to) SA Government</b>		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	16 482	21 695
Transfers received - DTF contingencies	16	147
Total revenues from SA Government	<u>16 498</u>	<u>21 842</u>
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	(13 687)	-
Total payments to SA Government	<u>(13 687)</u>	<u>-</u>

Appropriations from Consolidated Account were \$16.498 million (\$21.842 million) for operational funding.

<b>18. Cash</b>		
Deposits with the Treasurer	4 275	14 762
Deposits with the Treasurer - Accrual Appropriation Excess Funds Account <sup>(1)</sup>	12 317	11 306
Total cash	<u>16 592</u>	<u>26 068</u>

<sup>(1)</sup> The balance of these funds is not available for general use and can only be used in accordance with the Treasurer's/Under Treasurer's approval.

#### ***Interest rate risk***

Deposits with the Treasurer are non-interest bearing. The carrying amount of cash represents fair value.

<b>19. Receivables</b>	2014	2013
Current:	\$'000	\$'000
Receivables and accrued income	307	298
Allowance for doubtful debts	(105)	(13)
Prepayments	54	97
GST input tax recoverable	175	182
Total current receivables	<u>431</u>	<u>564</u>

#### ***Movement in the allowance for doubtful debts***

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

An allowance for impairment loss has been recognised in other expenses in the Statement of Comprehensive Income for specific debtors for which such evidence exists.

	2014	2013
Movement in the allowance for doubtful debts (impairment loss):	\$'000	\$'000
Carrying amount at 1 July	13	13
Increase in allowance	100	-
Amounts written off	-	-
Amounts recovered during the year	(8)	-
Carrying amount at 30 June	<u>105</u>	<u>13</u>

#### ***Interest rate and credit risk***

Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand.

**Interest rate and credit risk (continued)**

There is no concentration of credit risk.

- (a) Maturity analysis of receivables - refer note 31.  
 (b) Categorisation of financial instruments and risk exposure information - refer note 31.

20. Property, plant and equipment	2014	2013
Land:	\$'000	\$'000
Land only holdings at fair value	18 150	18 150
Land only holdings improvements at cost	3 029	3 029
Site land at fair value	600	600
Site land at cost	91	91
Total land	<u>21 870</u>	<u>21 870</u>
Buildings and improvements:		
Buildings at fair value	3 425	3 425
Buildings at cost <sup>(1)</sup>	2 949	2 949
Accumulated depreciation at 30 June	(731)	(519)
Total buildings and improvements	<u>5 643</u>	<u>5 855</u>
Leasehold improvements:		
Leasehold improvements at cost	884	884
Accumulated amortisation at 30 June	(659)	(542)
Total leasehold improvements	<u>225</u>	<u>342</u>
Plant and equipment:		
Plant and equipment at cost	1 009	969
Accumulated depreciation at 30 June	(357)	(346)
Total plant and equipment	<u>652</u>	<u>623</u>
Total buildings and improvements, plant and equipment	<u>6 520</u>	<u>6 820</u>
Harbour and port facilities:		
Harbour and port facilities at cost <sup>(1)</sup>	251 399	250 501
Accumulated depreciation at 30 June	(30 906)	(23 371)
Total harbour and port facilities	<u>220 493</u>	<u>227 130</u>
Total property, plant and equipment	281 536	280 598
Total accumulated depreciation/amortisation at 30 June	(32 653)	(24 778)
Total property, plant and equipment	<u>248 883</u>	<u>255 820</u>

**Valuation of land and buildings**

The valuation of land and buildings was performed by an independent Certified Practising Valuer from Savills Valuations Pty Ltd as at 29 February 2012. The valuer arrived at fair value using the market approach. The valuation was based on recent market transactions for similar assets in the area taking into account zoning, restricted use and development work completed as at the valuation date.

- <sup>(1)</sup> All Techport Australia CUF assets (including buildings) are considered a specialised asset, are recorded at written down current cost (a proxy for fair value) and have not been revalued.

**Carrying amount of leasehold improvements and plant and equipment**

All leasehold improvements and items of plant and equipment have a fair value at the time of acquisition that was less than \$1 million or had an estimated life of less than three years, and have not been revalued in accordance with APF III. The carrying value of these assets are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustment to their value, except for management assumptions about the assets condition and remaining useful life.

**Impairment**

There were no indications of impairment of infrastructure, property, plant and equipment as at 30 June 2014.

**Reconciliation of property, plant and equipment**

The following table shows the movement of property, plant and equipment during 2013-14.

**Reconciliation of property, plant and equipment (continued)**

	Land \$'000	Buildings \$'000	Leasehold imprvmnts \$'000	Plant and equipment \$'000	Harbour and port facilities \$'000	Total assets \$'000
<b>2014</b>						
Carrying amount at 1 July	21 870	5 855	342	623	227 130	255 820
Acquisitions	-	-	-	117	944	1 061
Disposals	-	-	-	-	(30)	(30)
Depreciation/Amortisation	-	(212)	(117)	(88)	(7 551)	(7 968)
Carrying amount at 30 June	21 870	5 643	225	652	220 493	248 883
<b>2013</b>						
Carrying amount at 1 July	18 841	6 040	437	682	231 907	257 907
Acquisitions	3 029	16	18	27	2 064	5 154
Depreciation/Amortisation	-	(201)	(113)	(86)	(6 841)	(7 241)
Carrying amount at 30 June	21 870	5 855	342	623	227 130	255 820

**21. Fair value measurement****Fair value hierarchy**

The fair value hierarchy of non-financial assets must be estimated for recognition, measurement and for disclosure purposes. Defence SA categorises non-financial assets measured at fair value into the hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014.

Defence SA has no valuations categorised into level 1.

**Fair value measurements (refer notes 2(k) and 20)**

	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2014</b>			
Recurring fair value measurements:			
Land	18 750	3 120	21 870
Buildings	2 982	2 661	5 643
Leasehold improvements	-	225	225
Plant and equipment	-	652	652
Harbour and port facilities	-	220 493	220 493
Total recurring fair value measurements	21 732	227 151	248 883
<b>2013</b>			
Recurring fair value measurements:			
Land	18 750	3 120	21 870
Buildings	3 110	2 745	5 855
Leasehold improvements	-	342	342
Plant and equipment	-	623	623
Harbour and port facilities	-	227 130	227 130
Total recurring fair value measurements	21 860	233 960	255 820

There were no transfers of assets between level 2 and 3 fair value hierarchy level in 2013-14. Defence SA's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

**Valuation techniques and inputs**

Valuation techniques used to derive level 2 and 3 fair values are described in note 20. Unobservable inputs used in determining fair value are useful lives and associated depreciation as described above.

There were no changes in valuation techniques during 2013-14.

**Reconciliation of fair value measurements - level 3**

	Land \$'000	Buildings \$'000	Leasehold imprvmnts \$'000	Plant and equipment \$'000	Harbour and port facilities \$'000
Opening balance at 1 July	3 120	2 745	342	623	227 130
Acquisitions	-	-	-	117	75
Capitalised subsequent expenditure	-	-	-	-	869
Disposals	-	-	-	-	(30)
Depreciation/Amortisation	-	(84)	(117)	(88)	(7 551)
Closing balance at 30 June	3 120	2 661	225	652	220 493

<b>22. Capital works in progress</b>	2014	2013
	\$'000	\$'000
The balance of capital works in progress as at 30 June	3 300	822

Capital works in progress includes planning, design and development work associated with CUF assets not yet completed.

**Reconciliation of capital works in progress**

The following table shows the movement of capital works in progress during 2013-14.

	Imprvmnts to freehold land \$'000	Harbour and port facilities \$'000	Buildings and leasehold imprvmnts \$'000	Total capital works in progress \$'000
<b>2014</b>				
Carrying amount at 1 July	-	822	-	822
Acquisitions	-	3 512	-	3 512
Reclassified as property, plant and equipment	-	(1 034)	-	(1 034)
Carrying amount at 30 June	-	3 300	-	3 300
<b>2013</b>				
Carrying amount at 1 July	-	2 533	-	2 533
Acquisitions	1 504	1 861	36	3 401
Reclassified as property, plant and equipment	(1 504)	(3 572)	(36)	(5 112)
Carrying amount at 30 June	-	822	-	822

<b>23. Payables</b>	2014	2013
Current:	\$'000	\$'000
Creditors and accrued expenses	971	1 442
Employment on-costs	58	55
GST payable	47	59
Total current payables	1 076	1 556
Non-current:		
Employment on-costs	30	23
Total non-current payables	30	23
Total payables	1 106	1 579

**Interest rate and credit risk**

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

(a) Categorisation of financial instruments and risk exposure information - refer note 31.

<b>24. Employee benefits</b>	2014	2013
Current:	\$'000	\$'000
Accrued salaries and wages	14	-
Annual leave	191	189
LSL	134	136
SERL	6	3
Total current employee benefits	345	328
Non-current:		
LSL	486	387
Total non-current employee benefits	486	387
Total employee benefits	831	715

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL. AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 2013 (3.75%) to 2014 (3.5%).

This decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in an increase in the reported LSL liability.

**24. Employee benefits (continued)**

The net financial effect of the changes in the current financial year is an increase in the LSL liability of \$14 000 and employee benefit expense (including on-costs) of \$15 000. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions. A key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect from changes in the salary inflation rate.

<b>25. Other liabilities</b>	2014	2013
Current:	\$'000	\$'000
Lease incentive	21	21
Total current other liabilities	21	21
Non-current:		
Lease incentive	20	41
Total non-current other liabilities	20	41
Total other liabilities	41	62

Lease liabilities are due to SA Government entities and are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

**26. Unrecognised contractual commitments*****Capital commitments***

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

Within one year	1 148	-
Total capital commitments	1 148	-

Defence SA's capital commitments are to various contractors providing design and construction services for the CUF and Techport Australia.

***Expenditure commitments - other***

Operating expenditure commitments, as at the reporting date but not recognised as liabilities in the financial statements, are payable as follows:

Within one year	2 656	2 097
Later than one year but not longer than five years	5 072	4 643
Later than five years	865	1 574
Total other commitments	8 593	8 314

Defence SA's operating commitments reflect grant and fee for service contracts for defence industry development and specialist technical and engineering advice.

***Expenditure commitments - remuneration***

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

Within one year	1 716	3 371
Later than one year but not longer than five years	2 086	3 357
Total remuneration commitments	3 802	6 728

Amounts disclosed include commitments arising from executive and other service contracts. Defence SA does not offer fixed-term employment contracts greater than five years.

**27. Contingent assets and contingent liabilities*****Contingent liabilities to which a value can be assigned***

Contingent liabilities to which a value can be assigned	6 559	6 324
Total	6 559	6 324

***Techport Australia Commercial Campus (Stage One)***

Defence SA facilitated the private sector delivery of the Techport Australia Commercial Campus pursuant to its commitments to the AWD project and development of Techport Australia as Australia's premier naval industry hub. Stage One development includes the AWD Alliance's AWD Systems Centre, Raytheon Australia's SA Engineering Centre and supporting commercial and retail accommodation.

**Techport Australia Commercial Campus (Stage One) (continued)**

Related contractual commitments require Defence SA to accept novation of the residual lease period should ASC AWD Shipbuilder Pty Ltd elect to vacate the premises between December 2019 and expiration of its initial 10-year lease term in May 2020, which is considered unlikely.

**AWD project - workforce assistance**

The State's contractual commitments with the Commonwealth in support of the AWD project includes reimbursement of a portion of the shipbuilder's payroll tax liability under certain terms and conditions.

**Techport Australia 66kV Powerline Undergrounding project**

Defence SA engaged Electranet Pty Ltd to place underground a section of 66kV powerlines along Mersey Road.

Subsequent to completion of the works, Electranet have issued a claim for additional unforeseen costs associated with the contract. Defence SA is disputing the claim.

**Contingent liabilities to which no value can be assigned**

**AWD project - CUF**

The State has entered into an agreement with the Commonwealth for the construction of a CUF at Osborne to support ASC AWD Shipbuilder Pty Ltd in the construction of three AWDs for the Royal Australian Navy. The agreement indemnifies the Commonwealth from any third party losses or damages arising from a failure by the State to complete the CUF in accordance with the agreed design and schedule or meet the agreed performance criteria. The likelihood of non-performance is considered remote, and the State's exposure is capped at \$320 million.

**28. Remuneration of Advisory Board and Committee members and related party disclosure**

Members of the Defence SA Advisory Board during the financial year were:

ACM A Houston AC AFC (appointed Chair 29.01.14)	GEN P Cosgrove AC MC (Chair) (resigned 28.01.14)
Hon J Weatherill MP*	Hon M Hamilton-Smith MP (appointed 28.05.14)
Hon J Snelling MP* (resigned 27.05.14)	Dr I Chessell
VADM R Crane AO CSM RANR	A Fletcher**
P Johnson MBE	B Laughton
LTGEN P Leahy AC	RADM T Ruting AM CSC RANR
Dr J White	

Members of the Audit and Risk Management Committee during the financial year were:

C McSparran** (independent member/Chair)	R Barnett**
A Blaskett** (independent member)	B Laughton (independent member)
P Robertson (independent member)	

The number of members whose remuneration received or receivable falls within the following bands is:	2014 Number	2013 Number
\$0 - \$9 999	1	2
\$20 000 - \$29 999	-	1
\$30 000 - \$39 999	7	7
\$40 000 - \$49 999	1	-
\$50 000 - \$59 999	1	-
\$70 000 - \$79 999	-	1
<b>Total</b>	<b>10</b>	<b>11</b>

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. Total remuneration received or receivable by board and committee members was \$351 000 (\$362 000), plus Defence SA compulsory superannuation contributions of \$33 000 (\$33 000). Other Advisory Board expenses were \$174 000 (\$168 000).

\* The Hon J Weatherill MP, the Hon M Hamilton-Smith and the Hon J Snelling MP did not receive any remuneration for board duties during the period.

\*\* Pursuant to DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.



**28. Remuneration of Advisory Board and Committee members and related party disclosure (continued)**

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

P Johnson MBE is a board member of Maritime Australia Ltd. Defence SA participated in the Pacific International Maritime Exposition in October 2013, which is an event managed by Maritime Australia Ltd.

**29. Cash flow reconciliation**

	Note	2014 \$'000	2013 \$'000
Reconciliation of cash at 30 June:			
Cash disclosed in the Statement of Financial Position		16 592	26 068
Balance as per the Statement of Cash Flows		<u>16 592</u>	<u>26 068</u>
Reconciliation of net cash provided by (used in) operating activities to net cost of providing of services:			
Net cash provided by (used in) operating activities		(5 848)	15 279
Revenues from SA Government	17	(16 498)	(21 842)
Payments to SA Government	17	13 687	-
Non-cash items:			
Depreciation and amortisation expense of non-current assets	7	(7 968)	(7 241)
Net loss on disposal of non-current assets	8	(30)	-
Non-current assets accrual in payables		(89)	(101)
Movements in assets/liabilities:			
Receivables	19	(133)	(1 877)
Payables	23	473	1 040
Employee benefits	24	(116)	(146)
Other liabilities	25	21	21
Net cost of providing services		<u>(16 501)</u>	<u>(14 867)</u>

**30. Transactions with SA Government**

	Note	SA Government		Non-SA Government		Total	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Expenses</b>							
Employee benefits expenses	5	219	212	4 657	4 538	4 876	4 750
Supplies and services:	6						
Accommodation and service costs		325	317	-	-	325	317
Consultants		-	-	399	224	399	224
Contractors		-	-	791	485	791	485
Electricity		-	-	1 044	976	1 044	976
Gas and gas equipment		-	-	154	135	154	135
Insurance		101	104	-	-	101	104
Legal fees		210	187	4	5	214	192
Minor plant and equipment		-	-	262	158	262	158
Promotion and events		-	-	795	1 069	795	1 069
Property		35	30	324	336	359	366
Provision of corporate services under service level agreements		309	275	-	-	309	275
Security services		3	-	720	642	723	642
Staff safety, development and recruitment		-	-	145	187	145	187
Travel and related expenses		25	150	369	322	394	472
Other expenses		85	119	478	508	563	627
Depreciation and amortisation	7	-	-	7 968	7 241	7 968	7 241
Net loss from the disposal of non-current assets	8	-	-	30	-	30	-
Grants and subsidies	9	-	-	1 135	1 231	1 135	1 231
Other expenses:	10						
Audit fees		41	43	83	56	124	99
Allowances for doubtful debts		-	-	92	-	92	-
Other expenses		5	-	-	32	5	32
Total expenses		<u>1 358</u>	<u>1 437</u>	<u>19 450</u>	<u>18 145</u>	<u>20 808</u>	<u>19 582</u>

**30. Transactions with SA Government (continued)**

	Note	SA Government		Non-SA Government		Total	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Income</b>							
Revenues from fees and charges:	12						
CUF priority access fee		-	-	2 638	2 603	2 638	2 603
Techport Australia other fees		-	-	1 233	908	1 233	908
Urban Renewal Authority income		16	22	-	-	16	22
Grants	13	-	-	64	720	64	720
Techport Australia recoveries	14	-	-	222	125	222	125
Property revenues	15	-	-	8	146	8	146
Other income:	16						
Transfers received - Department of Further Education, Employment, Science and Technology		76	101	-	-	76	101
Other income		-	-	50	90	50	90
Total income		92	123	4 215	4 592	4 307	4 715
Net cost of providing services		(1 266)	(1 314)	(15 235)	(13 553)	(16 501)	(14 867)
<b>Revenues from (Payments to) SA Government</b>							
Revenues from SA Government	17	16 498	21 842	-	-	16 498	21 842
Payments to SA Government		(13 687)	-	-	-	(13 687)	-
Net result		1 545	20 528	(15 235)	(13 553)	(13 690)	6 975
Total comprehensive result		1 545	20 528	(15 235)	(13 553)	(13 690)	6 975
<b>Financial assets</b>							
Receivables:	19						
Receivables and accrued income		4	10	303	288	307	298
Allowance for doubtful debts		-	-	(105)	(13)	(105)	(13)
Prepayments		-	-	54	97	54	97
GST input tax recoverable		-	-	175	182	175	182
Total financial assets		4	10	427	554	431	564
<b>Financial liabilities</b>							
Payables:	23						
Creditors and accrued expenses		159	323	812	1 119	971	1 442
Employment on-costs		24	21	64	57	88	78
GST payable		-	-	47	59	47	59
Total financial liabilities		183	344	923	1 235	1 106	1 579

**31. Financial instruments/Financial risk management*****Categorisation of financial instruments***

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

***Category of financial assets and financial liabilities***

	Note	2014 Carrying amount \$'000	2013 Carrying amount \$'000
<b>Financial assets</b>			
Cash	18,29	16 592	26 068
Receivables <sup>(1)(2)</sup>	19	202	286
<b>Financial liabilities</b>			
Payables <sup>(1)</sup>	23	846	1 291

**Category of financial assets and financial liabilities (continued)**

- (1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. The standard defines contracts as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).
- (2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 19 in accordance with paragraph 78(b) of AASB 101. Prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

**Fair value**

Defence SA does not recognise any financial assets or financial liabilities at fair value (refer note 2 and notes 18, 19, 20, 21, 23 and 31).

**Credit risk**

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

Defence SA has minimal concentration of credit risk. Defence SA has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. Defence SA does not engage in hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 19 for information on the allowance for the impairment in relation to receivables.

The carrying amount of financial assets as detailed in the above table represents Defence SA's maximum exposure to credit risk.

**Ageing analysis of financial assets past due including impaired assets**

The following table discloses the ageing of financial assets, past due, including impaired assets past due.

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2014</b>				
Not impaired:				
Receivables*	-	-	-	-
Impaired:				
Receivables*	-	-	95	95
<b>2013</b>				
Not impaired:				
Receivables*	29	15	5	49
Impaired:				
Receivables*	-	-	12	12

\* Amount of receivables disclosed here excludes statutory receivables (amounts owing from/to the SA Government and GST input tax credit payable and recoverable). They are carried at cost.

**Maturity analysis of financial assets and liabilities**

All Defence SA financial assets and liabilities mature within one year.

***Liquidity risk***

Defence SA is funded principally from appropriations by the SA Government. Defence SA works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The continued existence of Defence SA is dependent on State Government policy and on continuing appropriations by Parliament for the administration and activities of Defence SA. Defence SA settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made within 30 days of resolution.

The exposure of Defence SA to liquidity risk is insignificant based on past experience and current assessment of risk.

***Market risk***

Defence SA has no material interest bearing assets or liabilities. There is no exposure to foreign currency or other price risks as all significant contracts are in Australian dollars.

***Sensitivity analysis disclosure***

A sensitivity analysis has not been undertaken for interest rate risk given the immaterial exposure.

**32. Events after the reporting period**

The are no reportable events after the reporting period.

# Department for Education and Child Development

## Functional responsibility

### Establishment

The Department for Education and Child Development (the Department) is an administrative unit established pursuant to the PSA, and is responsible to the Minister for Education and Child Development.

### Functions

The Department's main functions are to:

- oversee early childhood care and services for South Australian families
- provide services that benefit children and families
- lead and manage South Australia's education system.

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

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

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

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

### Scope of audit

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

During 2013-14, specific areas of audit attention included:

- revenue
- accounts payable

- purchase cards
- maintenance of school buildings
- capital works
- payroll
- grants to non-government schools
- Families SA carer, alternative care and care and protection grant expenditure.

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

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

### **Audit findings and comments**

#### **Auditor's report on the financial report**

In my opinion, the financial report gives a true and fair view of the financial position of the Department for Education and Child Development as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

#### **Assessment of controls**

In my opinion, the controls exercised by the Department for Education and Child Development in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to CHRIS payroll, Valeo payroll, school maintenance, accounts payable, purchase cards, Families SA expenditure and general ledger processing as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Education and Child Development have been conducted properly and in accordance with law.

#### **Communication of audit matters**

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Department. The main matters raised with the Department and the related responses are detailed below.

#### ***Proposal to modify State funding arrangements to non-government schools***

Total State per capita funding to non-government schools for 2013-14 is around \$165 million.

Each non-government school or school system is required to enter into a funding deed with the Minister and the current deed expires on 30 June 2014. Under the funding deed non-government schools are required to provide student enrolment numbers through participation in the State school census conducted in February and August each year.

Funding entitlements are calculated based on census information, which is required to be certified by the school's auditor. The Minister waived the requirement for non-government schools to participate in the February 2014 enrolment census.

The Department advised:

- consideration was being given to removing the requirement for non-government schools participation in the August State school census, instead relying on the Commonwealth Government's August annual census
- school auditors are not required to validate Commonwealth census returns.

The Department sought feedback from Audit on the proposal to modify the State funding arrangements to non-government schools.

In response Audit advised funding to government schools is also mainly based on enrolment numbers. The annual audit of government school enrolment information by the Department's internal audit team has consistently identified errors in the reporting of enrolment information which, when corrected, has resulted in an adjustment to school funding. Audit considers this experience demonstrates and confirms the importance of an assurance process where funding models rely on enrolment information.

The proposed changes would result in an increased risk that payments made to non-government schools may be based on inaccurate enrolment information due to the absence from the proposed process of any requirement for independent assurance regarding stated enrolments provided by the non-government schools. The proposed approach would also be reliant upon Commonwealth processes and there is no established mechanism for State input to these processes, should changes be proposed in future.

In the context of the above-stated reasons Audit advised that it does not consider it appropriate that the State enrolment census assurance process be abandoned. Audit considers such a process to be a significant preventative control over significant State per capita funding outlays.

## **Payroll**

The payroll function for Families SA employees is conducted via the CHRIS HRMS system. The payroll function for all other Department staff is conducted via the Valeo payroll system.

### ***CHRIS payroll***

#### *Outstanding bona fide reports and error correction*

Fortnightly CHRIS bona fide reports (BFRs) are loaded into a database and emails are forwarded to Families SA managers requesting they access the database to review and certify the completeness and accuracy of the BFR. Managers must record comments on the reports for errors detected and must ensure relevant paperwork is completed and forwarded to SSSA to correct identified errors.

Fortnightly emails to Families SA managers also list details of all outstanding BFRs.

Outstanding BFRs enable the Department to follow up with relevant Families SA managers.

The 2013-14 audit noted:

- 334 (7%) of BFRs due in 2013-14 were outstanding as at 23 June 2014

- there was a restructure of Families SA metropolitan offices effective from pay period ending 29 November 2013. However, BFRs were not updated to reflect the new structure until pay period ending 2 May 2014
- a consolidated metropolitan BFR for pay periods ending 29 November 2013 to 2 May 2014 was being forwarded to metropolitan sites to enable verification of payroll details for that period.

Audit recommended that the Department:

- follow up outstanding BFRs prior to pay period ending 29 November 2013
- finalise the process for review and certification of BFRs after pay period ending 29 November 2013.

In response the Department advised it will continue to remind managers and supervisors of the requirement to review and certify BFRs in a timely manner and outstanding BFRs will be followed up.

*Policies and procedures*

The Department policies and procedures regarding certification of bona fide and leave reports address online certification for school and corporate sites and manual certification for preschools.

In 2012-13 Audit noted:

- the Department's policies and procedures did not cover Families SA
- no policies and procedures relating to Families SA certification of BFRs and monthly leave reports (MLRs).

Audit recommended the Department prepare, approve and make available to staff, policies and procedures relating to Families SA certification of BFRs and MLRs.

The 2013-14 audit noted that a procedure was drafted for the review of BFRs but had yet to be approved at the time of the audit and a procedure for the review of MLRs had yet to be drafted.

In response the Department advised the delay in finalising policies and procedures resulted from the need to determine which payroll system Families SA would use in the future. In light of the decision to continue to use CHRIS, finalisation of policies and procedures will be completed and approved by 30 September 2014.

***Valeo payroll***

*Outstanding BFRs*

Department site managers are required to review and certify the completeness and accuracy of fortnightly BFRs via the online Bona Fide Certificate (BFC) system. This certification provides the Department with assurance that only valid employees are paid and that employees are paid in accordance with the terms of their appointment.

The BFC system provides automated escalation reminders for all site managers and nominated site administration staff each month regarding their responsibilities to certify reports within their sites.

In 2012-13 Audit noted 4% of BFCs due in 2012-13 were outstanding in late March 2013.



In 2013-14 Audit noted 3% of BFCs due in 2013-14 were outstanding in early July 2014.

While there was a slight improvement in certification rates compared to last year, Audit concluded that the statistics supported a view that it was appropriate for the Department to supplement the automated reminders generated by the system with focused follow-up of non-compliance.

In response the Department advised:

- that as a result of an organisational restructure, the escalation reminder process was reviewed and senior management in Human Resources and Workforce Development now follow up outstanding BFCs with site managers
- it is committed to ensuring that all BFCs are checked and certified in a timely manner.

*Outstanding MLRs*

Worksite managers are required to review and certify the completeness and accuracy of MLRs via the online MLR system.

This certification provides:

- the Department with assurance that all leave taken by employees has been deducted from their leave entitlement
- site managers with reliable leave information to support their approval of future leave applications.

The MLR system provides automated escalation reminders for all site managers and nominated site administration staff each month regarding their responsibilities to certify leave taken for their site.

The 2012-13 audit noted 9% of MLRs due in 2012-13 were outstanding in late March 2013.

The 2013-14 audit noted 6% or MLRs due in 2013-14 were outstanding in early July 2014.

While there was an improvement in certification rates compared to last year, Audit concluded the statistics supported a view that it was appropriate for the Department to supplement the automated reminders generated by the system with focused follow-up of non-compliance.

In response the Department advised:

- that as a result of an organisational restructure, the escalation reminder process was reviewed and senior management in Human Resources and Workforce Development now follow up outstanding MLRs with site managers
- it is committed to ensuring that all MLRs are checked and certified in a timely manner.

*Salary overpayments*

Recovery of salary overpayments is a shared responsibility between the Department and SSSA. This is reflected in the HR Service - Payroll/HRMS service summary and the accompanying operating level responsibilities.

Audit noted the balance of unrecovered salary overpayments recorded on the Valeo Recover Debts report as at 17 June 2014 was \$2 million, a decrease of \$699 000 (26%) since June 2013. Analysis of the report provided the following break-up of unrecovered salary overpayments for the last five years:

Year to	Unrecovered salary overpayments			Increase \$'000
	Bal managed by the Dept \$'000	Bal managed by SSSA \$'000	Total \$'000	
June 2010	215	632	847	49
June 2011	284	742	1 026	179
June 2012	362	932	1 294	268
June 2013	408	2 287	2 695	1 401
June 2014	1 000	996	1 996	(699)

Audit review of the Valeo Recover Debts report for debts managed by the Department and SSSA as at 17 June 2014 revealed:

- many overpayments occurred during 2013-14
- many overpayments were referred to the Department by SSSA during 2013-14
- a significant number of overpayments have repayment plans which will result in the overpayment being repaid more than 12 months after the overpayment was made.

Audit understands that where the overpayment recipient is still a departmental employee the ATO treats the salary overpayment as an interest free loan, and where repayment does not occur prior to the end of the financial year there is an additional cost of FBT to the Department.

Audit recommended:

- SSSA work with the Department to investigate and address the cause of salary overpayments
- SSSA continue to work with the Department to recover outstanding salary overpayments.

In response SSSA advised:

- the main causes of overpayments are late receipt of leave applications and documentation regarding changes in an employee's hours
- the leave automation and change in time projects have been established jointly by SSSA and the Department to address the cause of salary overpayments. Both of these projects are planned to be delivered by December 2015 and are expected to significantly reduce the number of overpayments
- SSSA has monthly meetings with the Department which help drive a greater level of recovery of overpayments across the two organisations.

The Department advised:

- the leave automation and change in time initiatives will help to reduce the number of overpayments

- it has asked SSSA to create a report to indicate the sites where most overpayments occur for focussed follow-up.

*Valeo (Oracle) user access review*

A review of all Valeo (Oracle) users is performed every six months to confirm users are valid.

The review involves the Active Users by Security Group report being forwarded to local administrators for confirmation and return to ICT Services.

The 2013-14 audit noted:

- in early July 2014, five out of a total of 30 reports were yet to be returned for the review initiated in January 2014
- the Oracle access request procedures do not specify that outstanding reports are required to be followed up on a timely basis.

In response the Department advised that outstanding reports will be followed up and the procedure has been amended to include a follow-up process within a specified time.

**Accounts payable**

The audit of the overall control environment for processing accounts payable transactions included consideration of controls implemented by SSSA and the Department.

***CommBiz online banking system payment limits***

While the CommBiz online banking system has a \$99 999 999.99 default limit for daily payment transactions at the user level, an agency can set a lower limit that reflects its payment history and risk appetite.

Audit noted that the Department had not set payment limits lower than the default limit for the Department's Operating and Family Day Care bank accounts.

In response the Department advised daily payment limits lower than the default limit had been approved and established within the CommBiz online banking system.

***TI 11 creditor account payment performance***

TI 11 prescribes the policy for creditor account payments, including the development of relevant policies and procedures and the preparation of monthly reports to the Minister on account payment performance.

Last year's Report noted actions taken by the Department, in response to audit findings, to address compliance with certain requirements of TI 11, notably updating its accounts payable policy to reflect TI 11 requirements and meeting all the information content of monthly reports and timely submission of reports.

Follow-up review in 2013-14 noted compliance with the monthly reporting requirements of TI 11. While the Department had not updated its policy for the February 2014 late payment legislative requirements (reflected in a TI 11 update) it advised Audit that this would be undertaken.

## Purchase cards

In 2013-14 Audit reviewed the control and usage of purchase cards. The review included consideration of controls implemented by the Department and SSSA.

Matters raised with the Department related to:

- instances where supporting documentation was not available to substantiate purchase card expenditure, as required by TI 12 and the Department's purchase card policy and procedure.

In response the Department advised it will issue regular finance newsletters and targeted emails to remind cardholders of documentation requirements. Also, from the September 2014 quarter, the Department will undertake a monthly review of a sample of purchase card transactions to ensure compliance with policy requirements, including holding supporting documentation

- no evidence that purchase cardholders' monthly credit limits are reviewed regularly, as required by TI 12.

In response the Department advised purchase cardholders' supervisors/managers will review cardholders' monthly limits at least annually. Also, the monthly sample transaction review previously mentioned will include a review of the cardholder's monthly credit limit

- instances of incorrect coding of GST on purchase card expenditure.

In response the Department advised it will provide training and advice to cardholders on the coding of GST. The monthly sample transaction review previously mentioned will also include a review of GST coding

- instances where documentation to approve intrastate travel expensed on purchase cards had been approved subsequent to travel, had not been approved or could not be located.

In response the Department advised it will issue regular finance newsletters and targeted emails to remind cardholders of approval requirements for intrastate/interstate travel

- instances where documentation approving entertainment costs expensed on purchase cards was not complete or not approved.

In response the Department advised it will issue regular finance newsletters and targeted emails to remind cardholders of approval requirements for entertainment costs

- instances where cardholders had not certified the correctness of their purchase card charges, as required by TI 12. Furthermore, Audit noted the TI 12 requirement did not form part of the Department's purchase card policy and procedure.

In response the Department advised its purchase card policy and procedure will be amended to require cardholders certify the correctness of their purchase card charges

- instances where purchase cards of terminated employees were not deactivated on a timely basis.

In response the Department advised from August 2014 a monthly terminated employees report will be used to check whether supervisors/managers are performing correct exit procedures in relation to purchase cards. Any outstanding purchase cards will be followed up. The regular finance newsletters previously mentioned will include obligations regarding exit procedures to remind supervisors/managers

Matters raised with SSSA related to:

- an incorrect monthly transaction limit was not detected when a purchase card account was established by ANZ bank for a Department employee.

In response SSSA advised the ANZ bank has been requested to modify the cardholder's monthly transaction limit from \$10 000 to \$1000

- the need to document procedures performed by SSSA in respect of the Department's purchase cards, as required by TI 2.

In response SSSA advised that the Department will be participating in the implementation of the Purchase Card Management System (PCMS). PCMS implementation will include the creation of a procedure document prior to pilot site implementation commencing in January 2015.

## School maintenance

### *Certification of school maintenance charges*

Breakdown maintenance on schools is performed by various trades under contract with the Department of Planning, Transport and Infrastructure's (DPTI's) contracted facilities managers.

Contractor invoices are paid by DPTI's facilities manager, who recharges DPTI for this work. DPTI then recharges the Department for payments to contractors.

Details of completed maintenance work on metropolitan schools are recorded by the facilities manager on DPTI's Fixed Asset Management Information System (FAMIS) prior to payment.

The Department's policy requires schools to review the recorded maintenance charges and, if appropriate, approve the validity of maintenance charges recorded on FAMIS. Site approval represents the facilities manager's authorisation to pay the contractor. Undisputed charges that are not approved within 30 days are automatically paid by the facilities manager.

The schools' review of information recorded in FAMIS provides the Department with assurance that it is only recharged for actual breakdown maintenance performed (including actual hours worked and materials used).

In previous years Audit noted the incidence of maintenance charges automatically paid by the facilities managers was high, despite the Department reminding schools of their responsibility to review and approve payments recorded in FAMIS.

The 2013-14 audit revealed the proportion of maintenance charges automatically paid by the facilities managers remains high, and has increased further in 2013-14. Details over the last five audits are provided in the table below:

Year to	Maintenance charges reviewed and approved by schools		Maintenance charges automatically paid by facilities managers	
	\$'million	%	\$'million	%
30 June 2010	28.29	52	26.09	48
30 June 2011	23.56	51	23.77	49
30 June 2012*	25.48	45	30.97	55
31 March 2013	17.17	44	21.88	56
31 May 2014	22.27	35	41.15	65

\* Rollout of FAMIS to non-metropolitan sites commenced during 2011-12 and was finalised during 2013-14.

The table shows an increasing trend in automatic payments in the last four years suggesting action taken by the Department has not achieved planned outcomes.

Audit noted that action taken by the Department during 2013-14 was limited to a term-by-term reminder to sites.

The Department advised the contract conditions of the across-government facilities management arrangements, including stringent key performance indicators, the engagement by DPTI of an independent accounting firm to review maintenance charges and ensure works are actioned in accordance with agreed rates, and the departmental activities to remind sites of their obligations support its view that the risk of work being undertaken and charges outside the agreed contract rates is low.

However, as a measure to reduce the number of automatically approved transactions the Department has requested DPTI investigate whether FAMIS can generate an email reminder for sites to review maintenance charges on FAMIS and authorise payment prior to automatic approval.

### ***School warranty log registers***

Schools are required to record warranty periods and expiry dates for purchased goods and services in a warranty log register. The registers are to be used as a quick reference before ordering maintenance work so that work can be performed under warranty if this is still current and at no cost. A template warranty log register is available on the Department's website for school use.

The 2013-14 audit of a sample of schools revealed that, consistent with the outcome of previous audits, schools did not maintain warranty log registers or record warranty information in the asset register module of the Department's school administration system (EDSAS) despite the Department's term-by-term reminders.

In response the Department advised it will redevelop and expand the reminder via a dedicated circular to improve the level of compliance.

### **Families SA expenditure**

#### ***Carer payments***

##### *Annual carer review*

The *Family and Community Services Act 1972* and the Department's 'Standards of Alternative Care in South Australia (DFC 2008)' require regular assessments of caregivers.

In prior years the audit found that Families SA had not ensured reviews for some registered caregivers had been performed within the timeframes required by legislation and departmental policy.

In response the Department advised in 2012-13 that:

- the current rollout of the Families SA practice approach, solution based casework, has delayed review and finalisation of the carer approval and registration manual pending identification of possible impacts of solution based casework on practice and process
- an assessment of resources to finalise outstanding reviews will be undertaken
- the care assessment and registration unit will provide a monthly report to the Chief Executive on annual carer reviews.

The 2013-14 audit noted that:

- the carer approval and registration manual remained in draft
- the manual requires carer reviews to be conducted on an annual basis in accordance with the 'Standards for Alternative Care in South Australia'
- the annual review of 98 registered caregivers was past due as at 11 May 2014.

Of these, 15 reviews were being confirmed by the care assessment and registration unit, however they were not yet finalised with six having open care concerns and nine requiring documentation from the relevant non-government organisations (NGOs).

The other 83 reviews were yet to be completed by the appropriate NGOs.

In response the Department advised that:

- it has made a number of requests to the NGOs regarding the outstanding reviews and will be pursuing this matter with the respective agencies
- policies and procedures will be completed by 1 January 2015.

#### *General ledger reconciliation*

In 2012-13 Audit noted that while reconciliations between the Connected Client Case Management System (C3MS) and the general ledger were performed for each pay run, a year-to-date reconciliation between C3MS and the general ledger was not performed. Audit recommended that the Department develop and implement a year-to-date reconciliation between C3MS and the general ledger.

In the response the Department advised that:

- in addition to reconciliations each pay run, a monthly reconciliation will be undertaken
- as part of C3MS system development a more comprehensive system generated reconciliation process will be investigated and implemented.

The 2013-14 audit noted that:

- year-to-date reconciliations between C3MS and the general ledger were prepared for the period July to December 2013 and July 2013 to April 2014
- monthly reconciliations between C3MS and the general ledger were prepared and independently reviewed for January 2014 to April 2014
- monthly C3MS to general ledger reconciliations were not prepared for May and June 2014 and a year-to-date reconciliation was not prepared as at 30 June 2014.

In response the Department advised reconciliations for May and June 2014 were now complete.

#### ***Care and protection grant payments***

##### *Payments made prior to execution of agreements*

The matter of care and protection service agreements not being executed prior to grant payment has been reported by Audit in prior years.

The 2013-14 audit noted that 48 care and protection service agreements with NGOs expired on 30 June 2013.

The Minister was advised in late June 2013 that new agreements would not be in place by 1 July 2013. To ensure continuity of services the Minister approved emergency payments totalling \$12.1 million to the NGOs affected. Payments were made in July 2013.

Audit noted that the majority of agreements were not executed until October 2013.

In response the Department advised it will ensure all agreements are executed prior to payments being made.

#### *Access to Funding and Grants Management System (FGMS)*

In 2012-13 Audit noted that the memorandum of administrative arrangements (MoAA) between the Department for Communities and Social Inclusion and the Department did not consider access to FGMS. FGMS is essential for the administration of care and protection grants as it records correspondence in relation to grants, including copies of signed service level agreements.

In response the Department advised ongoing read-only access to FGMS would be confirmed and included in the MoAA as a variation.

The 2013-14 audit noted the Department did not have an approved variation to the MoAA for read only access to FGMS.

In response the Department advised it is in the process of finalising a business case to purchase the Procurement Contracts Management System (PCMS) for administration of care and protection grants. Subject to appropriate approvals, the implementation of PCMS will include the upload of FGMS data.

#### **General ledger processing**

##### *Unclaimed monies*

Last year Audit noted the listing of unclaimed monies contained amounts that relate to departmental sites (eg schools, preschools and kindergartens) and other SA Government entities, and concluded that monies owed to departmental sites are internal debts which should not appear on an unclaimed monies listing.

In 2013-14 Audit noted that the listing of unclaimed monies at June 2014 continued to record monies relating to other SA Government entities.

Audit recommended that SSSA investigate and clear unclaimed monies relating to other SA Government agencies.

In response SSSA advised that it will continue to work with the Department to resolve unclaimed monies.

#### **Shared Services SA – financial systems and transaction processing environments**

SSSA processes financial transactions on behalf of the Department under service level determinations. The main systems and control environments include accounts payable, payroll and general ledger financial functions.



Last year's Report made specific comment on the progress being taken by SSSA to remediate key control weaknesses raised in prior years for the systems and control environments, in order to achieve a satisfactory ongoing standard of control operation over financial transaction processing.

As discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report, Audit review and evaluation of controls for the SSSA main accounts payable and payroll systems and environments concluded that controls met a generally satisfactory standard for 2013-14. Notwithstanding this overall conclusion, there were however some specific matters of significance that were raised with SSSA for corrective action and review for process and procedural improvement. The matters did not relate to the Department's transaction processing.

## **Information and communications technology and control**

### ***ICT procurement***

Given the importance of ICT spend agencies must maintain robust ICT procurement practices. This is to ensure not only compliance with both whole-of-government and agency processes and procedural requirements but also that value for money is achieved.

In 2013-14 Audit completed a review of two Department ICT procurements. Both procurements were for purchases valued between \$220 000 and \$1.1 million (inclusive of GST) and were managed within the Department's procurement unit.

The focus of the review was to examine aspects of governance and control over ICT procurements of goods and services; in particular, compliance with State Procurement Board policy guidance, TIs and the Department's procurement related policy and procedures. Both procurements were also tested for appropriateness of the procurement approach adopted. This included whether reasonable justification was available to support the adopted acquisition plan and any direct negotiations and also to confirm that appropriate approval was applied.

In relation to procurement 1, Audit identified that the acquisition plan did not provide a clear justification for the direct negotiation acquisition approach adopted.

In relation to procurement 2, Audit identified a gap in the contractual support arrangements. In this procurement the prior contractual relationship for vendor hosting and support services had expired before a new contractual agreement had been arranged. During this period no prior approval was obtained to continue to incur expenditure for hosting and support services. This was not consistent with the requirements of the Department's procurement governance policy and the TIs.

In addition, Audit identified that both procurements did not contain documented reference to support the Department's position for not undertaking a negotiation strategy. Audit noted the Department's procurement governance policy did not provide guidance on when a negotiation strategy should be performed.

To strengthen the ICT procurement process, Audit recommended that the Department revisit its internal acquisition plan template. This was to ensure that future procurements provide sufficient justification of the procurement approach and to reiterate these requirements to responsible staff. Furthermore, the template should address the requirement to evidence consideration of a negotiation strategy based on the risk of the ICT procurement being performed.

Audit also recommended that the Department place urgency on finalising and implementing the hosting support services contract agreement, clarify the out-of-contract charges to be applied and confirm that the vendor has continued to perform appropriate maintenance tasks.

Finally, Audit recommended that the Department review its current ICT procurement practices against the requirements of the TIs and the Department's procurement governance policy, especially with regard to the timeliness of expenditure approval.

The Department responded positively to the audit findings and recommendations.

### **ICT governance reviews**

At the time of preparation of this Report Audit was progressing a review of certain ICT control arrangements. Areas of coverage include ICT governance, information security management, change management and business continuity/disaster recovery management.

## **Interpretation and analysis of the financial report**

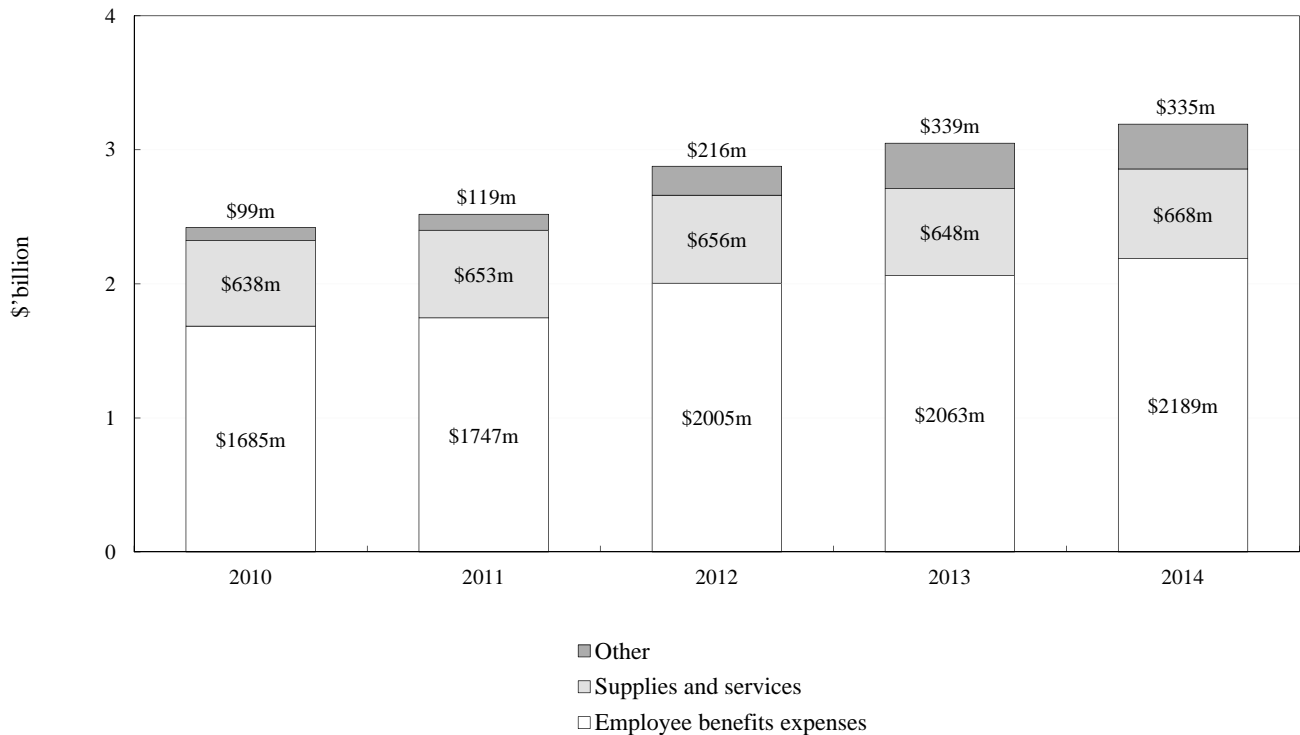
### **Highlights of the financial report (Consolidated)**

	2014 \$'million	2013 \$'million
<b>Expenses</b>		
Employee benefits expenses	2 189	2 063
Supplies and services	668	648
Other	335	339
<b>Total expenses</b>	<b>3 192</b>	<b>3 050</b>
<b>Income</b>		
Commonwealth revenues	120	158
Student and other fees and charges	144	143
Other	103	101
<b>Total income</b>	<b>367</b>	<b>402</b>
<b>Net cost of providing services</b>	<b>2 825</b>	<b>2 648</b>
<b>Revenues from (Payments to) SA Government</b>		
Revenues from SA Government	2 841	2 665
Payments to SA Government	(45)	-
<b>Net result</b>	<b>(29)</b>	<b>17</b>
<b>Other comprehensive income</b>		
Changes in revaluation surplus	(43)	14
<b>Total comprehensive result</b>	<b>(72)</b>	<b>31</b>
<b>Net cash provided by (used in) operating activities</b>	<b>107</b>	<b>158</b>
<b>Assets</b>		
Current assets	768	816
Non-current assets	4 052	4 051
<b>Total assets</b>	<b>4 820</b>	<b>4 867</b>
<b>Liabilities</b>		
Current liabilities	393	394
Non-current liabilities	794	768
<b>Total liabilities</b>	<b>1 187</b>	<b>1 162</b>
<b>Total equity</b>	<b>3 633</b>	<b>3 705</b>

## Statement of Comprehensive Income

### Expenses

A structural analysis of the main expense items for the Department for the five years to 2014 is shown in the following chart.



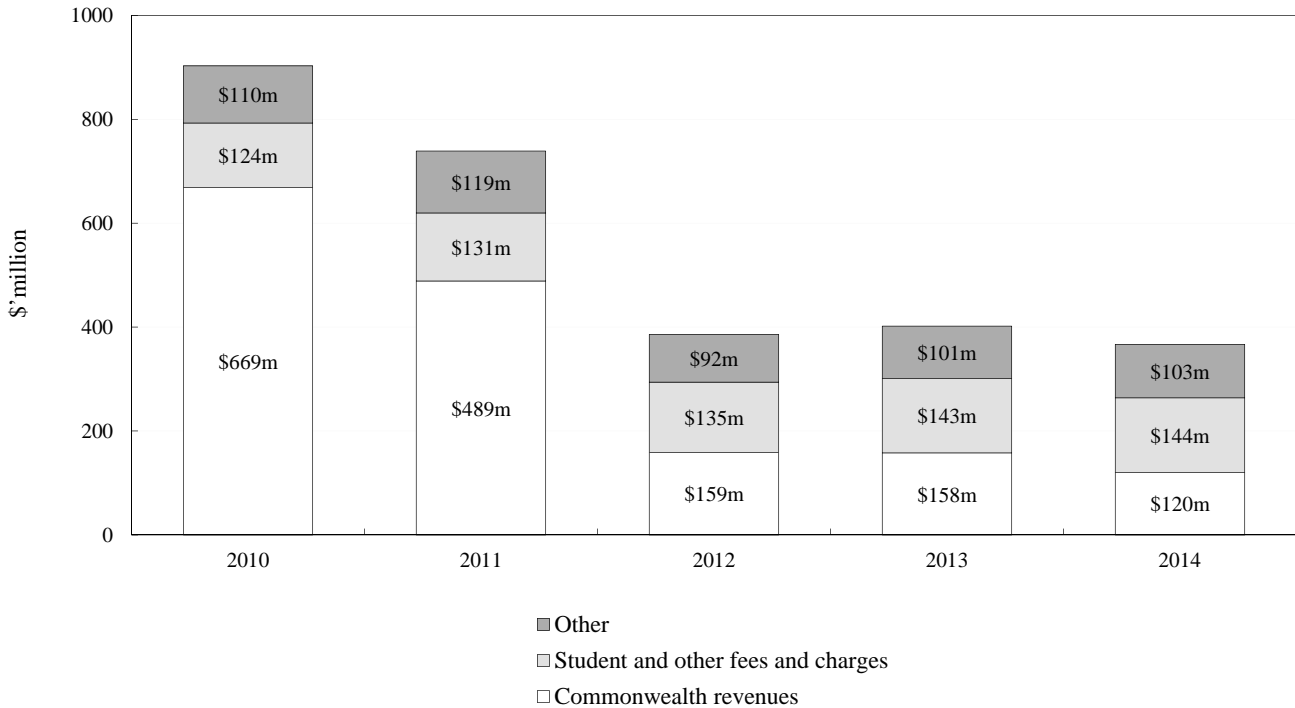
Total expenses increased by \$142 million (5%) to \$3.2 billion. This comprised:

- a \$126 million increase in employee benefits expenses (including annual leave) reflecting:
  - a \$76 million increase in salaries and wages due mainly to enterprise bargaining increases during 2013 14 and full-time equivalent increases
  - a \$29 million increase in superannuation on-costs resulting mainly from changes in the methodology and actuarial assumptions used to value the LSL liability (refer note 28 to the financial statements) and increases in salaries and wages and employee benefits liabilities
  - a \$17 million increase in LSL expense due mainly to the changes in the methodology and actuarial assumptions used to value the LSL liability (refer note 28 to the financial statements) and salary and wage increases resulting from enterprise bargaining increases.
- a \$20 million increase in supplies and services reflecting a \$16 million increase in minor works and maintenance expenditure and a \$6 million increase in other supplies and services expenditure, offset by a \$3 million decrease in printing, postage and consumables expenditure (refer note 6 to the financial statements)
- a \$4 million decrease in the remaining expense categories comprising:
  - a \$12 million decrease in grants and subsidies (refer note 7 to the financial statements)
  - a \$2 million increase in depreciation and amortisation expenses (refer note 8 to the financial statements)

- a \$6 million increase in other expenses due mainly to the decrement of \$4 million arising from the revaluation of buildings under finance lease and leasehold improvements (refer notes 10 and 23 to the financial statements).

**Income**

A structural analysis of the main income items for the Department for the five years to 2014 is shown in the following chart.



The high levels of income in 2010 and 2011 reflect funding received from the Commonwealth under the Building the Education Revolution economic stimulus package.

Total income decreased by \$35 million (9%) to \$367 million. This comprised:

- a \$38 million (24%) decrease in Commonwealth revenue due mainly to:
  - a \$18 million decrease in Communities Making a Difference funding
  - a \$9 million decrease in Universal Access to Early Childhood Development funding
  - an \$8 million decrease in Digital Education Revolution funding, with 2013-14 being the final year of the Digital Education Revolution program.
- a \$2 million increase in other income due mainly to a \$9 million increase in other revenues, offset by a \$7 million decrease in other grants and contributions funding received.

**Revenues from SA Government**

Revenues from the SA Government increased by \$176 million (7%) to \$2.84 billion principally to fund enterprise bargaining increases, major works and National Education Reform Agreement outcomes.

## Statement of Financial Position

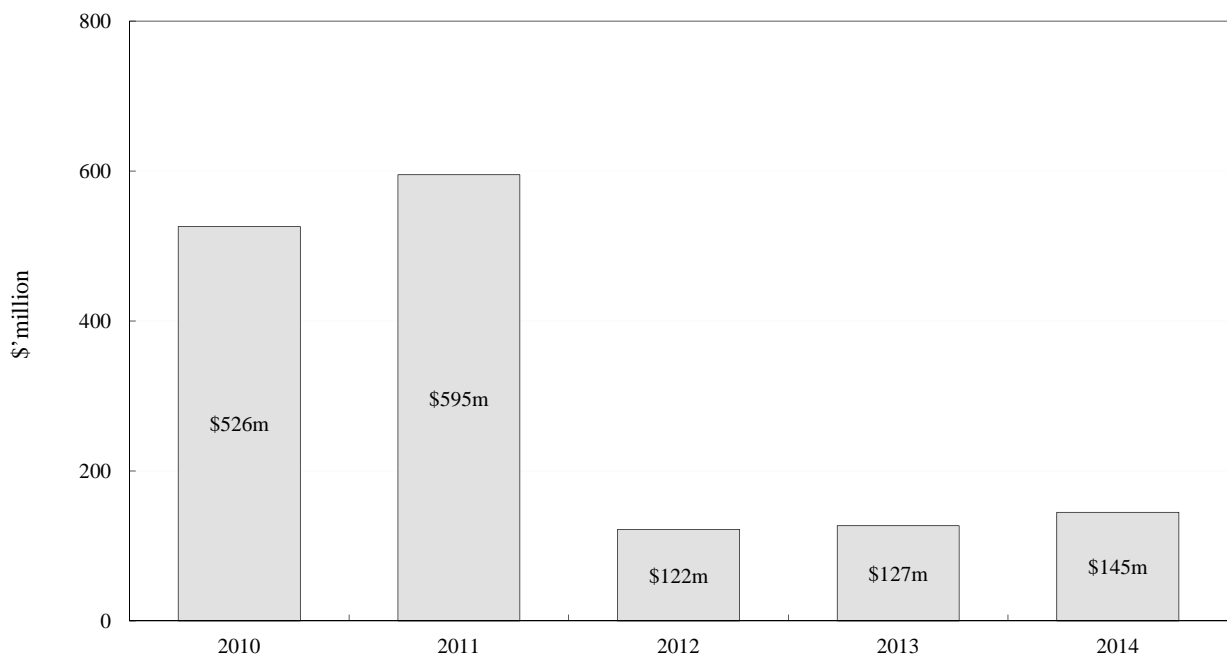
Current assets decreased by \$48 million to \$768 million due mainly to:

- a \$32 million decrease in cash and cash equivalents due to a \$34 million decrease in the Department's deposits with the Treasurer, offset by a \$2 million increase in cash held by schools in SA School Investment Fund accounts (refer note 18 to the financial statements)
- a \$10 million decrease in receivables, due mainly to an \$7 million decrease in fees, charges and other receivables and \$3 million decrease in GST receivable from the ATO (refer note 19 to the financial statements)
- a \$6 million decrease in non-current assets classified as held for sale, due mainly to a \$5 million decrease in land held for sale (refer note 22 to the financial statements).

Non-current assets at 30 June 2014 totalled \$4.052 billion (\$4.051 billion). The major movements for this asset category for the year were:

- asset additions of \$147 million
- a \$47 million net decrement on revaluation of land, buildings and improvements, buildings under finance lease and leasehold improvements
- annual depreciation and amortisation charges of \$101 million.

The following chart shows capital expenditure on land, buildings and construction works in progress (corporate department only) for the five years to 2014.



The high levels in 2010 and 2011 reflect capital expenditure funded by the Commonwealth Government's Building the Education Revolution economic stimulus package and the recognition in 2011 of buildings under finance lease of \$177 million.

The \$18 million increase in capital expenditure for 2014 is due mainly to a \$19 million increase in capital works in progress offset by a \$2 million decrease in the acquisition of land.

As at 30 June 2014 the employee benefits and related on-cost liability of \$785 million (\$730 million) comprised 66% (63%) of total liabilities. Borrowings of \$174 million (\$175 million) relating to obligations under the finance lease for the schools facilities Public Private Partnership agreement comprise 15% (15%) of total liabilities. The provision of \$117 million (\$110 million) for workers compensation claims comprised a further 10% (9%) of total liabilities.

### Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2014.

	2014 \$'million	2013 \$'million	2012 \$'million	2011 \$'million
<b>Net cash flows</b>				
Operating	107	158	140	563
Investing	(136)	(117)	(135)	(444)
Financing	(2)	(1)	-	-
Change in cash	(31)	40	5	119
Cash at 30 June	716	747	707	702

The analysis of cash flows shows that the Department's cash position increased over the three years to 2013 and then decreased by \$31 million in 2014. During 2013-14 the Department returned \$46 million of surplus cash to the SA Government, pursuant to the cash alignment policy.

### Administered items

The Department administers certain funds on behalf of the Minister for Education and Child Development. The funds are received from the Commonwealth and SA Governments and used mainly to pay:

- grants to non-government schools of \$929 million (\$882 million)
- subsidies of \$16 million (\$15 million) to the Public Transport Division of DPTI for student travel concessions on metropolitan and country transport services
- an operating grant to the SACE Board of South Australia of \$19 million (\$19 million).

Grants to non-government schools included \$174 million (\$168 million) in State grants. The grants were based principally on the average annual enrolment of the schools and the needs of the schools and their students.

### Further commentary on operations

#### Staffing

As at 30 June 2014 the Department employed the following full-time equivalent employees (FTE) by category:

	2014 FTE	2013 FTE
<b>Department</b>		
<i>Education Act 1972</i>	14 216	14 118
Schools Services Officers Award	4 347	4 255
<i>Children's Services Act 1985</i>	1 162	1 174
PSA	2 824	2 787
Weekly paid	297	293
Other	290	284
<b>Total</b>	<b>23 136</b>	<b>22 911</b>

	2014 FTE	2013 FTE
<b>Administered activities</b>		
PSA	13	14
<i>Education Act 1972</i>	1	4
<b>Total</b>	14	18

### Student enrolments

The following table shows the gradual shift of enrolled FTE students from government schools to non-government schools. The chart includes full fee paying overseas students.

	2014 Number	2013 Number	2012 Number	2011 Number	2010 Number	2009 Number
FTE students in:						
Government schools <sup>(1)</sup>	166 835	161 735	161 761	161 260	161 408	161 140
Non-government schools <sup>(2)</sup>	n/a	94 108	93 338	92 430	91 435	89 114

<sup>(1)</sup> From 2014 the Government school start date is the first day of term one. Unlike prior years, reception students no longer are able to start school at the beginning of each term.

<sup>(2)</sup> As discussed earlier, the Minister for Education and Child Development waived the need for non-government schools to participate in the 2014 term one school census. As a result student numbers for term one of the 2014 school year were not available at the time of preparation of this Report.

## Statement of Comprehensive Income for the year ended 30 June 2014

	Note	Consolidated		DECD	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Expenses:</b>					
Employee benefits expenses	5	2 188 698	2 063 341	2 157 392	2 037 831
Supplies and services	6	667 892	648 457	371 954	362 785
Grants and subsidies	7	188 810	200 386	363 454	394 860
Depreciation and amortisation expense	8	105 247	103 438	100 547	98 665
Borrowing costs	9	22 663	22 524	22 391	22 407
Other expenses	10	18 360	12 125	16 343	12 506
<b>Total expenses</b>		<b>3 191 670</b>	<b>3 050 271</b>	<b>3 032 081</b>	<b>2 929 054</b>
<b>Income:</b>					
Commonwealth revenues	11	119 961	157 666	119 961	157 666
Student and other fees and charges	12	143 818	143 380	20 656	24 868
Other grants and contributions	13	25 167	31 968	14 209	15 614
Interest revenues	14	10 188	13 731	8 250	8 497
Net gain from disposal of non-current assets	15	4 675	453	4 691	631
Other revenues	16	63 113	54 559	37 452	30 114
<b>Total income</b>		<b>366 922</b>	<b>401 757</b>	<b>205 219</b>	<b>237 390</b>
<b>Net cost of providing services</b>		<b>2 824 748</b>	<b>2 648 514</b>	<b>2 826 862</b>	<b>2 691 664</b>
<b>Revenues from (Payments to) SA Government:</b>					
Revenues from SA Government	17	2 841 153	2 665 348	2 841 153	2 665 348
Payments to SA Government	17	(45 573)	-	(45 573)	-
<b>Net result</b>		<b>(29 168)</b>	<b>16 834</b>	<b>(31 282)</b>	<b>(26 316)</b>
<b>Other comprehensive income:</b>					
Changes in revaluation surplus	23	(43 158)	13 650	(43 158)	13 650
<b>Total comprehensive result</b>		<b>(72 326)</b>	<b>30 484</b>	<b>(74 440)</b>	<b>(12 666)</b>

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



## Statement of Financial Position as at 30 June 2014

	Note	Consolidated		DECD	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Current assets:</b>					
Cash and cash equivalents	18	715 582	747 370	333 178	366 666
Receivables	19	38 012	48 159	37 217	39 614
Inventories	20	5 389	5 002	139	135
Other financial assets	21	1 976	1 740	-	-
		<u>760 959</u>	<u>802 271</u>	<u>370 534</u>	<u>406 415</u>
Non-current assets classified as held for sale	22	7 217	13 698	7 217	13 698
<b>Total current assets</b>		<u>768 176</u>	<u>815 969</u>	<u>377 751</u>	<u>420 113</u>
<b>Non-current assets:</b>					
Receivables	19	856	652	6 661	6 938
Other financial assets	21	120	118	-	-
Property, plant and equipment	23	4 026 157	4 024 353	3 998 939	3 997 156
Intangible assets	24	24 225	26 191	24 225	26 191
		<u>4 051 358</u>	<u>4 051 314</u>	<u>4 029 825</u>	<u>4 030 285</u>
<b>Total non-current assets</b>		<u>4 051 358</u>	<u>4 051 314</u>	<u>4 029 825</u>	<u>4 030 285</u>
<b>Total assets</b>		<u>4 819 534</u>	<u>4 867 283</u>	<u>4 407 576</u>	<u>4 450 398</u>
<b>Current liabilities:</b>					
Payables	26	106 471	132 313	117 961	136 163
Borrowings	27	1 337	1 234	1 301	1 163
Employee benefits	28	238 886	221 346	237 378	219 958
Provisions	29	25 387	19 090	25 467	19 124
Other liabilities	30	21 113	19 849	10 117	9 345
		<u>393 194</u>	<u>393 832</u>	<u>392 224</u>	<u>385 753</u>
<b>Total current liabilities</b>		<u>393 194</u>	<u>393 832</u>	<u>392 224</u>	<u>385 753</u>
<b>Non-current liabilities:</b>					
Payables	26	57 492	37 398	57 492	37 398
Borrowings	27	172 773	174 222	172 688	174 110
Employee benefits	28	444 172	438 188	441 317	435 573
Provisions	29	96 285	95 084	96 285	95 084
Other liabilities	30	22 842	23 457	22 216	22 686
		<u>793 564</u>	<u>768 349</u>	<u>789 998</u>	<u>764 851</u>
<b>Total non-current liabilities</b>		<u>793 564</u>	<u>768 349</u>	<u>789 998</u>	<u>764 851</u>
<b>Total liabilities</b>		<u>1 186 758</u>	<u>1 162 181</u>	<u>1 182 222</u>	<u>1 150 604</u>
<b>Net assets</b>		<u>3 632 776</u>	<u>3 705 102</u>	<u>3 225 354</u>	<u>3 299 794</u>
<b>Equity:</b>					
Retained earnings	31	2 194 977	2 198 613	1 787 742	1 793 492
Revaluation surplus	31	1 437 799	1 506 489	1 437 612	1 506 302
<b>Total equity</b>		<u>3 632 776</u>	<u>3 705 102</u>	<u>3 225 354</u>	<u>3 299 794</u>
Total equity is attributable to the SA Government as owner					
Unrecognised contractual commitments	32				
Contingent assets and liabilities	33				

## Statement of Changes in Equity for the year ended 30 June 2014

		<b>Consolidated</b>		
		Revaluation surplus	Retained earnings	Total
		\$'000	\$'000	\$'000
Note				
	Balance at 30 June 2012	1 506 634	2 167 984	3 674 618
	Net result for 2012-13	-	16 834	16 834
23	Changes on revaluation of property during 2012-13	13 650	-	13 650
	Transfer revaluation surplus on disposal and derecognition of property, plant and equipment	(13 795)	13 795	-
	Total comprehensive result for 2012-13	(145)	30 629	30 484
31	Balance at 30 June 2013	1 506 489	2 198 613	3 705 102
	Net result for 2013-14	-	(29 168)	(29 168)
23	Changes on revaluation of property during 2013-14	(43 158)	-	(43 158)
	Transfer revaluation surplus on disposal and derecognition of property, plant and equipment	(25 532)	25 532	-
	Total comprehensive result for 2013-14	(68 690)	(3 636)	(72 326)
	<b>Balance at 30 June 2014</b>	<b>1 437 799</b>	<b>2 194 977</b>	<b>3 632 776</b>

		<b>DECD</b>		
		Revaluation surplus	Retained earnings	Total
		\$'000	\$'000	\$'000
	Balance at 30 June 2012	1 506 447	1 806 013	3 312 460
	Net result for 2012-13	-	(26 316)	(26 316)
23	Changes on revaluation of property during 2012-13	13 650	-	13 650
	Transfer revaluation surplus on disposal and derecognition of property, plant and equipment	(13 795)	13 795	-
	Total comprehensive result for 2012-13	(145)	(12 521)	(12 666)
31	Balance at 30 June 2013	1 506 302	1 793 492	3 299 794
	Net result for 2013-14	-	(31 282)	(31 282)
23	Changes on revaluation of property during 2013-14	(43 158)	-	(43 158)
	Transfer revaluation surplus on disposal and derecognition of property, plant and equipment	(25 532)	25 532	-
	Total comprehensive result for 2013-14	(68 690)	(5 750)	(74 440)
	<b>Balance at 30 June 2014</b>	<b>1 437 612</b>	<b>1 787 742</b>	<b>3 225 354</b>

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

## Statement of Cash Flows for the year ended 30 June 2014

	Note	Consolidated		DECD	
		2014 Inflows (Outflows)	2013 Inflows (Outflows)	2014 Inflows (Outflows)	2013 Inflows (Outflows)
		\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities:</b>					
Cash outflows:					
Employee benefit payments		(2 135 018)	(2 046 012)	(2 081 825)	(2 017 751)
Payments for supplies and services		(768 878)	(744 022)	(487 052)	(425 132)
Payments of grants and subsidies		(211 731)	(196 614)	(356 250)	(391 088)
Interest paid		(21 229)	(21 075)	(20 957)	(20 958)
Other payments		(3 777)	(4 254)	(3 710)	(4 221)
<b>Cash used in operations</b>		<b>(3 140 633)</b>	<b>(3 011 977)</b>	<b>(2 949 794)</b>	<b>(2 859 150)</b>
Cash inflows:					
Receipts from Commonwealth		119 966	157 752	119 909	157 660
Student and other fees and charges		142 245	137 312	19 693	30 144
Other grants and contributions received		25 231	32 225	14 409	15 957
Interest received		17 648	21 184	8 218	15 969
GST recovered from the ATO		86 747	97 183	59 272	69 962
Other receipts		59 757	58 675	31 735	32 000
<b>Cash generated from operations</b>		<b>451 594</b>	<b>504 331</b>	<b>253 236</b>	<b>321 692</b>
Cash flows from SA Government:					
Receipts from SA Government		2 841 153	2 665 348	2 841 153	2 665 348
Payments to SA Government		(45 573)	-	(45 573)	-
<b>Cash generated from SA Government</b>		<b>2 795 580</b>	<b>2 665 348</b>	<b>2 795 580</b>	<b>2 665 348</b>
<b>Net cash provided by (used in) operating activities</b>	36	<b>106 541</b>	<b>157 702</b>	<b>99 022</b>	<b>127 890</b>
<b>Cash flows from investing activities:</b>					
Cash outflows:					
Purchase of property, plant and equipment		(147 460)	(125 418)	(142 483)	(113 748)
Purchase of investments		(238)	(172)	-	-
<b>Cash used in investing activities</b>		<b>(147 698)</b>	<b>(125 590)</b>	<b>(142 483)</b>	<b>(113 748)</b>
Cash inflows:					
Proceeds from sale of property, plant and equipment		11 064	8 964	10 824	8 761
Receipt of loan repayments		4	-	786	666
<b>Cash generated from investing activities</b>		<b>11 068</b>	<b>8 964</b>	<b>11 610</b>	<b>9 427</b>
<b>Net cash provided by (used in) investing activities</b>		<b>(136 630)</b>	<b>(116 626)</b>	<b>(130 873)</b>	<b>(104 321)</b>
<b>Cash flows from financing activities:</b>					
Cash outflows:					
Repayment of finance leases		(1 163)	(1 039)	(1 163)	(1 039)
Repayments of borrowings		(536)	(102)	(474)	(59)
<b>Cash used in financing activities</b>		<b>(1 699)</b>	<b>(1 141)</b>	<b>(1 637)</b>	<b>(1 098)</b>
<b>Net cash provided by (used in) financing activities</b>		<b>(1 699)</b>	<b>(1 141)</b>	<b>(1 637)</b>	<b>(1 098)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(31 788)</b>	<b>39 935</b>	<b>(33 488)</b>	<b>22 471</b>
<b>Cash and cash equivalents at 1 July</b>		<b>747 370</b>	<b>707 435</b>	<b>366 666</b>	<b>344 195</b>
<b>Cash and cash equivalents at 30 June</b>	36	<b>715 582</b>	<b>747 370</b>	<b>333 178</b>	<b>366 666</b>





## Notes to and forming part of the financial statements

### 1. Objectives of the Department for Education and Child Development (the Department)

#### **Legislation**

The Department operates within the:

- *Child Protection Act 1993*
- *Children's Services Act 1985* and Regulations
- *Commission of Inquiry (Children in State Care and Children on APY Lands) Act 2004*
- *Education Act 1972* and Education Regulations 1997
- *Family and Community Services Act 1972*
- *PSA and Public Sector (Honesty and Accountability) Act 1995.*

#### **Purpose**

Children and young people are at the centre of all that we do. We will work together to ensure positive outcomes for all young South Australians.

The Department provides services to children, young people and families across the State that are designed to deliver high quality education, family services, child protection and care.

The Department's mission is to deliver a world-class education, child development and child protection system that supports all South Australian children to be safe, healthy and happy, with the best chances to learn and become confident and successful adults. We work to strengthen South Australian families and children to achieve their best, and create every chance for every child.

The Department was established to bring together the key functions of government that deliver and regulate services for children and their families, including health, family services, child protection, care and education. Our focus is to improve children and young people's education, safety and developmental outcomes from birth through their transition to adulthood.

By improving the way we work across disciplines with communities, we will strive for:

- all children and their life chances to be at the centre of policy making
- families and carers to access easily the range and intensity of services they need for the health, development, education and safety of their children
- communities to be engaged as partners to generate improved outcomes for children and young people so that they are given every chance to achieve their potential.

#### **Our role**

- To provide quality care and education so that every young person has the opportunity to be a successful learner, a confident and creative individual, and an active and informed citizen.
- To build the capacity of families to provide safe and nurturing environments for children and young people.
- To work closely with our partners in the community to ensure the wellbeing, safeguarding and healthy development of children and young people.

#### **Our strategic intent**

The Department is guided in our work by the existing strategic planning and practice documents. This includes working collaboratively with our partners to provide a safe environment for the wellbeing of children and young people. In addition, the Department will continue to publish performance data and report on the progress toward our strategic commitments.

The efficient and effective investment of public funds in programs to help improve learning outcomes is still a priority for the Department. Investments in education are assessed against their contribution to the Strategic Plan 2012-2016 for South Australian public education and care.

#### **Key action areas**

##### *Every child achieves their potential*

Children and young people are at the centre of all that we do and we will work to ensure positive outcomes for all young South Australians.

*Excellence in education and care*

Quality teaching and learning is vital to the success of our young people, and we recognise the expertise of our professionals in the field.

*Connect with communities*

High performing schools engage with families and the wider community to build local care and education communities where parents have a say in the education of their children.

*A successful and sustainable organisation*

Effective educational and care systems are responsive to the needs of students and the workforce.

**2. Summary of significant accounting policies**

**(a) Statement of compliance**

The Department has prepared these financial statements in compliance with section 23 of the PFAA.

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

The Department has applied AASs that are applicable to not-for-profit entities, as the Department is a not-for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2014 (refer note 3).

**(b) Basis of preparation**

The preparation of the financial statements requires:

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

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

The Statement of Cash Flows has been prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

(c) **Reporting entity**

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

The financial statements and accompanying notes include all the controlled activities of the Department. Transactions and balances relating to administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

*Transactions within DECD columns*

The values in the DECD columns in the financial statements incorporate the activities of the corporate department.

Corporate department activities include transactions that relate to the operations of government controlled schools and preschools including:

- expenses such as salaries and wages, salary related on-costs and utilities expenses
- infrastructure assets including land, buildings and major improvements
- liabilities recorded in the corporate department's financial systems such as employee benefits.

Income earned and expenses incurred directly by government controlled schools and preschools which are accounted for locally in their general ledgers are excluded from the DECD column.

*Transactions within Consolidated column*

The values in the Consolidated columns in the financial statements incorporate the activities of the corporate department as discussed above and government controlled schools. All material transactions between the corporate department and government controlled schools have been eliminated as required by AASs.

Financial data was collected from government schools for the school year ended 31 December 2013 for the purpose of consolidating it with data from the corporate department. Where material, adjustments have been made to the consolidated figures to take into account the effect of schools having a different reporting period to the corporate department.

*Administered items*

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

The main administered funds are:

Minister for Education and Child Development

Funds are appropriated to the Minister for Education and Child Development and are disbursed at the discretion of the Minister. The principal payments are:

- the State Government contribution to the operation of the SACE Board of South Australia
- the State and Commonwealth Government contributions to the operation of the Education and Early Childhood Services Registration and Standards Board of South Australia (the EECSRSB)
- payments to the Department of Planning, Transport and Infrastructure (DPTI) for the purposes of student travel
- the State Government contribution to the operation of non-government schools, organisations and services to students with disabilities
- the Commonwealth Government contribution to the operation of non-government schools, organisations and services to students with disabilities.

Minister's salary and allowances

The Minister's salary and allowances are funded by specific legislation and the Department has no control over this part of the annual appropriation.



**(d) Transferred functions**

The Public Sector (Reorganisation of Public Sector Operations) Notice 2013 (dated 13 February 2014) declared that 28 employees were transferred from the Department to the EECSRSB, effective from 3 March 2013 (refer note 34).

**(e) Comparative information**

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

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

**(f) Rounding**

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

**(g) Taxation**

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

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

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

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

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

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

**(h) Events after the end of the reporting period**

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

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

**(i) Income**

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

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

The following are specific recognition criteria:

*Fees and charges*

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

*Contributions received*

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

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

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

All contributions received by the Department have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

*Resources received free of charge*

Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

*Revenues from SA Government*

Appropriation for program funding is recognised as revenue when the department obtains control over the funding. Control over appropriation is obtained upon receipt.

*Net gain on disposal of non-current assets*

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

Gains on disposal of land, buildings, improvements and buses are recognised at the date the control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time.

*Other income*

Other income consists of fundraising and donations, assets recognised for the first time, and recoveries.

**(j) Expenses**

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

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

The following are specific recognition criteria:

*Employee benefits expenses*

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

*Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Department to the superannuation plan in respect of current service of current departmental staff. DTF centrally recognises the superannuation liability in the whole of government financial statements.

*Depreciation and amortisation of non-current assets*

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

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

*Depreciation and amortisation of non-current assets (continued)*

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

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

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

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

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings and improvements	10-170
Residential accommodation housing	30-50
Leasehold improvements	Life of lease
Buildings under finance lease	45-60
Buses/Motor vehicles	12-20
Computing, communications, furniture and equipment	3-20
Intangible assets	3-30
Other assets	5-10

*Grants and subsidies*

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

Grants and subsidies paid by the Department are primarily contributions with unconditional stipulations attached.

*Resources provided free of charge*

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

*Borrowing costs*

All borrowing costs are recognised as expenses.

*Payments to SA Government*

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

**(k) Current and non-current classification**

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

**(l) Assets**

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

*Cash and cash equivalents*

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

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

Cash is measured at nominal value.

*Receivables*

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

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

Loan receivables are recorded at historical cost.

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

*Other financial assets*

The Department measures financial assets and debt at historical cost.

*Inventories*

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

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

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

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

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

*Non-current assets (or disposal groups) held for sale*

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

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

*Non-current assets*

Acquisition and recognition

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

Where assets are acquired at no value or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value ie the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value equal to or in excess of \$5 000 are capitalised.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is equal to or in excess of \$5 million for infrastructure assets and \$1 million for other assets.

*Land*

Land is valued at fair value as at 30 June 2014 (refer note 23).

Buildings and improvements

Buildings and improvements are valued at current replacement cost less accumulated depreciation. Current replacement cost information on asset holdings was obtained from the Strategic Asset Management Information System (SAMIS) maintained by DPTI. Replacement costs have been established by reference to quantity surveyors estimates and updated through the application of a relevant building index. The valuations for buildings are current as at 30 June 2014, paved areas are current as at 30 June 2014 and swimming pools are current as at 30 June 2012. The building data excludes landscaping, infrastructure, pergolas, playground equipment, sheds and some paving and fencing because they either cannot be reliably measured or no information is recorded in SAMIS.

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

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

Buildings under finance lease

Buildings under finance lease are valued at fair value as at 30 June 2014.

Leasehold improvements

Leasehold improvements are valued at fair value as at 30 June 2014.

Residential accommodation

Residential accommodation is valued at fair value as at 30 June 2012 (refer note 23).

Buses

Buses are recorded at current replacement cost (deemed fair value) less accumulated depreciation as at 30 June 2012.

Computing, communications, furniture and equipment and other assets

Items are recorded at historical cost (deemed fair value) less accumulated depreciation.

Revaluation of non-current assets

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

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

Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in revaluations reserve for that asset class.

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

Impairment

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

For revalued assets, an impairment loss is offset against the respective revaluation surplus.

*Intangible assets*

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

*Intangible assets (continued)*

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

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

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

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

*Fair value measurement*

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principle or most advantageous market, at the measurement date.

The Department classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent valuation.

- Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2: not traded in an active market and are derived from inputs (input other than quoted prices included within level 1) that are observable for the asset either directly or indirectly.
- Level 3: not traded in an active market and are derived from unobservable inputs.

*Non-financial assets*

In determining fair value, the Department has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Department's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Department did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years is deemed to approximate fair value.

Refer notes 23 and 25 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

*Financial assets/liabilities*

The Department does not recognise any financial assets or financial liabilities at fair value.

**(m) Liabilities**

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

*Payables*

Payables include creditors, accrued expenses, GST payable, employment on-costs and Paid Parental Leave Scheme payables.

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

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

*Payables (continued)*

The Paid Parental Leave Scheme payable represents amounts which the Department has received from the Commonwealth Government to forward onto eligible employees via the Department's standard payroll processes. That is, the Department is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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

Employee benefit on-costs include payroll tax, WorkCover levies and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL, country incentive leave, annual leave and SERL.

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

*Borrowings/Financial liabilities*

The Department measures financial liabilities including borrowings/debt at historical cost.

*Leases*

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

The Department has entered into finance leases and operating leases.

*Finance leases*

Finance leases which transfer to the Department substantially all the risks and benefits/rewards incidental to ownership of the leased assets, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Minimum lease payments are allocated between interest expense/borrowing costs and reduction of the lease liability to each period during the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Where there is no reasonable assurance that the Department will obtain ownership of the capitalised asset at the end of the lease term, the asset is amortised over the shorter of the lease term and its useful life.

In July 2009 the State of South Australia entered into a 30 year agreement under the Partnership's SA policy for the financing, design, construction and maintenance of six schools that opened during the 2010-11 financial year. At the completion of construction for each school a commitment in regard to these assets was recognised as a finance lease with related finance lease assets.

*Operating leases*

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

*Employee benefits*

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

*Salaries and wages, annual leave, country incentive leave, SERL and sick leave*

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

The annual leave liability, country incentive leave and SERL liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

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

LSL

The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over the education sector across government. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

*Provisions*

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

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2014 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Department is responsible for the payment of workers compensation claims.

**(n) Insurance**

The Department has insured for risks through SAICORP, a division of SAFA. Under these insurance arrangements the Department will meet the relevant deductible of a loss or claim arising from property damage or civil liability (including public liability, products liability, professional indemnity and directors' and officers' liability).

For the Families SA division of the Department, the deductible amount is \$10 000 and for the rest of the Department the deductible amount is \$200 000 (except for fire claims \$1 million).

**(o) Unrecognised contractual commitments and contingent assets and liabilities**

Commitments include operating and capital arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

**(p) Public Private Partnership (PPP)**

In July 2009 the State of South Australia entered into a 30 year agreement with Pinnacle Education SA2 Pty Ltd, under the Partnerships SA policy, for the financing, design, construction and maintenance of six schools. This agreement includes the provision of operational and maintenance services by the operator for a specified period of time, and is referred to as a PPP.

Under the PPP agreement, the Department pays the operator over the period of the arrangement, subject to specified performance criteria being met. These estimated periodic payments are allocated between:

- a component related to the design and construction that is accounted for as a finance lease payment
- a component for the provision and replacement of equipment and infrastructure accounted for as a service right liability payment
- a component related to the ongoing operation and maintenance of the facilities accounted for as operating costs which are expensed in the Statement of Comprehensive Income.



**(p) Public Private Partnership (PPP) (continued)**

The construction of all six schools was completed during the 2010-11 financial year and the State assumed responsibility for education provision, staffing, curriculum and teacher practice. On completion of construction, a finance leased asset was recognised for the facility assets and an intangible asset was recognised for the service right relating to the supply and use of equipment.

Applicable liability and future commitment disclosures relating to the components of the arrangements are provided in notes 27, 30 and 32.

**3. New or revised accounting standards and policies**

The Department did not voluntarily change any of its accounting policies during the 2013-14 financial year.

In accordance with the new AASB 13, which became effective for the first time in 2013-14, the Department has:

- reviewed its fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, the Department has used the cost approach or the market approach to determine fair value. The Department will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements
- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in notes 23 and 25.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2014. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

**4. Activities of the Department**

In achieving its objective, the Department provides a range of services classified into the following activities:

**Activity 1: Early Childhood Development**

The Department is responsible for the delivery of early childhood education and care, child protection, health and wellbeing services for children, young people and families. The program recognises the importance of the parent's role in their child's development and builds upon establishing relationships with families to support every child to grow, learn and develop. The implementation of national and state early childhood reform agendas to improve outcomes for all South Australian children and families underpins the program.

There is a key focus on ensuring that the most vulnerable children and young people at risk of disadvantage are supported. The establishment of children's centres across the State in areas of highest need, the provision of preschool for all four-year olds, continued collaboration across agencies and the delivery of targeted family support programs contribute to achieving this goal. The provision of quality early childhood education and care services that are accessible, integrated and build effective relationships with children and families is at the core of the program.

**Activity 2: School Education**

The Department is responsible for the delivery of public primary and secondary education across the State to all children and students within the compulsory education age range and for supporting young people to be active and productive members of society. The Department seeks to create an education system characterised by high achievement, growth, challenge, engagement and equity, along with a renewed focus on teacher and leader capability and their development, responsibility and accountability. Integral to this objective is the involvement of parents and local communities in the education of children and students. The Department seeks to maximise every child and young person's learning outcomes, to become successful learners, confident and creative individuals and informed citizens.

Educational programs are provided in a wide variety of school settings, including primary, secondary, birth to Year 12, area schools and facilities managed in partnership with the early years sector. Students are taught in a range of class settings, including composite and multi-age classes and are provided with a comprehensive curriculum. The Australian curriculum is being implemented and will replace the current South Australian Curriculum, Standards and Accountability Framework in years reception to year 10. Year 11 and 12 education supports students to personalise their learning through a variety of educational and other programs that lead to the achievement of the South Australian Certificate of Education (SACE).

**Activity 3: Care and Protection**

The Department is focussed on ensuring that the most vulnerable children and young people at risk of abuse, neglect and disadvantage are protected from harm. This is a significant responsibility, which the Department undertakes in partnership with families, other government partners, the non-government sector and communities. By providing family support and child safety responses to vulnerable families, children's safety is enhanced, which addresses the risk of harm and builds on parents' capacity to care for their children.

Where children and young people are not able to safely remain in the care of their birth family, the Department facilitates out-of-home care arrangements. Where this involves placing a child under the guardianship of the Minister, the Department also provides out-of-home care services and support as well as case management. To enhance our commitment to protect vulnerable children at risk of abuse and neglect, a key objective is the redesign of the way a range of care and protection services are provided. The intention of this redesign is to develop an even stronger family support focus and for all government and non-government services to be flexible and responsive to the needs of vulnerable families.

The disaggregated disclosures schedules present expenses, income, assets and liabilities attributable to each of the activities for the years ended 30 June 2014 and 30 June 2013.

**5. Employee benefits expenses**

	Consolidated		DECD	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Salaries and wages (including annual leave)	1 755 260	1 679 667	1 727 187	1 657 333
Employment on-costs - superannuation	205 638	176 812	202 995	174 359
Employment on-costs - payroll tax	100 474	94 926	100 474	94 926
LSL	64 939	47 999	64 444	47 415
Workers compensation	36 411	31 903	36 411	31 903
TVSPs	14 410	15 819	14 410	15 819
Country incentive leave	510	1 056	510	1 056
Board and committee fees	28	68	28	68
SERL	7 941	12 012	7 941	12 012
Other employee related expenses	3 087	3 079	2 992	2 940
<b>Total employee benefits expenses</b>	<b>2 188 698</b>	<b>2 063 341</b>	<b>2 157 392</b>	<b>2 037 831</b>

**TVSPs**

Amounts paid to separated employees:

TVSPs	10 472	15 819	10 472	15 819
Annual leave and LSL paid	4 069	4 864	4 069	4 864
	14 541	20 683	14 541	20 683
Recovery from DTF	2 735	15 190	2 735	15 190
<b>Net cost to the Department</b>	<b>11 806</b>	<b>5 493</b>	<b>11 806</b>	<b>5 493</b>

	Consolidated		DECD	
	2014	2013	2014	2013
	Number	Number	Number	Number
Number of employees who received a TVSP	71	98	71	98

**Remuneration of employees**

	Consolidated			
	2014	2014	2013	2013
The number of employees whose remuneration received or receivable falls within the following bands:	Number of executives <sup>(1)</sup>	Number of employees <sup>(3)</sup>	Number of executives <sup>(1)</sup>	Number of employees <sup>(3)</sup>
\$138 000 - \$141 499 <sup>(2)</sup>	n/a	n/a	-	23
\$141 500 - \$151 499	-	120	1	111
\$151 500 - \$161 499	3	64	1	69
\$161 500 - \$171 499	1	48	8	41
\$171 500 - \$181 499	3	34	2	26
\$181 500 - \$191 499	1	13	6	18

**Remuneration of employees (continued)**

	Consolidated			
	2014 Number of executives <sup>(1)</sup>	2014 Number of employees <sup>(3)</sup>	2013 Number of executives <sup>(1)</sup>	2013 Number of employees <sup>(3)</sup>
\$191 500 - \$201 499	3	7	5	13
\$201 500 - \$211 499	8	15	1	5
\$211 500 - \$221 499	3	6	1	1
\$221 500 - \$231 499	-	1	-	3
\$231 500 - \$241 499	1	1	3	3
\$241 500 - \$251 499	1	1	2	2
\$251 500 - \$261 499	3	3	2	3
\$261 500 - \$271 499	2	3	3	3
\$281 500 - \$291 499	1	1	1	1
\$291 500 - \$301 499	-	2	-	-
\$301 500 - \$311 499	2	2	-	-
\$311 500 - \$321 499	-	1	-	1
\$331 500 - \$341 499	-	1	-	1
\$351 500 - \$361 499	-	1	-	-
\$361 500 - \$371 499	1	1	-	2
\$371 500 - \$381 499	-	3	-	4
\$381 500 - \$391 499	-	2	2	5
\$391 500 - \$401 499	-	2	-	1
\$401 500 - \$411 499	-	-	-	1
\$411 500 - \$421 499	-	1	-	3
\$421 500 - \$431 499	-	-	-	4
\$431 500 - \$441 499	-	-	-	2
\$441 500 - \$451 499	-	1	-	-
\$481 500 - \$491 499	-	-	-	1
\$491 500 - \$501 499	-	-	-	1
\$501 500 - \$511 499	-	-	-	1
\$511 500 - \$521 499	-	1	-	1
\$581 500 - \$591 499	-	-	-	1
\$1 131 500 - \$1 141 499	-	1	-	-
<b>Total</b>	<b>33</b>	<b>336</b>	<b>38</b>	<b>351</b>

- (1) The number of executive officers disclosed in the above table include employees appointed on a South Australian Executive Service contract as at 30 June 2014 and 30 June 2013 respectively. The numbers of executive officers separately disclosed are also included in the number of employee totals for 2014 and 2013.
- (2) This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for the 2012-13 financial year.
- (3) Includes resigned and retired executives not included in the executive column.

The table includes all employees who received remuneration equal to, or greater than, the base executive remuneration level during the year. Remuneration of these employees reflects all costs of employment including salary and wages, payments in lieu of leave, employer's superannuation contributions, salary sacrifice benefits, fringe benefits and any FBT paid or payable in respect of these benefits.

Of the employees that were remunerated over the base executive remuneration level, 30 (34) also received country incentive payments. There were 33 (48) individuals that retired with 13 (27) receiving an amount under the TVSP scheme. All individuals in reference are included in the above employee numbers.

Remuneration received or due and receivable by the above employees was \$60 million (\$65 million), which is included in employee benefits expenses. Salary rates during 2013-14 increased by 3% for *Education Act 1972* and PSA employees effective the first pay period on or after 1 October 2013, and 2.5% for executives effective 1 July 2013 due to enterprise agreements.

**Number of employees as at the reporting date**

As at 30 June, the Department employed 23 136 (22 911) full-time equivalents.

6. <b>Supplies and services</b>	Consolidated		DECD	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Minor works and maintenance	136 713	121 197	98 313	88 252
Rentals and leases	29 860	31 653	27 309	29 662
Management fees and charges	18 448	19 919	22 071	21 277
Utilities	47 307	47 638	46 288	46 702
Cleaning	35 199	34 300	4 913	4 803
Printing, postage and consumables	79 948	83 216	4 577	4 309
Training and development	11 625	11 029	4 875	3 983
SSSA charges	13 460	12 449	13 460	12 449
Vehicle and travelling expenses	35 381	35 869	33 273	33 833
Security	5 948	5 501	5 651	5 078
Insurance (including self-insurance)	5 998	4 754	6 397	4 976
Contractors and other outsourced services	26 130	27 374	26 530	28 273
Telecommunications	17 113	16 517	15 532	14 885
Legal costs	2 089	2 269	2 089	2 269
Residential and client related costs	2 507	2 756	2 511	2 605
Computer communications	16 969	18 415	13 820	14 930
Copyright	4 179	3 926	4 174	3 923
Bus contractors	24 332	23 245	24 336	23 254
Excursions and camps	20 890	19 352	-	-
Cost of goods sold	14 975	15 233	-	-
Student learning materials	31 335	30 953	-	-
PPP service fee	5 167	5 004	5 167	5 004
Other	82 319	75 888	10 668	12 318
<b>Total supplies and services</b>	<b>667 892</b>	<b>648 457</b>	<b>371 954</b>	<b>362 785</b>

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

#### **Consultancy fees**

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

	Consolidated		2013	
	2014 Number	\$'000	Number	\$'000
Below \$10 000	-	-	1	4
Between \$10 000 and \$50 000	1	43	-	-
Above \$50 000	4	274	1	82
<b>Total</b>	<b>5</b>	<b>317</b>	<b>2</b>	<b>86</b>

#### 7. **Grants and subsidies**

	Consolidated		DECD	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Recurrent grants paid to schools and units	-	-	165 333	180 850
Capital grants paid to schools and units	-	-	9 311	13 541
Recurrent grants paid to preschools	5 675	9 205	5 675	9 205
Recurrent grants paid to other organisations	183 135	191 181	183 135	191 264
<b>Total grants and subsidies</b>	<b>188 810</b>	<b>200 386</b>	<b>363 454</b>	<b>394 860</b>

#### 8. **Depreciation and amortisation expense**

Depreciation:

Buildings and improvements	89 728	86 602	89 705	86 577
Residential accommodation housing	669	672	669	672
Computing, communication, furniture and equipment	3 896	4 108	211	556
Buses and motor vehicles	2 827	2 661	2 153	1 856
Other	457	539	139	148
<b>Total depreciation</b>	<b>97 577</b>	<b>94 582</b>	<b>92 877</b>	<b>89 809</b>

Amortisation:

Leasehold improvements	1 284	2 611	1 284	2 611
Intangible assets	1 167	1 026	1 167	1 026
Buildings under finance lease	4 420	4 420	4 420	4 420
Service right for equipment	799	799	799	799
<b>Total amortisation</b>	<b>7 670</b>	<b>8 856</b>	<b>7 670</b>	<b>8 856</b>
<b>Total depreciation and amortisation expense</b>	<b>105 247</b>	<b>103 438</b>	<b>100 547</b>	<b>98 665</b>

9. <b>Borrowing costs</b>	Consolidated		DECD	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Interest paid/payable on borrowings	272	117	-	-
Finance least costs	22 391	22 407	22 391	22 407
Total borrowing costs	22 663	22 524	22 391	22 407

Finance lease costs relate to the interest expenses associated with the PPP agreement.

10. <b>Other expenses</b>	Consolidated		DECD	
Auditor's remuneration - Auditor-General's Department <sup>(1)</sup>				
Auditor-General's Department <sup>(1)</sup>	684	549	684	549
Auditor's remuneration - other	1 045	993	984	949
Allowance for doubtful debts and debt write-offs	2 096	1 793	140	43
Non-current assets written off	8 504	6 232	8 504	6 232
Revaluation decrement of buildings under finance lease and leasehold improvement assets	4 228	-	4 228	-
Other expenses	1 803	2 558	1 803	2 573
Donated assets	-	-	-	2 160
Total other expenses	18 360	12 125	16 343	12 506

<sup>(1)</sup> Audit fees paid/payable to the Auditor-General's Department relate to the audit of the financial statements. No other services were provided by the Auditor-General's Department.

11. <b>Commonwealth revenues</b>	Consolidated		DECD	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
National Partnership - Universal Access to Early Childhood Development	26 289	35 667	26 289	35 667
National Partnership - Communities Making a Difference	11 076	29 311	11 076	29 311
Family Day Care Scheme	24 287	24 158	24 287	24 158
National Partnership - Digital Education Revolution	4 682	12 666	4 682	12 666
National Partnership - Aboriginal Children and Family Centres	5 497	9 016	5 497	9 016
National Partnership - Improving Teacher Quality - Principal Professional Development	832	-	832	-
National Partnership - Rewards for Great Teachers	1 915	-	1 915	-
Trade Training Centres program	8 923	7 233	8 923	7 233
National Partnership - Improving Literacy and Numeracy	4 684	5 284	4 684	5 284
National Partnership - Literacy and Numeracy	5 540	5 106	5 540	5 106
National Partnership - Teacher Quality	2 089	4 515	2 089	4 515
Family Day Care Administration	4 343	4 449	4 343	4 449
Detainee Minors	5 386	3 961	5 386	3 961
National Solar Schools	924	3 619	924	3 619
National Partnership - Youth Attainment and Transition program	968	1 937	968	1 937
National Partnership - More Support for Students with Disabilities	5 248	1 335	5 248	1 335
Unaccompanied Humanitarian Minors	688	1 196	688	1 196
National Partnership - Advanced Technology	547	1 175	547	1 175
National Partnership - Investing in Focus Schools	1 000	1 000	1 000	1 000
National Partnership - Empowering Local Schools	-	1 000	-	1 000
The Next Steps Initiative	260	992	260	992
Other specific Commonwealth revenue	4 783	4 046	4 783	4 046
Total Commonwealth revenues	119 961	157 666	119 961	157 666

### **Commitments**

The Universal Access to Early Childhood Development program received \$26.3 million (\$35.7 million) of Commonwealth revenue in 2013-14. Funding is aimed at providing additional hours of access to early childhood education. As at 30 June 2014 all program outcomes have been met.

The Communities Making a Difference program received \$11.1 million (\$29.3 million) of Commonwealth revenue in 2013-14. All program funds were expended. These program funds delivered a number of school and regional based programs targeting low socio economic communities.

**Commitments (continued)**

The Family Day Care Scheme received \$24.3 million (\$24.2 million) of Commonwealth revenue in 2013-14 of which \$0.5 million (\$1.4 million) was unspent as at 30 June 2014. The funding was provided to childcare providers as a Commonwealth subsidy to fund childcare services on behalf of parents.

The Digital Education Revolution program received \$4.7 million (\$12.7 million) of Commonwealth revenue in 2013-14. The National Partnership ceased on 31 December 2013. All program funds are expended and final reporting to the Commonwealth is complete. These program funds helped schools to sustain the 1:1 computer ratio and purchase other ICT equipment to support students in Years 9 to 12.

The Aboriginal Children and Family Centres program received \$5.5 million (\$9 million) of Commonwealth revenue in 2013-14 of which \$0.2 million (\$0.2 million) was unspent as at 30 June 2014. The funding is for increased support for Aboriginal children with the establishment of four Aboriginal Children and Family centres.

The Trade Training Centres program received \$8.9 million (\$7.2 million) of Commonwealth revenue in 2013-14 of which \$0.7 million (\$0.7 million) was unspent as at 30 June 2014. The funds are for the provision and development of training centres assisting young South Australians to pursue vocational pathways.

The Improving Literacy and Numeracy program received \$4.7 million (\$5.3 million) of Commonwealth revenue in 2013-14 of which \$0.02 million (\$5.2 million) was unspent as at 30 June 2014. The funding is to improve literacy and numeracy in schools and improving teaching capability and effectiveness.

The Literacy and Numeracy program received \$5.5 million (\$5.1 million) of Commonwealth revenue in 2013-14 which was fully spent as at 30 June 2014 (\$0.8 million was unspent as at 30 June 2013). The purpose of this funding is to achieve national literacy and numeracy reform.

The Teacher Quality program received \$2.1 million (\$4.5 million) of Commonwealth revenue in 2013-14 of which \$0.3 million (\$3 million) was unspent as at 30 June 2014. The funding is for schools to improve the quality of teaching and leadership, with a specific focus on principals, in Australian schools and maintaining a quality teaching workforce.

The National Solar Schools program received \$0.9 million (\$3.6 million) of Commonwealth revenue in 2013-14 which was fully spent.

The Youth Attainment and Transition program received \$1 million (\$1.9 million) of Commonwealth revenue in 2013-14 of which \$0.4 million (\$0.5 million) was unspent as at 30 June 2014. The funding is for schools to achieve improvements in the numbers of young Australians making successful transitions from schooling into further education, training or employment.

The More Support for Students with Disabilities program received \$5.2 million (\$1.3 million) of Commonwealth revenue in 2013-14 of which \$0.5 million (\$1.3 million) was unspent as at 30 June 2014. The funding will assist schools through a range of initiatives including professional support of teachers and school support staff to build their capacity to deliver special education programs through support and use of assistive learning technology and a range of other learning modes.

The Unaccompanied Humanitarian Minors program received \$0.7 million (\$1.2 million) of Commonwealth revenue in 2013-14 which was fully spent. The funding is for Families SA to provide appropriate care and supervision services to the unaccompanied humanitarian minors who are referred to it by the Commonwealth.

The Advanced Technology program received \$0.5 million (\$1.2 million) of Commonwealth revenue in 2013-14 of which \$0.08 million (\$0.4 million) was unspent as at 30 June 2014. The funding is for schools to achieve sustained improvements for pathways for young people into the defence industry sector in educational outcomes in participating schools/school communities that align with those in the National Education Agreement.

The Investing in Focus Schools program received \$1 million (\$1 million) of Commonwealth revenue in 2013-14 which was fully spent. The funding is to assist select schools bring about improved school attendance, increased student and family engagement in school and improved academic achievement of Aboriginal and Torres Strait Islander students.

The Detainee Minors program received \$5.4 million (\$4 million) of Commonwealth revenue in 2013-14 of which \$0.5 million (\$0) was unspent as at 30 June 2014. The Commonwealth (Department of Immigration and Border Protection) currently reimburses all expenses associated with the provision of services by South Australian Government agencies to people in immigration detention (Inverbrackie and Pt Augusta) within South Australia.

**Commitments (continued)**

The Family Day Care Administration program received \$4.3 million (\$4.4 million) of Commonwealth revenue in 2013-14 which was fully spent. The funding is provided to assist the Family Day Care Administration program to administer the State wide family day care centres in South Australia.

The Rewards for Great Teachers program received \$1.9 million (\$0) of Commonwealth revenue in 2013-14 of which \$0.2 million (\$0) was unspent as at 30 June 2014. The purpose of this funding is to provide one-off teacher reward payments to teachers who achieve certification at the highly accomplished and lead levels of the National Professional Standards for Teachers from 2014 to 2018.

The Improving Teacher Quality - Principal Professional Development program received \$0.8 million (\$0) of Commonwealth revenue in 2013-14 which was fully spent. The objective of this program is to contribute to the facilitation reform under the agreement of developing and delivering high-quality professional development programs for principals and emerging principals that address national and local priorities; and the sharing of best practice programs nationally.

Other programs received \$5 million (\$6.7 million) of which \$1.14 million (\$1.8 million) was unspent as at 30 June 2014.

12. Student and other fees and charges	Consolidated		DECD	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Sales/Fee-for-service revenue	13 684	14 278	2 436	2 681
Student enrolment fees and charges	99 894	95 131	2 749	2 653
Other user fees and charges	14 400	18 060	15 471	19 534
Canteen sales	15 840	15 911	-	-
Total student and other fees and charges	143 818	143 380	20 656	24 868
<b>13. Other grants and contributions</b>				
Grants and subsidies revenue	24 454	31 317	14 204	15 613
Donations	713	651	5	1
Total other grants and contributions	25 167	31 968	14 209	15 614
<b>14. Interest revenues</b>				
Interest from entities within the SA Government	9 741	13 438	8 223	8 424
Other	447	293	27	73
Total interest revenues	10 188	13 731	8 250	8 497
<b>15. Net gain from disposal of non-current assets</b>				
Land and buildings:				
Proceeds from disposal	3 544	-	3 544	-
Net book value of assets disposed	(1 652)	-	(1 652)	-
Net gain from disposal of land and buildings	1 892	-	1 892	-
Vehicles, plant and equipment:				
Proceeds from disposal	278	203	38	-
Net book value of assets disposed	(316)	(381)	(60)	-
Net loss from disposal of vehicles, plant and equipment	(38)	(178)	(22)	-
Non-current assets classified as held for sale:				
Proceeds from disposal	7 242	8 761	7 242	8 761
Net book value of assets disposed	(4 421)	(8 130)	(4 421)	(8 130)
Net gain from disposal of non-current assets classified as held for sale	2 821	631	2 821	631
Total assets:				
Total proceeds from disposal	11 064	8 964	10 824	8 761
Total value of assets disposed	(6 389)	(8 511)	(6 133)	(8 130)
Total net gain from disposal of non-current assets	4 675	453	4 691	631

16. Other revenues	Consolidated		DECD	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Commission received	2 006	1 474	3 423	1 090
Fundraising revenue	7 583	7 298	-	-
Assets recognised for the first time	9 272	1 884	9 272	1 884
Recoveries - other	12 686	10 454	17 781	19 176
Other revenue	31 518	30 800	6 928	5 315
Contributed assets	48	2 649	48	2 649
Total other revenues	63 113	54 559	37 452	30 114

### 17. Revenues from (Payments to) SA Government

Revenues from SA Government:

Appropriations from the Consolidated Account pursuant to the *Appropriation Act*

2 812 749    2 617 289    2 821 749    2 617 289

Transfers from contingencies

19 404    48 059    19 404    48 059

Total revenues from SA Government

2 841 153    2 665 348    2 841 153    2 665 348

Payments to SA Government:

Return of surplus cash pursuant to cash alignment policy

(45 573)    -    (45 573)    -

Total payments to SA Government

(45 573)    -    (45 573)    -

### 18. Cash and cash equivalents

Deposits with the Treasurer - at call

79 011    153 597    79 011    153 597

Deposits with the Treasurer - Accrual Appropriation

Excess Funds Account

252 892    211 826    252 892    211 826

SA School Investment Fund (SASIF)

353 034    351 043    -    -

Cash at bank and on hand

30 268    30 531    898    870

Section 21 Deposit Accounts

377    373    377    373

Total cash and cash equivalents

715 582    747 370    333 178    366 666

#### *Deposits with the Treasurer*

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

#### *SASIF*

Represents the amount held in schools SASIF accounts at 31 December 2013, adjusted to account for additional grant revenue and other material movements that occurred between the school's calendar year and the Department's financial year.

The physical amount held in schools and units SASIF accounts as at 30 June 2014 was \$362.7 million (\$372.7 million) and does not include \$23.2 million (\$22.7 million) held in the account for preschools and some units as these have been treated as transactions with third parties.

### 19. Receivables

19. Receivables	Consolidated		DECD	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Current:				
Fees, charges and other receivables	24 247	31 014	19 919	22 613
Allowance for doubtful debts	(4 083)	(3 831)	(107)	(36)
GST recoverable from the ATO	11 350	14 819	8 779	12 004
Accrued revenues	3 277	2 271	6 103	1 619
Prepayments	3 221	3 886	1 870	2 467
Loan receivables	-	-	653	947
Total current receivables	38 012	48 159	37 217	39 614
Non-current:				
Workers compensation receivable	841	633	841	633
Loan receivables	15	19	5 820	6 305
Total non-current receivables	856	652	6 661	6 938
Total receivables	38 868	48 811	43 878	46 552



**19. Receivables (continued)**

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client rating) that a receivable is impaired.

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

	Consolidated		DECD	
	2014	2013	2014	2013
Movement in the allowance for doubtful debts (impairment loss):	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	3 831	3 650	36	30
Increase (Decrease) in the allowance	2 096	1 793	140	43
Amounts written off	(1 844)	(1 612)	(69)	(37)
Carrying amount at 30 June	4 083	3 831	107	36

**Interest rate and credit risk**

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

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

- (a) Maturity analysis of receivables - refer note 37.  
 (b) Categorisation of financial instruments and risk exposure information - refer note 37.

**20. Inventories**

	Consolidated		DECD	
	2014	2013	2014	2013
Current:	\$'000	\$'000	\$'000	\$'000
Materials at net realisable value	5 389	5 002	139	135
Total current inventories	5 389	5 002	139	135
Total inventories	5 389	5 002	139	135

**21. Other financial assets**

Current:				
Term deposits	1 976	1 740	-	-
Total current investments	1 976	1 740	-	-
Non-current:				
Term deposits	120	118	-	-
Total non-current investments	120	118	-	-
Total other financial assets	2 096	1 858	-	-

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

**22. Non-current assets classified as held for sale**

Current:				
Land	4 695	9 807	4 695	9 807
Buildings and improvements	2 362	3 875	2 362	3 875
Buses	160	16	160	16
Total non-current assets classified as held for sale	7 217	13 698	7 217	13 698

As a result of school closures and amalgamations, the land and buildings located at these sites are surplus to requirements. It is anticipated that the land and buildings will be sold within the next 12 months. There were no indications of impairment of the land and buildings transferred to held for sale.

The following table shows the movement of non-current assets classified as held for sale:

22. Non-current assets classified as held for sale (continued)	Consolidated		DECD	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Land held for sale:				
Carrying amount at 1 July	9 807	9 856	9 807	9 856
Asset disposals	(4 405)	(4 749)	(4 405)	(4 749)
Assets reclassified to (from) assets held for sale	(707)	4 700	(707)	4 700
Carrying amount at 30 June	4 695	9 807	4 695	9 807
Building and improvements:				
Carrying amount at 1 July	3 875	6 997	3 875	6 997
Asset derecognised/disposals	(183)	(3 381)	(183)	(3 381)
Assets reclassified to (from) assets held for sale	(1 330)	259	(1 330)	259
Carrying amount at 30 June	2 362	3 875	2 362	3 875
Buses:				
Carrying amount at 1 July	16	12	16	12
Asset disposals	(16)	-	(16)	-
Assets reclassified to assets held for sale	160	4	160	4
Carrying amount at 30 June	160	16	160	16
Total non-current assets classified as held for sale	7 217	13 698	7 217	13 698
23. Property, plant and equipment				
Land:				
Land	1 315 692	1 301 281	1 315 293	1 300 882
Total land	1 315 692	1 301 281	1 315 293	1 300 882
Buildings and improvements:				
Buildings and improvements	5 963 259	5 748 254	5 962 713	5 747 792
Accumulated depreciation	(3 681 151)	(3 390 611)	(3 680 956)	(3 390 450)
Total buildings and improvements	2 282 108	2 357 643	2 281 757	2 357 342
Residential accommodation housing:				
Residential accommodation housing	32 418	31 198	32 418	31 198
Accumulated depreciation	(14 382)	(12 739)	(14 382)	(12 739)
Total residential accommodation housing	18 036	18 459	18 036	18 459
Buildings under finance lease:				
Buildings under finance lease	189 756	176 938	189 756	176 938
Accumulated amortisation	(11 798)	(10 465)	(11 798)	(10 465)
Total buildings under finance lease	177 958	166 473	177 958	166 473
Construction work in progress:				
Construction work in progress	181 700	113 557	181 700	113 557
Total construction work in progress	181 700	113 557	181 700	113 557
Leasehold improvements:				
Leasehold improvements	31 419	39 811	31 419	39 811
Accumulated amortisation	(28 330)	(21 315)	(28 330)	(21 315)
Total leasehold improvements	3 089	18 496	3 089	18 496
Buses/Motor vehicles:				
Buses/Motor vehicles	59 119	62 714	47 416	51 770
Accumulated depreciation	(34 530)	(37 427)	(27 613)	(31 184)
Total buses/motor vehicles	24 589	25 287	19 803	20 586
Computing, communications, furniture and equipment:				
Computing, communications, furniture and equipment	51 016	51 619	13 898	13 772
Accumulated depreciation	(31 315)	(31 786)	(12 874)	(12 830)
Total computing, communications, furniture and equipment	19 701	19 833	1 024	942
Other assets:				
Other assets	10 196	9 800	4 138	4 159
Accumulated depreciation	(6 912)	(6 476)	(3 859)	(3 740)
Total other assets	3 284	3 324	279	419
Total property, plant and equipment	4 026 157	4 024 353	3 998 939	3 997 156

**Valuation of non-current assets**

The independent valuation of land held for education related services was performed by the Valuer-General as at 30 June 2014.

Buildings, pavings and swimming pools used for the provision of education related services are valued through reference to SAMIS which is maintained by DPTI. These building and paving valuations were valued as at 30 June 2014 and the swimming pools were valued as at 30 June 2012.

The independent valuation of residential accommodation was performed as at 30 June 2012 by Fred Taormina BAppSc(Val) AAPI Certified Practising Valuer of Valcorp Australia Pty Ltd. The valuation was performed by reference to market selling price utilising comparable sales evidence.

The independent valuation of buildings under finance lease was performed as at 30 June 2014 by Fred Taormina BAppSc(Val) AAPI Certified Practising Valuer of Valcorp Australia Pty Ltd. The valuer adopted depreciated replacement cost when valuing the buildings due to their not being an active market for purchasing such buildings. The depreciated replacement cost considered the need for ongoing provision of government services; the specialised nature of the assets including the restricted use of the assets; size, condition, location and current use of the asset. The valuation was based on cost data from construction manuals and projects costs of buildings recently erected.

The independent valuation of leasehold improvements was performed by Fred Taormina BAppSc(Val) AAPI Certified Practising Valuer of Valcorp Australia Pty Ltd as at 30 June 2014. The valuer adopted depreciated replacement cost when valuing the assets as quoted prices in an active liquid market were not available.

Bus values are based on an internal estimate of current depreciated replacement cost. The previous valuation occurred as at 30 June 2012.

All computing, communications, furniture and equipment and other assets had a fair value at time of acquisition that was less than \$1 million and have not been revalued in accordance with APF III. The carrying values of these assets are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustment to their fair value, except for management assumptions about condition and remaining useful life.

**Impairment**

There were no indications of impairment of property, plant and equipment at 30 June 2014.

**Reconciliation of non-current assets**

	<b>DECD</b>						
	Land	Buildings & imprvmnts	Buildings under finance lease	Residential accomm housing	Construction work in progress	Leasehold imprvmnts	Buses/Motor vehicles
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2014</b>							
Carrying amount at 1 July	1 300 882	2 357 342	166 473	18 459	113 557	18 496	20 586
Additions	572	-	-	-	144 136	-	1 590
Disposals	(1 652)	-	-	-	-	-	(60)
Assets derecognised	-	(8 083)	-	-	-	(217)	-
Assets reclassified to (from) assets held for sale	707	1 330	-	-	-	-	(160)
Transfers to (from) WIP	-	69 765	-	-	(75 993)	6 228	-
Transfers between asset classes	-	-	20 007	-	-	(20 007)	-
Revaluation increment (decrement)	14 784	(57 942)	(4 101)	-	-	(127)	-
Depreciation and amortisation	-	(89 705)	(4 420)	(669)	-	(1 284)	(2 153)
Assets recognised for the first time	-	9 003	-	246	-	-	-
Transfers from third parties	-	48	-	-	-	-	-
Other changes	-	(1)	(1)	-	-	-	-
Carrying amount at 30 June	1 315 293	2 281 757	177 958	18 036	181 700	3 089	19 803
		Computing, communctn furniture & equipment	Other assets	Tangible assets total	Service right for equipment	Internally developed computer software	Intangible assets total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July		942	419	3 997 156	20 812	5 379	26 191
Additions		291	-	146 589	-	-	-
Disposals		-	-	(1 712)	-	-	-
Assets derecognised		(21)	-	(8 321)	-	-	-
Assets reclassified to (from) assets held for sale		-	-	1 877	-	-	-
Transfers to (from) WIP		-	-	-	-	-	-
Transfers between asset classes		-	-	-	-	-	-
Revaluation increment (decrement)		-	-	(47 386)	-	-	-
Depreciation and amortisation		(211)	(139)	(98 581)	(799)	(1 167)	(1 966)
Assets recognised for the first time		23	-	9 272	-	-	-
Transfers from third parties		-	-	48	-	-	-
Other changes		-	(1)	(3)	-	-	-
Carrying amount at 30 June		1 024	279	3 998 939	20 013	4 212	24 225

**Reconciliation of non-current assets (continued)**

	DECD						
	Land	Buildings & imprvmnts	Buildings under finance lease	Residential accomm housing	Construction work in progress	Leasehold imprvmnts	Buses/Motor vehicles
2013	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	1 291 043	2 372 012	170 893	15 199	66 669	19 202	17 045
Additions	2 172	-	-	-	124 957	374	5 405
Assets derecognised	-	(6 132)	-	-	-	(20)	(4)
Assets reclassified to assets held for sale	(4 700)	(259)	-	-	-	-	(4)
Transfers to (from) WIP	-	76 518	-	-	(78 069)	1 551	-
Revaluation increment (decrement)	11 287	-	-	2 363	-	-	-
Depreciation and amortisation	-	(86 577)	(4 420)	(672)	-	(2 611)	(1 856)
Assets recognised for the first time	-	1 824	-	-	-	-	-
Transfers to (from) third parties	1 080	-	-	1 569	-	-	-
Other changes	-	(44)	-	-	-	-	-
Carrying amount at 30 June	1 300 882	2 357 342	166 473	18 459	113 557	18 496	20 586

	Computing, communctn furniture & equipment	Other assets	Tangible assets total	Service right for equipment	Internally developed computer software	Intangible assets total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	3 491	557	3 956 111	21 611	6 405	28 016
Additions	298	10	133 216	-	-	-
Assets derecognised	(76)	-	(6 232)	-	-	-
Assets reclassified to assets held for sale	-	-	(4 963)	-	-	-
Transfers to (from) WIP	-	-	-	-	-	-
Revaluation increment (decrement)	-	-	13 650	-	-	-
Depreciation and amortisation	(556)	(148)	(96 840)	(799)	(1 026)	(1 825)
Assets recognised for the first time	60	-	1 884	-	-	-
Transfers to (from) third parties	(2 160)	-	489	-	-	-
Other changes	(115)	-	(159)	-	-	-
Carrying amount at 30 June	942	419	3 997 156	20 812	5 379	26 191

The above reconciliations of non-current assets are for the DECD entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.

**24. Intangible assets**

	Consolidated		DECD	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Internally developed computer software:				
Internally developed computer software	12 668	12 668	12 668	12 668
Accumulated amortisation	(8 456)	(7 289)	(8 456)	(7 289)
Total internally developed computer software	4 212	5 379	4 212	5 379
Other computer software:				
Other computer software	117	117	117	117
Accumulated amortisation	(117)	(117)	(117)	(117)
Total other computer software	-	-	-	-
Service right for the right to use equipment:				
Service right for equipment	22 691	22 691	22 691	22 691
Accumulated amortisation	(2 678)	(1 879)	(2 678)	(1 879)
Total service right for the right to use equipment	20 013	20 812	20 013	20 812
Total intangible assets	24 225	26 191	24 225	26 191

The internally developed computer software relates to the Department's human resource management system (Valeo) and the Connected Client and Case Management System (C3MS) for case management of children.

The service right to use equipment relates to the provision, maintenance and replacement of equipment under the PPP over the period of the agreement. The service right is amortised over the remaining period of the PPP agreement. The PPP arrangements have been detailed in note 2(p) above.

**Impairment**

There were no indications of impairment on intangible assets at 30 June 2014.

## 25. Fair value measurement

### *Fair value hierarchy*

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Department categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

The Department classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent valuation.

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (input other than quoted prices included within level 1) that are observable for the asset either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014.

The Department had no valuations categorised into level 1.

### *Fair value measurements at 30 June 2014*

	Level 2	Level 3	Total
	\$'000	\$'000	\$'000
Recurring fair value measurements:			
Land	1 315 293	-	1 315 293
Buildings and improvements	-	2 281 757	2 281 757
Residential accommodation housing	18 036	-	18 036
Buildings under finance lease	-	177 958	177 958
Leasehold improvements	-	3 089	3 089
Buses/Motor vehicles	19 803	-	19 803
Computing, communications, furniture and equipment	-	1 024	1 024
Other assets	-	279	279
Total recurring fair value measurements	1 353 132	2 464 107	3 817 239
Non-recurring fair value measurements:			
Land held for sale	4 695	-	4 695
Buildings and improvements held for sale	2 362	-	2 362
Buses held for sale	160	-	160
Total non-recurring fair value measurements	7 217	-	7 217
Total fair value measurements	1 360 349	2 464 107	3 824 456

The above disclosure of fair value measurement is for the DECD entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.

Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

### *Valuation techniques and inputs*

Valuation techniques used to derive level 2 and 3 fair values are disclosed in note 23. Further details regarding significant valuation inputs are detailed below. There were no changes in valuation techniques during 2013-14 financial year.

### *Quantitative information about fair value measurement using significant unobservable inputs (level 3)*

#### *Buildings and improvements*

Buildings and improvement assets comprises building structures, swimming pools and paved areas. The values are based on depreciated estimated current replacement cost which is determined by SAMIS maintained by DPTI. The current replacement cost is a calculation based on the size of the structure and takes into consideration a range of factors including building type and structure, function, fabric, engineering plant and service and fixed furniture and fittings. The weighted averages for assets within this class of assets are:

- buildings - \$2598 per square metre
- swimming pools - \$1153 per square metre
- paving - \$30.19 per square metre.

*Buildings under finance lease*

The buildings under finance lease were valued using a depreciated replacement cost approach. The weighted average of these buildings is \$3512 per square metre.

*Leasehold improvements*

The valuation of the leasehold improvement assets was conducted using depreciated replacement cost. The weighted average of these improvements is \$1006 per square metre.

*Computing, communications, furniture and equipment and other assets*

The assets within the computing, communications, furniture and equipment and other assets classifications are valued at historical cost less accumulated depreciation. The inputs to the valuation are useful life and condition assessment.

**Reconciliation of fair value measurement - level 3**

	Buildings & imprvmnts \$'000	Buildings under finance lease \$'000	Leasehold imprvmnts \$'000	Computing comms furniture & equipment \$'000	Other assets \$'000
<b>2014</b>					
Opening balance at 1 July	2 357 342	166 473	18 496	942	419
Acquisitions	-	-	-	291	-
Assets derecognised	(8 083)	-	(217)	(21)	-
Classified as held for sale and/or disposal	1 330	-	-	-	-
Capitalised subsequent expenditure	69 765	-	6 228	-	-
Transfers between asset classes	-	20 007	(20 007)	-	-
Assets recognised for the first time	9 003	-	-	23	-
Transfers from third parties	48	-	-	-	-
Other changes	(1)	(1)	-	-	(1)
Gains (Losses) for the period recognised in net result:*					
Revaluation decrement	-	(4 101)	(127)	-	-
Depreciation and amortisation	(89 705)	(4 420)	(1 284)	(211)	(139)
Gains (Losses) for the period in other comprehensive income:					
Revaluation decrement	(57 942)	-	-	-	-
Closing balance as at 30 June	2 281 757	177 958	3 089	1 024	279

\* Of these gains and losses, \$99.8 million is attributable to the change in unrealised gains or losses for assets held at the end of the reporting period. The amounts of these changes are included in the following line items:

- revaluation decrement
- depreciation and amortisation.

The above reconciliation is for the DECD entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.

**26. Payables**

	Consolidated		DECD	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Current:				
Creditors	42 119	77 822	57 957	87 051
Employment on-costs	48 996	36 639	48 992	36 639
Accrued expenses	12 474	15 041	8 134	9 676
Accrued interest on PPP finance lease	2 878	2 797	2 878	2 797
Lease payables	4	14	-	-
Total current payables	106 471	132 313	117 961	136 163
Non-current:				
Employment on-costs	52 779	34 029	52 779	34 029
Accrued interest on PPP finance lease	4 771	3 358	4 711	3 358
Creditors	2	11	2	11
Total non-current payables	57 492	37 398	57 492	37 398
Total payables	163 963	169 711	175 453	173 561

**26. Payables (continued)**

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave changed in 2014 to a rate of 64% (26%) and the average factor for the calculation of employer superannuation was changed to a rate of 10.3% (10.2%). These rates are used in the employment on-cost calculation.

**Interest rate and credit risk**

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

- (a) Maturity analysis of payables - refer note 37.3.  
 (b) Categorisation of financial instruments and risk exposure information - refer note 37.

**27. Borrowings**

	Consolidated		DECD	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Current:				
Obligations under finance leases <sup>(1)</sup>	1 301	1 163	1 301	1 163
Borrowings	36	71	-	-
Total current borrowings	1 337	1 234	1 301	1 163
Non-current:				
Obligations under finance leases <sup>(1)</sup>	172 403	173 704	172 403	173 704
Borrowings	85	112	-	-
Advance <sup>(2)</sup>	285	406	285	406
Total non-current borrowings	172 773	174 222	172 688	174 110
Total borrowings	174 110	175 456	173 989	175 273

- (1) This finance lease is related to the public private partnership agreement and is interest bearing.  
 (2) The advance was to establish the imprest account and is non-interest bearing.

Finance leases are recognised at cost, and the interest rate implied based on the total payments due over the life of the finance lease is 11.26% (refer note 32(a)(ii)).

- (a) Maturity analysis of borrowings - refer note 37.3.  
 (b) Categorisation of financial instruments and risk exposure information - refer note 37.  
 (c) Defaults and breaches - there were no defaults or breaches on any of the above liabilities throughout the year.

**28. Employee benefits**

	Consolidated		DECD	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Current:				
Annual leave	112 186	104 844	111 244	104 046
Accrued salaries and wages	51 806	43 297	51 279	42 768
LSL	59 599	60 016	59 560	59 955
SERL	14 500	12 012	14 500	12 012
Country incentive leave	795	1 177	795	1 177
Total current employee benefits	238 886	221 346	237 378	219 958
Non-current:				
LSL	441 486	435 518	438 631	432 903
Country incentive leave	2 686	2 670	2 686	2 670
Total non-current employee benefits	444 172	438 188	441 317	435 573
Total employee benefits	683 058	659 534	678 695	655 531

AASB 119 contains the DTF calculation methodology for LSL liability. An actuarial assessment performed by DTF was used to calculate the liability.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds applied decreased from 2013 (3.75%) to 2014 (3.5%) for Families SA employees and from 2013 (3.5%) to 2014 (3.25%) for all other employees due to differing profiles of employee leave usage.

This decrease in bond yield, which is used as the rate to discount future LSL cash flows, results in a decrease in the reported LSL liability.

**28. Employee benefits (continued)**

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is an increase of \$8.6 million in total LSL liability and an increase of \$9.6 million in the total employee benefits expense (which includes on-costs). The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

**29. Provisions**

	Consolidated		DECD	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Current:				
Provision for workers compensation	24 605	18 463	24 605	18 463
Provision for legal claims	782	627	782	627
Provision for fire claims	-	-	80	34
Total current provisions	25 387	19 090	25 467	19 124
Non-current:				
Provision for workers compensation	92 537	91 409	92 537	91 409
Provision for legal claims	3 748	3 675	3 748	3 675
Total non-current provisions	96 285	95 084	96 285	95 084
Total provisions	121 672	114 174	121 752	114 208

**Movements in provisions**

Provision for workers compensation:				
Carrying amount at 1 July	109 872	104 662	109 872	104 662
Reductions arising from payments	(26 921)	(22 002)	(26 921)	(22 002)
Additional provision recognised	34 191	27 212	34 191	27 212
Carrying amount at 30 June	117 142	109 872	117 142	109 872

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

	Consolidated		DECD	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Provision for legal claims:				
Carrying amount at 1 July	4 302	2 982	4 302	2 982
Reductions arising from payments	(753)	(540)	(753)	(540)
Additional provision recognised	981	1 860	981	1 860
Carrying amount at 30 June	4 530	4 302	4 530	4 302
Provision for fire claims:				
Carrying amount at 1 July	-	-	34	126
Reductions arising from payments	-	-	(1 021)	(134)
Additional provision recognised	-	-	1 067	42
Carrying amount at 30 June	-	-	80	34

**30. Other liabilities**

Current:				
Deposits	9 678	8 924	8 735	8 154
Unearned revenue	5 554	5 433	556	324
Equipment service right	478	354	478	354
Other liabilities	5 403	5 138	348	513
Total current other liabilities	21 113	19 849	10 117	9 345
Non-current:				
Deposits	481	540	-	-
Equipment service right	21 748	22 225	21 748	22 225
Other liabilities	613	692	468	461
Total non-current other liabilities	22 842	23 457	22 216	22 686
Total other liabilities	43 955	43 306	32 333	32 031



**31. Equity**

	Consolidated		DECD	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Retained earnings	2 194 977	2 198 613	1 787 742	1 793 492
Revaluation surplus	1 437 799	1 506 489	1 437 612	1 506 302
Total equity	3 632 776	3 705 102	3 225 354	3 299 794

The revaluation surplus is used to record increments and decrements in their fair value of land, buildings and plant and equipment to the extent that they offset one another within each asset class. Relevant amounts are transferred to retained earnings when an asset is disposed.

**32. Unrecognised contractual commitments****(a) PPP related commitments**

In July 2009 the State of South Australia entered into a 30 year agreement with Pinnacle Education SA2 Pty Ltd under the Partnerships SA policy, for the financing, design, construction and maintenance of six schools.

The construction of all six schools was completed and achieved commercial acceptance during the 2010-11 financial year, at which point the State assumed responsibility for education provision, staffing, curriculum and teacher practice.

**(i) PPP operations and maintenance commitments**

Future operations and maintenance commitments are payable in nominal terms as follows:

	Consolidated		DECD	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Within one year	5 318	5 164	5 318	5 164
Later than one year but not later than five years	22 643	21 980	22 643	21 980
Later than five years	154 152	159 222	154 152	159 222
Total PPP operations and maintenance commitments	182 113	186 366	182 113	186 366

**(ii) PPP finance lease commitments**

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:

	2014		2013	
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
	\$'000	\$'000	\$'000	\$'000
Within one year	21 016	18 891	21 018	18 890
Later than one year and not later than five years	84 039	58 276	84 050	58 262
Later than five years	421 801	96 537	442 806	97 715
Total minimum lease payments	526 856	173 704	547 874	174 867
Less amounts representing finance charges	353 152	-	373 007	-
Present value of minimum lease payments	173 704	173 704	174 867	174 867

	Consolidated		DECD	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Included in the financial statements as:				
Current borrowings (note 27)	1 301	1 163	1 301	1 163
Non-current borrowings (note 27)	172 403	173 704	172 403	173 704
Total included in borrowings	173 704	174 867	173 704	174 867

The PPP arrangements have been detailed in note 2(p) above. The weighted average interest rate implicit in the leases is 11.26%.

**(b) Capital commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements are payable as follows:

	Consolidated		DECD	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Within one year	57 157	95 155	57 157	95 155
Later than one year but not later than five years	4 075	21 213	4 075	21 213
Total capital commitments	61 232	116 368	61 232	116 368

The Department's capital commitments are for commitments under the investing program.

**(c) Remuneration commitments**

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

	Consolidated		DECD	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Within one year	7 185	6 751	7 185	6 751
Later than one year but not later than five years	16 034	12 706	16 034	12 706
Total remuneration commitments	23 219	19 457	23 219	19 457

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

**(d) Operating lease commitments for vehicles**

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

	Consolidated		DECD	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Within one year	5 765	5 963	5 765	5 963
Later than one year but not later than five years	3 160	4 132	3 160	4 132
Total operating lease commitments for vehicles	8 925	10 095	8 925	10 095

The Department has non-cancellable operating lease commitments for the provision of vehicles to senior executive officers or sections (ie pool vehicles) with SAFA through their agent LeasePlan Australia Ltd. There are no purchase options available to the Department.

**(e) Operating lease commitments for facilities**

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

	Consolidated		DECD	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Within one year	16 272	15 419	16 272	15 419
Later than one year but not later than five years	35 522	32 626	35 522	32 626
Later than five years	11 958	5 615	11 958	5 615
Total operating lease commitments for facilities	63 752	53 660	63 752	53 660

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

**33. Contingent assets and liabilities**

The Department has received advice from the Crown Solicitor that departmental bus drivers were eligible for LSL under the former *Public Sector Management Act 1995* from 10 March 1994. Payment from this date is being applied to each application for LSL that is received, however a sufficiently reliable estimate of the potential liability cannot be made at this time.

**34. Transferred functions****2014***Transferred in*

There were no transferred in functions in 2014.

*Transferred out*

Under the Public Sector (Reorganisation of Public Sector Operations) Notice 2013, from 3 March 2014 28 employees were transferred from the Department to the EECSRSB.

The effective date of the transfer is 3 March 2014.

The following assets and liabilities were transferred to the EECSRSB:

	Total \$'000
Current assets:	
Cash	818
Total current assets	<u>818</u>
Total assets	<u>818</u>
Current liabilities:	
Payables	29
Employee benefits	185
Total current liabilities	<u>214</u>
Non-current liabilities:	
Payables	43
Employee benefits	561
Total non-current liabilities	<u>604</u>
Total liabilities	<u>818</u>
Total net assets transferred	<u>-</u>

Net assets transferred by the Department as a result of the administrative restructure were at the carrying amount.

The net assets transferred were treated as a distribution to the SA Government as owner.

**2013**

There were no transferred functions in 2013.

**35. Remuneration of board and committee members**

Members of the boards and committees during the 2013-14 financial year were:

***Animal Ethics Committee***

Ms Jan Brooks\*

Ms Anne Clark  
(resigned 13.06.14)

Mr John Hatch  
Mr Manfred Heide

Ms Anne Kibble

Mr Steve Lawrie  
(resigned 15.08.13)

Dr David Mason  
Ms Kay McGrath  
Dr Denise Noonan

Ms Sally Nance

(resigned 15.08.13)

Ms Patricia Sprague  
Mr Ross Templeman\*  
Ms Kymberley Warren\*

***DECD Audit and Risk Committee***

Ms Angela Allison\*\*\*

Mr Garry Costello\*  
(resigned 31.12.13)

Mr Gino De Gennaro\*  
(resigned 27.09.13)

Ms Julieann Riedstra\*

Ms Yvonne Sneddon  
(resigned 31.12.13)

Ms Patricia Strachan\*  
Mr David Waterford\*

Mr Coenraad Robberts\*

(appointed 01.01.14)  
Ms Jayne Johnston\*  
(appointed 01.01.14)

***Council for the Care of Children Committee***

Ms Fiona Arney  
(appointed 05.09.13)

Ms Alison Baker  
(appointed 22.05.14)

Ms Barbara Chapman  
Ms Jane Cooper  
Ms Jesse Frick

Ms Sharon Gollan  
(resigned 12.11.13)

Mr Anthony Harrison\*  
Mr Thomas Manning

Ms Joslene Mazel\*  
Ms Emily Rozee\*  
Ms Catherine Ryan

Ms Nerida Saunders\*

Mr Simon Schrapel  
Prof Phillip Slee  
Mr David Swan\*

**Child Death and Serious Injury Review Committee**

Prof Roger Byard*	Dr Diana Hetzel	Ms Dana Shen*
Ms Angela Davis	Mr Barry Jennings QC	(resigned 31.08.13)
Ms Dymphna Eszenyi	Dr Margaret Kyrkou**	Dr Nigel Stewart**
Ms Dianne Gursansky	Mr Thomas Osborn*	Ms Patricia Strachan*
Ms Michelle Hasani**		Ms Barbara Tiffin*

**SA Institute for Educational Leadership**

Ms Jane Booth	Ms Pam Kent*	Ms Louisa Rennie
Ms Susan Cameron*	Ms Jayne Johnston*	(term ended 20.05.14)
Ms Kaye Colmer	(appointed 28.02.14)	Ms Patricia Strachan*
(term ended 20.05.14)	Mr Kevin Lee*	Mr David Tonkin
Mr Garry Costello*	Mr Phil O'Loughlin*	
(resigned 31.12.13)		

**SA Teacher Certification Committee**

Ms Kerry Ann Kavanagh*	Ms Janette Patterson*	Mr Vincent Thomas
Mr Michael Kenny	Ms Lynda Seacombe	Ms Erica Womersley*
Ms Lynda MacLeod		

The number of members whose remuneration received or receivable falls within the following bands:	2014	2013
	Number	Number
\$0	47	49
\$1 - \$9 999	17	21
\$10 000 - \$19 999	1	2
Total	65	72

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration, including employer superannuation contributions, received or receivable by members was \$40 847 (\$80 821).

\* In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

\*\* Part-time government employees who gained approval to receive remuneration for board/committee duties during the financial year.

\*\*\* Resigned from government employment during the 2013-14 financial year.

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

**36. Cash flow reconciliation**

	Consolidated		DECD	
Reconciliation of cash and cash equivalents -	2014	2013	2014	2013
at 30 June as per:	\$'000	\$'000	\$'000	\$'000
Statement of Financial Position	715 582	747 370	333 178	366 666
Statement of Cash Flows	715 582	747 370	333 178	366 666

**Reconciliation of net cash provided by (used in) operating activities to net cost of providing services:**

Net cash provided by (used in) operating activities	106 541	157 702	99 022	127 890
Revenues from SA Government	(2 841 153)	(2 665 348)	(2 841 153)	(2 665 348)
Payments to SA Government	45 573	-	45 573	-
Non-cash items:				
Depreciation and amortisation expense	(105 247)	(103 438)	(100 547)	(98 665)
Bad and doubtful debts	(2 096)	(1 793)	(140)	(43)
Non-current assets derecognised/written off	(8 504)	(6 232)	(8 504)	(6 232)
Donated assets	-	-	-	(2 160)
Assets recognised for the first time	9 272	1 884	9 272	1 884
Net gain from disposal of non-current assets	4 675	453	4 691	631
Net revaluation decrement recognised in profit and loss	(4 228)	-	(4 228)	-

<b>Reconciliation of net cash provided by (used in) operating activities to net cost of providing services: (continued)</b>	Consolidated		DECD	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Movements in assets/liabilities:				
Receivables	(7 843)	(2 486)	(1 748)	(13 317)
Other assets	-	(41)	-	-
Inventories	387	251	4	(15)
Payables	9 899	(18 884)	2 259	(21 972)
Employee benefits	(23 524)	(13 782)	(23 164)	(13 474)
Provisions	(7 498)	(6 530)	(7 544)	(6 438)
Other liabilities	(1 002)	9 730	(655)	5 595
Net cost of providing services	(2 824 748)	(2 648 514)	(2 826 862)	(2 691 664)

### 37. Financial instruments/Financial risk management

The following tables are for the DECD entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.

#### 37.1 Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

	Note	2014		2013	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents	18,36	333 178	333 178	366 666	366 666
Receivables <sup>(1)(2)</sup>	19	32 388	32 388	31 449	31 449
Total financial assets		365 566	365 566	398 115	398 115
<b>Financial liabilities</b>					
Financial liabilities at cost:					
Payables <sup>(1)</sup>	26	73 681	73 681	101 597	101 597
Borrowings	27	173 989	173 989	175 273	175 273
Other liabilities	30	32 333	32 333	32 031	32 031
Total financial liabilities		280 003	280 003	308 901	308 901

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

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 19 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

#### Credit risk

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

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Department does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently, the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 19 for information on the allowance for impairment in relation to receivables.

**37.2 Ageing analysis of financial assets**

The following table discloses the ageing of financial assets, current and past due, including impaired assets past due:

	Current (not overdue) \$'000	Past due by			Total \$'000
		Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2014</b>					
Not impaired:					
Receivables <sup>(1)</sup>	25 909	3 603	739	2 244	32 495
Impaired:					
Receivables <sup>(1)</sup>	-	-	-	(107)	(107)
<b>Total financial assets</b>	<b>25 909</b>	<b>3 603</b>	<b>739</b>	<b>2 137</b>	<b>32 388</b>
<b>2013</b>					
Not impaired:					
Receivables <sup>(1)</sup>	24 840	1 862	461	4 322	31 485
Impaired:					
Receivables <sup>(1)</sup>	-	-	-	(36)	(36)
<b>Total financial assets</b>	<b>24 840</b>	<b>1 862</b>	<b>461</b>	<b>4 286</b>	<b>31 449</b>

(1) Receivables amounts disclosed here exclude amounts relating to statutory receivables. In government, certain rights to receive may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

**37.3 Maturity analysis of financial assets and liabilities**

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

	Carrying amount \$'000	Contractual maturities		
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>2014</b>				
Financial assets:				
Cash and cash equivalents	333 178	333 178	-	-
Receivables	32 388	26 568	2 692	3 128
<b>Total financial assets</b>	<b>365 566</b>	<b>359 746</b>	<b>2 692</b>	<b>3 128</b>
Financial liabilities:				
Payables	73 681	68 968	4 713	-
Borrowings	173 989	1 301	6 938	165 750
Other liabilities	32 333	10 118	2 725	19 490
<b>Total financial liabilities</b>	<b>280 003</b>	<b>80 387</b>	<b>14 376</b>	<b>185 240</b>
<b>2013</b>				
Financial assets:				
Cash and cash equivalents	366 666	366 666	-	-
Receivables	31 449	25 144	2 415	3 890
<b>Total financial assets</b>	<b>398 115</b>	<b>391 810</b>	<b>2 415</b>	<b>3 890</b>
Financial liabilities:				
Payables	101 597	98 228	3 369	-
Borrowings	175 273	1 163	6 202	167 908
Other liabilities	32 031	9 345	2 169	20 517
<b>Total financial liabilities</b>	<b>308 901</b>	<b>108 736</b>	<b>11 740</b>	<b>188 425</b>

**Liquidity risk**

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The Department is funded principally from appropriation by the SA Government. The Department works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through the SA Government budgetary processes to meet the expected cash flows. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made within 30 days from resolution.

**Liquidity risk (continued)**

The Department's exposure to liquidity risk is not considered a material issue based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in note 37.1 represents the Department's maximum exposure to financial liabilities.

**Market risk**

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

**Sensitivity disclosure analysis**

A sensitivity disclosure analysis has not been undertaken for the interest rate risk of the Department as it has been determined that the possible impact on the net result or total equity from fluctuations in interest rates is immaterial.

**38. Events after the end of the reporting period**

There were no events occurring after the end of the reporting period that have material financial implications on these financial statements.

**39. Transactions with SA Government**

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature:

	Note	<b>Consolidated</b>					
		SA Government		Non-SA Government		Total	
		2014	2013	2014	2013	2014	2013
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses</b>							
Employee benefits expenses:	5						
Salaries and wages (including annual leave)		-	-	1 755 260	1 679 667	1 755 260	1 679 667
Employment on-costs - superannuation		-	-	205 638	176 812	205 638	176 812
Employment on-costs - payroll tax		100 474	94 926	-	-	100 474	94 926
LSL		-	-	64 939	47 999	64 939	47 999
Workers compensation		2 157	2 050	34 254	29 853	36 411	31 903
TVSPs		-	-	14 410	15 819	14 410	15 819
Country incentive leave		-	-	510	1 056	510	1 056
Board and committee fees		-	-	28	68	28	68
SERL		-	-	7 941	12 012	7 941	12 012
Other employee related expenses		-	-	3 087	3 079	3 087	3 079
Supplies and services:	6						
Minor works and maintenance		89 818	76 890	46 895	44 307	136 713	121 197
Rentals and leases		26 101	27 485	3 759	4 168	29 860	31 653
Management fees and charges		11 618	12 885	6 830	7 034	18 448	19 919
Utilities		17 812	16 476	29 495	31 162	47 307	47 638
Cleaning		280	345	34 919	33 955	35 199	34 300
Printing, postage and consumables		17	67	79 931	83 149	79 948	83 216
Training and development		546	262	11 079	10 767	11 625	11 029
SSSA charges		13 460	12 449	-	-	13 460	12 449
Vehicle and travelling expenses		8 708	10 949	26 673	24 920	35 381	35 869
Security		4 767	4 478	1 181	1 023	5 948	5 501
Insurance (including self insurance)		4 944	4 416	1 054	338	5 998	4 754
Contractors and other outsources services		1 427	2 305	24 703	25 069	26 130	27 374
Telecommunications		2 536	2 421	14 577	14 096	17 113	16 517
Legal costs		880	1 371	1 209	898	2 089	2 269
Residential and client related costs		66	39	2 441	2 717	2 507	2 756

**39. Transactions with SA Government (continued)**

	Note	SA Government		Consolidated		Total	
		2014	2013	2014	2013	2014	2013
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Supplies and services: (continued)	6						
Computer communications		837	519	16 132	17 896	16 969	18 415
Copyright		-	4	4 179	3 922	4 179	3 926
Bus contractors		-	8	24 332	23 237	24 332	23 245
Excursions and camps		-	-	20 890	19 352	20 890	19 352
Cost of goods sold		-	-	14 975	15 233	14 975	15 233
Student learning materials		-	-	31 335	30 953	31 335	30 953
PPP service fee		-	-	5 167	5 004	5 167	5 004
Other		2 925	5 375	79 394	70 513	82 319	75 888
Grants and subsidies:	7						
Recurrent grants paid to preschools		5 675	9 205	-	-	5 675	9 205
Recurrent grants paid to other organisations		2 051	5 346	181 084	185 835	183 135	191 181
Depreciation and amortisation:	8						
Buildings and improvements		-	-	105 247	103 438	105 247	103 438
Residential accommodation housing		-	-	669	672	669	672
Computing, communications furniture and equipment		-	-	3 896	4 108	3 896	4 108
Buses and motor vehicles		-	-	2 827	2 661	2 827	2 661
Other		-	-	457	539	457	539
Leasehold improvements		-	-	1 284	2 611	1 284	2 611
Intangible assets		-	-	1 167	1 026	1 167	1 026
Building under finance lease		-	-	4 420	4 420	4 420	4 420
Service rights for equipment		-	-	799	799	799	799
Borrowing costs:	9						
Interest paid/payable on borrowings		-	-	272	117	272	117
Finance lease costs		-	-	22 391	22 407	22 391	22 407
Other expenses:	10						
Auditor's remuneration - Auditor-General's Department		684	549	-	-	684	549
Auditor's remuneration - other		-	-	1 045	993	1 045	993
Allowance for doubtful debts and debt write offs		-	-	2 096	1 793	2 096	1 793
Non-current written off		-	-	8 504	6 232	8 504	6 232
Revaluation decrement of buildings under finance lease and leasehold improvement assets		-	-	4 228	-	4 228	-
Other expenses		696	1 157	1 107	1 401	1 803	2 558
Total expenses		298 479	291 977	2 893 191	2 758 294	3 191 670	3 050 271
<b>Income</b>							
Commonwealth revenues	11	-	-	119 961	157 666	119 961	157 666
Student and other fees and charges:	12						
Sales/fee for service revenue		298	258	13 386	14 020	13 684	14 278
Student enrolment fees and charges		-	-	99 894	95 131	99 894	95 131
Other user fees and charges		572	-	13 828	18 060	14 400	18 060
Canteen sales		-	-	15 840	15 911	15 840	15 911
Other grants and contributions:	13						
Grants and subsidies revenue		13 079	14 294	11 375	17 023	24 454	31 317
Donations		-	-	713	651	713	651
Interest revenues:	14						
Interest from entities within the SA Government		9 741	13 438	-	-	9 741	13 438
Other		-	-	447	293	447	293



**39. Transactions with SA Government (continued)**

	Note	SA Government		Consolidated		Total	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Income (continued)</b>							
Net gain from disposal of non-current assets:	15						
Total proceeds from disposal		-	-	11 064	8 964	11 064	8 964
Total value of assets disposed		-	-	(6 389)	(8 511)	(6 389)	(8 511)
Other revenues:	16						
Commission received		-	967	2 006	507	2 006	1 474
Fundraising revenue		-	-	7 583	7 298	7 583	7 298
Assets recognised for the first time		-	-	9 272	1 884	9 272	1 884
Recoveries - other		-	9 950	12 686	504	12 686	10 454
Other revenue		530	2 505	30 988	28 295	31 518	30 800
Contributed assets		48	-	-	2 649	48	2 649
Revenues from SA Government:	17						
Revenues from SA Government		2 841 153	2 665 348	-	-	2 841 153	2 665 348
Payments to SA Government		(45 573)	-	-	-	(45 573)	-
Total income		2 819 848	2 706 760	342 654	360 345	3 162 502	3 067 105
Net result		2 521 369	2 414 783	(2 550 537)	(2 397 949)	(29 168)	16 834
<b>Financial assets</b>							
Cash and cash equivalents:	18						
Deposits with the Treasurer - at call		79 011	153 597	-	-	79 011	153 597
Deposits with the Treasurer (AAEFA)		252 892	211 826	-	-	252 892	211 826
SA School Investment Fund (SASIF)		-	-	353 034	351 043	353 034	351 043
Cash at bank and on hand		-	-	30 268	30 531	30 268	30 531
Section 21 Deposit Accounts		377	373	-	-	377	373
Receivables:	19						
Fees, charges and other receivables		791	1 918	23 456	29 096	24 247	31 014
Allowance for doubtful debts		(2)	(2)	(4 081)	(3 829)	(4 083)	(3 831)
GST recoverable from the ATO		-	-	11 350	14 819	11 350	14 819
Accrued revenues		153	922	3 124	1 349	3 277	2 271
Prepayments		-	-	3 221	3 886	3 221	3 886
Loan receivables		-	-	15	19	15	19
Workers compensation receivable		-	-	841	633	841	633
Other financial assets:	21						
Term deposits		-	-	2 096	1 858	2 096	1 858
Total financial assets		333 222	368 634	423 324	429 405	756 546	798 039
<b>Financial liabilities</b>							
Payables:	26						
Creditors		19 654	61 282	22 467	16 551	42 121	77 833
Employment on-costs		44 883	63 779	56 892	6 889	101 775	70 668
Accrued expenses		4 447	4 352	8 027	10 689	12 474	15 041
Accrued interest on PPP finance lease		-	-	7 589	6 155	7 589	6 155
Lease payables		-	-	4	14	4	14
Borrowings:	27						
Obligations under finance leases		-	-	173 704	174 867	173 704	174 867
Borrowings		-	-	121	183	121	183
Advance		-	-	285	406	285	406
Other liabilities:	30						
Deposits		-	-	10 159	9 464	10 159	9 464
Unearned revenue		9	57	5 545	5 376	5 554	5 433
Equipment service right		-	-	22 226	22 579	22 226	22 579
Other liabilities		-	-	6 016	5 830	6 016	5 830
Total financial liabilities		68 993	129 470	313 035	259 003	382 028	388 473

**39. Transactions with SA Government (continued)**

		SA Government		DECD		Total	
		2014	2013	2014	2013	2014	2013
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses</b>							
Employee benefits expenses:	5						
Salaries and wages (including annual leave)		-	-	1 727 187	1 657 333	1 727 187	1 657 333
Employment on-costs - superannuation		-	-	202 995	174 359	202 995	174 359
Employment on-costs - payroll tax		100 474	94 926	-	-	100 474	94 926
LSL		-	-	64 444	47 415	64 444	47 415
Workers compensation		2 157	2 050	34 254	29 853	36 411	31 903
TVSPs		-	-	14 410	15 819	14 410	15 819
Country incentive leave		-	-	510	1 056	510	1 056
Board and committee fees		-	-	28	68	28	68
SERL		-	-	7 941	12 012	7 941	12 012
Other employee related expenses		-	-	2 992	2 940	2 992	2 940
Supplies and services:	6						
Minor works and maintenance		90 326	86 013	7 987	2 239	98 313	88 252
Rentals and leases		26 118	27 620	1 191	2 042	27 309	29 662
Management fees and charges		15 241	14 243	6 830	7 034	22 071	21 277
Utilities		17 843	16 489	28 445	30 213	46 288	46 702
Cleaning		359	426	4 554	4 377	4 913	4 803
Printing, postage and consumables		32	83	4 545	4 226	4 577	4 309
Training and development		2 305	848	2 570	3 135	4 875	3 983
SSSA charges		13 460	12 449	-	-	13 460	12 449
Vehicle and travelling expenses		8 855	11 186	24 418	22 647	33 273	33 833
Security		4 767	4 500	884	578	5 651	5 078
Insurance (including self insurance)		5 343	4 638	1 054	338	6 397	4 976
Contractors and other outsourced services		4 286	5 458	22 244	22 815	26 530	28 273
Telecommunications		2 535	2 409	12 997	12 476	15 532	14 885
Legal costs		880	1 371	1 209	898	2 089	2 269
Residential and client related costs		70	39	2 441	2 566	2 511	2 605
Computer communications		840	525	12 980	14 405	13 820	14 930
Copyright		-	5	4 174	3 918	4 174	3 923
Bus contractors		4	17	24 332	23 237	24 336	23 254
PPP service fee		-	-	5 167	5 004	5 167	5 004
Other		3 379	5 746	7 289	6 572	10 668	12 318
Grants and subsidies:	7						
Recurrent grants paid to schools and units		165 333	180 850	-	-	165 333	180 850
Capital grants paid to schools and units		9 311	13 541	-	-	9 311	13 541
Recurrent grants paid to preschools		5 675	9 205	-	-	5 675	9 205
Recurrent grants paid to other organisations		2 051	5 429	181 084	185 835	183 135	191 264
Depreciation and amortisation expense:	8						
Buildings and improvements		-	-	89 705	86 577	89 705	86 577
Residential accommodation housing		-	-	669	672	669	672
Computing, communications furniture and equipment		-	-	211	556	211	556
Buses and motor vehicles		-	-	2 153	1 856	2 153	1 856
Other		-	-	139	148	139	148
Leasehold improvements		-	-	1 284	2 611	1 284	2 611
Intangibles assets		-	-	1 167	1 026	1 167	1 026
Buildings under finance lease		-	-	4 420	4 420	4 420	4 420
Service right for equipment		-	-	799	799	799	799

**39. Transactions with SA Government (continued)**

		SA Government		DECD		Total	
		2014	2013	2014	2013	2014	2013
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses (continued)</b>							
Borrowing costs:	9						
Finance lease costs		-	-	22 391	22 407	22 391	22 407
Other expenses:							
Auditor's remuneration - Auditor-General's Department		684	549	-	-	684	549
Auditor's remuneration - other		-	-	984	949	984	949
Allowance for doubtful debts and debt write offs		-	-	140	43	140	43
Non-current assets written off		-	-	8 504	6 232	8 504	6 232
Revaluation decrement of buildings under finance lease and leasehold improvement assets		-	-	4 228	-	4 228	-
Other expenses		696	1 172	1 107	1 401	1 803	2 573
Donated assets		-	-	-	2 160	-	2 160
Total expenses		483 024	501 787	2 549 057	2 427 267	3 032 081	2 929 054
<b>Income</b>							
Commonwealth revenues	11	-	-	119 961	157 666	119 961	157 666
Student and other fees and charges:	12						
Sales/fee for service revenue		303	277	2 133	2 404	2 436	2 681
Student enrolment fees and charges		-	-	2 749	2 653	2 749	2 653
Other user fees and charges		1 642	1 474	13 829	18 060	15 471	19 534
Other grants and contributions:	13						
Grants and subsidies revenue		13 079	14 294	1 125	1 319	14 204	15 613
Donations		-	-	5	1	5	1
Interest revenues:	14						
Interest from entities within the SA Government		8 223	8 424	-	-	8 223	8 424
Other		-	-	27	73	27	73
Net gain from disposal of non-current assets:	15						
Total proceeds from disposal		-	-	10 824	8 761	10 824	8 761
Total value of assets disposed		-	-	(6 133)	(8 130)	(6 133)	(8 130)
Other revenues:	16						
Commission received		1 819	967	1 604	123	3 423	1 090
Assets recognised for the first time		-	-	9 272	1 884	9 272	1 884
Recoveries - other		5 095	9 950	12 686	9 226	17 781	19 176
Other revenue		1 876	2 505	5 052	2 810	6 928	5 315
Contributed assets		48	-	-	2 649	48	2 649
Revenues from SA Government:	17						
Revenues from SA Government		2 841 153	2 665 348	-	-	2 841 153	2 665 348
Payments to SA Government		(45 573)	-	-	-	(45 573)	-
Total income		2 827 665	2 703 239	173 134	199 499	3 000 799	2 902 738
Net result		2 344 641	2 201 452	(2 375 923)	(2 227 768)	(31 282)	(26 316)
<b>Financial assets</b>							
Cash and cash equivalents:	18						
Deposits with the Treasurer - at call		79 011	153 597	-	-	79 011	153 597
Deposits with the Treasurer (AAEFA)		252 892	211 826	-	-	252 892	211 826
Cash at bank and on hand		-	-	898	870	898	870
Section 21 Deposit Accounts		377	373	-	-	377	373

**39. Transactions with SA Government (continued)**

		SA Government		DECD		Total	
		2014	2013	2014	2013	2014	2013
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets (continued)</b>							
Receivables:	19						
Fees, charges and other receivables		9 003	11 224	10 916	11 389	19 919	22 613
Allowance for doubtful debts		(2)	(2)	(105)	(34)	(107)	(36)
GST recoverable from the ATO		-	-	8 779	12 004	8 779	12 004
Accrued revenues		4 865	1 573	1 238	46	6 103	1 619
Prepayments		-	-	1 870	2 467	1 870	2 467
Loan receivables		6 458	7 234	15	18	6 473	7 252
Workers compensation receivable		-	-	841	633	841	633
Other financial assets	21	-	-	-	-	-	-
Total financial assets		352 604	385 825	24 452	27 393	377 056	413 218
<b>Financial liabilities</b>							
Payables:	26						
Creditors		40 546	76 111	17 413	10 951	57 959	87 062
Employment on-costs		44 883	63 782	56 888	6 886	101 771	70 668
Accrued expenses		4 447	4 352	3 687	5 324	8 134	9 676
Accrued interest on PPP finance lease		-	-	7 589	6 155	7 589	6 155
Borrowings:	27						
Obligations under finance leases		-	-	173 704	174 867	173 704	174 867
Advance		-	-	285	406	285	406
Other liabilities:	30						
Deposits		-	-	8 735	8 154	8 735	8 154
Unearned revenue		9	57	547	267	556	324
Equipment service right		-	-	22 226	22 579	22 226	22 579
Other liabilities		-	-	816	974	816	974
Total financial liabilities		89 885	144 302	291 890	236 563	381 775	380 865

**Statement of Administered Comprehensive Income  
for the year ended 30 June 2014**

	Note	2014 \$'000	2013 \$'000
<b>Expenses:</b>			
Employee benefits expenses	A3	1 495	2 215
Supplies and services	A4	359	204
Transfer payments	A5	979 143	931 809
Depreciation expense	A6	6	8
<b>Total expenses</b>		<b>981 003</b>	<b>934 236</b>
<b>Income:</b>			
Revenues from SA Government	A7	229 974	222 281
Commonwealth revenues	A8	751 802	715 831
Other revenues	A9	5	236
<b>Total income</b>		<b>981 781</b>	<b>938 348</b>
<b>Net result</b>		<b>778</b>	<b>4 112</b>
<b>Total comprehensive result</b>		<b>778</b>	<b>4 112</b>

### Statement of Administered Financial Position as at 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	A10	33 392	23 702
Receivables	A11	120	286
<b>Total current assets</b>		<u>33 512</u>	<u>23 988</u>
<b>Non-current assets:</b>			
Plant and equipment	A12	4	10
<b>Total non-current assets</b>		<u>4</u>	<u>10</u>
<b>Total assets</b>		<u>33 516</u>	<u>23 998</u>
<b>Current liabilities:</b>			
Payables	A13	9 082	44
Employee benefits	A14	192	263
<b>Total current liabilities</b>		<u>9 274</u>	<u>307</u>
<b>Non-current liabilities:</b>			
Payables	A13	50	50
Employee benefits	A14	416	643
<b>Total non-current liabilities</b>		<u>466</u>	<u>693</u>
<b>Total liabilities</b>		<u>9 740</u>	<u>1 000</u>
<b>Net assets</b>		<u>23 776</u>	<u>22 998</u>
<b>Equity:</b>			
Accumulated surplus	A15	23 776	22 998
<b>Total equity</b>		<u>23 776</u>	<u>22 998</u>
Contingent assets and liabilities	A16		

### Statement of Administered Changes in Equity for the year ended 30 June 2014

	Note	Retained earnings \$'000	Total \$'000
Balance at 30 June 2012		18 886	18 886
Net result for 2012-13		4 112	4 112
Total comprehensive result for 2012-13		4 112	4 112
Balance at 30 June 2013		22 998	22 998
Net result for 2013-14		778	778
Total comprehensive result for 2013-14		778	778
<b>Balance at 30 June 2014</b>	A15	<u>23 776</u>	<u>23 776</u>

**Statement of Administered Cash Flows  
for the year ended 30 June 2014**

		2014	2013
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		(1 791)	(2 028)
Supplies and services		(660)	(373)
Transfer payments		(988 553)	(951 647)
Borrowing costs		(6)	(6)
<b>Cash used in operations</b>		<b>(991 010)</b>	<b>(954 054)</b>
Cash inflows:			
Receipts from SA Government		229 974	222 281
Receipts from Commonwealth		751 802	715 831
GST recovered from the ATO		18 919	19 362
Other receipts		5	236
<b>Cash generated from operations</b>		<b>1 000 700</b>	<b>957 710</b>
<b>Net cash provided by (used in) operating activities</b>	A18	<b>9 690</b>	<b>3 656</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>9 690</b>	<b>3 656</b>
<b>Cash and cash equivalents at 1 July</b>		<b>23 702</b>	<b>20 046</b>
<b>Cash and cash equivalents at 30 June</b>	A18	<b>33 392</b>	<b>23 702</b>

**Schedule of Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2014**

	Minister's other payments		Minister's salary and allowances		Total	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefits expenses	1 199	1 924	296	291	1 495	2 215
Supplies and services	359	204	-	-	359	204
Transfer payments	979 143	931 809	-	-	979 143	931 809
Depreciation expense	6	8	-	-	6	8
<b>Total expenses</b>	<b>980 707</b>	<b>933 945</b>	<b>296</b>	<b>291</b>	<b>981 003</b>	<b>934 236</b>
<b>Income:</b>						
Revenue from SA Government	229 685	221 987	289	294	229 974	222 281
Commonwealth revenues	751 802	715 831	-	-	751 802	715 831
Other revenues	5	236	-	-	5	236
<b>Total income</b>	<b>981 492</b>	<b>938 054</b>	<b>289</b>	<b>294</b>	<b>981 781</b>	<b>938 348</b>
<b>Net result</b>	<b>785</b>	<b>4 109</b>	<b>(7)</b>	<b>3</b>	<b>778</b>	<b>4 112</b>

**Schedule of Assets and Liabilities  
attributable to Administered Activities  
for the year ended 30 June 2014**

	Minister's other payments		Minister's salary and allowances		Total	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>						
Cash and cash equivalents	33 392	23 702	-	-	33 392	23 702
Receivables	120	286	-	-	120	286
Plant and equipment	4	10	-	-	4	10
<b>Total assets</b>	<b>33 516</b>	<b>23 998</b>	<b>-</b>	<b>-</b>	<b>33 516</b>	<b>23 998</b>
<b>Liabilities:</b>						
Payables	9 132	94	-	-	9 132	94
Employee benefits	608	906	-	-	608	906
<b>Total liabilities</b>	<b>9 740</b>	<b>1 000</b>	<b>-</b>	<b>-</b>	<b>9 740</b>	<b>1 000</b>

**Notes to and forming part of the administered financial statements**

**A1. Summary of significant accounting policies**

All Department for Education and Child Development (the Department) accounting policies are contained in note 2. The policies outlined in note 2 apply to both the Department and administered financial statements.

*Administered items*

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

The main administered funds are:

*Minister for Education and Child Development*

Funds are appropriated to the Minister for Education and Child Development and are disbursed at the discretion of the Minister. The principal payments are:

- the State Government contribution to the operation of the SACE Board of South Australia
- the State and Commonwealth Government contributions to the operation of the Education and Early Childhood Services Registration and Standards Board of South Australia (the EECSRSB)
- payments to the Department of Planning, Transport and Infrastructure (DPTI) for the purposes of student travel
- the State Government contribution to the operation of non-government schools, organisations and services to students with disabilities
- the Commonwealth Government contribution to the operation of non-government schools, organisations and services to students with disabilities.

*Minister's salary and allowances*

The Minister's salary and allowances are funded by specific legislation and the Department has no control over this part of the annual appropriation.

**A2. Changes in accounting policies**

All Department changes in accounting policies are contained in note 3. The changes outlined in note 3 apply to both the Department and administered financial statements.



<b>A3. Employee benefits expenses</b>	2014	2013
	\$'000	\$'000
Salaries and wages (including annual leave and LSL expense)	1 260	1 909
Superannuation expense	137	158
Payroll tax expense	53	89
Workers compensation	1	2
SERL	-	16
Board and committee fees	43	41
Other employee related expenses	1	-
Total employee benefits expenses	1 495	2 215

**TVSPs**

No employees were paid TVSPs during the reporting period.

**Remuneration of employees**

The number of employees whose remuneration received or receivable falls within the following bands:	2014		2013	
	Number of executives <sup>(1)</sup>	Number of employees <sup>(3)</sup>	Number of executives <sup>(1)</sup>	Number of employees <sup>(3)</sup>
\$138 000 - \$141 499 <sup>(2)</sup>	n/a	n/a	-	-
\$151 500 - \$161 499	1	1	1	1
\$311 500 - \$321 499	-	-	1	1
\$431 500 - \$441 499	-	1	-	-
Total	1	2	2	2

(1) The number of executive officers disclosed in the above table include employees appointed on a South Australian Executive Service contract as at 30 June 2014 and 30 June 2013 respectively. The numbers of executive officers separately disclosed are also included in the number of employee totals for 2014 and 2013.

(2) This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for the 2012-13 financial year.

(3) Includes resigned and retired executives not included in the executive column.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and any FBT associated with those benefits.

Remuneration received or due and receivable by the above employees was \$600 000 (\$500 000), which is included in employee benefits expenses. Salary rates during 2013-14 increased by 3% for *Education Act 1972* employees and 3% for PSA employees effective the first pay period on or after 1 October 2013, and 2.5% for executives effective 1 July 2013 due to enterprise agreements.

**Number of employees as at the reporting date**

As at 30 June 2014, 14 (18) full-time equivalents were employed to manage the Department's administered items.

<b>A4. Supplies and services</b>	2014	2013
	\$'000	\$'000
Contractors and other outsourced services	152	114
Fees and charges	98	-
Printing, postage and consumables	22	27
Minor works, maintenance and equipment	7	11
Vehicle and travelling expenses	9	14
Conference expenses	6	-
Other	65	38
Total supplies and services	359	204

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

<b>Consultancy fees</b>	2014		2013	
	Number	\$'000	Number	\$'000
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following band:				
Below \$10 000	-	-	1	3
Total	-	-	1	3

<b>A5. Transfer payments</b>	2014	2013
	\$'000	\$'000
SACE Board of South Australia	18 652	18 789
Transport concessions	15 856	14 947
Special schools	7 000	6 846
Education and Early Childhood Services Registration and Standards Board of SA	5 285	4 859
Government schools	182	73
Government pre-schools	30	12
Non-government schools	928 874	882 480
Multicultural grants	1 316	1 302
Other organisations	1 948	2 501
Total transfer payments	<u>979 143</u>	<u>931 809</u>
<b>A6. Depreciation expense</b>		
Depreciation:		
Computing, communication equipment, furniture and equipment	6	8
Total depreciation expense	<u>6</u>	<u>8</u>
<b>A7. Revenues from SA Government</b>		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	228 818	221 705
Appropriations under other Acts	289	294
Transfers from contingencies	867	282
Total revenues from SA Government	<u>229 974</u>	<u>222 281</u>
<b>A8. Commonwealth revenues</b>		
Recurrent grants	740 421	704 411
Capital grants	11 381	11 420
Total Commonwealth revenues	<u>751 802</u>	<u>715 831</u>
<b>A9. Other revenues</b>		
Grants and subsidies revenue	-	236
Sundry revenue	5	-
Total other revenues	<u>5</u>	<u>236</u>
<b>A10. Cash and cash equivalents</b>		
Deposits with the Treasurer - at call	33 392	23 702
Total cash and cash equivalents	<u>33 392</u>	<u>23 702</u>
<b>A11. Receivables</b>		
Current:		
GST recoverable from the ATO	120	254
Other receivables	-	32
Total receivables	<u>120</u>	<u>286</u>
<b>A12. Plant and equipment</b>		
Computing, furniture and equipment:		
Computing, furniture and equipment at cost	53	53
Accumulated depreciation	(49)	(43)
Total computing, furniture and equipment	<u>4</u>	<u>10</u>
Total plant and equipment	<u>4</u>	<u>10</u>

**Valuation of non-current assets**

Valuations of computing, furniture and equipment are based on depreciated cost (a proxy for fair value).

**Fair value**

All valuations are considered to be level 3 valuations based on historical cost, useful life and condition assessments.

**Impairment**

There were no indications of impairment of plant and equipment at 30 June 2014.

**Reconciliation of plant and equipment**

The following table shows the movement of plant and equipment:

Computing, furniture  
and equipment

2014 2013  
\$'000 \$'000

Carrying amount at 1 July	10	18
Depreciation	(6)	(8)
Carrying amount at 30 June	4	10

<b>A13. Payables</b>	2014	2013
Current:	\$'000	\$'000
Creditors	9 047	5
Employment on-costs	30	33
Accrued expenses	5	6
Total current payables	9 082	44
Non-current:		
Employment on-costs	50	50
Total non-current payables	50	50
Total payables	9 132	94

<b>A14. Employee benefits</b>		
Current:		
Accrued salaries and wages	30	37
Annual leave	76	110
LSL	70	100
SERL	16	16
Total current employee benefits	192	263
Non-current:		
LSL	416	643
Total non-current employee benefits	416	643
Total employee benefits	608	906

<b>A15. Equity</b>		
Accumulated surplus	23 776	22 998
Total equity	23 776	22 998
Accumulated surplus		
Balance at 1 July	22 998	18 886
Net result for the year	778	4 112
Balance at 30 June	23 776	22 998

**A16. Contingent assets and liabilities**

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

**A17. Remuneration of board and committee members**

Members of the boards and committees during the 2013-14 financial year were:

**Ministerial Advisory Committee: Students with Disabilities**

Ms Jacqueline Ah Kit*	Ms Deborah George*	Mr Glenn Rappenberg
Ms Gabby Aschberger	(appointed 01.01.14)	(term ended 31.12.13)
Ms Susan Bailey	Ms Stephanie Grant	Ms Rennie Strawbridge*
Ms Mary Bambacas	Ms Aimee Harwood	(appointed 01.01.14)
Dr Kerry Bissaker	(appointed 01.01.14)	Ms Sue Sodeman*
Ms Vivian Cagliuso	Ms Helen Kowalenko*	(term ended 31.12.13)
Ms Janice Clark	(term ended 31.12.13)	Mr Nick Schumi
Ms Elizabeth Cohen	Ms Nicole Kyrkou*	(term ended 31.12.13)
(appointed 01.01.14)	(appointed 01.01.14)	Ms Linda Turpin
Ms Jillian Denys*	Ms Deidre Le Maistre*	Ms Margaret Wallace

**Multicultural Education Committee**

Mr Edgar Bliss	Ms Panayoula Parha*	Ms Vivien Shae
Mr Trevor Buzzacott*	Ms Tala Sabri	Ms Renee Singh
Ms Antonietta Cocchiario*	Ms Angela Scarino	Mr Guy Tunstall*
Mr John Kiosoglous	Ms Lynda Secombe	Mr Lawrence Udo-Ekpo*

**Ethnic Schools Board**

Ms Intessar Abou-Hamdan	Ms Juan Li**	Ms Elizabeth Schneyder (resigned 09.08.13)
Mr Geoffery Baraka**	Ms Binh Nguyen	Mr Christopher Shakes*
Mr Giancarlo Chiro	Dr George Panagopoulos (resigned 16.06.14)	Ms Sumeja Skaka
Ms Giuseppina Fitzharris (appointed 01.09.13)	Ms Karmen Petric*	Mr Kostyantyn Todorashko
Mr John Kiosoglous	Ms Angela Scarino	Mr Ker Wol Mading**

**Ministerial Planning Committee for Non-government Schools**

Mr Michael Angley*	Ms Amanda Hore*	Mr Christopher Rudd
Ms Wendy Bruce	(resigned 06.04.14)	Ms Lynda Secombe (appointed 07.04.14)
Ms Judith Day	Mr Raymond Lambert	Ms Elizabeth Sowry*
Dr Bronwyn Donaghey (appointed 07.04.14)	Ms Pauline Murphy	Mr Ross Treadwell*
Mr Andrew Grear*	Mr Denise Ralph	

**Ministerial Advisory Committee on Non-government Schools**

Ms Ann Bliss	Ms Jane Jarvis (appointed 28.01.14)	Ms Margaret Rouggos
Ms Louise Firrell	Mr Barry Kahl	Mr Glen Seidel
Ms Carolyn Grantskalns	Mr Simon Murray (appointed 28.01.14)	Dr Paul Sharkey
Mr Donald Grimmet	Mr Paul Roocke	Ms Katherine Teague
Mr Michael St Clair Honey		Ms Margaret Wallace*
Ms Amanda Hore*		

The number of members whose remuneration received or receivable falls within the following bands:	2014	2013
	Number	Number
\$0	38	34
\$1 - \$9 999	34	7
\$10 000 - \$19 999	1	-
Total	<u>73</u>	<u>41</u>

\* Government employee that did not receive any remuneration for board/committee duties during the financial year.

\*\* Part-time government employees who gained approval to receive remuneration for board/committee duties during the financial year.

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$43 178 (\$38 572).

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

**A18. Cash flow reconciliation**

Reconciliation of cash and cash equivalents - at 30 June as per:	2014	2013
Statement of Administered Financial Position	\$'000	\$'000
Statement of Administered Cash Flows	<u>33 392</u>	<u>23 702</u>

**Reconciliation of net cash provided by (used in) operating activities to net result:**

Net cash provided by (used in) operating activities	9 690	3 656
Non-cash items:		
Depreciation	(6)	(8)
Movements in assets/liabilities:		
Receivables	(166)	(802)
Payables	(9 038)	1 434
Employee benefits	298	(168)
Net result	<u>778</u>	<u>4 112</u>

**A19. Financial instruments/Financial risk management****A19.1 Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2. The policies outlined in note 2 apply to both the Department and administered financial statements.

	Note	2014		2013	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents	A10	33 392	33 392	23 702	23 702
Receivables <sup>(1)</sup>	A11	-	-	32	32
Total financial assets		33 392	33 392	23 734	23 734
<b>Financial liabilities</b>					
Payables <sup>(1)</sup>	A13	9 047	9 047	5	5
Total financial liabilities		9 047	9 047	5	5

<sup>(1)</sup> Receivables and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

**Credit risk**

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

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Department does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently, the Department does not hold any collateral as security to any of its financial assets. There is no evidence to indicate that financial assets are impaired.

**A19.2 Maturity analysis of financial assets and liabilities**

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

	Carrying amount \$'000	Contractual maturities		
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>2014</b>				
Financial assets:				
Cash and cash equivalents	33 392	33 392	-	-
Total financial assets	33 392	33 392	-	-
Financial liabilities:				
Payables	9 047	9 047	-	-
Total financial liabilities	9 047	9 047	-	-
<b>2013</b>				
Financial assets:				
Cash and cash equivalents	23 702	23 702	-	-
Receivables	32	32	-	-
Total financial assets	23 734	23 734	-	-
Financial liabilities:				
Payables	5	5	-	-
Total financial liabilities	5	5	-	-

**Liquidity risk**

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The Department is funded principally from appropriation by the SA Government. The Department works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through the SA Government budgetary processes to meet the expected cash flows. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made within 30 days from resolution.

The Department's exposure to liquidity risk is insignificant based on past experience and current assessment of risk. The carrying amount of financial liabilities recorded in note A19.1 represent the Department's maximum exposure to financial liabilities.

**Sensitivity disclosure analysis**

A sensitivity disclosure analysis has not been undertaken for the interest rate risk of the Department as it has been determined that the possible impact on the net result or total equity from fluctuations in interest rates is immaterial.

**A20. Events after the end of the reporting period**

There were no events occurring after the end of the reporting period that have material financial implications on these financial statements.

**A21. Transactions with SA Government**

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature:

	Note	SA Government		Non-SA Government		Total	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Expenses</b>							
Employee benefits expenses:	A3						
Salaries and wages (including annual leave and LSL expense)		-	-	1 260	1 909	1 260	1 909
Superannuation expense		-	-	137	158	137	158
Payroll tax expense		53	89	-	-	53	89
Workers compensation		1	2	-	-	1	2
SERL		-	-	-	16	-	16
Board and committee fees		-	-	43	41	43	41
Other employee related expenses		-	-	1	-	1	-
Supplies and services:	A4						
Contractors and other outsources services		1	2	151	112	152	114
Fees and charges		-	-	98	-	98	-
Printing, postage and consumables		-	-	22	27	22	27
Minor works, maintenance and equipment		-	-	7	11	7	11
Vehicle and travelling expenses		3	3	6	11	9	14
Conference expenses		-	-	6	-	6	-
Other		14	5	51	33	65	38
Transfer payments:	A5						
SACE Board of South Australia		18 652	18 789	-	-	18 652	18 789
Transport concessions		15 856	14 947	-	-	15 856	14 947
Special schools		2 839	2 752	4 161	4 094	7 000	6 846
Education and Early Childhood Services							
Registration and Standards Board of SA		5 285	4 859	-	-	5 285	4 859
Government schools		182	73	-	-	182	73
Government pre-schools		30	12	-	-	30	12
Non-government schools		-	-	928 874	882 480	928 874	882 480
Multicultural grants		-	2	1 316	1 300	1 316	1 302
Other organisations		58	117	1 890	2 384	1 948	2 501
Depreciation and amortisation:	A6						
Computing, furniture and equipment		-	-	6	8	6	8
<b>Total expenses</b>		<b>42 974</b>	<b>41 652</b>	<b>938 029</b>	<b>892 584</b>	<b>981 003</b>	<b>934 236</b>

A21. Transactions with SA Government (continued)	Note	SA Government		Non-SA Government		Total	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Income</b>							
Revenues from SA Government:	A7						
Consolidated Account pursuant to the <i>Appropriation Act</i>		228 818	221 705	-	-	228 818	221 705
Appropriations under other Acts		289	294	-	-	289	294
Transfers from contingencies		867	282	-	-	867	282
Commonwealth revenues:	A8						
Recurrent grants		-	-	740 421	704 411	740 421	704 411
Capital grants		-	-	11 381	11 420	11 381	11 420
Other revenues:	A9						
Grants and subsidies revenue		-	-	-	236	-	236
Sundry revenue		-	-	5	-	5	-
Total income		229 974	222 281	751 807	716 067	981 781	938 348
Net result		187 000	180 629	(186 222)	(176 517)	778	4 112
<b>Financial assets</b>							
Cash and cash equivalents:	A10						
Deposits with the Treasurer - at call		33 392	23 702	-	-	33 392	23 702
Receivables:	A11						
GST recoverable from ATO		-	-	120	254	120	254
Other receivables		-	32	-	-	-	32
Total financial assets		33 392	23 734	120	254	33 512	23 988
<b>Financial liabilities</b>							
Payables:	A13						
Creditors		3 899	1	5 148	4	9 047	5
Employment on-costs		80	83	-	-	80	83
Accrued expenses		5	6	-	-	5	6
Total financial liabilities		3 984	90	5 148	4	9 132	94

# Electoral Commission of South Australia

## Functional responsibility

### Establishment

The Electoral Commissioner is appointed by the Governor under the provisions of the *Electoral Act 1985*. The Electoral Commission of South Australia (Electoral Commission) is the administrative unit which has been established to assist the Electoral Commissioner to discharge his/her statutory duties. This administrative unit was formerly known as the State Electoral Office.

### Functions

The main functions of the Electoral Commission are to administer all South Australian parliamentary electoral events and to conduct elections for all local government authorities and other organisations. Refer note 1 to the financial statements for the objectives of the Electoral Commission.

A State Government election was held in March 2014.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

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

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

### Scope of the audit

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

During 2013-14, specific areas of audit attention included:

- governance
- payroll
- expenditure
- revenue
- general ledger.



## Audit findings and comments

### Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Electoral Commission of South Australia as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### Assessment of controls

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

### Communication of audit matters

Matters arising during the course of the audit were provided in a management letter to the Electoral Commissioner. The matters related to the summary of a financial management compliance program and the regular review of the currency of policies and procedures covering financial management and other processes. The response from the Electoral Commissioner indicated that the matters will be appropriately addressed.

## Interpretation and analysis of the financial report

The level of financial operations of the Electoral Commission is affected by the timing of the State Government elections and to a much lesser extent the timing of the local government elections. A State Government election was held in 2013-14, while local government elections will be held in 2014-15.

### Highlights of the financial report

	2014 \$'million	2013 \$'million
<b>Expenses</b>		
Employee benefits expenses	7.9	1.6
Supplies and services	6.7	2.2
Other	0.3	0.2
<b>Total expenses</b>	<b>14.9</b>	<b>4.0</b>
<b>Income</b>		
Revenues from fees and charges	0.8	0.9
<b>Total income</b>	<b>0.8</b>	<b>0.9</b>
<b>Net cost of providing services</b>	<b>(14.1)</b>	<b>(3.1)</b>
<b>Revenues from (Payments to) SA Government</b>		
Revenues from SA Government	14.8	3.6
Payments to SA Government	-	(0.9)
<b>Net result and total comprehensive result</b>	<b>0.7</b>	<b>(0.4)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>1.2</b>	<b>(0.2)</b>

	2014 \$'million	2013 \$'million
<b>Assets</b>		
Current assets	3.4	2.5
Non-current assets	0.9	0.8
<b>Total assets</b>	<b>4.3</b>	<b>3.3</b>
<b>Liabilities</b>		
Current liabilities	0.5	0.3
Non-current liabilities	0.5	0.4
<b>Total liabilities</b>	<b>1.0</b>	<b>0.7</b>
<b>Total equity</b>	<b>3.3</b>	<b>2.6</b>

**Statement of Comprehensive Income**

**Operating expenses**

As a result of the State Government election in March 2014 the total expenses for the current year increased by \$10.9 million. The last State Government election was held in 2009-10.

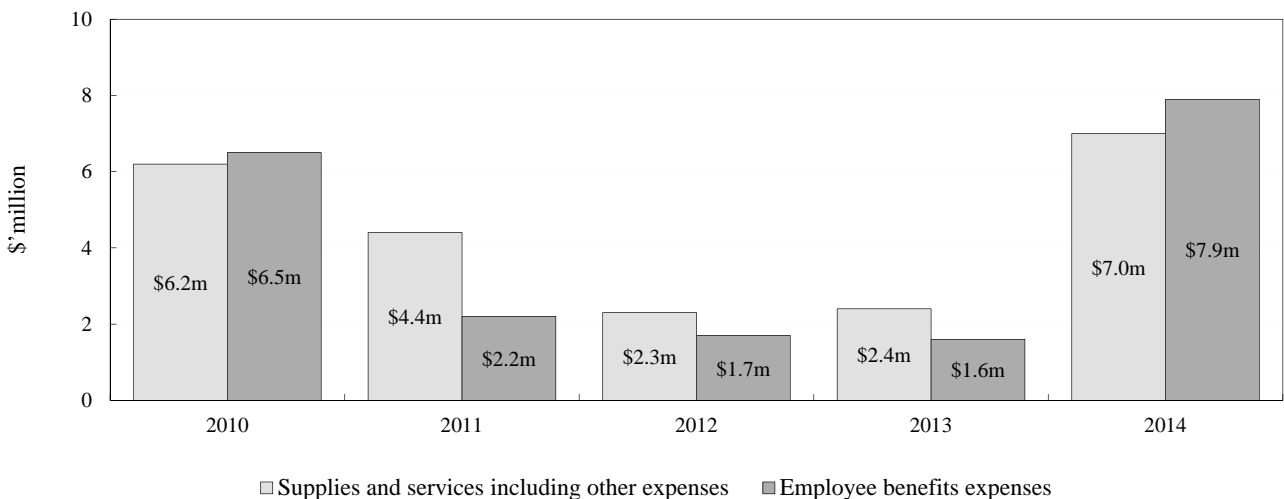
Employee benefits expenses increased by \$6.3 million due to an increase in casual staff employed for the election. Based on information provided by the Electoral Commission the total salaries and wages attributable to casual staff for the election was approximately \$5.2 million with on-costs of approximately \$616 000.

The increase in supplies and services of \$4.5 million is due to expenditure on the election.

The other major areas of expenditure, as advised by the Electoral Commission, on the election during 2013-14 were as follows:

- printing and stationery \$1 178 000
- postage \$689 000
- advertising \$672 000
- rental accommodation \$561 000
- distribution, storage and hire rental \$401 000
- communication and information technology \$315 000

The following chart shows, for the five years 2010 to 2014, total expenses segregated between employee benefits expenses and supplies and services including other expenses.



The chart shows the higher levels of expenditure in 2010 and 2014 when State Government elections were held compared with the non-election years of 2011, 2012 and 2013.

The total comprehensive result for the 2013-14 financial year is a surplus of \$703 000. This is due in part to revenue from fees and charges for non-parliamentary electoral services.

#### Statement of Financial Position

Total assets and total liabilities at 30 June 2014 were \$4.3 million (\$3.3 million) and \$982 000 (\$655 000) respectively. The increase in total assets was mainly attributable to an increase in cash and cash equivalents, up \$873 000 to \$3.2 million. The increase in liabilities is mainly due to an increase in creditors and accrued expenses at 30 June 2014.

The Electoral Commission did not receive any contributed capital from the State Government in 2013-14.

#### Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2014.

	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000
<b>Net cash flows</b>					
Operating	1 161	(187)	564	1 128	(123)
Investing	(288)	(192)	(6)	(58)	(141)
Change in cash	873	(379)	558	1 070	(264)
Cash at 30 June	3 213	2 340	2 719	2 161	1 091

The analysis of cash flows shows a net increase in cash from \$2.3 million in 2013 to \$3.2 million in 2014.

**Statement of Comprehensive Income  
for the year ended 30 June 2014**

	Note	2014 \$'000	2013 \$'000
<b>Expenses:</b>			
Employee benefits expenses	5	7 926	1 593
Supplies and services	6	6 689	2 243
Depreciation and amortisation	7	234	198
Other expenses	8	33	26
<b>Total expenses</b>		<u>14 882</u>	<u>4 060</u>
<b>Income:</b>			
Revenues from fees and charges	10	785	885
Other revenue	11	-	8
<b>Total income</b>		<u>785</u>	<u>893</u>
<b>Net cost of providing services</b>		<u>(14 097)</u>	<u>(3 167)</u>
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	12	14 800	3 638
Payments to SA Government	12	-	(893)
<b>Net revenues from (payments to) SA Government</b>		<u>14 800</u>	<u>2 745</u>
<b>Net result</b>		<u>703</u>	<u>(422)</u>
<b>Total comprehensive result</b>		<u>703</u>	<u>(422)</u>

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

**Statement of Financial Position  
as at 30 June 2014**

	Note	2014 \$'000	2013 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	13	3 213	2 340
Receivables	14	226	113
<b>Total current assets</b>		3 439	2 453
<b>Non-current assets:</b>			
Plant and equipment	15	635	693
Intangible assets	16	207	105
<b>Total non-current assets</b>		842	798
<b>Total assets</b>		4 281	3 251
<b>Current liabilities:</b>			
Payables	18	354	128
Employee benefits	19	166	131
Provisions	20	9	5
<b>Total current liabilities</b>		529	264
<b>Non-current liabilities:</b>			
Payables	18	24	21
Employee benefits	19	401	353
Provisions	20	28	17
<b>Total non-current liabilities</b>		453	391
<b>Total liabilities</b>		982	655
<b>Net assets</b>		3 299	2 596
<b>Equity:</b>			
Contributed capital		1 363	1 363
Retained earnings		1 936	1 233
<b>Total equity</b>		3 299	2 596
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	21		
Contingent assets and liabilities	22		

## Statement of Changes in Equity for the year ended 30 June 2014

	Contributed capital \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2012	1 363	1 655	3 018
Net result for 2012-13	-	(422)	(422)
Total comprehensive result for 2012-13	-	(422)	(422)
Balance at 30 June 2013	1 363	1 233	2 596
Net result for 2013-14	-	703	703
Total comprehensive result for 2013-14	-	703	703
<b>Balance at 30 June 2014</b>	<b>1 363</b>	<b>1 936</b>	<b>3 299</b>

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

## Statement of Cash Flows for the year ended 30 June 2014

		2014 Inflows (Outflows) \$'000	2013 Inflows (Outflows) \$'000
<b>Cash flows from operating activities:</b>	Note		
Cash outflows:			
Employee benefits payments		(7 818)	(1 610)
Payments for supplies and services		(7 139)	(2 543)
GST paid to the ATO		-	(13)
Other payments		(33)	(26)
<b>Cash used in operations</b>		<b>(14 990)</b>	<b>(4 192)</b>
Cash inflows:			
Fees and charges		716	997
GST received from the ATO		635	255
Other revenue		-	8
<b>Cash generated from operations</b>		<b>1 351</b>	<b>1 260</b>
<b>Cash flows from SA Government:</b>			
Cash inflows:			
Receipts from SA Government		14 800	3 638
Cash outflows:			
Payments to SA Government		-	(893)
<b>Cash generated from SA Government</b>		<b>14 800</b>	<b>2 745</b>
<b>Net cash provided by (used in) operating activities</b>	23	<b>1 161</b>	<b>(187)</b>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of plant and equipment		(149)	(87)
Purchase of intangible assets		(139)	(105)
<b>Net cash used in investing activities</b>		<b>(288)</b>	<b>(192)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>873</b>	<b>(379)</b>
<b>Cash and cash equivalents at 1 July</b>		<b>2 340</b>	<b>2 719</b>
<b>Cash and cash equivalents at 30 June</b>	13	<b>3 213</b>	<b>2 340</b>

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2014

	(Activities - refer note 4)		1		2		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefits expenses	7 680	1 365	246	228	7 926	1 593		
Supplies and services	6 570	1 915	119	328	6 689	2 243		
Depreciation and amortisation	234	198	-	-	234	198		
Other expenses	33	26	-	-	33	26		
<b>Total expenses</b>	<b>14 517</b>	<b>3 504</b>	<b>365</b>	<b>556</b>	<b>14 882</b>	<b>4 060</b>		
<b>Income:</b>								
Revenues from fees and charges	271	149	514	736	785	885		
Other income	-	8	-	-	-	8		
<b>Total income</b>	<b>271</b>	<b>157</b>	<b>514</b>	<b>736</b>	<b>785</b>	<b>893</b>		
<b>Net cost of providing services</b>	<b>(14 246)</b>	<b>(3 347)</b>	<b>149</b>	<b>180</b>	<b>(14 097)</b>	<b>(3 167)</b>		
<b>Revenues from (payments to)</b>								
<b>SA Government:</b>								
Revenues from SA Government	14 800	3 638	-	-	14 800	3 638		
Payments to SA Government	-	(893)	-	-	-	(893)		
<b>Net revenues from (payments to)</b>								
<b>SA Government</b>	<b>14 800</b>	<b>2 745</b>	<b>-</b>	<b>-</b>	<b>14 800</b>	<b>2 745</b>		
<b>Net result</b>	<b>554</b>	<b>(602)</b>	<b>149</b>	<b>180</b>	<b>703</b>	<b>(422)</b>		

## Disaggregated Disclosures – Assets and Liabilities as at 30 June 2014

	(Activities - refer note 4)		1		2		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>								
Cash and cash equivalents	3 213	2 340	-	-	3 213	2 340		
Receivables	81	112	145	1	226	113		
Plant and equipment	635	693	-	-	635	693		
Intangible assets	207	105	-	-	207	105		
<b>Total assets</b>	<b>4 136</b>	<b>3 250</b>	<b>145</b>	<b>1</b>	<b>4 281</b>	<b>3 251</b>		
<b>Liabilities:</b>								
Payables	378	148	-	1	378	149		
Employee benefits	566	484	1	-	567	484		
Provisions	37	22	-	-	37	22		
<b>Total liabilities</b>	<b>981</b>	<b>654</b>	<b>1</b>	<b>1</b>	<b>982</b>	<b>655</b>		
<b>Net assets</b>	<b>3 155</b>	<b>2 596</b>	<b>144</b>	<b>-</b>	<b>3 299</b>	<b>2 596</b>		

## Notes to and forming part of the financial statements

### 1. Objectives of the Electoral Commission of South Australia (the Commission)

The Commission is an administrative unit which has been established to assist the Electoral Commissioner to discharge statutory duties in accordance with the provisions of the *Electoral Act 1985* (the Act).

The objectives of the Commission are to promote in the community an understanding of electoral matters including the rights and responsibilities of electors and to provide the opportunity to vote at properly conducted State parliamentary and non-parliamentary elections and polls.

### 2. Summary of significant accounting policies

#### (a) *Statement of compliance*

The Commission has prepared these financial statements in compliance with section 23 of the PFAA.

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

The Commission has applied AASs that are applicable to not-for-profit entities, as the Commission is a not-for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Commission for the reporting period ending 30 June 2014 (refer note 3).

#### (b) *Basis of preparation*

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
  - (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

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

The Statement of Cash Flows has been prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

#### (c) *Reporting entity*

The Commission is an administrative unit which has been established to assist the Electoral Commissioner to discharge statutory duties in accordance with the provisions of the Act.



**(c) Reporting entity (continued)**

The financial statements and accompanying notes include all the controlled activities of the Commission. Transactions and balances relating to administered resources are not recognised as Commission income, expenses, assets and liabilities. As administered items are insignificant in relation to the Commission's overall financial performance and position, they are disclosed in the schedule of administered items at the back of the controlled general purpose financial statements (note 26). Unless otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for Commission items.

**(d) Comparative information**

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

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

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

**(e) Rounding**

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

**(f) Taxation**

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

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

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

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

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

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

**(g) Events after the reporting period**

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

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

**(h) Income**

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

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

The following are specific recognition criteria:

*Fees and charges*

Revenues from fees and charges are derived from the provision of services and goods to local government, other SA Government agencies and to the public. This revenue is recognised upon the delivery of services to customers. Fees charged to local government and the public are in relation to the conduct of elections and industrial ballots.

*Revenues from SA Government*

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

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

*Net gain on disposal of non-current assets*

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

(i) **Expenses**

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

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

The following are specific recognition criteria:

*Employee benefits expenses*

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

*Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Commission to the superannuation plan in respect of current services of current Commission staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

*Depreciation and amortisation*

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

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

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

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

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

<i>Class of asset</i>	<i>Depreciation method</i>	<i>Useful life (years)</i>
Office equipment	Straight-line	3-10
Furniture and fittings	Straight-line	5-10
Leasehold improvements	Straight-line	5-10
Computer equipment	Straight-line	3
Intangibles	Straight-line	3

*Payments to SA Government*

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

**(j) Current and non-current classification**

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

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

**(k) Assets**

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

*Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flows include cash at bank and on hand.

Cash is measured at nominal value.

*Receivables*

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

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

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

*Non-current assets*

- *Acquisition and recognition*

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

All non-current assets with a value equal to or greater than \$1000 are capitalised.

- *Revaluation of non-current assets*

All non-current tangible assets are valued at written down current cost (a proxy for fair value) and revaluation of non-current assets or group of assets is only performed when its fair value at time of acquisition is greater than \$1 million and estimated useful life is greater than three years. No revaluations have been performed.

*Impairment*

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

*Intangible assets*

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

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

*Fair value measurement*

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Commission classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3: not traded in an active market and are derived from unobservable inputs.

Fair value changes are reviewed by the Commission at each reporting date.

*Non-financial assets*

In determining fair value, the Commission has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Commission's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Commission did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years is deemed to approximate fair value.

Refer note 15 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

*Financial assets/liabilities*

The Commission does not recognise any financial assets or liabilities at fair value.

**(l) Liabilities**

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

*Payables*

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

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

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

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

Employee benefits on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, LSL, annual leave and SERL. Employee benefit on-costs are settled when the respective employee benefit that they related to is discharged.

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

*Leases*

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

The Commission has entered into operating leases.

- *Operating leases*

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

*Employee benefits*

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

- *Salaries, wages, annual leave, SERL and sick leave*

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and SERL liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid. Where the annual leave liability and SERL liability are payable later than 12 months, the liability is measured at present value.

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

- *LSL*

The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The portion of the LSL provision classified as current reflects the Commission's average annual payments of the liability in recent years.

**(m) Provisions**

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

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

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

*Provision for workers compensation*

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2014 provided by a consulting actuary engaged through the Public Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Commission is responsible for the payment of workers compensation claims.

**(n) Unrecognised contractual commitments and contingent assets and liabilities**

Commitments include operating and capital arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

(n) **Unrecognised contractual commitments and contingent assets and liabilities (continued)**

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of note and, if quantifiable, are measured at nominal value.

(o) **Administered items**

The Commission has included a schedule of administered items as a note to the accounts (note 26) as it is considered that administered transactions and balances are insignificant in relation to the Commission's overall Statement of Comprehensive Income and Statement of Financial Position.

**3. New and revised accounting standards and policies**

The Commission did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13, which became effective for the first time in 2013-14, the Commission has:

- reviewed its fair value valuation techniques (internal estimates) for non-financial assets to ensure they are consistent with the standard. Previously, the Commission has used the cost approach or the market approach to determine fair value. The Commission will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements
- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in notes 2(k) and 15.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Commission for the period ending 30 June 2014. The Commission has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commission.

**4. Activities of the Commission**

In achieving the objectives (note 1), the Commission provides electoral services classified into the following activities:

**Activity 1: Parliamentary Electoral Services**

- Ensure that eligible electors can register their votes effectively and conveniently and have confidence in the management of the electoral process.
- Maintain an accurate register of voters.
- Ensure 'disadvantaged' electors are not denied the ability to exercise their franchise.
- Develop appropriate publicity and education programs to ensure that the public is informed of its democratic rights and obligations.
- Provide comprehensive and efficient administrative, human resources, research and education, financial management and computing services.

**Activity 2: Non-Parliamentary Electoral Services**

- Provide statutory, industrial and other organisations with a facility capable of meeting their electoral needs economically and effectively.
- Provide information to organisations seeking advice on electoral matters.
- Conduct elections for and provide electoral services to local government authorities and other entities.

The disaggregated disclosures schedule presents expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2014 and 30 June 2013.

**5. Employee benefits expenses**

	2014	2013
	\$'000	\$'000
Salaries and wages	6 673	1 229
LSL	50	2

<b>5. Employee benefits expenses (continued)</b>	2014	2013
	\$'000	\$'000
Annual leave	133	106
SERL	6	7
Employment on-costs - superannuation	535	150
Employment on-costs - other	369	63
Workers compensation	37	2
Other employee related expenses	123	34
Total employee benefits expenses	<u>7 926</u>	<u>1 593</u>

**Administered items - remuneration of employees**

The following table details salaries paid from administered items to statutory officers pursuant to the provisions of the Act.

	2014	2013
	Number	Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$181 500 - \$191 499	1	1
\$231 500 - \$241 499	1	-
\$241 500 - \$251 499	-	1
Total	<u>2</u>	<u>2</u>

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$418 000 (\$432 000), paid from administered items and not included in the total employee benefits expenses of \$7.906 million (\$1.593 million) above.

<b>6. Supplies and services</b>	2014	2013
	\$'000	\$'000
Rental accommodation services	1 058	402
Advertising	689	47
Production and maintenance of electoral rolls	961	937
Printing and stationery	1 199	45
Postage	738	181
Communication and information technology	543	260
Education and research	-	8
Distribution, storage and hire rental	436	44
Training and development	23	1
Consultants	72	-
Travel	57	37
Contract employees and related expenses	245	150
Contract of services	57	24
Other	611	107
Total supplies and services	<u>6 689</u>	<u>2 243</u>

**Consultants**

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

	2014		2013	
	Number	\$'000	Number	\$'000
Below \$10 000	1	1	-	-
Above \$50 000	1	71	-	-
Total paid/payable to the consultants engaged	<u>2</u>	<u>72</u>	<u>-</u>	<u>-</u>

<b>7. Depreciation and amortisation expense</b>	2014	2013
	\$'000	\$'000
Depreciation:		
Office equipment	26	24
Furniture and fittings	34	54
Computer equipment	41	25
Amortisation:		
Leasehold improvements	96	95
Intangible assets	37	-
Total depreciation and amortisation	<u>234</u>	<u>198</u>

<b>8. Other expenses</b>		2014	2013
	Note	\$'000	\$'000
Audit fees	9	33	26
Total other expenses		<u>33</u>	<u>26</u>

Other expenses were provided by SA Government entities.

**9. Auditor's remuneration**

Audit services:

Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements		33	26
Total audit fees		<u>33</u>	<u>26</u>

**Other services**

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

**10. Revenues from fees and charges**

Fees and charges:

Local government elections		141	138
Other local government services		365	423
Industrial elections		8	175
User fees and charges		271	149
Total fees and charges		<u>785</u>	<u>885</u>

**11. Other income**

Other income		-	8
Total other income		<u>-</u>	<u>8</u>

**12. Revenues from (Payments to) SA Government**

Revenues from SA Government:

Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>		14 800	3 638
Total revenues from SA Government		<u>14 800</u>	<u>3 638</u>

Payments to SA Government:

Return of surplus cash pursuant to cash alignment policy		-	893
Total payments to SA Government		<u>-</u>	<u>893</u>

All revenues from SA Government are for recurrent operations funding.

**13. Cash and cash equivalents**

Cash at bank		2 808	1 880
Deposits with the Treasurer		403	459
Imprest account/Cash on hand		2	1
Total cash and cash equivalents		<u>3 213</u>	<u>2 340</u>

**Deposits with the Treasurer**

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

**Interest rate risk**

Cash on hand is non-interest bearing. Cash at bank and deposits with the Treasurer do not earn interest. The carrying amount of cash and cash equivalents represents fair value.

**14. Receivables**

Current:		2014	2013
		\$'000	\$'000
Receivables		91	47
Prepayments		16	29
Accrued revenue		84	-
GST receivable		35	37
Total current receivables		<u>226</u>	<u>113</u>

**Interest rate and credit risk**

Receivables, accrued revenue and prepayments are non-interest bearing. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.



**Interest rate and credit risk (continued)**

Categorisation of financial instruments and risk exposure information - refer note 25.

<b>15. Plant and equipment</b>	2014	2013
Office equipment:	\$'000	\$'000
Office equipment at cost (deemed fair value)	666	610
Accumulated depreciation	(551)	(525)
Total office equipment	<u>115</u>	<u>85</u>
Furniture and fittings:		
Furniture and fittings at cost (deemed fair value)	297	298
Accumulated depreciation	(278)	(245)
Total furniture and fittings	<u>19</u>	<u>53</u>
Computer equipment:		
Computer equipment at cost (deemed fair value)	327	252
Accumulated depreciation	(209)	(176)
Total computer equipment	<u>118</u>	<u>76</u>
Leasehold improvements:		
Leasehold improvements at cost (deemed fair value)	887	887
Accumulated amortisation	(504)	(408)
Total leasehold improvements	<u>383</u>	<u>479</u>
Total plant and equipment	<u>635</u>	<u>693</u>

**Carrying amount of plant and equipment**

All items of plant and equipment had a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years, and have not been revalued in accordance with APF III. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there have been no subsequent adjustments to their value, except for management assumptions about the assets condition and remaining useful life (if any).

Plant and equipment includes \$843 000 (\$560 000) of fully depreciated assets still in use.

**Impairment**

There were no indications of impairment to plant and equipment at 30 June 2014.

**Fair value measurement***Fair value hierarchy*

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Commission categorises non-financial assets measured at fair value into a hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into levels at 30 June 2014.

The Commission had no valuations categorised into level 1 or level 2. All non-financial assets are categorised as level 3.

*Valuation techniques and inputs*

Valuation techniques used to derive level 3 fair values are described above. There were no changes in valuation techniques during 2014.

There were no transfers of non-financial assets between level 1, 2 or 3 fair value hierarchy levels in 2014. The Commission's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

<b>16. Intangible assets</b>	2014	2013
Other computer software:	\$'000	\$'000
Other computer software at cost (deemed fair value)	244	105
Accumulated amortisation	(37)	-
Total other computer software	<u>207</u>	<u>105</u>
Total intangible assets	<u>207</u>	<u>105</u>

**Impairment**

There were no indications of impairment to intangible assets at 30 June 2014.

**17. Reconciliation of non-current assets**

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

	Carrying amount 01.07.13	Acquisitions	Depreciation/ Amortisation	Carrying amount 30.06.14
	\$'000	\$'000	\$'000	\$'000
<b>2014</b>				
Office equipment	85	56	(26)	115
Furniture fittings	53	-	(34)	19
Computer equipment	76	83	(41)	118
Leasehold improvements	479	-	(96)	383
Total tangible assets	693	139	(197)	635
Other computer software	105	139	(37)	207
Total intangible assets	105	139	(37)	207

	Carrying amount 01.07.12	Acquisitions	Depreciation/ Amortisation	Carrying amount 30.06.13
	\$'000	\$'000	\$'000	\$'000
<b>2013</b>				
Office equipment	109	-	(24)	85
Furniture fittings	107	-	(54)	53
Computer equipment	17	84	(25)	76
Leasehold improvements	561	13	(95)	479
Total tangible assets	794	97	(198)	693
Other computer software	-	105	-	105
Total intangible assets	-	105	-	105

**18. Payables**

	2014	2013
	\$'000	\$'000
Current:		
Creditors	197	66
Accrued expenses	134	45
Employment on-costs	23	17
Total current payables	354	128
Non-current:		
Employment on-costs	24	21
Total non-current payables	24	21
Total payables	378	149

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has remained at the 2013 rate of 40% and the average factor for the calculation of employer superannuation cost on-cost has increased from 10.2% in 2013 to 10.3% in 2014. These rates are used in the employment on-cost calculation. The net financial effect of the change in the average factor for the calculation of employer superannuation cost on-cost is immaterial.

**Interest rate and credit risk**

All payables are non-interest bearing. The carrying amount of payables represents net fair value due to the amounts being payable on demand.

Categorisation of financial instruments and risk exposure information - refer note 25.

**19. Employee benefits**

	2014	2013
	\$'000	\$'000
Current:		
Annual leave	118	89
LSL	29	33
SERL	13	7
Accrued salaries and wages	6	2
Total current employee benefits	166	131

<b>19. Employee benefits (continued)</b>	2014	2013
Non-current:	\$'000	\$'000
LSL	401	353
Total non-current employee benefits	401	353
Total employee benefits	567	484

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 3.75% in 2013 to 3.5% in 2014.

This decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in an increase in reported LSL liability.

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from the rate remaining unchanged.

<b>20. Provisions</b>	2014	2013
Current:	\$'000	\$'000
Workers compensation	9	5
Total current provisions	9	5
Non-current:		
Workers compensation	28	17
Total non-current provisions	28	17
Total provisions	37	22
Carrying amount at 1 July	22	25
Increase (Reduction) arising from remeasurement	15	(3)
Carrying amount at 30 June	37	22

The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

## 21. Unrecognised contractual commitments

### *Capital commitments*

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

	2014	2013
	\$'000	\$'000
Within one year	1	61
Total capital commitments	1	61

In 2013 the Commission's capital commitments were for computer software.

### *Expenditure commitments - other*

Within one year	-	9
Total other commitments	-	9

In 2013 the Commission's other commitments were primarily for election expenses.

### *Operating lease commitments*

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

Within one year	502	380
Later than one year and not longer than five years	1 275	1 668
Total operating lease commitments	1 777	2 048

**Operating lease commitments (continued)**

The Commission's non-cancellable operating leases are for office accommodation leased through building management accommodation and property services, as part of the Department of Planning, Transport and Infrastructure. The head office lease expires on 30 June 2018. The processing centre lease expires on 31 January 2015.

	2014	2013
	\$'000	\$'000
<b>Total commitments</b>		
Within one year	503	450
Later than one year and not longer than five years	1 275	1 668
<b>Total commitments</b>	<u>1 778</u>	<u>2 118</u>

**22. Contingent assets and liabilities**

The Commission is not aware of any contingent assets or liabilities.

**23. Cash flow reconciliation**

Reconciliation of cash and cash equivalents - at 30 June as per:

Statement of Financial Position	<u>3 213</u>	<u>2 340</u>
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Reconciliation of net cash provided by (used in) operating activities to net cost of providing services:

Net cash provided by (used in) operating activities	1 161	(187)
Revenues from SA Government	(14 800)	(2 745)
Non-cash items:		
Depreciation and amortisation expenses	(234)	(198)
Movements in assets/liabilities:		
Receivables	113	(27)
Payables	(229)	(27)
Employee benefits	(93)	14
Provisions	(15)	3
<b>Net cost of providing services</b>	<u>(14 097)</u>	<u>(3 167)</u>

**24. Transactions with SA Government**

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

	Note	SA Government		Non-SA Government		Total	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Expenses</b>							
Employee benefits expenses	5	370	64	7 556	1 529	7 926	1 593
Supplies and services:	6						
Rental accommodation services		704	392	354	10	1 058	402
Advertising		3	4	686	43	689	47
Production and maintenance of electoral rolls		-	-	961	937	961	937
Printing and stationery		1	-	1 198	45	1 199	45
Postage		1	1	737	180	738	181
Communication and information technology		93	85	450	175	543	260
Education and research		-	-	-	8	-	8
Distribution, storage and hire rental		-	-	436	44	436	44
Training and development		-	-	23	1	23	1
Consultants		-	-	72	-	72	-
Travel		-	-	57	37	57	37
Contract employees and related expenses		-	-	245	150	245	150
Contract of services		53	15	4	9	57	24
Other		93	27	518	80	611	107
Depreciation and amortisation	7	-	-	234	198	234	198
Other expenses:	8						
Audit fees		33	26	-	-	33	26
Payments to SA Government	12	-	893	-	-	-	893
<b>Total expenses</b>		<u>1 351</u>	<u>1 507</u>	<u>13 531</u>	<u>3 446</u>	<u>14 882</u>	<u>4 953</u>

**24. Transactions with SA Government (continued)**

Income	Note	SA Government		Non-SA Government		Total	
		2014	2013	2014	2013	2014	2013
Revenues from fees and charges:	10	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Local government elections		-	-	141	138	141	138
Other local government services		-	-	365	423	365	423
Industrial elections		1	170	7	5	8	175
User fees and charges		80	22	191	127	271	149
Other income	11	-	8	-	-	-	8
Revenues from SA Government	12	14 800	3 638	-	-	14 800	3 638
Total income		14 881	3 838	704	693	15 585	4 531
<b>Financial assets</b>							
Receivables:							
Receivables	14	29	28	62	19	91	47
Prepayments		-	-	16	29	16	29
Accrued income		-	-	84	-	84	-
GST recoverable		-	-	35	37	35	37
Total financial assets		29	28	197	85	226	113
<b>Financial liabilities</b>							
Payables:							
Creditors	18	41	20	156	46	197	66
Accrued expenses		33	33	101	12	134	45
Employment on-costs		16	12	31	26	47	38
Total financial liabilities		90	65	288	84	378	149

**25. Financial instruments/Financial risk management*****Categorisation of financial instruments***

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

	Note	2014		2013	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents:					
Cash and cash equivalents	13,23	3 213	3 213	2 340	2 340
Receivables:					
Receivables <sup>(1)(2)</sup>	14	1	1	4	4
Total financial assets		3 214	3 214	2 344	2 344
<b>Financial liabilities</b>					
Financial liabilities - at cost:					
Payables <sup>(1)</sup>					
Total financial liabilities	18	202	202	43	43

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (eg Commonwealth, State and Local Government taxes, fees and charges, audit fees payable to the Auditor-General's Department, etc). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/ payables, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 14 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than to receive cash or another financial asset.

***Fair value***

The Commission does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes (refer notes 2, 13, 14 and 18). All of the resulting fair value estimates are included in level 3 as all significant inputs are unobservable.

***Fair value (continued)***

The Commission has no valuations for financial assets or liabilities categorised into level 3 (ie fair values derived from data not observable in a market).

***Credit risk***

Credit risk arises when there is the possibility of the Commission's debtors defaulting on their contractual obligations resulting in financial loss to the Commission. The Commission measures credit risk on a fair value basis and monitors risk on a regular basis. The carrying amount of financial assets as detailed in the table above represents the Commission's maximum exposure to credit risk. No collateral is held as security and no credit enhancements relate to financial assets held by the Commission.

The Commission has no concentration of credit risk. The Commission does not engage in high risk hedging for its financial assets. Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. There is no evidence to indicate that financial assets are impaired.

There were no financial assets (receivables) that were past due at the end of the financial year (\$0).

The contractual maturity of all financial assets and financial liabilities is less than one year and is unchanged from the previous year.

***Liquidity risk***

Liquidity risk arises where the Commission is unable to meet its financial obligations as they are due to be settled. The Commission is funded principally from appropriation by the SA Government. The Commission works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The Commission settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Commission's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in the table above represents the Commission's maximum exposure to financial liabilities.

***Market risk***

The Commission is not exposed to market risks and has no exposure to interest rate, foreign currency or other price risks.

***Sensitivity disclosure analysis***

A sensitivity analysis has not been undertaken for the interest rate risk of the Commission as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

**26. Administered items**

The Commission administers, but does not control, certain resources on behalf of the SA Government. The Commission is accountable for the transactions involving these administered items, but does not have any discretion to deploy resources for achievement of its objectives. For these items, the Commission acts only on behalf of the SA Government.

There are three administered items namely:

- *Electoral Districts Boundaries Commission*  
The Commission administers the receipts and payments of the Electoral District Boundaries Commission.
- *Special Acts*  
The Electoral Commissioner and Deputy Electoral Commissioner are appointed as statutory officers pursuant to the provisions of the Act. The Commission receives a separate appropriation for the payment of salaries and allowances for statutory officers which is an administered item.
- *Other*  
Other includes administered revenue which is collected on behalf of other government agencies and forwarded to them when received. Administered income comprises non-voter expiation fees as provided in the Act.

The policies outlined in note 2 apply to the schedule of administered items.

**Disaggregated Disclosures - Administered Expenses and Income  
for the year ended 30 June 2014**

	Electoral Districts							
	Boundaries		Special Acts		Other		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Administered expenses:</b>								
Employee benefits expenses	-	-	402	374	-	-	402	374
Fees and charges	-	-	-	-	-	5	-	5
Supplies and services	28	118	-	-	-	-	28	118
<b>Total administered expenses</b>	<b>28</b>	<b>118</b>	<b>402</b>	<b>374</b>	<b>-</b>	<b>5</b>	<b>430</b>	<b>497</b>
<b>Administered income:</b>								
Revenues from SA Government	-	-	402	374	-	-	402	374
Fees and charges	-	-	-	-	-	5	-	5
Interest	5	8	-	-	-	-	5	8
<b>Total administered income</b>	<b>5</b>	<b>8</b>	<b>402</b>	<b>374</b>	<b>-</b>	<b>5</b>	<b>407</b>	<b>387</b>
<b>Net result</b>	<b>(23)</b>	<b>(110)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23)</b>	<b>(110)</b>
<b>Total comprehensive result</b>	<b>(23)</b>	<b>(110)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23)</b>	<b>(110)</b>

**Disaggregated Disclosures - Administered Assets and Liabilities  
as at 30 June 2014**

	Electoral Districts							
	Boundaries		Special Acts		Other		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Administered current assets:</b>								
Cash and cash equivalents	179	244	-	-	-	-	179	244
Receivables	-	3	278	256	-	-	278	259
<b>Total administered current assets</b>	<b>179</b>	<b>247</b>	<b>278</b>	<b>256</b>	<b>-</b>	<b>-</b>	<b>457</b>	<b>503</b>
<b>Administered current liabilities:</b>								
Payables	-	45	8	7	-	-	8	52
Employee benefits	-	-	63	61	-	-	63	61
<b>Total administered current liabilities</b>	<b>-</b>	<b>45</b>	<b>71</b>	<b>68</b>	<b>-</b>	<b>-</b>	<b>71</b>	<b>113</b>
<b>Administered non-current liabilities:</b>								
Payables	-	-	12	11	-	-	12	11
Employee benefits	-	-	195	177	-	-	195	177
<b>Total administered non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>207</b>	<b>188</b>	<b>-</b>	<b>-</b>	<b>207</b>	<b>188</b>
<b>Total administered liabilities</b>	<b>-</b>	<b>45</b>	<b>278</b>	<b>256</b>	<b>-</b>	<b>-</b>	<b>278</b>	<b>301</b>
<b>Net administered assets</b>	<b>179</b>	<b>202</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179</b>	<b>202</b>
<b>Administered equity:</b>								
Accumulated surplus (deficit)	179	202	-	-	-	-	179	202
<b>Total administered equity</b>	<b>179</b>	<b>202</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179</b>	<b>202</b>

**Disaggregated Disclosures - Administered Changes in Equity  
for the year ended 30 June 2014**

	Electoral Districts							
	Boundaries		Special Acts		Other		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013	202	312	-	-	-	-	202	312
<b>Net result</b>	<b>(23)</b>	<b>(110)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23)</b>	<b>(110)</b>
<b>Total comprehensive result</b>	<b>(23)</b>	<b>(110)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23)</b>	<b>(110)</b>
<b>Balance at 30 June 2014</b>	<b>179</b>	<b>202</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179</b>	<b>202</b>

**Disaggregated Disclosures - Administered Cash Flows  
for the year ended 30 June 2014**

	Electoral Districts							
	Boundaries		Special Acts		Other		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities:</b>								
Cash outflows:								
Employee benefits payments	-	-	(383)	(368)	-	-	(383)	(368)
Payments for supplies and services	(73)	(85)	-	-	-	-	(73)	(85)
<b>Cash used in operations</b>	<b>(73)</b>	<b>(85)</b>	<b>(383)</b>	<b>(368)</b>	<b>-</b>	<b>-</b>	<b>(456)</b>	<b>(453)</b>
Cash inflows:								
Fees and charges	-	-	-	-	-	5	-	5
Interest	5	8	-	-	-	-	5	8
GST recovered from the ATO	3	6	-	-	-	-	3	6
<b>Cash generated from operations</b>	<b>8</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>8</b>	<b>19</b>
<b>Cash flows from SA Government:</b>								
Receipts from SA Government	-	-	383	368	-	-	383	368
Payments to SA Government	-	-	-	-	-	(5)	-	(5)
<b>Cash generated from SA Government</b>	<b>-</b>	<b>-</b>	<b>383</b>	<b>368</b>	<b>-</b>	<b>(5)</b>	<b>383</b>	<b>368</b>
<b>Net cash provided by (used in) operating activities</b>	<b>(65)</b>	<b>(71)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(65)</b>	<b>(71)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(65)</b>	<b>(71)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(65)</b>	<b>(71)</b>
<b>Cash and cash equivalents at 1 July</b>	<b>244</b>	<b>315</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>244</b>	<b>315</b>
<b>Cash and cash equivalents at 30 June</b>	<b>179</b>	<b>244</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179</b>	<b>244</b>



# Environment Protection Authority

## Functional responsibility

### Establishment

The financial reporting entity, the Environment Protection Authority (EPA), comprises the following:

- the Environment Protection Authority – a statutory authority with an appointed board established by the *Environment Protection Act 1993* (the EP Act)
- an administrative unit also named the Environment Protection Authority established under the PSA
- the Environment Protection Fund (EPF) as established under the EP Act.

Under the EP Act, the Chief Executive of the administrative unit is also taken to be the Chief Executive of the statutory authority. The Chief Executive is subject to the control and direction of the Minister in relation to the activities of the administrative unit, and is subject to the control and direction of the Board in giving effect to its policies and decisions under the EP Act.

The EP Act permits the statutory authority to make use of the services of the administrative unit's employees and its facilities.

### Functions

The EPA statutory authority is South Australia's primary environmental regulator for the control and minimisation of pollution and waste. It is responsible for the protection and enhancement of air and water quality, and control of pollution, waste and environmental noise.

The EPA statutory authority is also responsible for the EPF. Note 32 to the financial statements outlines the income and expenses of the EPF.

The EPA administrative unit provides administrative assistance and facilities to the statutory authority. The administrative unit also has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982*.

For details of the roles of both the statutory authority and the administrative unit, refer notes 1(a) and 1(b) to the financial statements.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

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

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

### **Scope of the audit**

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

During 2013-14, areas of review included:

- waste levies revenue
- licence fee revenue
- accounts payable
- payroll
- general ledger
- review of the Licence Administration Modernisation Project (LAMP).

### **Audit findings and comments**

#### **Auditor's report on the financial report**

In my opinion, the financial report gives a true and fair view of the financial position of the Environment Protection Authority as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

#### **Assessment of controls**

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

#### **Communication of audit matters**

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

#### ***Licence compliance***

Under the EP Act, the EPA provides environment authorisations in the form of licence or works approval for an individual or a corporation, to regulate the undertaking of prescribed activities of environmental significance. The EPA has developed licence management plans as a tool to manage site risks.

In 2011-12 the audit identified that:

- there was no procedure or specific guidance about how and when to review a licence management plan

- the approach to maintaining and evidencing the review of licence management plans was not consistent
- three licence management plans out of a sample selected for review could not be provided at the time of audit.

The EPA is moving towards standardising the management and recording of licence management plans through the LAMP project. LAMP will provide an enhanced database for management monitoring and reporting across the EPA on a variety of licence related information. As part of its functionality LAMP will standardise reporting on licence management plans.

Audit will review the implementation of LAMP once it is in place to ensure it addresses the matters raised by Audit in previous years. Refer below for further commentary on LAMP under the headings 'Information and communications technology and control' and 'Further commentary on operations'.

The EPA responded that it will work with Audit to ensure that all required material is identified and available when this area is audited following implementation of LAMP.

#### ***Payroll bona fide register***

The bona fide report lists all employees employed during the pay period and indicates classification level, hours and the most imminent end date in the system for an employee. Certified bona fide reports are filed by EPA Human Resources, however a formal register identifying outstanding bona fide reports was not implemented until April 2014.

The EPA responded that it will continue to maintain its central bona fide register to ensure that bona fide reports, and any discrepancies identified, are corrected in a timely manner.

#### ***Purchase cards***

During 2013-14 Audit review of purchase card transactions noted a number of instances where the EPA purchase card policy was not followed. Areas where EPA policy was not followed were:

- splitting transactions to comply with authorised transaction limits
- expenditure on goods and services not allowed by EPA policy.

The EPA responded that it will review its purchase card policy and procedure to consider whether it remains consistent with existing business practice. The EPA has also reinforced to staff appropriate use of purchase cards and the requirement to comply with the EPA's purchase card policy and procedure.

#### ***Information and communications technology and control***

The EPA is implementing the new LAMP project at a cost of \$2.5 million. This new system will incorporate authorisation (including licences, exemptions and work approvals), compliance and enforcement, waste levy management and public register functionality.

The LAMP project's implementation has been delayed for over a year and is now anticipated to become operational in late 2014, excluding the public register which is under development. Certain project delays were attributed to infrastructure and application functionality considerations.

Audit's review of the project to date has identified that a number of defects are still being addressed, and IT security policies and procedures and business continuity and disaster recovery plans require further development. In addition, the matter of meeting whole-of-government mandated Information Security Management Framework (ISMF) requirements was also noted.

The EPA’s response indicated it will consider relating with the LAMP application contractor regarding the whole-of-government mandated ISMF requirements as part of the contractor’s ongoing support and maintenance contract.

The EPA is also planning to:

- review its business continuity planning to reflect the new LAMP systems implementation
- conduct a post-implementation review in 2015-16 of the LAMP project and its systems once fully operational for 12 months.

In the interim a security access review of the LAMP system is intended to be undertaken by DEWNR as part of an IT systems review.

**Shared Services SA – financial systems and transaction processing environments**

SSSA processes financial transactions on behalf of the EPA under service level determinations. The main systems and control environments include accounts payable, payroll and general ledger financial functions.

Last year’s Report made specific comment on the progress being taken by SSSA to remediate key control weaknesses raised in prior years for the systems and control environments, in order to achieve a satisfactory ongoing standard of control operation over financial transaction processing.

As discussed in the commentary under ‘Department of the Premier and Cabinet’ elsewhere in Part B of this Report, Audit review and evaluation of controls for the SSSA main accounts payable and payroll systems and environments concluded that controls met a generally satisfactory standard for 2013-14. Notwithstanding this overall conclusion, there were some specific matters that were raised with SSSA for corrective action and review for process and procedural improvement. The matters did not relate to EPA transaction processing.

**Interpretation and analysis of the financial report**

**Highlights of the financial report**

	2014 \$’million	2013 \$’million
<b>Expenses</b>		
Employee benefits expenses	22	22
Supplies and services	7	7
Grants and subsidies	20	19
Other expenses	2	2
<b>Total expenses</b>	<b>51</b>	<b>50</b>
<b>Income</b>		
Fees and charges	55	54
Other revenues	2	2
<b>Total income</b>	<b>57</b>	<b>56</b>
<b>Net cost of providing services</b>	<b>(6)</b>	<b>(6)</b>

	2014 \$'million	2013 \$'million
<b>Net revenues from (payments to) SA Government</b>	(5)	-
<b>Net result</b>	(1)	(6)
<b>Net cash provided by (used in) operating activities</b>	2	6
<b>Assets</b>		
Current assets	23	22
Non-current assets	8	7
<b>Total assets</b>	31	29
<b>Liabilities</b>		
Current liabilities	4	3
Non-current liabilities	5	5
<b>Total liabilities</b>	9	8
<b>Total equity</b>	22	21

### Statement of Comprehensive Income

#### Expenses

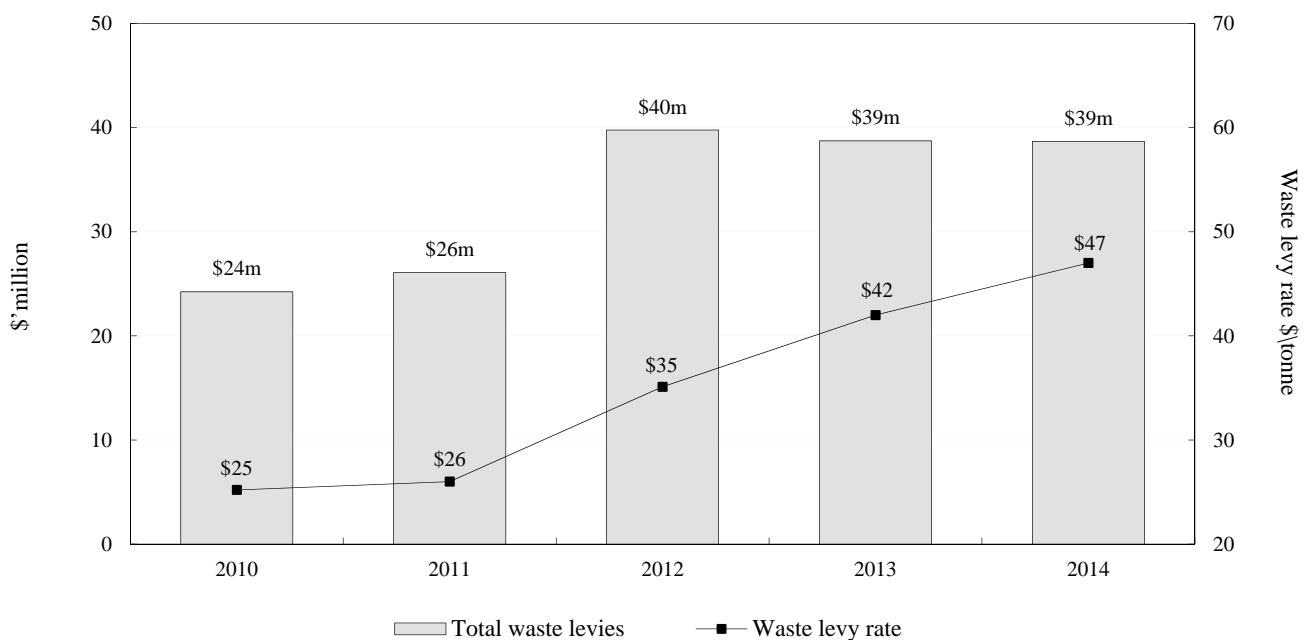
Total expenses increased slightly in 2013-14. Solid waste levies collected remained constant with 2012-13 as did the subsequent transfer of a component of those levies to Zero Waste SA under section 17 of the *Zero Waste SA Act 2004* (refer note 8 to the financial statements).

#### Income

Total income also increased slightly. This was primarily due to an increase in environmental authorisation and radiation licence fees.

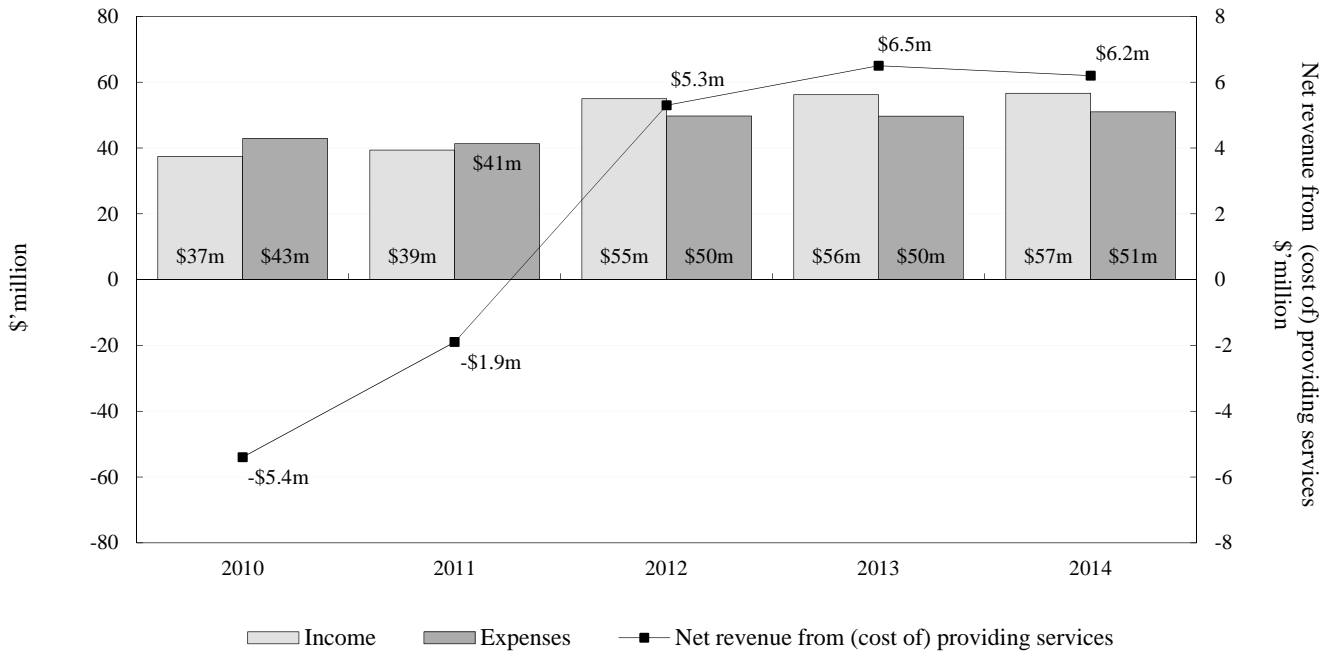
In 2013-14 the collection of solid waste levies has remained constant at \$38.7 million. There has been a decreasing trend in the solid waste tonnage that has been offset by an increase in solid waste levy rates.

The following chart shows the amounts collected from waste levies over the five years to 2014.



**Net revenue from (cost of) providing services**

The following chart shows the income, expenses and net revenue from (cost of) providing services for the five years to 2014. The consistent level of net revenue from providing services since 2012 is mainly due to increases in waste levy rates since that date. Over the same period expenses have remained at constant levels.



**Statement of Financial Position**

**Current assets – cash and cash equivalents**

This item, \$16 million (\$15 million), represents 71% (69%) of total current assets and 53% (52%) of total assets. Cash and cash equivalents include the Environment Protection Fund deposit account of \$7 million. This is further discussed below under ‘Statement of Cash Flows’.

**Non-current assets – property, plant and equipment**

In 2013-14 this item makes up 23% (22%) of total assets. Furniture and fittings is the dominant item of property, plant and equipment. Furniture and fittings include leasehold improvements made to EPA premises in Victoria Square, Adelaide. Property, plant and equipment increased by \$500 000 due to a revaluation increment. Note 19 to the financial statements provides further details on this item and amounts.

**Statement of Cash Flows**

The following table summarises the net cash flows since 2010.

	2014 \$'million	2013 \$'million	2012 \$'million	2011 \$'million	2010 \$'million
<b>Net cash flows</b>					
Operating	2	6	5	2	4
Investing	(1)	(2)	(1)	(1)	(1)
Financing	-	(8)	5	-	-
<b>Change in cash</b>	<b>1</b>	<b>(4)</b>	<b>9</b>	<b>1</b>	<b>3</b>
Cash at 30 June	16	15	19	10	9

The EPA's cash at 30 June 2014 comprises an EPA operating account (\$9 million) and the EPF (\$7 million). Use of the monies held in the EPF requires approval of the Minister and must be consistent with the requirements of the EP Act.

The increase in cash of \$1 million relates mainly to the carryover of project expenditure into the 2014-15 financial year.

## **Further commentary on operations**

### **Transfer of solid waste levies to the Waste to Resources Fund**

The EPA receives solid waste levies from waste depots under section 113 of the EP Act. These amounts are included within fees and charges. There was an increase in solid waste levy rates of 12% (20%) from 1 July 2013. Section 17 of the *Zero Waste SA Act 2004* requires the EPA to transfer 50% of these levies to the Waste to Resources Fund. This fund may be applied by Zero Waste SA in accordance with the approved Zero Waste SA business plan or in any other manner authorised by the responsible Minister for the purposes of the *Zero Waste SA Act 2004*.

The EPA transferred \$19 million (\$18.5 million) to the Waste to Resources Fund during the year. This transfer is reflected within the grants and subsidies expense line.

The balance of the Waste to Resources Fund at 30 June 2014 was \$53.7 million (\$43.7 million).

### **LAMP**

As mentioned earlier in this section of this Report the LAMP project involves the development of a suite of new and existing IT systems. Improving these IT systems is expected to result in savings for the EPA and business, since many tasks that were performed manually will be automated.

The original implementation date for LAMP was 1 July 2013 but this was delayed until October 2013 and further postponed until August 2014. The major reasons for this delay in implementation are:

- rework of the financial interface due to the change in the whole-of-government banking contract
- the integration of e-ELF (online applications and payments) and the licensing system taking longer than initially estimated
- the EPA's requirements for application fees changing following the introduction of new regulations for charging of licence assessment fees
- a number of outstanding critical and major issues and defects that need to be remediated, prior to going live
- third parties involved in the project experiencing technical and resources difficulties.

As at 30 June 2014 the total amount spent on the LAMP project was \$2.1 million.

**Statement of Comprehensive Income  
for the year ended 30 June 2014**

	Note	2014 \$'000	2013 \$'000
<b>Expenses:</b>			
Employee benefits expenses	5	22 130	21 525
Supplies and services	6	6 616	7 362
Depreciation and amortisation	7	880	853
Grants and subsidies	8	19 541	18 843
Other expenses	9	1 266	1 104
<b>Total expenses</b>		50 433	49 687
<b>Income:</b>			
Revenues from fees and charges	11	54 997	54 326
Grants and contributions	12	1 465	1 640
Interest revenues	13	161	199
Net gain (loss) from disposal of non-current assets	14	1	(8)
Other income	15	20	29
<b>Total income</b>		56 644	56 186
<b>Net cost of (benefit from) providing services</b>		(6 211)	(6 499)
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	16	-	900
Payments to SA Government	16	(5 371)	(998)
<b>Total revenues from (payments to) SA Government</b>		(5 371)	(98)
<b>Net result</b>		840	6 401
<b>Other comprehensive income:</b>			
Items that will not be reclassified to net result:			
Changes in revaluation surplus		495	-
<b>Total other comprehensive income</b>		495	-
<b>Total comprehensive result</b>		1 335	6 401

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



**Statement of Financial Position  
as at 30 June 2014**

	Note	2014 \$'000	2013 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	17	16 473	14 992
Receivables	18	6 781	6 717
<b>Total current assets</b>		<u>23 254</u>	<u>21 709</u>
<b>Non-current assets:</b>			
Receivables	18	6	7
Property, plant and equipment	19	7 052	6 506
Intangible assets	20	619	743
<b>Total non-current assets</b>		<u>7 677</u>	<u>7 256</u>
<b>Total assets</b>		<u>30 931</u>	<u>28 965</u>
<b>Current liabilities:</b>			
Payables	22	1 142	1 063
Employee benefits	23	2 209	1 820
Provisions	24	45	41
Other liabilities	25	137	235
<b>Total current liabilities</b>		<u>3 533</u>	<u>3 159</u>
<b>Non-current liabilities:</b>			
Payables	22	431	377
Employee benefits	23	4 166	3 873
Provisions	24	150	174
Other liabilities	25	578	644
<b>Total non-current liabilities</b>		<u>5 325</u>	<u>5 068</u>
<b>Total liabilities</b>		<u>8 858</u>	<u>8 227</u>
<b>Net assets</b>		<u>22 073</u>	<u>20 738</u>
<b>Equity:</b>			
Revaluation surplus		932	437
Retained earnings		21 141	20 301
<b>Total equity</b>		<u>22 073</u>	<u>20 738</u>
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	26		
Contingent assets and liabilities	27		

**Statement of Changes in Equity  
for the year ended 30 June 2014**

	Contributed capital \$'000	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2012	8 434	437	13 900	22 771
Net result for 2012-13	-	-	6 401	6 401
Total comprehensive result for 2012-13	-	-	6 401	6 401
Transactions with SA Government as owner:				
Equity contribution repaid	(8 434)	-	-	(8 434)
Balance at 30 June 2013	-	437	20 301	20 738
Net result for 2013-14	-	-	840	840
Gain on revaluation of land, buildings, infrastructure and furniture	-	495	-	495
Total comprehensive result for 2013-14	-	495	840	1 335
<b>Balance at 30 June 2014</b>	<b>-</b>	<b>932</b>	<b>21 141</b>	<b>22 073</b>

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

## Statement of Cash Flows for the year ended 30 June 2014

		2014	2013
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefits payments		(21 346)	(21 913)
Payments for supplies and services		(5 417)	(6 481)
Payments of grants and subsidies		(19 541)	(18 843)
Other payments		(117)	(120)
<b>Cash used in operations</b>		<u>(46 421)</u>	<u>(47 357)</u>
Cash inflows:			
Fees and charges		52 431	51 547
Receipts from grant and contribution		1 465	1 640
Interest received		163	204
Other receipts		20	29
<b>Cash generated from operations</b>		<u>54 079</u>	<u>53 420</u>
Cash flows from SA Government:			
Receipts from SA Government		-	900
Payments to SA Government		(5 371)	(998)
<b>Cash generated from SA Government</b>		<u>(5 371)</u>	<u>(98)</u>
<b>Net cash provided by (used in) operating activities</b>	29	<u>2 287</u>	<u>5 965</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of property, plant and equipment		(808)	(1 585)
<b>Cash used in investing activities</b>		<u>(808)</u>	<u>(1 585)</u>
Cash inflows:			
Proceeds from sale of property, plant and equipment		2	15
<b>Cash generated from investing activities</b>		<u>2</u>	<u>15</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(806)</u>	<u>(1 570)</u>
<b>Cash flows from financing activities:</b>			
Cash outflows:			
Return of capital contributions from government		-	(8 434)
<b>Cash used in financing activities</b>		<u>-</u>	<u>(8 434)</u>
<b>Net cash provided by (used in) financing activities</b>		<u>-</u>	<u>(8 434)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>1 481</u>	<u>(4 039)</u>
<b>Cash and cash equivalents at 1 July</b>		<u>14 992</u>	<u>19 031</u>
<b>Cash and cash equivalents at 30 June</b>	17	<u>16 473</u>	<u>14 992</u>

## Notes to and forming part of the financial statements

### 1. Objectives of the Environment Protection Authority (the Authority)

#### (a) Reporting entity

The Authority comprises the following:

- the Environment Protection Authority – a statutory authority with an appointed board established by the *Environment Protection Act 1993*
- an administrative unit also named the Environment Protection Authority established under the PSA
- the Environment Protection Fund (the Fund) established under the *Environment Protection Act 1993*.

Under the *Environment Protection Act 1993*, the Chief Executive of the administrative unit is also taken to be the Chief Executive of the statutory authority. The Chief Executive is subject to the control and direction of the Minister in relation to the activities of the administrative unit, and is subject to the control and direction of the Board in relation to giving effect to its policies and decisions under the *Environment Protection Act 1993*.

The statutory authority is South Australia's primary environmental regulator for the protection, restoration and enhancement of our environment. The statutory authority makes use of the services of the administrative unit's employees and facilities in performing its statutory obligations.

The administrative unit also has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982*. The Authority's financial statements include assets, liabilities, revenues and expenses attributable to radiation protection. The income and expenses (excluding overheads) attributable to radiation protection are disclosed in note 33. However assets and liabilities have not been separately disclosed as they cannot be reliably attributed to radiation protection functions.

The Fund meets the accounting criteria of a controlled entity of the Authority and consequently the assets and liabilities of the Fund are recognised by the Authority in the Statement of Financial Position. The Fund's revenues and expenses have been recognised in the Authority's Statement of Comprehensive Income and the Fund's changes in equity have been recognised in the Authority's Statement of Changes in Equity. The transactions of the Fund are disclosed in note 32.

#### (b) Strategic context

The Authority promotes the principles of ecologically sustainable development and works with government, industry and the people of South Australia, with key roles to:

- review, develop and draft environmental protection policies and national environment protection measures
- authorise activities of environmental significance through an authorisation system aimed at the control and minimisation of pollution and waste
- conduct compliance investigations and institute environmental monitoring and evaluation programmes
- provide advice and assistance regarding best environmental management practice.

The Authority has a key advocacy and engagement role across government and with the people of South Australia, business and communities throughout South Australia, to achieve a healthy and valued environment.

#### (c) Financial arrangements

The Department of Environment, Water and Natural Resources (DEWNR) provides some professional, technical and administrative support to the Authority. The identifiable direct costs of providing these services are met by the Authority. In addition, certain services are provided by DEWNR at no charge to the Authority and have not been recognised in the financial statements as it is impractical to determine a value for these items. The costs of these services include salaries and overheads relating to the provision of various administrative services.

A memorandum of understanding was signed on 13 March 2013 between DEWNR and the Authority relating to the provision of these services.

**(c) Financial arrangements (continued)**

The Authority's sources of funds consist of income derived primarily from fees, levies and licences. These fees, levies and licences include:

- waste levies from landfill depots
- environmental authorisation fees
- radiation licence fees
- fines and penalties
- section 7 enquiries.

The financial activities of the Authority are primarily conducted through deposit accounts with DTF pursuant to section 8 and section 21 of the PFAA. The deposit accounts are used for funds provided by Parliamentary appropriation together with revenues from services provided and from fees and charges.

**2. Summary of significant accounting policies****(a) Statement of compliance**

The Authority has prepared these financial statements in compliance with section 23 of the PFAA.

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

The Authority has applied AASs that are applicable to not-for-profit entities, as the Authority is a not-for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Authority for the reporting period ending 30 June 2014 (refer note 3).

**(b) Basis of preparation**

The preparation of the financial statements requires:

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

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

The Statement of Cash Flows has been prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

(c) **Comparative information**

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

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

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

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

(d) **Rounding**

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

(e) **Taxation**

The Authority is not subject to income tax. The Authority is liable for payroll tax, FBT, GST, Emergency Services levy, land tax equivalents and local government rate equivalents.

SSSA prepares a business activity statement on behalf of the Authority under the grouping provisions of the GST legislation. Under these provisions, DEWNR is liable for the payments and entitled to the receipts associated with GST. Therefore, the Authority's net GST receivable/payable is recorded in DEWNR's Statement of Financial Position. GST cash flows applicable to the Authority are recorded in DEWNR's Statement of Cash Flows.

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

(f) **Events after the reporting period**

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

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

(g) **Income and expenses**

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

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

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

Income

The following are specific recognition criteria:

*Fees and charges*

Environmental authorisation fees received under the *Environment Protection Act 1993* are recognised as revenue when invoiced. All other licence fees, including those received under the *Radiation Protection and Control Act 1982*, are recognised as revenue upon receipt.

Waste levies are recognised by the Authority on an accrual basis.

*Contributions received*

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

*Contributions received (continued)*

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

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

All contributions received by the Authority have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

*Revenues from SA Government*

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

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

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

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

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

*Other income*

Other income consists of sundry expense reimbursements.

*Expenses*

The following are specific recognition criteria:

*Employee benefits*

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

*Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Authority to the superannuation plan in respect of current services of current Authority staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

*Depreciation and amortisation*

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

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

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

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

Land assets are not depreciated.

*Depreciation and amortisation (continued)*

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

<i>Class of asset</i>	<i>Useful life (years)</i>
Computing equipment	3-10
Intangibles	3-14
Infrastructure	15-50
Plant and equipment	5-15
Moveable vehicles	10-25
Furniture and fittings	5-15
Buildings and improvements	30-50
Other	7-10

*Grants and subsidies*

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

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

*Payments to SA Government*

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

**(h) Current and non-current classification**

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

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

**(i) Assets**

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

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

*Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand.

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

Cash is measured at nominal value.

*Receivables*

Receivables include amounts receivable from fees and charges, interest, prepayments and other accruals.

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are generally due within 30 days after the issue of an invoice.

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

*Non-current assets*

• *Acquisition and recognition*

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



- *Acquisition and recognition (continued)*  
Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recognised at book value ie the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value over \$10 000 are capitalised.

- *Revaluation of non-current assets*  
All non-current tangible assets are valued at fair value, and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

At least every five years, the Authority revalues its land, buildings and infrastructure via a Certified Practising Valuer.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, when they are revalued to fair value.

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

Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in revaluation surplus for that asset class.

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

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

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

For revalued assets, an impairment loss is offset against the respective revaluation surplus.

#### *Intangible assets*

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

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

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

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

#### *Fair value measurement*

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

*Fair value measurement (continued)*

The authority classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

- Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3: not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the chief financial officer and Audit Committee at each reporting date.

*Non-financial assets*

In determining fair value, the Authority has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Authority's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years. As the Authority did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years are deemed to approximate fair value.

Refer notes 19 and 21 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

*Financial assets/liabilities*

The Authority does not recognise any financial assets or financial liabilities at fair value.

**(j) Liabilities**

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

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

*Payables*

Payables include creditors, accrued expenses, employment on-costs and Paid Parental Leave Scheme payable.

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

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

The Paid Parental Leave Scheme payable represents amounts which the Authority has received from the Commonwealth Government to forward onto eligible employees via the Authority's standard payroll processes. That is, the Authority is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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

Employee benefits on-costs include payroll tax, WorkCover levies and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL, annual leave and SERL.

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

*Leases*

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

- *Operating leases*  
Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.
- *Lease incentive*  
All incentives for the agreement of new or renewed operating leases are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability.

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

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

*Employee benefits*

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

- *Salaries, wages, annual leave, SERL and sick leave*  
The liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the SERL liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

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

- *LSL*  
The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

*Provisions*

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

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2014 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Authority is responsible for the payment of workers compensation claims.

**(k) Unrecognised contractual commitments and contingent assets and liabilities**

Commitments include operating lease and remuneration commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

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

**3. New and revised accounting standards and policies**

The Authority did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13, which became effective for the first time in 2013-14, the Authority has:

- reviewed its fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, the Authority has used the cost approach or the market approach to determine fair value. The Authority will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements
- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in notes 19 and 21.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Authority for the period ending 30 June 2014. The Authority has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Authority.

**4. Activities of the Authority**

The Authority, in 2013-14, was funded by fees and charges for the provision of environment protection, policy and regulatory services. In line with the objectives of establishing the Authority to focus on environment protection activities, the Authority conducts its services through a single program, Environment and Radiation Protection. The purpose of this program is to achieve a clean, healthy and valued environment that supports social and economic policy for all South Australians. As the Authority conducts its services through a single program, a Statement of Disaggregated Disclosures has not been prepared.

**5. Employee benefits expenses**

	2014	2013
	\$'000	\$'000
Salaries and wages	16 411	15 725
TVSPs	-	889
LSL	793	264
Annual leave	1 562	1 526
SERL	67	76
Employment on-costs - superannuation	1 967	1 828
Employment on-costs - other	1 048	961
Board and committee fees	161	162
Workers compensation	32	34
Other employee related expenses	89	60
Total employee benefits expenses	22 130	21 525

**TVSPs**

Amount paid during the reporting period to separated employees:

TVSPs	-	889
Annual leave and LSL paid to those employees	-	251
Total	-	1 140
Recovery from DTF	-	900
Net cost to the Authority	-	240

The number of employees who received a TVSP during the reporting period was 0 (6).

**Employee remuneration**

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

	2014 Number	2013 Number
\$138 000 - \$141 499*	-	1
\$141 500 - \$151 499	1	-
\$181 500 - \$191 499	1	1
\$201 500 - \$211 499	2	2
\$221 500 - \$231 499	1	-
\$301 500 - \$311 499	-	1
\$331 500 - \$341 499	1	-
Total	6	5

\* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2012-13.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$1.311 million (\$1.044 million).

**6. Supplies and services**

	2014 \$'000	2013 \$'000
Accommodation and property management expenses	2 311	2 252
Consultants	-	2
Contractors	224	251
Fee-for-service	375	561
General administration	971	853
Information technology and communication expenses	449	604
Minor works, maintenance and equipment	378	462
Monitoring fees	160	439
Scientific and technical services	471	630
Staff development	337	371
Transportation	145	141
Travel and accommodation	234	243
Vehicle and aircraft	350	358
Other	211	195
Total supplies and services	6 616	7 362

Supplies and services provided by entities within the SA Government:

Accommodation and property management expenses	2 226	2 207
Scientific and technical services	2	7
General administration	627	520
Vehicle and aircraft	303	135
Total supplies and services - SA Government entities	3 158	2 869

**Consultants**

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

	2014		2013	
	Number	\$'000	Number	\$'000
Below \$10 000	-	-	1	2
Total paid/payable to the consultants engaged	-	-	1	2

**7. Depreciation and amortisation**

	2014 \$'000	2013 \$'000
Depreciation:		
Buildings and improvements	1	1
Computing equipment	33	20
Furniture and fittings	479	437
Moveable vehicles	8	8
Infrastructure	21	14
Plant and equipment	175	171
Total depreciation	717	651

<b>7. Depreciation and amortisation (continued)</b>	2014	2013
Amortisation:	\$'000	\$'000
Intangible assets	163	202
Total amortisation	163	202
Total depreciation and amortisation	880	853

***Change in depreciation due to a revaluation***

The Authority undertook a revaluation during 2014. As a result of the revaluation, depreciation on these assets has increased in the current reporting period. Depreciation expense increased by \$139 000 as a result of the revaluation.

<b>8. Grants and subsidies</b>	2014	2013
Grants and subsidies paid/payable to entities within the SA Government:	\$'000	\$'000
DEWNR	138	175
DPC	5	-
Zero Waste SA*	19 000	18 479
Total grants and subsidies - SA Government entities	19 143	18 654
Grants and subsidies paid/payable to entities external to the SA Government:		
Commonwealth Government	-	8
Community organisations and associations	188	181
Local government	210	-
Total grants and subsidies - non-SA Government entities	398	189
Total grants and subsidies	19 541	18 843

\* As per section 113 of the *Environment Protection Act 1993* the Authority earns and collects 100% of waste levies, however is then required to transfer 50% of solid waste levies collected to Zero Waste SA as per section 17 of the *Zero Waste SA Act 2004*. This transfer represents the payment of waste levies monies to Zero Waste SA in accordance with the *Zero Waste SA Act 2004*.

<b>9. Other expenses</b>	2014	2013
	\$'000	\$'000
Bad and doubtful debts	1 157	1 006
Other (including audit fees - refer note 10)	109	98
Total other expenses	1 266	1 104
Other expenses paid/payable to entities within the SA Government:		
Other (including audit fees - refer note 10)	100	98
Total other expenses - SA Government entities	100	98

<b>10. Auditor's remuneration</b>		
Audit fees paid/payable to the Auditor-General's Department	100	98
Total audit fees	100	98

***Other services***

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of other expenses - other (refer note 9).

<b>11. Revenues from fees and charges</b>		
Fines and penalties	274	298
Environmental authorisation fees	11 677	11 477
Radiation licence fees	3 538	3 208
Other licence fees	706	556
Waste levies	38 691	38 725
Other fees and charges	111	62
Total fees and charges	54 997	54 326
Fees and charges received/receivable from entities within the SA Government:		
Fines and penalties	4	3
Environmental authorisation fees	2 058	2 068
Radiation licence fees	356	357
Other licence fees	7	3
Total fees and charges - SA Government entities	2 425	2 431

12. Grants and contributions	2014	2013
Grants and contributions received/receivable from entities within the SA Government:	\$'000	\$'000
SA Government grants <sup>(i)</sup>	1 015	1 108
Total grants and contributions - SA Government entities	1 015	1 108
Grants and contributions received/receivable from entities external to the SA Government:		
Commonwealth Government <sup>(ii)</sup>	442	500
Private industry and community grants <sup>(iii)</sup>	8	32
Total grants and contributions - non-SA Government entities	450	532
Total grants and contributions	1 465	1 640
(i) State Government grants and contributions:		
DEWNR	854	1 004
Department of Further Education, Employment, Science and Technology	100	100
Department of Primary Industries and Regions	2	2
South Australian Water Corporation	36	-
Other	23	2
	1 015	1 108
(ii) Commonwealth Government:		
Department of Education, Employment and Workplace Relations	-	14
Department of Industry	24	23
Department of the Environment	379	105
Department of the Prime Minister and Cabinet	14	-
Murray-Darling Basin Authority	25	358
	442	500
(iii) Private industry and community grants:		
Dairy SA	-	31
Environment by Design	8	-
University of Adelaide	-	1
	8	32

***Contributions with conditions of expenditure***

Contributions which have conditions of expenditure still to be met as at reporting date were \$6.76 million (\$7.102 million). The Authority is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Authority on the premise that these funds are expended in a manner consistent with the terms of the agreement. At reporting date these contributions relate to:

	2014	2013
	\$'000	\$'000
Environment Protection Fund	6 686	6 963
National pollutant inventory	45	91
Chemcollect	-	18
Externally funded projects	29	30
	6 760	7 102

The Fund is established under section 24 of the *Environment Protection Act 1993*. The Fund must be kept as directed by the Treasurer. Prescribed percentages of waste levies and licence fees are paid into the Fund under section 8 of the *Environment Protection Regulations 2009*. The Fund may be applied by the Minister or by the Authority with the approval of the Minister.

13. Interest revenue	2014	2013
	\$'000	\$'000
Interest from entities within the SA Government	161	199
Total interest revenues	161	199
14. Net gain (loss) from the disposal of non-current assets		
Moveable vehicles:		
Proceeds from disposal	-	15
Net book value of assets disposed	-	(22)
Net gain (loss) from disposal	-	(7)

<b>14. Net gain (loss) from the disposal of non-current assets (continued)</b>	2014	2013
Plant and equipment:	\$'000	\$'000
Proceeds from disposal	2	-
Net book value of assets disposed	-	(1)
Net gain (loss) from disposal	<u>2</u>	<u>(1)</u>
Intangible assets:		
Proceeds from disposal	-	-
Net book value of assets disposed	(1)	-
Net gain (loss) from disposal	<u>(1)</u>	<u>-</u>
Total assets:		
Total proceeds from disposal	2	15
Total value of assets disposed	(1)	(23)
Total net gain (loss) from disposal of assets	<u>1</u>	<u>(8)</u>
<b>15. Other income</b>		
Other income received/receivable:		
Salaries and wages recoveries	3	5
Other sundry revenue	17	24
Total other income	<u>20</u>	<u>29</u>
<b>16. Revenues from (Payments to) SA Government</b>		
Revenues from SA Government:		
Contingency funds	-	900
Total revenues from SA Government	<u>-</u>	<u>900</u>
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	(5 371)	(998)
Total payments to SA Government	<u>(5 371)</u>	<u>(998)</u>
There were no revenues from government received for the year ended 30 June 2014.		
<b>17. Cash and cash equivalents</b>		
Deposits with the Treasurer	9 782	8 024
Environment Protection Fund deposit account	6 686	6 963
Cash on hand/imprest accounts	5	5
Total cash and cash equivalents	<u>16 473</u>	<u>14 992</u>
<b>Interest rate risk</b>		
Cash on hand is non-interest bearing. The Environment Protection Fund deposit account earns a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.		
<b>18. Receivables</b>	2014	2013
Current:	\$'000	\$'000
Receivables	9 388	8 143
Allowances for doubtful debts	(2 709)	(1 560)
	<u>6 679</u>	<u>6 583</u>
Prepayments	87	116
Accrued revenues	14	16
Workers compensation recoveries	1	2
Total current receivables	<u>6 781</u>	<u>6 717</u>
Receivables from SA Government entities:		
Receivables	36	67
Accrued revenues	14	16
Total current receivables from SA Government entities	<u>50</u>	<u>83</u>
Non-current:		
Receivables from entities external to the SA Government:		
Workers compensation recoveries	6	7
Total non-current receivables	<u>6</u>	<u>7</u>



**Movement in allowance for doubtful debts**

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired. An allowance for impairment loss has been recognised in other expenses in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

<b>Movements in allowance for doubtful debts (impairment loss)</b>	2014	2013
	\$'000	\$'000
Carrying amount at 1 July	1 560	576
Increase in the allowance	1 157	990
Amounts written off	(8)	(6)
Carrying amount at 30 June	<u>2 709</u>	<u>1 560</u>

**Interest rate and credit risk**

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

- (a) Maturity analysis of receivables - refer note 30.  
 (b) Categorisation of financial statements and risk exposure information - refer note 30.

**19. Property, plant and equipment**

	2014	2013
	\$'000	\$'000
<b>Land:</b>		
Independent valuation	278	200
Total land	<u>278</u>	<u>200</u>
<b>Building and improvements:</b>		
Independent valuation	40	35
Accumulated depreciation	(23)	(19)
Total buildings and improvements	<u>17</u>	<u>16</u>
<b>Infrastructure:</b>		
Independent valuation	522	443
Accumulated depreciation	(150)	(106)
Total infrastructure	<u>372</u>	<u>337</u>
<b>Capital works in progress:</b>		
Capital works in progress	2 160	1 565
Total capital works in progress	<u>2 160</u>	<u>1 565</u>
<b>Moveable vehicles:</b>		
At cost (deemed fair value)	182	182
Accumulated depreciation	(103)	(95)
Total moveable vehicles	<u>79</u>	<u>87</u>
<b>Computing equipment:</b>		
At cost (deemed fair value)	268	247
Accumulated depreciation	(162)	(129)
Total computing equipment	<u>106</u>	<u>118</u>
<b>Furniture and fittings:</b>		
Independent valuation	5 903	5 409
Accumulated depreciation	(2 533)	(1 919)
Total furniture and fittings	<u>3 370</u>	<u>3 490</u>
<b>Plant and equipment:</b>		
At cost (deemed fair value)	3 833	3 790
Accumulated depreciation	(3 163)	(3 097)
Total plant and equipment	<u>670</u>	<u>693</u>
<b>Other:</b>		
At cost (deemed fair value)	19	19
Accumulated depreciation	(19)	(19)
Total other	<u>-</u>	<u>-</u>
Total property, plant and equipment	<u>7 052</u>	<u>6 506</u>

**Valuation of land**

The valuation of land and buildings was performed in October and November 2013 by a Certified Practising Valuer from Valcorp Australia Pty Ltd, as at 1 July 2013.

The valuer arrived at fair value using the market approach. The valuation was based on recent market transactions for similar land in the area and includes factors specific to the land being valued such as size, location and current use.

**Valuation of buildings, improvements, infrastructure, and furniture and fittings**

The valuation of buildings and improvements, infrastructure and furniture and fittings was performed in October and November 2013 by a Certified Practising Valuer from Valcorp Australia Pty Ltd, as at 1 July 2013.

As there is no active market for these, the valuer used the cost approach (ie depreciated replacement cost) taking into account the assets characteristics and restrictions. The valuation was based on a combination of internal records, specialised knowledge and market information about materials.

**Carrying amount of other items, moveable vehicles, computing equipment and plant and equipment**

All items of moveable vehicles, computing equipment and plant and equipment had a fair value at the time of acquisition that was less than \$1 million or had an estimate useful life that was less than three years, and have not been revalued in accordance with APF III. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustments to their value except for management assumptions about the assets condition and remaining useful life.

**Impairment**

There were no indications of impairment of property, plant and equipment at 30 June 2014.

**Asset movement reconciliation**

A reconciliation of the carrying amount of each class of property, plant and equipment and intangible assets is provided in the following table:

	Land \$'000	Buildings & improvements \$'000	Infrastructure \$'000	Moveable vehicles \$'000	Computing equipment \$'000	Furniture and fittings \$'000
<b>2014</b>						
Carrying amount at 1 July	200	16	337	87	118	3 490
Additions	-	-	-	-	21	-
Additions - Transfer to (from) CWIP	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
	<u>200</u>	<u>16</u>	<u>337</u>	<u>87</u>	<u>139</u>	<u>3 490</u>
Gains (Losses) for the period recognised in net result:						
Depreciation/Amortisation	-	(1)	(21)	(8)	(33)	(479)
	<u>-</u>	<u>(1)</u>	<u>(21)</u>	<u>(8)</u>	<u>(33)</u>	<u>(479)</u>
Gains (Losses) for the period recognised in other comprehensive income:						
Net revaluation increment (decrement)	78	2	56	-	-	359
Subtotal	<u>78</u>	<u>2</u>	<u>56</u>	<u>-</u>	<u>-</u>	<u>359</u>
Carrying amount at 30 June	<u>278</u>	<u>17</u>	<u>372</u>	<u>79</u>	<u>106</u>	<u>3 370</u>
		Plant and equipment \$'000	Subtotal \$'000	Capital works in progress \$'000	Intangible assets \$'000	Total \$'000
Carrying amount at 1 July		693	4 941	1 565	743	7 249
Additions		82	103	705	-	808
Additions - Transfer to (from) CWIP		70	70	(110)	40	-
Disposals		-	-	-	(1)	(1)
Subtotal		<u>845</u>	<u>5 114</u>	<u>2 160</u>	<u>782</u>	<u>8 056</u>
Gains (Losses) for the period recognised in net result:						
Depreciation/Amortisation		(175)	(717)	-	(163)	(880)
Subtotal		<u>(175)</u>	<u>(717)</u>	<u>-</u>	<u>(163)</u>	<u>(880)</u>

**Asset movement reconciliation (continued)**

	Plant and equipment \$'000	Subtotal \$'000	Capital works in progress \$'000	Intangible assets \$'000	Total \$'000	
<b>2014 (continued)</b>						
Gains (Losses) for the period recognised in other comprehensive income:						
Net revaluation increment (decrement)	-	495	-	-	495	
Subtotal	-	495	-	-	495	
Carrying amount at 30 June	670	4 892	2 160	619	7 671	
	Land \$'000	Buildings & improvements \$'000	Infrastructure \$'000	Moveable vehicles \$'000	Computing equipment \$'000	Furniture and fittings \$'000
<b>2013</b>						
Carrying amount at 1 July	200	17	267	117	91	3 928
Additions	-	-	84	-	47	-
Additions - Transfer to (from) CWIP	-	-	-	-	-	-
Disposals	-	-	-	(22)	-	-
Other	-	-	-	-	-	(1)
Subtotal	200	17	351	95	138	3 927
Gains (Losses) for the period recognised in net result:						
Depreciation/Amortisation	-	(1)	(14)	(8)	(20)	(437)
Subtotal	-	(1)	(14)	(8)	(20)	(437)
Carrying amount at 30 June	200	16	337	87	118	3 490
		Plant and equipment \$'000	Subtotal \$'000	Capital works in progress \$'000	Intangible assets \$'000	Total \$'000
Carrying amount at 1 July		661	5 281	532	727	6 540
Additions		204	335	1 169	82	1 586
Additions - Transfer to (from) CWIP		-	-	(136)	136	-
Disposals		(1)	(23)	-	-	(23)
Other		-	(1)	-	-	(1)
Subtotal		864	5 592	1 565	945	8 102
Gains (Losses) for the period recognised in net result:						
Depreciation/Amortisation		(171)	(651)	-	(202)	(853)
Subtotal		(171)	(651)	-	(202)	(853)
Carrying amount at 30 June		693	4 941	1 565	743	7 249

**20. Intangible assets**

	2014 \$'000	2013 \$'000
Electronic Environment Licensing Forms (e-ELF):		
At cost (deemed fair value)	167	167
Accumulated amortisation	(167)	(167)
Total e-ELF	-	-
Integrated Information system (IIS):		
At cost (deemed fair value)	474	474
Accumulated amortisation	(474)	(474)
Total IIS	-	-
General Environment Information system (GENI):		
At cost (deemed fair value)	1 789	1 789
Accumulated amortisation	(1 376)	(1 271)
Total GENI	413	518
Complaints and Reports Of Environmental Significance system (CARES):		
At cost (deemed fair value)	281	240
Accumulated amortisation	(241)	(240)
Total CARES	40	-
Other:		
At cost (deemed fair value)	425	554
Accumulated amortisation	(259)	(329)
Total other	166	225
Total intangible assets	619	743

**Impairment**

There were no indications of impairment on intangible assets at 30 June 2014.

**21. Fair value measurement**

**Fair value hierarchy**

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Authority categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014.

The Authority had no valuations categorised into level 1 or level 2.

**Fair value measurements**

**2014**

	Note	Level 3 \$'000
Recurring fair value measurements:		
Land	19	278
Buildings	19	17
Infrastructure	19	372
Moveable vehicles	19	79
Computer equipment	19	106
Furniture and fittings	19	3 370
Plant and equipment	19	670
Total recurring fair value measurements		<u>4 892</u>

Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

There were no transfers of assets between level 1 and level 2 fair value hierarchy levels in 2014. The Authority's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

**Valuation techniques and inputs**

Valuation techniques used to derive level 3 fair values together with the reconciliation of level 3 fair value measurements are detailed at note 19. The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement:

Description	Valuation technique	Unobservable inputs	Range of inputs
Land	Market comparable	Adjusted market value	Refer notes 19,2(g)
Building and improvements	Depreciated replacement cost <sup>(1)</sup>	Cost Useful life	Refer notes 19,2(g)
Infrastructure	Depreciated replacement cost <sup>(1)</sup>	Cost Useful life	Refer notes 19,2(g)
Moveable vehicles	Depreciated cost	Cost Useful life	Refer notes 19,2(g)
Computing equipment	Depreciated cost	Cost Useful life	Refer notes 19,2(g)
Furniture and fittings	Depreciated replacement cost <sup>(1)</sup>	Cost Useful life	Refer notes 19,2(g)
Plant and equipment	Depreciated cost	Cost Useful life	Refer notes 19,2(g)

<sup>(1)</sup> The data dictionary model is contained within the Asset Register and Management Information System (ARAMIS) and calculates a value for an asset based on description, grade/composition, condition and size/quantity. The valuation model is reviewed every three years by the Certified Practising Valuer.

<b>22. Payables</b>	2014	2013
Current:	\$'000	\$'000
Creditors	576	539
Accrued expenses	156	170
Employment on-costs	410	344
Paid Parental Leave Scheme payable	-	10
Total current payables	<u>1 142</u>	<u>1 063</u>
Payables to SA Government entities:		
Creditors	115	34
Accrued expenses	120	118
Employment on-costs	410	344
Total current payables to SA Government entities	<u>645</u>	<u>496</u>
Non-current:		
Employment on-costs	431	377
Total non-current payables	<u>431</u>	<u>377</u>

All non-current payables are to SA Government entities.

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has remained at the 2013 rate of 40%. This rate is used in the employment on-cost calculation.

**Interest rate and credit risk**

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

- (a) Maturity analysis of payables - refer note 30.
- (b) Categorisation of financial statements and risk exposure information - refer note 30.

<b>23. Employee benefits</b>	2014	2013
Current:	\$'000	\$'000
Annual leave	1 426	1 358
LSL	613	386
Accrued salaries and wages	77	-
SERL	93	76
Total current employee benefits	<u>2 209</u>	<u>1 820</u>
Non-current:		
LSL	4 166	3 873
Total non-current employee benefits	<u>4 166</u>	<u>3 873</u>
Total employee benefits	<u>6 375</u>	<u>5 693</u>

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 2013 (3.75%) to 2014 (3.5%).

This decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in an increase in the reported LSL liability.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

<b>24. Provisions</b>	2014	2013
Current:	\$'000	\$'000
Provision for workers compensation	45	41
Total current provisions	<u>45</u>	<u>41</u>
Non-current:		
Provision for workers compensation	150	174
Total non-current provisions	<u>150</u>	<u>174</u>
Total provisions	<u>195</u>	<u>215</u>

<b>Provision movement</b>	2014	2013
	\$'000	\$'000
Carrying amount at 1 July	215	207
Additional provisions recognised	(20)	8
Carrying amount at 30 June	<u>195</u>	<u>215</u>

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

<b>25. Other liabilities</b>	2014	2013
	\$'000	\$'000
Current:		
Lease incentive	67	67
Unearned revenue	53	-
Other	17	168
Total current other liabilities	<u>137</u>	<u>235</u>
Non-current:		
Lease incentive	578	644
Total non-current other liabilities	<u>578</u>	<u>644</u>
Total other liabilities	<u>715</u>	<u>879</u>

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

**26. Unrecognised contractual commitments**

***Expenditure commitments - remuneration***

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

	2014	2013
	\$'000	\$'000
Within one year	612	1 105
Later than one year but not later than five years	1 769	2 371
Total remuneration commitments	<u>2 381</u>	<u>3 476</u>

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

***Expenditure commitments - other***

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

	2014	2013
	\$'000	\$'000
Within one year	155	475
Total other commitments	<u>155</u>	<u>475</u>

The Authority's other commitments relate to the purchase of goods and services for the Licensing Administration Modernisation Project.

***Operating lease commitments***

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

	2014	2013
	\$'000	\$'000
Within one year	2 310	2 238
Later than one year but not later than five years	9 898	9 244
Later than five years	12 874	14 974
Total operating lease commitments	<u>25 082</u>	<u>26 456</u>
Representing:		
Non-cancellable operating leases	25 082	26 456
Total operating lease commitments	<u>25 082</u>	<u>26 456</u>

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

**27. Contingent assets and liabilities**

The Authority is not aware of the existence of any contingent assets or contingent liabilities as at 30 June 2014.

**28. Remuneration of board and committee members**

Members during the 2014 financial year were:

***Board of the Environment Protection Authority***

Mr Stephen Hains (resigned 4.08.13)

Mr Robert Fowler

Mr Mark Withers (appointed 08.08.2013)

Ms Roslyn DeGaris (appointed 23.01.2014)

Ms Linda Bowes

Ms Mia Handshin

Dr Helen Macdonald (appointed 08.08.2013)

***Radiation Protection Committee***

Ms Sharon Paulka

Dr Michael Lardelli

Mr Alex Eadie

Ms Cara Kirsten (appointed 27.05.14)

Ms Judith Pollard (appointed 27.05.14)

Ms Jill Fitch

Ms Jessica Burckhardt

Dr Pam Sykes

Ms Melissa Holzberger (appointed 27.05.14)

Mr Nigel Spooner (appointed 27.05.14)

The number of members whose remuneration received or receivable falls within the following bands:	2014 Number	2013 Number
\$0	7	6
\$1 - \$9 999	4	3
\$10 000 - \$19 999	1	-
\$20 000 - \$29 999	4	7
\$40 000 - \$49 999	1	-
Total	17	16

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, super contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$159 000 (\$176 000).

In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

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

**29. Cash flow reconciliation**

Reconciliation of cash and cash equivalents at 30 June:

	2014 \$'000	2013 \$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	16 473	14 992
Cash and cash equivalents disclosed in the Statement of Cash Flows	16 473	14 992

***Reconciliation of net cash provided by (used in) operating activities to net cost of providing services***

Net cash provided by (used in) operating activities	2 287	5 965
Revenues from SA Government	-	(900)
Payments to SA Government	5 371	998
Non-cash items:		
Depreciation and amortisation expense	(880)	(853)
Net gain (loss) on disposal of assets	1	(8)

Movements in assets/liabilities:

Receivables	128	862
Other assets	(29)	24
Payables	(133)	475
Employee benefits	(682)	20
Provisions	20	(8)
Other liabilities	128	(76)
Net benefit (cost) of providing services	6 211	6 499

**30. Financial instruments/Financial risk management**

***Categorisation of financial instruments***

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

	Note	2014		2013	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents	17	16 473	16 473	14 992	14 992
Receivables <sup>(i)(ii)</sup>	18	15	15	278	278
<b>Financial liabilities</b>					
Payables <sup>(i)</sup>	22	612	612	591	591

(i) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (eg Commonwealth, State and Local Government taxes, fees and charges; audit fees payable to the Auditor-General's Department etc). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

(ii) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 18 in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

***Fair value***

The Authority does not recognise any financial assets or liabilities at fair value, but does disclose fair value in the notes.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 18 and 22).

***Credit risk***

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

The carrying amount of financial assets as detailed in table above represents the Authority's maximum exposure to credit risk.

No collateral is held as security and no credit enhancements relate to financial assets held by the Authority.

The Authority has minimal concentration of credit risk. The Authority has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Authority does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently the Authority does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 18 for information on the allowance for impairment in relation to receivables.



**Ageing analysis of financial assets**

The following table discloses the ageing of financial assets, past due, including impaired assets past due:

	Current (not overdue) \$'000	Past due by			Total \$'000
		Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2014</b>					
Not impaired:					
Receivables <sup>(i)</sup>	15	-	-	-	15
Impaired:					
Receivables <sup>(i)</sup>	-	-	-	-	-
<b>2013</b>					
Not impaired:					
Receivables <sup>(i)</sup>	278	-	-	-	278
Impaired:					
Receivables <sup>(i)</sup>	-	-	-	-	-

<sup>(i)</sup> Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

**Maturity analysis of financial assets and liabilities**

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

	Carrying amount \$'000	Contractual maturities		
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>2014</b>				
Financial assets:				
Cash and cash equivalents	16 473	16 473	-	-
Receivables	15	15	-	-
Total financial assets	16 488	16 488	-	-
Financial liabilities:				
Payables	612	612	-	-
Total financial liabilities	612	612	-	-
<b>2013</b>				
Financial assets:				
Cash and cash equivalents	14 992	14 992	-	-
Receivables	278	278	-	-
Total financial assets	15 270	15 270	-	-
Financial liabilities:				
Payables	591	591	-	-
Total financial liabilities	591	591	-	-

**Liquidity risk**

Liquidity risk arises where the Authority is unable to meet its financial obligations as they fall due. The Authority is funded principally from waste levies and annual licence fees. The Authority works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The Authority settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Authority's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in the table represent the Authority's maximum exposure to financial liabilities.

**Market risk**

The Authority has no interest bearing liabilities as at the end of the reporting period. There is no exposure to foreign currency or other price risks.

**Sensitivity analysis**

A sensitivity analysis has not been undertaken for the interest rate risk of the Authority as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

**31. Events after the reporting period**

There were no events that occurred after the reporting period for the year ended 30 June 2014.

**32. Environment Protection Fund**

The following is a summary of the amounts included in the Fund. In reflecting these amounts in the Authority's financial statements, transactions between the Fund and the Authority have been eliminated.

**Environment Protection Fund**

*Statement of Comprehensive Income for the year ended 30 June 2014*

	2014	2013
	\$'000	\$'000
<b>Expenses:</b>		
Employee benefits	275	273
Supplies and services	2 503	2 150
Grants and subsidies	48	96
<b>Total expenses</b>	<b>2 826</b>	<b>2 519</b>
<b>Income:</b>		
Fees and charges	2 640	2 587
Grants and contributions	-	4
Interest revenue	161	199
Other revenue	-	8
<b>Total income</b>	<b>2 801</b>	<b>2 798</b>
<b>Net result</b>	<b>(25)</b>	<b>279</b>

*Statement of Financial Position as at 30 June 2014*

	2014	2013
	\$'000	\$'000
<b>Current assets:</b>		
Cash and cash equivalents	6 686	6 963
Receivables	287	287
<b>Total current assets</b>	<b>6 973</b>	<b>7 250</b>
<b>Total assets</b>	<b>6 973</b>	<b>7 250</b>
<b>Current liabilities:</b>		
Payables	11	263
<b>Total current liabilities</b>	<b>11</b>	<b>263</b>
<b>Total liabilities</b>	<b>11</b>	<b>263</b>
<b>Net assets</b>	<b>6 962</b>	<b>6 987</b>
<b>Equity:</b>		
Retained earnings	6 962	6 987
<b>Total equity</b>	<b>6 962</b>	<b>6 987</b>

*Statement of Changes in Equity for the year ended 30 June 2014*

	Retained earnings	Total
	\$'000	\$'000
Balance at 30 June 2012	6 708	6 708
Net result for 2012-13	279	279
Balance at 30 June 2013	6 987	6 987
Net result for 2013-14	(25)	(25)
<b>Balance at 30 June 2014</b>	<b>6 962</b>	<b>6 962</b>

**Statement of Cash Flows for the year ended 30 June 2014**

	2014 Inflows (Outflows) \$'000	2013 Inflows (Outflows) \$'000
<b>Cash flows from operating activities:</b>		
Cash inflows:		
Fees and charges	2 639	2 567
Grant and contribution receipts	-	4
Interest received	162	205
Other revenues	-	8
<b>Total cash inflows</b>	2 801	2 784
Cash outflows:		
Employee benefit payments	(275)	(326)
Payments for supplies and services	(2 755)	(2 097)
Grant and contribution payments	(48)	(96)
<b>Total cash outflows</b>	(3 078)	(2 519)
<b>Net cash inflows (outflows) from operating activities</b>	(277)	265
<b>Cash and cash equivalents at 1 July</b>	6 963	6 698
<b>Cash and cash equivalents at 30 June</b>	6 686	6 963

**33. Radiation protection function**

The administrative unit has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982*.

The following summarises income and expenditure attributable to radiation protection functions within the administrative unit excluding the allocation of overheads. In reflecting these amounts in the Authority's financial statements, transactions between the Radiation Protection Division and the statutory authority have been eliminated.

**Radiation Protection Division****Statement of Comprehensive Income for the year ended 30 June 2014**

	2014 \$'000	2013 \$'000
<b>Expenses:</b>		
Employee benefits	1 340	1 288
Supplies and services	107	84
<b>Total expenses</b>	1 447	1 372
<b>Income:</b>		
Radiation licence fees	3 537	3 208
Sales	7	1
Grants and contributions	24	23
<b>Total income</b>	3 568	3 232
<b>Net cost of (benefit from) providing services</b>	(2 121)	(1 860)

# Department of Environment, Water and Natural Resources

## Functional responsibility

### Establishment

The Department of Environment, Water and Natural Resources is an administrative unit established under the PSA, and is responsible to the Minister for Sustainability, Environment and Conservation and the Minister for Water and the River Murray.

Effective 1 July 2012, the Department of Environment and Natural Resources (DENR) was renamed the Department of Environment, Water and Natural Resources (DEWNR) and DEWNR assumed the administrative responsibilities, including all staff, of the Department for Water (DW), which was abolished on 1 July 2012.

Effective 1 July 2012, all employees of the Natural Resources Management (NRM) Boards transferred to DEWNR pursuant to the Public Sector (Reorganisation of Public Sector Operations) Notice 2012 (dated 21 June 2012).

### Functions

DEWNR leads the management of South Australia's natural resources to ensure the protection of the environment and that healthy and productive natural resources sustain wellbeing and economy.

Note 1 to the financial statements provides further explanation of the objectives of DEWNR.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

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

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

### Scope of audit

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

During 2013-14, areas of review included:

- payroll
- accounts payable

- purchase cards
- revenue, receipting and banking
- grants
- property, plant and equipment
- general ledger.

## **Audit findings and comments**

### **Auditor's report on the financial report**

The following is an extract from the 2013-14 Independent Auditor's Report, which details the qualification to DEWNR's financial report.

#### ***Basis for Qualified Opinion***

*Property, plant and equipment reported in the Statement of Administered Financial Position excludes unallotted Crown land, as the Department of Environment, Water and Natural Resources has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings.*

*In addition, limitations exist on the reliability of the base information used to determine the valuation of Crown land included in property, plant and equipment recognised in the Statement of Administered Financial Position.*

*Disclosure of property, plant and equipment is contained in note A3 to the Administered Financial Statements.*

*It is not practicable to quantify the financial effect of the excluded Crown land or the unreliable base information used to determine the valuation of Crown land included in property, plant and equipment recognised in the Administered Financial Statements.*

*As the integrity of Crown land holdings and values administered by the Department of Environment, Water and Natural Resources has not been established, I am unable to form an opinion on the reasonableness of the values of property, plant and equipment relating to Crown lands, brought to account in the Statement of Administered Financial Position.*

#### ***Qualified Opinion***

*In my opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraphs, the financial report gives a true and fair view of the financial position of the Department of Environment, Water and Natural Resources as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards.*

### **2013-14 Independent Auditor's Report - Crown land**

Over a number of years, Audit has commented on the accounting treatment of Crown land and the completeness and accuracy of Crown land base information. Last year's Report includes a summary of developments up to 2012-13 about this matter.

The position for 2013-14 remains unchanged from previous years. Unallotted Crown land is not yet reflected in the administered financial statements. Limitations on the base information used to value leased and licensed Crown land included in the administered financial statements also remain. In addition, DEWNR has not finalised an appropriate valuation methodology for all Crown land.

As a result, the Independent Auditor's Report to the financial report again qualifies the completeness and valuation of Crown land included in the Statement of Administered Financial Position.

#### **Assessment of controls**

In my opinion, the controls exercised by the Department of Environment, Water and Natural Resources in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for all matters outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Environment, Water and Natural Resources have been conducted properly and in accordance with law.

#### **Communication of audit matters**

Matters identified during the course of the audit were detailed in management letters to the Chief Executive of DEWNR. The main matters raised with DEWNR and the related responses are detailed below.

##### ***Cash***

During 2013-14 and consistent with prior years, revenue related reconciling items on the bank reconciliation were not adequately explained and cleared in a timely manner. Relevant reconciling items were corrected in the 30 June 2014 bank reconciliation.

DEWNR responded that they have been working closely with SSSA to clear bank reconciling amounts on a timely basis and to identify strategies for limiting the number and amount of reconciling items in the future. Historical items that have been matched but remain on the reconciliation will be separately identified and removed completely which will significantly reduce the volume of reconciling items.

##### ***Payroll***

As noted in prior years, DEWNR are not reviewing and certifying bona fide reports in accordance with DEWNR policies and procedures.

DEWNR responded that they will review and improve the current bona fide register template and assist each branch/region to update their registers. The bona fide reports procedure and guideline will be reviewed to ensure it clearly indicates the process and managers' responsibilities. DEWNR will also implement a regular program to review registers to ensure compliance with the bona fide report procedure and guideline.

##### ***Purchase cards***

During 2013-14 Audit review of purchase card transactions noted a number of instances where DEWNR purchase card policies were not followed. These instances included:

- splitting transactions to comply with authorised transaction limits
- prior written approval required for some transactions (gifts, entertainment) was not obtained.

Reasons for splitting transactions, gifts and entertainment were not supported by adequate documentation. Similar instances of non-compliance with policy requirements were identified and raised with DEWNR in 2012-13.

DEWNR responded that the instances of split transactions, gifts and entertainment identified are currently being investigated. Where sufficient reason or approval is not provided, the suspension of the respective purchase card will be actioned.

#### ***Revenue – follow-up of outstanding debtors***

During 2013-14 Audit review of the aged trial balance report from the corporate accounts receivable system identified outstanding debtors totalling approximately \$5.5 million. These amounts relate to administered water licensing and levy invoices. 98% of this debt also relates to invoices greater than 180 days.

DEWNR responded that they have made considerable efforts to improve the debt recovery processes across the department in 2013-14 including:

- consolidating debt recovery processes into the Finance and Business Services Branch
- approving and promulgating the debt recovery and write-off policy
- implementing a project plan for water licensing debt reduction with the aim of reducing greater than 90 day debt.

DEWNR has also indicated that the project plan identifies debt that is currently under investigation or dispute and will further prioritise the actions to be undertaken to clear the debt. Since the project commenced in February 2014, a total of \$2.2 million of debt greater than 90 days has been paid, placed on a payment plan or passed onto an external debt collection agency for action. This project will be completed in the second quarter of 2014-15.

#### ***Tenancies and billing system***

During 2013-14 Audit found a number of areas that require improvement in relation to the tenancies and billing systems (TABS). TABS is designed to handle all leases, licences and other land related tenements administered by DEWNR. Improvements required related to:

- updating policies and procedures for monitoring information
- reconciliation of TABS data is not performed timely or reviewed
- independent checking of amounts uploaded into TABS.

DEWNR responded that it has undertaken data integrity work on TABS, including a focus on system reminders to ensure rent adjustments are entered in a timely manner. A review of the Crown land business systems, including TABS, is scheduled for 2014-15. The review will include:

- the formalisation of procedures and policies currently documented in user manuals, and other internal documents
- the requirement to include a greater degree of independent review, particularly in relation to rent adjustments, user access and invoice reconciliation.

**Property, plant and equipment**

*Inappropriate asset disposal*

During 2013-14 Audit review identified two asset disposal transactions where DEWNR disposal forms had not been completed and approved by a delegate with asset disposal delegation. The disposals related to seven vehicles and a park board walk asset.

DEWNR responded that an asset disposal procedure has been developed as part of the DEWNR asset management policy framework. The two instances of unauthorised asset disposal identified are currently being investigated and appropriate action will be taken.

*Monitoring of capital works (CWIP) projects*

Audit review noted that the monthly project report, which provides information on opening and closing expenditure balances against each CWIP project to identify completed CWIP projects, had not been generated and reviewed on a regular basis during 2013-14. Reconciliation of CWIP expenditure codes in the general ledger is required to be performed quarterly. This had not occurred consistently through the year.

DEWNR responded that a newly developed corporate services delivery model involves working with business managers throughout DEWNR to ensure that project managers undertaking CWIP projects are aware of the requirement to ensure that project reports are reviewed on a regular basis.

**Shared Services SA – financial systems and transaction processing environments**

SSSA processes financial transactions on behalf of the agency under service level determinations. The main systems and control environments include accounts payable, payroll and general ledger financial functions.

Last year’s Report made specific comment on the progress being taken by SSSA to remediate key control weaknesses raised in prior years for the systems and control environments, in order to achieve a satisfactory ongoing standard of control operation over financial transaction processing.

As discussed in the commentary under ‘Department of the Premier and Cabinet’ elsewhere in Part B of this Report, Audit review and evaluation of controls for the SSSA main accounts payable and payroll systems and environments concluded that controls met a generally satisfactory standard for 2013-14. Notwithstanding this overall conclusion, there were some specific matters that were raised with SSSA for corrective action and review for process and procedural improvement. The matters did not relate to DEWNR transaction processing.

**Interpretation and analysis of the financial report**

**Highlights of the financial report**

	2014 \$'million	2013 \$'million
<b>Expenses</b>		
Employee benefits expenses	171	159
Supplies and services	90	102
Grants and subsidies	47	78
Depreciation and amortisation expense	22	24
Other expenses	14	13
<b>Total expenses</b>	<b>344</b>	<b>376</b>



	2014 \$'million	2013 \$'million
<b>Income</b>		
Fees and charges	73	49
Grants revenues	75	73
Other income	32	28
<b>Total income</b>	<b>180</b>	<b>150</b>
<b>Net cost of providing services</b>	<b>164</b>	<b>226</b>
<b>Revenues from (Payments to) SA Government</b>	<b>182</b>	<b>214</b>
<b>Net result</b>	<b>18</b>	<b>(12)</b>
<b>Other comprehensive income</b>	<b>4</b>	<b>-</b>
<b>Total comprehensive result</b>	<b>22</b>	<b>(12)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>4</b>	<b>31</b>
<b>Assets</b>		
Current assets	142	148
Non-current assets	511	508
<b>Total assets</b>	<b>653</b>	<b>656</b>
<b>Liabilities</b>		
Current liabilities	38	56
Non-current liabilities	29	36
<b>Total liabilities</b>	<b>67</b>	<b>92</b>
<b>Total equity</b>	<b>586</b>	<b>564</b>

### Statement of Comprehensive Income

#### Expenses

Total expenses decreased by \$32 million ( 9%). The major items causing this change were:

- supplies and services decreased by \$12 million due mainly to a decrease in fee-for-service expenditure of \$6 million and accommodation and property management of \$2 million. The fee-for-service expense primarily relates to on-the-ground works for Commonwealth programs
- grants and subsidies decreased by \$31 million mainly due to the Stormwater Projects program (\$27 million) completed in 2012-13
- the abovementioned decreases in expenses were offset by an increase in employee benefits expenses of \$12 million due to 172 staff accepting TVSPs.

#### Income

Total income increased by \$30 million (20%). The major items causing this change were:

- fees and charges increased by \$25 million (49%) due to changes in the legislative and financing accounting arrangements for the River Murray Rehabilitation levy (refer note 31 to the financial statements)
- other income increased by \$6 million due mainly to service level arrangements with other SA Government entities.

**Statement of Financial Position**

DEWNR’s assets comprise two main items: property, plant and equipment and cash.

***Non-current assets - property, plant and equipment***

Total assets decreased by \$2 million to \$653 million and represent 77% of total assets. Refer note 23 to the financial statements for analysis of this significant disclosure item.

***Current assets - cash***

This item, \$106 million (\$122 million) represents 74% (82%) of total current assets and 16% (19%) of total assets. DEWNR’s cash at 30 June 2014 comprises operating deposit accounts of \$57 million (\$68 million) and an accrual appropriation excess funds account of \$49 million (\$54 million). Access to the Accrual Appropriation Excess Funds Account is subject to the Under Treasurer’s approval.

***Liabilities***

Total liabilities decreased by \$25 million (27%) to \$67 million. The major items causing this change were:

- total employee benefits decreased by \$6 million (15%) due to the 172 staff that accepted TVSPs
- total payables decreased by \$18 million (40%) mostly due to the completion of the stormwater and sand pumping transfer projects.

**Statement of Cash Flows**

The following table summarises the net cash flows.

	2014 \$'million	2013 \$'million
<b>Net cash flows</b>		
Operating	4	31
Investing	(20)	(28)
Financing	-	48
Change in cash	(16)	51
Cash at 30 June	106	122

**Administered items**

DEWNR has responsibility for the administration of a number of funds and grant programs including:

- NRM Fund
- Board of the Botanic Gardens and State Herbarium
- Caring for our Country grant program
- Coast Protection Fund.

The Schedule of Administered Expenses and Income attributable to Administered Activities provides further details on these items and amounts.

### ***NRM Boards and NRM Fund***

Since 1 July 2010, DEWNR has had primary responsibility for assisting the Minister in the administration of the NRMA. The main purpose of the NRMA is to promote sustainable and integrated management of the State's natural resources and to make provision for the protection of the State's natural resources.

The NRMA provides for a range of entities with specific responsibilities including eight regional NRM Boards.

Water levies are collected by DEWNR for prescribed water resources within specific NRM regions under section 101 of the NRMA. The levies are subsequently paid to the regional NRM Boards pursuant to section 116 (1)(a)(ii)(A).

In 2013-14, \$13.8 million (\$11.4 million) in water levies, penalties and expiation fees was transferred to the NRM Boards from DEWNR. DEWNR also received \$3.9 million (\$4.4 million) in appropriation funding for the NRM Boards.

Payments to NRM Boards from the NRM Fund during the year were \$18.4 million (\$15.1 million).

### ***Administered grant programs***

DEWNR administers a number of grant programs. A notable program is Caring for our Country.

The Caring for our Country program is administered by the Commonwealth and State Government pursuant to section 19(2) of the *Natural Heritage Trust of Australia Act 1997* (Cwlth) and section 5 of the *Natural Resources Management (Financial Assistance) Act 1992* (Cwlth).

The goal of Caring for our Country is to provide an environment that is healthy, better protected, well managed, resilient and provides essential ecosystem services in a changing climate.

The Caring for our Country items administered by DEWNR include grant revenues from the Commonwealth Government of \$17.2 million (\$18.1 million), grant expenses of \$17 million (\$22 million) and a cash balance of \$500 000 (\$300 000).

### **Further commentary on operations**

#### **Coorong, Lower Lakes and Murray Mouth projects**

The Coorong, Lower Lakes and Murray Mouth (CLLMM) Recovery project, one of five Murray Futures State Priority projects, was established under the Council of Australian Governments Intergovernmental Agreement on Murray-Darling Basin reform to undertake a suite of medium to long-term management actions in the CLLMM region to secure a future for the region.

On 18 May 2011, following its due diligence assessment of the business case, the Australian Government announced it would provide the CLLMM Recovery project funding of \$118 million to undertake a range of management actions at the CLLMM site from 2011-12 to 2015-16.

A project schedule to the existing Water Management Partnership Agreement between the State and the Commonwealth Government was negotiated for the CLLMM Recovery project, signed by the Minister for Water and the River Murray and executed on 17 May 2012. A Cabinet submission seeking endorsement of the execution of the CLLMM Recovery project and associated budgets was subsequently approved by Cabinet on 2 July 2012.

Inclusive of management actions, corporate overheads and carryover from the early works stage of the recovery program, the value of the CLLMM Recovery project executed within this project schedule is \$137 million. The maximum Commonwealth contribution over the life of the project will be \$123.3 million, whilst the maximum State contribution will be \$13.7 million.

In 2013-14 \$16 million (\$15.6 million) was expended on management actions associated with the CLLMM Recovery project.

#### **Murray-Darling Basin Authority (MDBA)**

The MDBA is established under the *Water Act 2007* (Cwlth). It replaces the Murray-Darling Basin Commission (MDBC) (refer note A10). The MDBA assumed all functions of the former MDBC in December 2008.

The MDBA's functions are to:

- prepare, implement, monitor and enforce the Basin Plan
- implement the decisions of the Ministerial Council and Basin Officials Committee.

The memorandum of understanding required the MDBA to provide a Basin Plan by 2011. The Commonwealth Minister is the final decision maker for the Basin Plan.

DEWNR has recognised the State's joint interest in the MDBA infrastructure assets and water rights as an interest in a joint venture in accordance with AASB 131 within the administered financial statements.

The recognition of MDBA infrastructure assets and water rights is in accordance with the following agreements which were signed by the Commonwealth, states of NSW, Vic and SA, ACT and the MDBA on 12 June 2009:

- asset agreement for River Murray operations assets
- further agreement on addressing water over allocation and achieving environmental objectives in the Murray-Darling Basin - control and management of Living Murray assets.

DEWNR has recognised an equity interest of 26.67% in accordance with a determination by the former MDBC Finance Committee.

#### **Save the River Murray Fund (the Fund)**

DEWNR's financial statements incorporate the financial transactions of the Fund established pursuant to the *Water Industry Act 2012*. Effective 1 July 2013, the River Murray rehabilitation levy is now paid directly into the Fund. In previous years, under the repealed *Water Works Act 1932*, the South Australian Water Corporation collected monies and paid the proceeds into the Consolidated Account, then DTF would transfer the monies into the Fund.

Monies paid into the Fund may be applied by the Minister toward programs and measures to improve and promote the environmental health of the River Murray or to ensure the adequacy, security and quality of the State's water supply from the River Murray.

Receipts paid into the Fund in 2013-14 amounted to \$25 million (\$27 million), payments were \$24 million (\$25 million) and the balance of the Fund as at 30 June 2014 was \$4 million.

## **Murray Futures**

The Murray Futures is a 10 year \$610 million program funded by the Commonwealth Government.

The key elements of the program include:

- the \$120 million Lower Lakes pipelines to secure a quality water supply from the Lower Lakes
- a commitment of \$200 million to Lower Lakes and Coorong recovery to undertake a series of long-term projects around the Lower Lakes
- \$110 million committed to river industry renewal to reinvigorate irrigation communities including the implementation of newer and smarter irrigation technology
- committing \$100 million to riverine recovery by improving the management of wetlands and floodplains from the South Australian border to Wellington
- an \$80 million water buy-back to purchase water entitlements from willing sellers.

A special deposit account titled 'Murray Futures Fund' is used to record the projects funded from the Commonwealth Government's Water for the Future initiative. The balance of the fund as at 30 June 2014 is \$21 million.

## Statement of Comprehensive Income for the year ended 30 June 2014

		2014	2013
	Note	\$'000	\$'000
<b>Expenses:</b>			
Employee benefits expenses	5	171 323	159 029
Supplies and services	6	90 110	101 792
Grants and subsidies	7	46 703	78 366
Water recovery/acquisition expenses	8	13 134	9 567
Depreciation and amortisation expense	9	21 959	24 296
Net loss from disposal of non-current assets	10	78	1 519
Other expenses	11	490	1 554
<b>Total expenses</b>		343 797	376 123
<b>Income:</b>			
Revenues from fees and charges	13	73 282	49 085
Grant revenues	14	75 044	73 079
Interest revenues	15	648	1 119
Other income	16	31 073	26 938
<b>Total income</b>		180 047	150 221
<b>Net cost of providing services</b>		163 750	225 902
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	17	181 779	220 571
Payments to SA Government	17	-	(6 815)
<b>Net revenues from (payments to) SA Government</b>		181 779	213 756
<b>Net result</b>		18 029	(12 146)
<b>Other comprehensive income:</b>			
Items that will not be reclassified to net result:			
Changes in revaluation surplus	23	3 803	-
<b>Total other comprehensive income</b>		3 803	-
<b>Total comprehensive result</b>		21 832	(12 146)

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

## Statement of Financial Position as at 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	18	105 449	121 725
Receivables	19	33 765	23 410
Inventories	20	1 947	1 949
Other assets	21	999	912
<b>Total current assets</b>		<u>142 160</u>	<u>147 996</u>
<b>Non-current assets:</b>			
Receivables	19	73	88
Other financial assets	22	3	3
Property, plant and equipment	23	505 588	499 804
Intangible assets	24	5 263	7 531
<b>Total non-current assets</b>		<u>510 927</u>	<u>507 426</u>
<b>Total assets</b>		<u>653 087</u>	<u>655 422</u>
<b>Current liabilities:</b>			
Payables	26	24 780	42 052
Employee benefits	27	12 031	12 685
Provisions	28	626	529
Other current liabilities	29	692	461
<b>Total current liabilities</b>		<u>38 129</u>	<u>55 727</u>
<b>Non-current liabilities:</b>			
Payables	26	2 332	2 890
Employee benefits	27	24 620	30 213
Provisions	28	2 277	2 450
Other non-current liabilities	29	-	245
<b>Total non-current liabilities</b>		<u>29 229</u>	<u>35 798</u>
<b>Total liabilities</b>		<u>67 358</u>	<u>91 525</u>
<b>Net assets</b>		<u>585 729</u>	<u>563 897</u>
<b>Equity:</b>			
Contributed capital	30	22 612	22 612
Retained earnings	30	283 326	265 297
Revaluation surplus	30	279 791	275 988
<b>Total equity</b>		<u>585 729</u>	<u>563 897</u>
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	32		
Contingent assets and liabilities	33		

**Statement of Changes in Equity  
for the year ended 30 June 2014**

		Contributed capital \$'000	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2012	30	-	214 036	177 914	391 950
Property, plant and equipment - error correction	2(k)	-	-	15 730	15 730
Payables - error correction	2(l)	-	-	1 363	1 363
Restated balance at 30 June 2012		-	214 036	195 007	409 043
Net result for 2012-13		-	-	(12 146)	(12 146)
Total comprehensive result for 2012-13		-	-	(12 146)	(12 146)
Equity transfer on asset disposal		-	(41)	41	-
Transactions with SA Government:					
Net assets received from an administrative restructure		10 893	61 993	82 395	155 281
Equity contribution received		11 719	-	-	11 719
Balance at 30 June 2013	30	22 612	275 988	265 297	563 897
Net result for 2013-14		-	-	18 029	18 029
Gain on revaluation of property, plant and equipment		-	3 803	-	3 803
Total comprehensive result for 2013-14		-	3 803	18 029	21 832
Balance at 30 June 2014	30	22 612	279 791	283 326	585 729

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



## Statement of Cash Flows for the year ended 30 June 2014

		2014	2013
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		(178 129)	(154 910)
Payments for supplies and services		(110 775)	(131 360)
Payments of grants and subsidies		(52 537)	(85 757)
Water recovery/acquisition expenses		(19 291)	(3 300)
Other payments		(276)	(655)
<b>Cash used in operations</b>		<b>(361 008)</b>	<b>(375 982)</b>
Cash inflows:			
Fees and charges		66 486	64 129
Receipts from grants		76 480	75 866
Interest received		680	1 153
GST recovered from the ATO		12 248	17 410
Other receipts		34 176	27 966
<b>Cash generated from operations</b>		<b>190 070</b>	<b>186 524</b>
Cash flows from SA Government:			
Receipts from SA Government		181 779	220 571
Payments to SA Government		(6 694)	(121)
<b>Cash generated from SA Government</b>		<b>175 085</b>	<b>220 450</b>
<b>Net cash provided by (used in) operating activities</b>	31	<b>4 147</b>	<b>30 992</b>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of property, plant and equipment		(20 460)	(28 513)
<b>Cash used in investing activities</b>		<b>(20 460)</b>	<b>(28 513)</b>
Cash inflows:			
Proceeds from sale of property, plant and equipment		37	-
<b>Cash generated from investing activities</b>		<b>37</b>	<b>-</b>
<b>Net cash provided by (used in) investing activities</b>		<b>(20 423)</b>	<b>(28 513)</b>
<b>Cash flows from financing activities:</b>			
Cash inflows:			
Cash received from restructuring activities		-	36 323
Capital contributions from government		-	11 719
<b>Cash generated from financing activities</b>		<b>-</b>	<b>48 042</b>
<b>Net cash provided by (used in) financing activities</b>		<b>-</b>	<b>48 042</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(16 276)</b>	<b>50 521</b>
<b>Cash and cash equivalents at 1 July</b>		<b>121 725</b>	<b>71 204</b>
<b>Cash and cash equivalents at 30 June</b>	18	<b>105 449</b>	<b>121 725</b>

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2014

	(Activities - refer note 4)		2	
	2014	2013	2014	2013
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000
Employee benefits expenses	50 450	49 046	120 873	109 983
Supplies and services	26 662	61 358	63 448	40 434
Grants and subsidies	36 209	64 494	10 494	13 872
Water recovery/acquisition expenses	13 134	9 567	-	-
Depreciation and amortisation expense	4 758	5 278	17 201	19 018
Net loss (gain) from disposal of non-current assets	23	151	55	1 368
Other expenses	417	189	73	1 365
<b>Total expenses</b>	<b>131 653</b>	<b>190 083</b>	<b>212 144</b>	<b>186 040</b>
<b>Income:</b>				
Revenues from fees and charges	35 445	14 341	37 837	34 744
Grant revenues	33 855	35 507	41 189	37 572
Interest revenues	534	825	114	294
Other income	241	200	30 832	26 738
<b>Total income</b>	<b>70 075</b>	<b>50 873</b>	<b>109 972</b>	<b>99 348</b>
<b>Net cost of providing services</b>	<b>61 578</b>	<b>139 210</b>	<b>102 172</b>	<b>86 692</b>
<b>Revenues from (Payments to) SA Government:</b>				
Revenues from SA Government	54 806	67 425	126 973	153 146
Payments to SA Government	-	-	-	(6 815)
<b>Net revenues from (payments to) SA Government</b>	<b>54 806</b>	<b>67 425</b>	<b>126 973</b>	<b>146 331</b>
<b>Net result</b>	<b>(6 772)</b>	<b>(71 785)</b>	<b>24 801</b>	<b>59 639</b>

	(Activities - refer note 4)		Total	
	2014	2013	2014	2013
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000
Employee benefits expenses	171 323	159 029	171 323	159 029
Supplies and services	90 110	101 792	90 110	101 792
Grants and subsidies	46 703	78 366	46 703	78 366
Water recovery/acquisition expenses	13 134	9 567	13 134	9 567
Depreciation and amortisation expense	21 959	24 296	21 959	24 296
Net loss (gain) from disposal of non-current assets	78	1 519	78	1 519
Other expenses	490	1 554	490	1 554
<b>Total expenses</b>	<b>343 797</b>	<b>376 123</b>	<b>343 797</b>	<b>376 123</b>
<b>Income:</b>				
Revenues from fees and charges	73 282	49 085	73 282	49 085
Grant revenues	75 044	73 079	75 044	73 079
Interest revenues	648	1 119	648	1 119
Other income	31 073	26 938	31 073	26 938
<b>Total income</b>	<b>180 047</b>	<b>150 221</b>	<b>180 047</b>	<b>150 221</b>
<b>Net cost of providing services</b>	<b>163 750</b>	<b>225 902</b>	<b>163 750</b>	<b>225 902</b>
<b>Revenues from (Payments to) SA Government:</b>				
Revenues from SA Government	181 779	220 571	181 779	220 571
Payments to SA Government	-	(6 815)	-	(6 815)
<b>Net revenues from (payments to) SA Government</b>	<b>181 779</b>	<b>213 756</b>	<b>181 779</b>	<b>213 756</b>
<b>Net result</b>	<b>18 029</b>	<b>(12 146)</b>	<b>18 029</b>	<b>(12 146)</b>

## Notes to and forming part of the financial statements

### 1. Objectives of the Department of Environment, Water and Natural Resources (the Department or DEWNR)

DEWNR leads the management of South Australia's natural resources, to ensure the protection of our environment and that healthy and productive natural resources sustain our wellbeing and economy. DEWNR achieves this by:

- engaging and involving the community, industry and government, to help share responsibility for natural resources and encourage informed decisions
- facilitating the sustainable use of natural resources for productive purposes
- striving to conserve natural systems for the long term.

### 2. Summary of significant accounting policies

#### (a) Statement of compliance

DEWNR has prepared these financial statements in compliance with section 23 of the PFAA.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and comply with TIs and APSs promulgated under the provisions of the PFAA. DEWNR has applied AASs that are applicable to not-for-profit entities, as the Department is a not-for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by DEWNR for the reporting period ending 30 June 2014 (refer note 3).

#### (b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying DEWNR's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in these financial statements:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items may be utilised. DEWNR has elected to utilise this threshold in relation to transactions applicable to revenue and expense items. The threshold has not been applied to financial assets and financial liabilities, ie all financial assets and financial liabilities relating to the SA Government have been separately disclosed
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
  - (c) employee TVSP information
  - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
  - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

The Statement of Cash Flows has been prepared on a cash basis.

**(b) Basis of preparation (continued)**

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

**(c) Reporting entity**

DEWNR is a government department of the State of South Australia, established pursuant to the PSA. DEWNR is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes include all the controlled activities of DEWNR. Transactions and balances relating to administered resources are not recognised as departmental income, expenses, assets and liabilities. As administered items are significant in relation to DEWNR's overall financial performance and position, they are disclosed in the administered financial statements (schedule of administered items) at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

Transactions in relation to the Murray-Darling Basin Authority are reflected in both the Department's controlled activities and also administered items.

**(d) Comparative information**

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

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

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

**(e) Rounding**

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

**(f) Taxation**

DEWNR is not subject to income tax. DEWNR is liable for payroll tax, FBT, GST, Emergency Services levy, land tax equivalents and local government rate equivalents.

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

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

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

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

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

DEWNR prepares a business activity statement on behalf of its controlled entities, administered items and other clients to which it provides business services under the grouping provisions of the GST legislation. Under the grouping provisions, DEWNR is liable for the GST payments and entitled to the GST receipts associated with these entities and items. The GST applicable forms part of the receivables and payables recorded in DEWNR's Statement of Financial Position and the GST cash flows recorded in DEWNR's Statement of Cash Flows.

**(g) Events after the reporting period**

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

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

**(h) Income**

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

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event. The following are specific recognition criteria:

*Fees and charges*

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

*Contributions received*

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

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

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

*Resources received free of charge*

Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

*Net gain on non-current assets*

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

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

*Revenues from SA Government*

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

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

*Other income*

Other income consists of salaries and wages recoveries, sponsorships and donations, recoveries of insurance claims and other sundry income.

(i) **Expenses**

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

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

The following are specific recognition criteria:

*Employee benefits expenses*

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

*Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by DEWNR to the superannuation plan in respect of current services of current departmental staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements (refer note 2(1)).

*Depreciation and amortisation*

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

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

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate. The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land is not depreciated.

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

<i>Class of asset</i>	<i>Useful life (years)</i>
Property, plant and equipment:	
Buildings and improvements	5-60
Groundwater monitoring wells	30-48
Lower Murray embankments	200
Park infrastructure	3-60
Patawalonga seawater circulation and Barcoo Outlet	7-97
Plant and equipment	3-40
Roads, tracks and trails	3-35
Salinity disposal schemes	10-86
Surface water monitoring network	30-80
Waste disposal stations	30-50
Sand pumping infrastructure	10-50
Other	3-60
Intangible assets:	
Externally acquired	3-5
Internally generated	3-12
War services leases	45

*Grants and subsidies*

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

*Payments to SA Government*

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

**(j) Current and non-current classification**

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

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

**(k) Assets**

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

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

*Cash and cash equivalents*

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

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

Cash is measured at nominal value.

*Receivables*

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

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are generally settled within 30 days after the issue of an invoice.

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

*Inventories*

Inventories include goods held either for sale or distribution at no or nominal cost in the ordinary course of business.

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

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

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

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

*Other financial assets*

DEWNR measures financial assets at historical cost.

### ***Non-current assets***

#### ***Acquisition and recognition***

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

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recognised at book value, ie the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value of \$10 000 or greater are capitalised.

Minor assets with an individual value of less than \$10 000 are expensed in the Statement of Comprehensive Income at the time of acquisition, with the exception of groundwater monitoring wells due to the significant number and long useful lives of the assets contained within this class. All assets for this class have been recognised in the Statement of Financial Position regardless of their initial cost of acquisition.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is equal to or in excess of \$5 million for infrastructure assets and \$1 million for other assets.

#### ***Revaluation of non-current assets***

All non-current tangible assets are valued at fair value, and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Every three years, DEWNR revalues its land, buildings and improvements, and other infrastructure assets via a Certified Practising Valuer or internal estimates based on indices or recent transactions. A valuation appraisal by a Certified Practising Valuer is performed at least every six years. If at any time, management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, when they are revalued to fair value.

Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in revaluation surplus for that asset class.

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

#### ***Impairment***

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

For revalued assets, an impairment loss is offset against the respective revaluation surplus.

#### ***Error correction***

An error correction of \$15.73 million has been disclosed in the Statement of Changes in Equity. The error correction has been retrospectively restated in accordance with AASB 108 and comprises a net increase to the carrying values of property, plant and equipment assets. The error correction relates to first-time recognition of assets, data dictionary asset revisions and asset derecognised.

#### ***Heritage assets***

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



*Land*

Land comprising national, conservation and recreation parks and wilderness protection areas and reserves, generally has restrictions on use imposed by statute or regulation. These restrictions have been taken into account by the independent valuers.

Administered property, plant and equipment relates to the Crown's interest in land leased to third parties under perpetual and other leases and annual licenses. However, limitations exist on the reliability of the base information used to determine the valuation of this land.

DEWNR is also custodian of unallotted Crown land, by virtue of its responsibilities under the *Crown Land Management Act 2009*. This land is considered to be an administered asset. Unallotted Crown land is not included in the Statement of Administered Financial Position as DEWNR has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings.

*Intangible assets*

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

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

For the war services leases the rate of amortisation has been determined after reference to both the unexpired period of the leases and the rate of extinguishment of the leases.

No amortisation is applied to water entitlements (included in acquired intangible assets) as these have been assessed as having an indefinite term of future economic benefits.

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

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

*Fair value measurement*

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Department classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

- Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2: not traded in an active market and derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3: not traded in an active market and are derived from unobservable inputs.

*Non-financial assets*

In determining fair value, the Department has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset), and the asset's highest and best use (that is physically possible, legally permissible, financially feasible). DEWNR's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible.

As DEWNR did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years are deemed to approximate fair value.

Refer notes 23 and 25 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

*Financial assets*

DEWNR does not recognise any financial assets at fair value.

**(l) Liabilities**

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

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

**Payables**

Payables include creditors, accrued expenses, GST payable, employment on-costs and Paid Parental Leave Scheme payable.

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

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

The Paid Parental Leave Scheme payable represents amounts which DEWNR has received from the Commonwealth Government to forward onto eligible employees via DEWNR's standard payroll processes. That is, DEWNR is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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

Employee benefits on-costs include payroll tax, WorkCover levies and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL, annual leave and SERL.

DEWNR makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes (refer note 2(i)).

**Error correction**

An error correction of \$1.363 million has been disclosed in the Statement of Changes in Equity. The error correction has been retrospectively restated in accordance with AASB 108 and comprises a net decrease to payables. The error correction relates to the derecognition of a payable to the Consolidated Account (\$1.141 million) and a revision to employment on-cost liabilities (\$222 000).

**Leases**

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

DEWNR has entered into operating leases.

*Operating leases*

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

*Lease incentives*

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability. The aggregate benefit of lease incentives received by DEWNR in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

**Employee benefits**

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

*Salaries and wages, annual leave, SERL and sick leave.*

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

The annual leave liability and the skills and SERL is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

*LSL*

The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The unconditional portion of the LSL provision is classified as current as DEWNR does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of the LSL relates to an unconditional legal entitlement to payment arising after 10 years of service.

*Provisions*

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

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2014 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of the ongoing payments to employees as required under current legislation.

DEWNR is responsible for the payment of workers compensation claims.

**(m) Unrecognised contractual commitments and contingent assets and liabilities**

Commitments include operating lease, capital, remuneration and other outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

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

(n) **Interest in joint ventures**

*Murray-Darling Basin Authority (MDBA)*

DEWNR administers the State's interest in the MDBA. These transactions are reflected in the administered statements. Note A10 to the administered statements refers to changes in accounting for the MDBA, which came into being on 15 December 2008.

**3. New and revised accounting standards and policies**

DEWNR did not voluntarily change any of its other accounting policies during 2013-14.

In accordance with the new AASB 13, which became effective for the first time in 2013-14, the Department has:

- reviewed its fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, DEWNR has used the cost approach or the market approach to determine fair value. DEWNR will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements
- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements. Fair value hierarchy and other information is provided in notes 23 and 25.

AASs and interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by DEWNR for the period ending 30 June 2014. DEWNR has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

**4. Activities of the Department**

In achieving its objectives, DEWNR provides a range of services classified into the following activities:

**Activity 1: Strategy, Science and Resource Monitoring**

To lead the development and implementation of government policies and strategies for the sustainable use and management of South Australia's natural resources for the benefit of the community, industry and ecosystems. To provide practical, science-based advice to guide operations and inform government and community decisions on the use of natural resources.

**Activity 2: Operations and Service Delivery**

To provide coordinated delivery of the Government's environment and natural resources management (NRM) agenda across the eight NRM regions in South Australia, working closely with regional NRM Boards through delivering services and engaging stakeholders, partners, regional communities and other agencies in the management of natural resources. To design and deliver complex and major projects as well as DEWNR's hazard management responsibilities.

To provide support and customer-focussed services, including the Botanic Gardens, the operation of the River Murray and the administration and reform of licensing and permits.

The Disaggregated Disclosures Schedules present expenses and income information attributable to each of the activities for the years ended 30 June 2014 and 30 June 2013.

AASB 1052 requires government departments to disclose the assets deployed and liabilities incurred that are reliably attributable to each of their activities. DEWNR cannot currently reliably attribute assets and liabilities across activities. Hence this disclosure has not been made.

**5. Employee benefits expenses**

	2014	2013
	\$'000	\$'000
Salaries and wages	115 466	116 952
Annual leave	10 440	11 047
LSL	3 538	1 973
SERL	398	588
Employment on-costs - superannuation	13 025	13 443
Employment on-costs - other	8 072	8 462
TVSPs (refer below)	19 478	5 371
Board and committee fees	340	505
Other employee related expenses	566	688
Total employee benefits expenses	171 323	159 029

5. <b>Employee benefits expenses (continued)</b>	2014	2013
<i>TVSPs</i>	\$'000	\$'000
Amount paid during the reporting period to separated employees:		
TVSPs	19 478	5 371
Leave paid to those employees	7 003	1 889
	<hr/>	<hr/>
	26 481	7 260
Recovery from DTF	(13 036)	(5 296)
Net cost to the Department	<hr/>	<hr/>
	13 445	1 964

The number of employees who received a TVSP during the reporting period was 172 (48).

#### **Remuneration of employees**

The table below includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits, fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$17.186 million (\$9.017 million).

The number of employees whose remuneration received or receivable falls within the following bands:	2014	2013
	Number	Number
\$138 500 - \$141 499*	n/a	-
\$141 500 - \$151 499	3	7
\$151 500 - \$161 499	5	3
\$161 500 - \$171 499	6	6
\$171 500 - \$181 499	6	3
\$181 500 - \$191 499	2	4
\$191 500 - \$201 499**	4	2
\$201 500 - \$211 499	1	2
\$211 500 - \$221 499	1	5
\$221 500 - \$231 499	-	1
\$231 500 - \$241 499	-	1
\$241 500 - \$251 499**	3	1
\$251 500 - \$261 499**	1	-
\$261 500 - \$271 499**	2	1
\$271 500 - \$281 499	1	-
\$281 500 - \$291 499**	2	-
\$291 500 - \$301 499**	1	-
\$301 500 - \$311 499**	2	2
\$311 500 - \$321 499**	2	1
\$321 500 - \$331 499**	1	-
\$331 500 - \$341 499	1	1
\$341 500 - \$351 499**	1	1
\$351 500 - \$361 499**	1	-
\$361 500 - \$371 499	-	1
\$371 500 - \$381 499**	1	-
\$381 500 - \$391 499	1	1
\$391 500 - \$401 499**	5	-
\$401 500 - \$411 499**	3	-
\$411 500 - \$421 499**	2	-
\$421 500 - \$431 499**	1	-
\$441 500 - \$451 499**	1	-
\$451 500 - \$461 499**	1	-
\$461 500 - \$471 499**	2	-
Total	<hr/>	<hr/>
	63	43

\* This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2012-13.

\*\* This remuneration band includes an employee who received a TVSP payment.

The table includes TVSPs paid where the employee's normal remuneration exceeds the executive base level threshold. In 2013-14, 30 employees (three employees) in the table received a TVSP.

<b>6. Supplies and services</b>			2014	2013
			\$'000	\$'000
Accommodation and property management			13 684	15 198
Consultants			196	472
Contractors			5 075	5 681
Cost of goods sold			1 087	1 423
Fee-for-service			30 038	36 372
General administration			9 618	9 909
Heritage advisers			-	13
Information technology and communication expenses			8 365	9 315
Minor works, maintenance and equipment			4 408	6 166
Monitoring fees			150	211
Sand replenishment			2 472	1 351
Scientific and technical services			313	687
Transportation			421	448
Travel and accommodation			1 869	2 181
Vehicle and aircraft			6 022	6 196
Staff development			1 768	1 829
Other			3 904	4 340
<b>Total supplies and services</b>			<b>90 110</b>	<b>101 792</b>
<b>Supplies and services provided by entities within the SA Government:</b>				
Accommodation and property management			7 076	7 562
Fee-for-service			1 095	497
General administration			5 547	4 045
Information technology and communication expenses			813	-
Minor works, maintenance and equipment			-	332
Other			-	238
<b>Total supplies and services - SA Government</b>			<b>15 161</b>	<b>12 674</b>
<b>Consultants</b>				
			2014	2013
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	Number	\$'000	Number	\$'000
Below \$10 000	11	51	17	52
\$10 000 - \$50 000	2	63	5	136
Above \$50 000	1	82	3	284
<b>Total paid/payable to the consultants engaged</b>	<b>14</b>	<b>196</b>	<b>25</b>	<b>472</b>
<b>7. Grants and subsidies</b>			2014	2013
			\$'000	\$'000
Coorong, Lower Lakes and Murray Mouth - long-term plan			6 525	4 530
Goyder Institute			5 000	5 000
Greater Artesian Basin sustainability initiative			359	-
MDBA			26 445	28 962
Nature Play SA			875	-
NRM community grants			1 554	1 999
One million trees			143	231
River Murray Improvement program			300	633
South East infrastructure operations and maintenance			-	3 335
State Heritage Fund - grants program			150	249
Stormwater projects			113	27 299
Water industry alliance			-	768
Other			5 239	5 360
<b>Total grants and subsidies</b>			<b>46 703</b>	<b>78 366</b>
<b>Grants and subsidies paid/payable to entities within the SA Government:</b>				
Coorong, Lower Lakes and Murray Mouth - long term plan			209	475
River Murray improvement			300	440
South East infrastructure operations and maintenance			-	3 200
Other			592	658
<b>Total grants and subsidies - SA Government entities</b>			<b>1 101</b>	<b>4 773</b>

8. <b>Water recovery/acquisition expenses</b>	2014	2013
	\$'000	\$'000
Environmental water purchase	13 134	9 567
Total water recovery/acquisition expenses	<u>13 134</u>	<u>9 567</u>
Water recovery/acquisition expenses paid/payable to entities within the SA Government:		
Environmental water purchase	8 542	9 567
Total water recovery/acquisition expenses - SA Government entities	<u>8 542</u>	<u>9 567</u>
<b>9. Depreciation and amortisation expense</b>		
Depreciation:		
Buildings and improvements	3 284	3 515
Park infrastructure	3 556	4 918
Roads, tracks and trails	5 881	6 239
Groundwater monitoring wells	2 171	2 127
Salinity disposal schemes	549	550
Patawalonga seawater circulation and Barcoo Outlet	495	496
Sand pumping infrastructure	1 006	-
Surface water monitoring network	121	115
Waste disposal stations	137	106
Lower Murray embankments	50	50
Plant and equipment	2 423	2 319
Other	18	19
Total depreciation	<u>19 691</u>	<u>20 454</u>
Amortisation:		
Application software - internally generated	2 238	3 689
Application software - externally purchased	8	131
Other - war services leases	22	22
Total amortisation	<u>2 268</u>	<u>3 842</u>
Total depreciation and amortisation expense	<u>21 959</u>	<u>24 296</u>

**Revision of accounting estimates**

DEWNR altered the useful lives of various assets in accordance with normal periodic assessment procedures. In accordance with AASB 108, the resulting adjustments have been applied prospectively in the current year.

The change in the useful lives has had the effect of increasing (decreasing) depreciation expense in the financial year as follows:

	2014	2013
	\$'000	\$'000
Buildings and improvements	(339)	(69)
Park infrastructure	(163)	(12)
Roads, tracks and trails	(600)	(296)
	<u>(1 102)</u>	<u>(377)</u>

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

## Buildings:

Proceeds from disposal	-	-
Net book value of assets disposed	(43)	(329)
Net gain (loss) from disposal	<u>(43)</u>	<u>(329)</u>

## Park infrastructure:

Proceeds from disposal	1	-
Net book value of assets disposed	(10)	(413)
Net gain (loss) from disposal	<u>(9)</u>	<u>(413)</u>

## Roads, tracks and trails:

Proceeds from disposal	-	-
Net book value of assets disposed	(5)	(220)
Net gain (loss) from disposal	<u>(5)</u>	<u>(220)</u>

<b>10. Net gain (loss) from disposal of non-current assets (continued)</b>	2014	2013
Plant and equipment:	\$'000	\$'000
Proceeds from disposal	36	-
Net book value of assets disposed	(57)	(385)
Net gain (loss) from disposal	<u>(21)</u>	<u>(385)</u>
Waste disposal stations:		
Proceeds from disposal	-	-
Net book value of assets disposed	-	(71)
Net gain (loss) from disposal	<u>-</u>	<u>(71)</u>
Internally developed intangible assets:		
Proceeds from disposal	-	-
Net book value of assets disposed	-	(99)
Net gain (loss) from disposal	<u>-</u>	<u>(99)</u>
Externally acquired intangible assets:		
Proceeds from disposal	-	-
Net book value of assets disposed	-	(2)
Net gain (loss) from disposal	<u>-</u>	<u>(2)</u>
Total assets:		
Total proceeds from disposal	37	-
Total net book value of assets disposed	(115)	(1 519)
Total net gain (loss) from disposal of non-current assets	<u>(78)</u>	<u>(1 519)</u>

**Assets transferred free of charge**

During the current year, assets to the value of \$20 000 (\$727 000) were transferred to the Board of the Botanic Gardens and State Herbarium free of charge. Assets transferred in the prior year related to the Trails Statewide Investment project and the Mt Lofty Botanic Gardens-Class 1 Walk project.

	2014	2013
	\$'000	\$'000
Buildings and improvements	-	96
Park infrastructure	-	283
Roads, tracks and trails	-	203
Plant and equipment	20	105
Other	-	40
Total assets transferred free of charge	<u>20</u>	<u>727</u>

**11. Other expenses**

Bad and doubtful debts	1	(40)
Capital project costs not capitalised	240	1 569
Audit fees	522	433
Inventory revaluation decrement	(283)	-
Reversal of impairment losses	-	(482)
Other	10	74
Total other expenses	<u>490</u>	<u>1 554</u>

Other expenses paid/payable to entities within the SA Government:

Audit fees	<u>440</u>	<u>381</u>
Total other expenses - SA Government entities	<u>440</u>	<u>381</u>

**12. Auditor's remuneration**

Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	<u>434</u>	<u>376</u>
Total audit fees	<u>434</u>	<u>376</u>

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



13. Revenues from fees and charges	2014 \$'000	2013 \$'000
Admissions and guided tours	7 961	7 135
Fees, levies and licences	2 169	1 970
Property rental and related income	5 826	5 831
Taxation revenue - River Murray rehabilitation levy	24 591	-
Taxation revenue	-	209
Service recoveries	11 150	16 524
Other property related income	150	15
Sale of goods	3 888	3 736
Sale of professional services	4 792	1 820
Sale of support services	11 710	11 008
Sale of spatial information	942	711
Sale of freehold titles	103	126
Total revenues from fees and charges	73 282	49 085

Fees and charges received/receivable from entities within the SA Government:

Service recoveries	11 150	16 486
Sale of support services	9 673	2 412
Sale of spatial information	-	200
Total fees and charges - SA Government entities	20 823	19 098

The River Murray rehabilitation levy of \$24.591 million (\$26.6 million) was disclosed in note 17 as part of revenues from SA Government in the prior period, as it was originally collected by the Treasurer and paid into the Save the River Murray Fund (the Fund) as appropriation. The Fund was established under section 100 of the *Waterworks Act 1932*. This Act was repealed and replaced by the *Water Industry Act 2012* and effective from 1 July 2013 this levy is now paid directly into the Fund.

14. Grant revenues	2014 \$'000	2013 \$'000
<b>(a) Grant revenues from the Commonwealth</b>		
Common Registry system	635	865
Coorong, Lower Lakes and Murray Mouth - long-term plan	25 905	16 841
GAP monitoring	-	460
Goolwa Channel water level management	437	1 232
Greater Artesian Basin sustainability initiative	2 297	-
Implementing the Murray-Darling Basin Reform	2 396	446
National partnership agreement - Bioregional assessment Lake Eyre Basin	1 700	-
Murray Futures - Lower Lakes Coorong adaptive management	712	1 789
Murray Futures - preparation of business case	-	900
Murray Futures - riverine recovery	16 174	3 500
National framework for compliance and enforcement systems	1 514	1 507
Nature links	286	-
NPA - bioregional assessment Arkaringa/Pedirka	1 950	-
Restoring Piccaninnie Ponds Karst Wetlands	33	243
Restoration of Upper South East flows	-	669
SA Riverland floodplain infrastructure program	3 000	-
Securing additions to the national reserve system	-	210
Stormwater projects	-	18 524
The Living Murray - Chowilla	1 151	786
The Living Murray - Lower Lakes, Coorong and Murray Mouth	1 118	464
Water and wastewater in remote communities	300	3 390
Other	1 171	3 149
Total grant revenues from the Commonwealth	60 779	54 975
<b>(b) Grant revenues from SA Government</b>		
Aboriginal Learning on Country	-	215
Adelaide Living Beaches strategy	2 436	2 363
Adelaide Mount Lofty Ranges - Bush Management Advisor	-	250
Biodiversity assessments	100	354
Botanic Gardens - aquifer storage and redraw	655	1 591
Bushfire Mitigation program	282	242
Community emergency services funding	2 634	1 839
Compliance and monitoring	527	225

<b>(b) Grant revenues from SA Government (continued)</b>	2014	2013
	\$'000	\$'000
Dukes Highway Safety	-	530
East Plain Fire Trail	-	237
Ecologist Southern Flinders	-	207
Highbury aqueduct fire prevention	301	482
Nature play	250	-
National Partnership Agreement Coal Seam Gas and Coal Mining project	500	248
One million trees	1 150	1 151
Priority habitat enhancement	266	719
Recovering grey box woodlands	-	340
Threatened plant recovery - Kangaroo Island	-	150
Water Industry Act	155	151
Youth Creating Habitat	-	201
Other	3 489	5 400
Total grant revenues from SA Government	12 745	16 895
<b>(c) Grant revenues from private industry and local government</b>		
Implementing the Limestone Coast and Coorong coastal action plan	672	-
NHT-CARRS	-	250
South East Coop Coast Conservation	-	102
Other	848	857
Total grant revenues from private industry and local government	1 520	1 209
Total grant revenues	75 044	73 079

**Contributions with conditions of expenditure**

DEWNR received grants from various funding sources, expressly for the purposes of undertaking specific projects.

As at 30 June 2014 \$62.696 million (\$15.568 million) of grants, which have been recognised as revenues in the Statement of Comprehensive Income, are yet to be spent in the manner specified by the contributors.

<b>15. Interest revenues</b>	2014	2013
	\$'000	\$'000
Interest from entities within the SA Government	645	1 101
Interest from entities external to the SA Government	3	18
Total interest revenues	648	1 119
<b>16. Other income</b>		
Insurance recoveries	201	16
Salaries and wages recoveries	30 463	26 230
Sponsorships, donations, commissions and bequests	45	85
Other sundry revenue	364	607
Total other income	31 073	26 938
Other income received/receivable from entities within the SA Government:		
Insurance recoveries	130	16
Salaries and wages recoveries	28 945	14 868
Total other income - SA Government entities	29 075	14 884
<b>17. Revenues from (Payments to) SA Government</b>		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	166 466	208 774
Appropriation from contingency funds	15 313	11 797
Total revenues from SA Government	181 779	220 571
Payments to SA Government:		
Return to Consolidated Account	-	(6 815)
Total payments to SA Government	-	(6 815)

Total revenues from government consist of \$152.945 million (\$182.227 million) for operational funding and \$13.521 million (\$26.547 million) for capital projects. There was no material variance between the amount appropriated and the expenditure associated with this appropriation.

The revenues from SA Government for the prior period include revenues for the River Murray rehabilitation levy of \$26.6 million as disclosed in note 13.

<b>18. Cash and cash equivalents</b>	2014	2013
	\$'000	\$'000
Deposits with the Treasurer	105 267	121 531
Imprest accounts/Cash on hand	182	194
Total cash and cash equivalents	<u>105 449</u>	<u>121 725</u>

**Deposits with the Treasurer**

This includes \$49.449 million (\$53.797 million) held within the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use and can only be used in accordance with the Treasurer's or Under Treasurer's approval.

**Other short-term deposits**

These are funds held on an at call basis with various commercial banking entities and result from banking deposits in regional locations. Funds are only held in these accounts pending imminent transfer to DEWNR's normal banking arrangements with Treasury.

**Interest rate risk**

Cash deposits are recognised at their nominal amounts and interest is credited to revenue as it accrues. DEWNR invests surplus funds with the Treasurer. Interest is earned on the average monthly balances of the Wildlife Conservation Fund, General Reserves Trust account and SA Lower Lakes Bioremediation and Revegetation (CLLMM) account. Interest is paid quarterly at DTF's 90 day average overnight cash interest rate. All other deposits with the Treasurer do not earn interest.

<b>19. Receivables</b>	2014	2013
Current:	\$'000	\$'000
Receivables	29 511	19 167
Allowance for doubtful debts	(234)	(235)
	<u>29 277</u>	<u>18 932</u>
Accrued revenues	50	82
GST input tax recoverable	4 417	4 363
Workers compensation recoveries	21	33
Total current receivables	<u>33 765</u>	<u>23 410</u>
Receivables from SA Government entities:		
Receivables	12 070	14 690
	<u>12 070</u>	<u>14 690</u>
Accrued revenues	50	82
Total receivables - SA Government entities	<u>12 120</u>	<u>14 772</u>
Non-current:		
Workers compensation recoveries	73	88
Total non-current receivables	<u>73</u>	<u>88</u>

**Movement in the allowance for doubtful debts**

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired. An allowance for impairment loss has been recognised in other expenses in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2014	2013
	\$'000	\$'000
Carrying amount at 1 July	235	310
Amounts written off	(1)	(108)
Increase (Decrease) in the allowance	-	33
Carrying amount at 30 June	<u>234</u>	<u>235</u>

**Interest rate and credit risk**

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

- Maturity analysis of receivables - refer note 36.2.
- Categorisation of financial instruments and risk exposure information - refer note 36.1.

	2014	2013
	\$'000	\$'000
<b>20. Inventories</b>		
Inventories held for distribution at no or nominal amount:		
Inventories held for distribution - at cost	476	514
Total inventories held for distribution at no or nominal amount	<u>476</u>	<u>514</u>
Inventories held for resale - at cost:		
Finished goods held for resale - at cost	1 471	1 435
Total inventories held for resale - at cost	<u>1 471</u>	<u>1 435</u>
Total inventories	<u>1 947</u>	<u>1 949</u>
<b>21. Other assets</b>		
Current:		
Prepaid supplies and services	996	911
Other	3	1
Total current other assets	<u>999</u>	<u>912</u>
<b>22. Other financial assets</b>		
Non-current:		
Equity in listed entities	3	3
Total non-current other financial assets	<u>3</u>	<u>3</u>
<b>23. Property, plant and equipment</b>		
Land:		
Independent valuation <sup>(i)</sup>	205 368	203 464
At cost <sup>(ii)</sup>	11 686	10 958
Total land	<u>217 054</u>	<u>214 422</u>
Buildings and improvements:		
Independent valuation <sup>(i)</sup>	144 344	144 165
At cost <sup>(ii)</sup>	9 668	10 488
Accumulated depreciation	(101 889)	(99 778)
Total buildings and improvements	<u>52 123</u>	<u>54 875</u>
Park infrastructure:		
Independent valuation <sup>(i)</sup>	178 092	179 295
At cost <sup>(ii)</sup>	8 873	8 243
Accumulated depreciation	(160 650)	(157 866)
Total park infrastructure	<u>26 315</u>	<u>29 672</u>
Road, tracks and trails:		
Independent valuation <sup>(i)</sup>	194 272	190 674
At cost <sup>(ii)</sup>	8 043	11 705
Accumulated depreciation	(174 666)	(168 861)
Total road, tracks and trails	<u>27 649</u>	<u>33 518</u>
Groundwater monitoring wells:		
Independent valuation	130 256	130 256
At cost <sup>(ii)</sup>	984	932
Accumulated depreciation	(86 060)	(83 889)
Total groundwater monitoring wells	<u>45 180</u>	<u>47 299</u>
Salinity disposal schemes:		
Independent valuation	44 751	44 751
Accumulated depreciation	(18 609)	(18 060)
Total salinity disposal schemes	<u>26 142</u>	<u>26 691</u>
Patawalonga seawater circulation and Barcoo Outlet:		
Independent valuation	30 774	30 774
At cost <sup>(ii)</sup>	546	546
Accumulated depreciation	(8 662)	(8 167)
Total Patawalonga seawater circulation and Barcoo Outlet	<u>22 658</u>	<u>23 153</u>

23. <b>Property, plant and equipment (continued)</b>	2014	2013
Sand pumping infrastructure:	\$'000	\$'000
At cost <sup>(ii)</sup>	20 544	20 544
Less accumulated depreciation	(1 425)	(419)
Total sand pumping infrastructure	<u>19 119</u>	<u>20 125</u>
Surface water monitoring network:		
Independent valuation	8 469	8 469
At cost <sup>(ii)</sup>	183	72
Accumulated depreciation	(3 708)	(3 587)
Total surface water monitoring network	<u>4 944</u>	<u>4 954</u>
Waste disposal stations:		
Independent valuation	7 752	4 882
At cost <sup>(ii)</sup>	-	1 340
Accumulated depreciation	(2 505)	(2 756)
Total waste disposal stations	<u>5 247</u>	<u>3 466</u>
Lower Murray embankments:		
Independent valuation	13 760	10 062
Accumulated depreciation	(6 742)	(4 879)
Total Lower Murray embankments	<u>7 018</u>	<u>5 183</u>
Plant and equipment:		
At cost (deemed fair value) <sup>(iii)</sup>	33 395	32 819
Accumulated depreciation	(22 459)	(20 536)
Total plant and equipment	<u>10 936</u>	<u>12 283</u>
Other:		
At cost (deemed fair value) <sup>(iii)</sup>	1 867	1 867
Accumulated depreciation	(631)	(613)
Total other	<u>1 236</u>	<u>1 254</u>
Capital works in progress:		
Capital works in progress	39 967	22 909
Total capital works in progress	<u>39 967</u>	<u>22 909</u>
Total property, plant and equipment	<u>505 588</u>	<u>499 804</u>

#### ***Carrying amounts of property, plant and equipment***

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

- (i) Independent valuation: Generic assets are valued using the data dictionary model. Unique assets are items which cannot be categorised within the standard data dictionary groups. These assets are valued separately by independent professional valuers. Refer note 2(k) for further details.
- (ii) At cost (acquisition cost): This class includes one or more items that have an acquisition cost exceeding \$1 million. All assets within this class are temporarily held at cost pending revaluation that occurs no later than three years from acquisition date.
- (iii) At cost (deemed fair value): These assets have an acquisition cost below \$1 million or have an estimated useful life of less than three years, have not been revalued in accordance with APF III, and are deemed to approximate fair value. These assets are classified in level 3 as there have been no subsequent adjustments to their value, except for management assumptions about the assets condition and remaining useful life.

#### ***Asset revaluations***

The valuation of DEWNR's waste disposal stations and Lower Murray embankments was performed in June 2014 by a Certified Practising Valuer (Mr F Taormina BAppSc(Val) AAPI) from Valcorp Pty Ltd as at 30 June 2014. The revaluation of the waste disposal stations resulted in changes in replacement values, as well as changes to some of the useful lives of componentry assets. The revaluation of the Lower Murray embankments resulted in changes in replacement values.

**Asset revaluations (continued)**

As there is no active market for the revalued assets. The valuer used the cost approach (ie depreciated replacement cost) having regard to the specialised nature of the assets by virtue of the type of improvement, location or scale. In relation to the river vessel waste disposal stations, the valuation was determined from the available information and departmental internal records of current construction costs from recent refurbished sites. Both waste disposal stations and Lower Murray embankment assets fall within level 3 inputs as the quoted prices are generally specialised and are unobservable.

The impact of the completed asset revaluations has resulted in adjustments being recognised in the statements and are further disclosed in the Statement of Comprehensive Income and the Statement of Changes in Equity. Changes relating to the waste disposal stations amounted to \$1.932 million; changes relating to the Lower Murray embankments amounted to \$1.977 million.

DEWNR uses the data dictionary model to value generic building, infrastructure and road assets. The data dictionary model is contained within DEWNR's asset register and management information system (ARAMIS) and calculates a value for an asset based on description, grade/composition, condition and size/quantity. The model value is adjusted by a locality factor to take into account climatic conditions. The valuation model itself is reviewed every three years by a Certified Practising Valuer. The application of the data dictionary model results in the classification of these assets into level 3 as the measurements/outputs from the model are deemed unobservable.

The valuers used by DEWNR are as follows:

The fair value of unique items was determined by identifying a market buying price, estimated as written down modern equivalent replacement cost. The fair value of land and buildings was based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

Other specialised assets have been revalued per the schedule below.

<i>Class of asset</i>	<i>Date of last independent valuation</i>	<i>Name of valuer</i>
Buildings, infrastructure and roads	1 July 2011	Valcorp Pty Ltd
Land, building and park infrastructure	1 July 2011	Herron Todd White
Mutton Cove levee bank, land and aviary	1 July 2010	Valcorp Pty Ltd
Groundwater monitoring wells	30 June 2012	Sinclair Knight Merz
Surface water monitoring network	30 June 2012	Valcorp Pty Ltd
Waste disposal stations	30 June 2014	Valcorp Pty Ltd
Patawalonga seawater circulation and Barcoo Outlet	30 June 2010	Currie and Brown Pty Ltd
Salinity disposal schemes	30 June 2010	Currie and Brown Pty Ltd
Lower Murray embankments	30 June 2014	Valcorp Pty Ltd
Plant and equipment*	-	-

\* Plant and equipment have been brought to account at cost or at officer's valuation for initial recognition purposes.

**Movement reconciliation of property, plant and equipment**

	Land \$'000	Buildings \$'000	Park infra- structure \$'000	Roads, tracks and trails \$'000
<b>2014</b>				
Carrying amount at 1 July	214 422	54 875	29 672	33 518
Acquisitions	2 632	575	-	-
Disposals - transfers for nil consideration	-	-	-	-
Disposals	-	(43)	(10)	(5)
Transfers to (from) capital WIP	-	-	209	17
Capital WIP - expensed in current period	-	-	-	-
	<u>2 632</u>	<u>532</u>	<u>199</u>	<u>12</u>
Gains (Losses) for the period recognised in net result:				
Depreciation expense	-	(3 284)	(3 556)	(5 881)
	<u>-</u>	<u>(3 284)</u>	<u>(3 556)</u>	<u>(5 881)</u>
Gains (Losses) for the period recognised in other comprehensive income:				
Net revaluation increment	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount at 30 June	<u>217 054</u>	<u>52 123</u>	<u>26 315</u>	<u>27 649</u>

**Movement reconciliation of property, plant and equipment (continued)**

<b>2014</b>	Groundwater monitoring wells	Salinity disposal schemes	Patawalonga seawater circulation	Sand pumping infra- structure
<b>2014 (continued)</b>	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	47 299	26 691	23 153	20 125
Acquisitions	-	-	-	-
Disposals - transfers for nil consideration	-	-	-	-
Disposals	-	-	-	-
Transfers to (from) capital WIP	52	-	-	-
Capital WIP - expensed in current period	-	-	-	-
	<u>52</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gains (Losses) for the period recognised in net result:				
Depreciation expense	(2 171)	(549)	(495)	(1 006)
	<u>(2 171)</u>	<u>(549)</u>	<u>(495)</u>	<u>(1 006)</u>
Gains (Losses) for the period recognised in other comprehensive income:				
Net revaluation increment	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount at 30 June	<u>45 180</u>	<u>26 142</u>	<u>22 658</u>	<u>19 119</u>
	Surface water monitoring network	Waste disposal stations	Lower Murray embankments	Plant and equipment
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	4 954	3 466	5 183	12 283
Acquisitions	-	-	-	1 095
Disposals - transfers for nil consideration	-	-	-	(20)
Disposals	-	-	-	(37)
Transfers to (from) capital WIP	111	-	-	38
Capital WIP - expensed in current period	-	-	-	-
	<u>111</u>	<u>-</u>	<u>-</u>	<u>1 076</u>
Gains (Losses) for the period recognised in net result:				
Depreciation expense	(121)	(137)	(50)	(2 423)
	<u>(121)</u>	<u>(137)</u>	<u>(50)</u>	<u>(2 423)</u>
Gains (Losses) for the period recognised in other comprehensive income:				
Net revaluation increment	-	1 918	1 885	-
	<u>-</u>	<u>1 918</u>	<u>1 885</u>	<u>-</u>
Carrying amount at 30 June	<u>4 944</u>	<u>5 247</u>	<u>7 018</u>	<u>10 936</u>
	Other	Subtotal	Capital WIP	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	1 254	476 895	22 909	499 804
Acquisitions	-	4 302	17 725	22 027
Disposals - transfers for nil consideration	-	(20)	-	(20)
Disposals	-	(95)	-	(95)
Transfers to (from) capital WIP	-	427	(427)	-
Capital WIP - expensed in current period	-	-	(240)	(240)
	<u>-</u>	<u>4 614</u>	<u>17 058</u>	<u>21 672</u>
Gains (Losses) for the period recognised in net result:				
Depreciation expense	(18)	(19 691)	-	(19 691)
	<u>(18)</u>	<u>(19 691)</u>	<u>-</u>	<u>(19 691)</u>
Gains (Losses) for the period recognised in other comprehensive income:				
Net revaluation increment	-	3 803	-	3 803
	<u>-</u>	<u>3 803</u>	<u>-</u>	<u>3 803</u>
Carrying amount at 30 June	<u>1 236</u>	<u>465 621</u>	<u>39 967</u>	<u>505 588</u>

**Movement reconciliation of property, plant and equipment (continued)**

	Land \$'000	Buildings \$'000	Park infra- structure \$'000	Roads, tracks and trails \$'000
<b>2013</b>				
Carrying amount at 1 July	209 534	56 087	32 008	37 343
Acquisitions	2 465	1 280	71	-
Acquisition through administrative restructuring	2 423	978	-	-
Disposals	-	(233)	(130)	(17)
Disposals - transfers for nil consideration	-	(96)	(283)	(203)
Transfers to (from) capital WIP	-	374	2 924	2 634
Capital WIP - expensed in current period	-	-	-	-
	<u>4 888</u>	<u>2 303</u>	<u>2 582</u>	<u>2 414</u>
Gains (Losses) for the period recognised in net result:				
Depreciation expense	-	(3 515)	(4 918)	(6 239)
Reversal of impairment loss	-	-	-	-
	<u>-</u>	<u>(3 515)</u>	<u>(4 918)</u>	<u>(6 239)</u>
Carrying amount at 30 June	<u>214 422</u>	<u>54 875</u>	<u>29 672</u>	<u>33 518</u>
	Groundwater monitoring wells \$'000	Salinity disposal schemes \$'000	Patawalonga seawater circulation \$'000	Sand pumping infra- structure \$'000
Carrying amount at 1 July	-	-	-	-
Acquisitions	-	-	-	-
Acquisition through administrative restructuring	49 426	27 241	23 649	-
Disposals	-	-	-	-
Disposals - transfers for nil consideration	-	-	-	-
Transfers to (from) capital WIP	-	-	-	20 544
Capital WIP - expensed in current period	-	-	-	-
	<u>49 426</u>	<u>27 241</u>	<u>23 649</u>	<u>20 544</u>
Gains (Losses) for the period recognised in net result:				
Depreciation expense	(2 127)	(550)	(496)	(419)
Reversal of impairment loss	-	-	-	-
	<u>(2 127)</u>	<u>(550)</u>	<u>(496)</u>	<u>(419)</u>
Carrying amount at 30 June	<u>47 299</u>	<u>26 691</u>	<u>23 153</u>	<u>20 125</u>
	Surface water monitoring network \$'000	Waste disposal stations \$'000	Lower Murray embankments \$'000	Plant and equipment \$'000
Carrying amount at 1 July	-	-	-	9 261
Acquisitions	-	130	-	2 184
Acquisition through administrative restructuring	5 069	2 629	5 233	1 087
Disposals	-	(71)	-	(240)
Disposals - transfers for nil consideration	-	-	-	(145)
Transfers to (from) capital WIP	-	402	-	2 455
Capital WIP - expensed in current period	-	-	-	-
	<u>5 069</u>	<u>3 090</u>	<u>5 233</u>	<u>5 304</u>
Gains (Losses) for the period recognised in net result:				
Depreciation expense	(115)	(106)	(50)	(2 319)
Reversal of impairment loss	-	482	-	-
	<u>(115)</u>	<u>376</u>	<u>(50)</u>	<u>(2 319)</u>
Carrying amount at 30 June	<u>4 954</u>	<u>3 466</u>	<u>5 183</u>	<u>12 283</u>



**Movement reconciliation of property, plant and equipment (continued)**

	Other \$'000	Subtotal \$'000	Capital WIP \$'000	Total \$'000
<b>2013 (continued)</b>				
Carrying amount at 1 July	1 273	345 506	27 181	372 687
Acquisitions	-	6 130	23 272	29 402
Acquisition through administrative restructuring	-	117 735	4 626	122 361
Disposals	-	(691)	-	(691)
Disposals - transfers for nil consideration	-	(727)	-	(727)
Transfers to (from) capital WIP	-	29 333	(30 601)	(1 268)
Capital WIP - expensed in current period	-	-	(1 569)	(1 569)
	-	151 780	(4 272)	147 508
Gains (Losses) for the period recognised in net result:				
Depreciation expense	(19)	(20 873)	-	(20 873)
Reversal of impairment loss	-	482	-	482
	(19)	(20 391)	-	(20 391)
Carrying amount at 30 June	1 254	476 895	22 909	499 804

24. Intangible assets	2014	2013
	\$'000	\$'000
Internally developed intangible assets:		
Computer software - at cost (deemed fair value)	19 553	19 553
Accumulated amortisation	(17 433)	(15 195)
Total internally developed intangible assets	2 120	4 358
Externally acquired intangible assets:		
Computer software and water licences	2 918	2 918
Accumulated amortisation	(590)	(582)
Total externally acquired intangible assets	2 328	2 336
Other:		
Revenue stream (war services freehold leases) - at cost (deemed fair value)	1 000	1 000
Accumulated amortisation	(185)	(163)
Total other	815	837
Total intangible assets	5 263	7 531

The Department recognises the following intangible assets:

**Computer software**

The internal development of software is capitalised by DEWNR when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138 and when the amount of expenditure is greater than or equal to \$10 000, in accordance with APF III, APS 2.15. All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed. Subsequent expenditure on intangible assets has not been capitalised. The Department has capitalised the internal development of software for the Crown lands system, Water Information and Licensing and Management Application system (WILMA) and ARAMIS solution software. In addition, certain costs have been capitalised in respect of the Water Connect Portal (Natural Resources Management Information system) and other software specific to the Department's core activities. Some intangibles are currently included in works in progress. Externally acquired computer software relates to ARCGIS software.

**Water licences - acquired at no cost**

An intangible asset for water licences has been recognised. The asset was initially acquired for nil consideration prior to 1 July 2005. A reliable fair value at the time of acquisition was not available. The assets were recognised for the first time at fair value as at 30 June 2006. Fair value was determined by observing prices in the water trading market as at 30 June 2006.

**Revenue stream**

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

<b><i>Intangible asset movement reconciliation schedule</i></b>	Internally developed	Externally acquired	Revenue stream	Total
<b>2014</b>	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	4 358	2 336	837	7 531
Amortisation	(2 238)	(8)	(22)	(2 268)
Carrying amount at 30 June	2 120	2 328	815	5 263
<b>2013</b>				
Carrying amount at 1 July	666	-	859	1 525
Acquisition through administrative restructuring	6 212	2 469	-	8 681
Transfers between classes	1 268	-	-	1 268
Disposals	(99)	(2)	-	(101)
Amortisation	(3 689)	(131)	(22)	(3 842)
Carrying amount at 30 June	4 358	2 336	837	7 531

***Assets not recognised***

*Acquisition of water licences for environmental flows*

While the Department recognises certain water licences controlled by the Minister for the River Murray as intangible assets at 30 June 2013, the acquisition and/or transfer of water licences for environmental purposes is generally expensed when such expenditure is incurred.

The decision not to capitalise these expenditures is linked to the provisions of two intergovernmental agreements to which the State of South Australia is a party as follows:

- (i) The intergovernmental agreement on Addressing Water Over-allocation and Achieving Environmental Objectives in the Murray-Darling Basin (June 2004) gives effect to a decision by the southern Murray-Darling Basin jurisdictions to commit \$500 million over five years to address water over-allocation in the Murray-Darling Basin with an initial focus on achieving specific environmental outcomes for six significant ecological assets along the River Murray.

The Living Murray Business Plan provided for under clause 13 of the above agreement describes how the actions and milestones in the agreement in relation to the acquisition and transfer of water licences are to be achieved.

- (ii) The agreement on Murray-Darling Basin Reform (July 2008) gives effect that a Commonwealth-State National Management Partnership will be in a form of a bilateral agreement between the Commonwealth and each Basin jurisdiction known as the National Partnership Agreement on Water for the Future (Partnership Agreement). The Implementation Plan for Augmentation of the Adelaide Desalination Plant is created subject to the provisions of the partnership agreement.

The Implementation Plan describes the actions and milestones in relation to the acquisition of water licences and the establishment of an environmental provision for environmental purposes.

The transactions pertaining to the acquisition of water licences and subsequent application of these licences have been expensed on the basis that the future economic benefits attached to these transactions are not expected to flow directly to the Department.

**25. Fair value measurement**

***Fair value hierarchy***

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Department categorises non-financial assets measured at fair value into hierarchy based on the level of inputs use in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014.

The Department had no valuations categorised into level 1 or level 2.

<b>Fair value measurements at 30 June 2014</b>		Level 3
Recurring fair value measurements:		\$'000
Land		217 054
Buildings and improvements		52 123
Park infrastructure		26 315
Roads, tracks and trails		27 649
Groundwater monitoring wells		45 180
Salinity disposal schemes		26 142
Patawalonga seawater circulation and Barcoo Outlet		22 658
Sand pumping infrastructure		19 119
Surface water monitoring network		4 944
Waste disposal stations		5 247
Lower Murray embankments		7 018
Plant and equipment		10 936
Other		1 236
Total		<u>465 621</u>

Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2014. The Department's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

#### **Valuation techniques and inputs**

Valuation techniques used to derive level 3 fair values together with the reconciliation of level 3 fair value measurements are detailed at note 23.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement:

<i>Description</i>	<i>Valuation technique</i>	<i>Unobservable inputs</i>	<i>Range</i>
Land	Market comparable	Adjusted market value	refer notes 23,2(i),2(k)
Buildings and improvements	Depreciated replacement cost (DRC) <sup>(1)</sup>	Cost, Useful life	refer notes 23,2(i),2(k)
Park infrastructure	DRC <sup>(1)</sup>	Cost, Useful life	refer notes 23,2(i),2(k)
Roads, tracks and trails	DRC <sup>(1)</sup>	Cost, Useful life	refer notes 23,2(i),2(k)
Groundwater monitoring wells	DRC	Cost, Useful life	refer notes 23,2(i),2(k)
Salinity disposal schemes	DRC	Cost, Useful life	refer notes 23,2(i),2(k)
Patawalonga seawater circulation and Barcoo Outlet	DRC	Cost, Useful life	refer notes 23,2(i),2(k)
Surface water monitoring network	DRC	Cost, Useful life	refer notes 23,2(i),2(k)
Waste disposal stations	DRC	Cost, Useful life	refer notes 23,2(i),2(k)
Lower Murray embankments	DRC	Cost, Useful life	refer notes 23,2(i),2(k)
Sand pumping infrastructure	DRC	Cost, Useful life	refer notes 23,2(i),2(k)
Plant and equipment	Depreciated cost	Cost, Useful life	refer notes 23,2(i),2(k)
Other	Depreciated cost	Cost, Useful life	refer notes 23,2(i),2(k)

<sup>(1)</sup> The data dictionary model is contained within DEWNR's ARAMIS and calculates value for an asset based on description, grade/composition, condition and size/quantity.

<b>26. Payables</b>	2014	2013
Current:	\$'000	\$'000
Accrued expenses	1 126	966
Creditors	21 028	38 522
Employment on-costs	2 592	2 544
Paid Parental Leave Scheme payable	34	20
Total current payables	<u>24 780</u>	<u>42 052</u>

<b>26. Payables (continued)</b>	2014	2013
Current payables to SA Government entities:	\$'000	\$'000
Accrued expenses	415	385
Creditors	3 556	9 527
Employment on-costs	1 360	1 269
Total current payables to SA Government entities	<u>5 531</u>	<u>11 181</u>
Non-current payables:		
Employment on-costs	2 332	2 890
Total non-current payables	<u>2 332</u>	<u>2 890</u>
Non-current payables to SA Government entities:		
Employment on-costs	1 270	1 560
Total non-current payables to SA Government entities	<u>1 270</u>	<u>1 560</u>

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has remained at the 2013 rate of 40%. This rate is used in the employment on-cost calculation. As a result there is no net financial impact on the employment on-cost and employee benefit expense.

**Interest rate and credit risk**

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

- (a) Maturity analysis of payables - refer note 36.3.
- (b) Categorisation of financial instruments and risk exposure information - refer note 36.1.

<b>27. Employee benefits</b>	2014	2013
Current:	\$'000	\$'000
Accrued salaries and wages	395	8
Annual leave	8 896	10 129
Short-term LSL	2 147	1 981
SERL	593	567
Total current employee benefits	<u>12 031</u>	<u>12 685</u>
Non-current:		
LSL	24 620	30 213
Total non-current employee benefits	<u>24 620</u>	<u>30 213</u>

AASB 119 contains the calculation methodology for the LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL. AASB 119 requires the use of yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 2013 (3.75%) to 2014 (3.5%).

This decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in an increase in the reported LSL liability. However, the actual reported LSL liability decreased due to the 172 TVSPs taken during the year.

The net financial effect of the changes in the current financial year is an increase in the LSL liability of \$542 000 and employee benefits expenses of \$542 000. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result there is no net financial effect resulting from changes in the salary inflation rate.

<b>28. Provisions</b>	2014	2013
Current:	\$'000	\$'000
Provision for workers compensation	626	529
Total current provisions	<u>626</u>	<u>529</u>

<b>28. Provisions (continued)</b>	2014	2013
Non-current:	\$'000	\$'000
Provision for workers compensation	2 277	2 450
Total non-current provisions	<u>2 277</u>	<u>2 450</u>
Provision movement:		
Carrying amount at 1 July	2 979	2 172
Additional provisions recognised	(76)	447
Transfer due to administrative restructure	-	360
Carrying amount at 30 June	<u>2 903</u>	<u>2 979</u>

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

<b>29. Other liabilities</b>	2014	2013
Current:	\$'000	\$'000
Lease incentives	245	314
Unearned revenue	81	146
Other	366	1
Total current other liabilities	<u>692</u>	<u>461</u>
Non-current:		
Lease incentives	-	245
Total non-current other liabilities	<u>-</u>	<u>245</u>

<b>30. Equity</b>		
Contributed capital	22 612	22 612
Retained earnings	283 326	265 297
Revaluation surplus	279 791	275 988
Total equity	<u>585 729</u>	<u>563 897</u>

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

<b>31. Cash flow reconciliation</b>	2014	2013
Reconciliation of cash and cash equivalents at June 30:	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	105 449	121 725
Cash and cash equivalents disclosed in the Statement of Cash Flows	<u>105 449</u>	<u>121 725</u>

***Reconciliation of net cash provided by (used in) operating activities to net cost of providing services***

Net cash provided by (used in) operating activities	4 147	30 992
Revenues from SA Government	(181 779)	(220 571)
Payments to SA Government	-	6 815
Non-cash items:		
Depreciation and amortisation expense of non-current assets	(21 959)	(24 296)
Reversal of impairment of non-current assets	-	482
Capital works in progress expensed	(240)	(1 569)
Net gain (loss) on sale or disposal of non-current assets	(78)	(1 519)
Movements in assets and liabilities:		
Receivables	10 340	(14 759)
Inventories	(2)	(101)
Other assets	87	654
Payables	19 397	1 339
Employee benefits	6 247	(3 422)
Provisions	76	(447)
Other liabilities	14	500
Net cost of providing services	<u>(163 750)</u>	<u>(225 902)</u>

<b>32. Unrecognised contractual commitments</b>	2014	2013
<i>Operating lease commitments</i>	\$'000	\$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	9 355	9 088
Later than one year but not longer than five years	9 441	13 120
Later than five years	7 845	6 922
Total operating lease commitments	26 641	29 130

During the 2005-06 financial year, DEWNR received lease incentives for two leased properties amounting to \$3.28 million. These lease incentives are being amortised at a rate of \$245 000 p.a. until 2015.

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

<i>Capital commitments</i>	2014	2013
Capital expenditure contracted for at the reporting date but not recognised as liabilities is payable as follows:	\$'000	\$'000
Within one year	4 815	3 093
Total capital commitments	4 815	3 093

DEWNR's capital commitments include amounts associated with the Kangaroo Island multi-day walk (\$2.25 million), Heysen Trail upgrade (\$1.1 million), Belair National Park facilities upgrade (\$900 000), and the Seal Bay facilities upgrade (\$565 000).

<i>Expenditure commitments - remuneration</i>	2014	2013
Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:	\$'000	\$'000
Within one year	5 528	6 539
Later than one year but not longer than five years	6 234	7 530
Total remuneration commitments	11 762	14 069

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

<i>Expenditure commitments - other</i>		
Other expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	15 500	26 745
Total other commitments	15 500	26 745

The Department's other commitments are for contributions to the MDBA, and agreements for projects under the Save The River Murray Fund where funds are payable to other agencies undertaking work on behalf of the Department.

**33. Contingent assets and liabilities**

The Department is not aware of the existence of any contingent assets.

At the time of this report the outcomes of any pending legal cases are not known and the effects are not quantifiable.

The Minister has a statutory obligation under the *Upper South East Dryland Salinity and Flood Management Act 2002* to consider landholders' requests for compensation and pay landholders, if it is deemed that they are entitled to compensation. As at reporting date, the outcomes of any compensation claims that have been lodged by eligible landholders are not known and the effects are not quantifiable.

**34. Remuneration of board and committee members**

Members of the board and committees during the 2013-14 financial year were:

*South Australian National Parks and Wildlife Council*

Carr P F	Woodlands J F
Humann D G	Mundy B (appointed 11.07.13)
Leaman E G (retired 05.07.13)*	Schutz J E (appointed 08.08.13)***
McIntosh W R	Williams S L (appointed 16.01.14)
Podoliak J	

***South Australian Heritage Council***

Carr J M\*  
 Donaldson R T  
 Harry D B (Deputy)  
 James J A (retired 30.09.13)  
 Leydon G J  
 McClurg J J

O'Connell M B  
 Queale M (Deputy)  
 Schulz J  
 Wigg C A  
 MacKinnon A G (appointed 13.02.14)  
 Poison L (appointed 13.02.14)

***South Australian Heritage Council Register Committee***

Beazley S L  
 Bell P G (retired 17.03.14)  
 Ben Kahn A  
 Butland R  
 Carr J M\*  
 Klenke A T (retired 17.03.14)

Marsden S E (retired 17.03.14)  
 Queale M W (retired 17.03.14)  
 Wigg C A  
 McDougall K (appointed 18.03.14)  
 Leadbeter P D (appointed 18.03.14)  
 Prest W (appointed 18.03.14)

***Witjira National Park Board of Management***

Ah Chee A  
 Ah Chee M R  
 Magor A B\*  
 Naylor-Fuschtei V T

Pelton G A\*  
 Tjami H (retired 30.06.14)  
 Walton J  
 Ah Chee P G (Deputy)

***Vulkathunha-Gammon Ranges National Park Cooperative Management Committee***

Coulthard C C  
 Coulthard J M  
 Coulthard R R  
 Leaman E G (retired 05.07.13)\*  
 McKenzie P J

Mooney P A\*  
 Naismith T L\*  
 Toscano M\*  
 Paul S A M (appointed 13.05.14)\*

***Animal Welfare Advisory Committee***

Bigwood S  
 Carmichael I H\*  
 Hazel S J  
 Noonan D E  
 Evan D L (appointed 25.07.13)

Ogilvie A D  
 Robb G C (retired 21.01.14)  
 Starick W J  
 Peters M D (observer)\*

***Adelaide Dolphin Sanctuary Advisory Board***

Andrews D J  
 Bossley M I  
 Cugley J A  
 Ditter S S  
 Gassmansis K B  
 Gibbs S E

Gregory J  
 Higgins-Desbiolles B F  
 Hughes J A  
 Kavina C B  
 Osborne M W\*

***Kangaroo Management Reference Group***

Ackland T M  
 Ashby D  
 Borda R  
 Dunn E\*  
 Greenfields C  
 Lewis A G  
 Linton V\*  
 McBride M P  
 Milne T  
 Mould J  
 Neal J

Reddy X\*  
 Richards S (retired 31.01.14)  
 Rossetto M (retired 05.07.13)\*  
 Smith C  
 Tansell G  
 Vickery F J  
 Winen M  
 Wright L  
 Evans D (appointed 01.04.14)  
 Turner M (appointed 01.04.14)

***Wilderness Advisory Committee***

Bills C E M  
 Cohen B L  
 Leaman E G (retired 05.07.13)\*

Lesslie R G (retired 28.03.14)  
 Whalen M A  
 Schutz J E (appointed 08.08.13)\*\*\*

**Wildlife Ethics Committee**

Davis K L\*  
Gillam S\*  
Hall A (retired 21.11.13)\*  
Hutchinson M N\*  
Johnson L M  
Kemper C M\*  
Males K G  
Manning B C\*

McGrath K R  
McLelland D J  
O'Connor J  
Peters M D\*  
Richards A J  
Smith I G  
Taylor L U  
Griffith J (appointed 29.01.14)\*

**Ngaut Ngaut Conservation Park Co-management Committee** (Committee abolished 22.01.14)

Campbell I L  
Campbell I M  
Dillon B\*

Dominelli S\*  
Gillen P G\*  
Hutchinson C

**Scientific Working Group**

Behergaray L  
Cheshire A C  
Connell S D  
Fairweather P G  
Fernandes M B\*  
Gillanders B M

Huveneers C\*  
Kinloch M A (retired 01.11.13)\*  
Kirkman H  
Moller L M  
Shepherd S A\*  
Vandeleur H M

**Natural Resources Management Council**

Ashby D C (retired 30.04.14)  
Crisp A  
Foster B J (retired 30.04.14)  
Gartrell G (Deputy)  
Inglis A R  
Keynes J L

Lewis F A  
Milne T I  
Rasheed F C (Deputy)  
Riseley P R  
Cooper C S (appointed 30.04.14)  
Lamont H K (appointed 30.04.14)  
Walker D (appointed 19.09.13)

**Natural Resources Management Council - Aboriginal Statewide Advisory Committee**

Agius P  
Chester J\*\*\*  
Hartman T J\*  
Sansbury T (retired 15.07.13)  
Smith C L

Thomas K K\*  
Vickery F J  
Walker D C  
Telfer K W K (appointed 04.04.14)  
McKenzie P (appointed 04.04.14)

**Border Groundwater Review Committee (ex-DFW)**

(South Australian and Victorian members)<sup>(1)</sup>  
Grant J C (appointed 01.07.13)\*  
Mensforth L J\*

Nott R (Victorian Govt)  
Cooke J (Victorian Govt)

**Marine Parks Council of SA**

Dittmann S R  
Ellis D C  
Grady M A  
James G  
Kelly T M W (resigned 22.07.13)  
Lewis R K

Miller S L  
Riseley P R  
Warhurst K J  
Wright L  
Gear B\* (appointed 01.07.13)\*

**YYP A Committee Coongie Lakes National Park**

Haynes J M  
Allen C  
Magor A B\*  
Singleton R\*

Brown M\*  
Linton V M\*  
Bottrell T F (appointed 10.12.13)  
Dodd L (appointed 15.06.14)\*

**Pastoral Board**

Anderson B J (Deputy)  
Iwanicki I M (retired 11.08.13)  
Lamont H K (Deputy retired 11.08.13)  
Lillecrapp D G  
Linton V M\*  
Mills G D  
Wickes R B (retired 11.08.13)

Mould J A  
Bellette K J (appointed 28.08.13)  
Slade K L (Deputy appointed 28.08.13)  
Oldfield A S (Deputy)  
Williams S L (Deputy appointed 28.08.13)  
Johnson A W (appointed 29.08.13)\*



**Premier's Climate Change Council**

Carter B J  
 Degaris R H  
 Foster B J  
 Gemmell J C (retired May 2014)\*  
 Halsey N M  
 Kelly T M (retired 30.04.14)

McMichael P A (retired 30.04.14)  
 O'Brien J K  
 Palutikof J P (retired 30.04.14)  
 Sanders V J (retired 30.04.14)  
 Tucker M (appointed 01.05.14)  
 Bellette K J (appointed 01.05.14)  
 Holmes A N (appointed 31.05.14)\*

**Water Security Council (ex-DFW)**

Council abolished October 2013

Ashby S W\*  
 Bursill D B\*  
 Chessell C I\*  
 Gago G E\*\*  
 Hallion J V\*  
 Holmes A N\*

Hook R G\*  
 Hunter I K\*\*  
 Knight G R\*  
 Nightingale I\*  
 Ringham J F\*  
 Rowse B G\*

\* Denotes government employees.

\*\* Denotes government Minister.

\*\*\* Denotes statutory employee.

(1) The reference group is transferred every two years between DEWNR South Australia and the Department of Sustainability and Environment in Victoria. Therefore, from 2012 to 2013 the Border Groundwater Review Committee falls under the responsibility of the Department of Sustainability and Environment and will return to DEWNR in 2014 for a further two years.

The number of members whose remuneration received or receivable falls within the following bands:	2014 Number	2013 Number
\$0	96	92
\$1 - \$9 999	91	111
\$10 000 - \$19 999	8	9
\$20 000 - \$29 999	2	2
Total	197	214

Individuals may be members of more than one board, committee or group associated with the Department.

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees and super contributions, salary sacrifice benefits and FBT paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$225 800 (\$265 000).

\* In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

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

For the purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct out-of-pocket expenses incurred by relevant members.

**35. Events after the reporting period**

The Department is not aware of any event occurring after balance date that would materially affect the financial statements.

**36. Financial instruments/Financial risk management**

**36.1 Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

36.1 <i>Categorisation of financial instruments</i> (continued)	Note	2014		2013	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents	18	105 449	105 449	121 725	121 725
Receivables <sup>(1)(2)</sup>	19	29 327	29 327	19 014	19 014
Financial assets	22	3	3	3	3
<b>Financial liabilities</b>					
Payables <sup>(1)</sup>	26	21 706	21 706	38 885	38 885

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (eg Commonwealth, State and Local governments' taxes, fees and charges; audit fees payable to the Auditor-General's Department etc). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 21 as prepaid supplies and services in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

#### **Fair value**

DEWNR does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 19 and 26).

#### **Credit risk**

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

The carrying amount of financial assets represents DEWNR's maximum exposure to credit risk.

No collateral is held as security and no credit enhancements relate to financial assets held by DEWNR.

DEWNR has minimal concentration of credit risk. DEWNR has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. DEWNR does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 19 for information on the allowance for impairment in relation to receivables.

#### **36.2 Ageing analysis of financial assets**

The following table discloses the ageing of financial assets, past due, including impaired assets past due:

	Current \$'000	Past due by			Total \$'000
		Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2014</b>					
Not impaired:					
Receivables <sup>(1)</sup>	15 540	8 201	3 715	2 105	29 561
Financial assets	3	-	-	-	3
Impaired:					
Receivables	-	-	-	(234)	(234)

**36.2 Ageing analysis of financial assets (continued)**

	Current	Past due by			Total
		Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	
<b>2013</b>					
Not impaired:	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables <sup>(1)</sup>	13 071	1 858	527	3 793	19 249
Financial assets	3	-	-	-	3
Impaired:					
Receivables <sup>(1)</sup>	-	-	-	(235)	(235)

<sup>(1)</sup> Receivable amounts disclosed here exclude amounts relating to statutory receivables. In government, certain rights to receive cash may not be contractual and therefore in these situations the requirement will not apply. Where rights have their source in legislation such as levy receivables, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. They are carried at cost.

**36.3 Maturity analysis of financial assets and liabilities**

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

	Contractual maturities		Carrying amount
	Less than 1 year	1-5 years	
<b>2014</b>			
Financial assets:	\$'000	\$'000	\$'000
Cash and cash equivalents	105 449	-	105 449
Receivables	29 327	-	29 327
Financial assets	-	3	3
Total financial assets	134 776	3	134 779
Financial liabilities:			
Payables	21 706	-	21 706
Total financial liabilities	21 706	-	21 706
<b>2013</b>			
Financial assets:			
Cash and cash equivalents	121 725	-	121 725
Receivables	19 014	-	19 014
Financial assets	-	3	3
Total financial assets	140 739	3	140 742
Financial liabilities:			
Payables	38 885	-	38 885
Total financial liabilities	38 885	-	38 885

**Liquidity risk**

Liquidity risk arises where DEWNR is unable to meet its financial obligations as they are due to be settled. DEWNR is funded principally from appropriations by the SA Government. DEWNR works with DTF to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. DEWNR settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

DEWNR's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in note 36.1 represents DEWNR's maximum exposure to financial liabilities.

**Market risk**

DEWNR has no interest bearing liabilities as at the end of the reporting period. There is no exposure to foreign currency or other price risks.

**Sensitivity analysis**

A sensitivity analysis has not been undertaken for the interest rate risk of DEWNR as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

**37. South Australian Heritage Fund**

The South Australian Heritage Fund (formerly the State Heritage Fund) was established under the *Heritage Places Act 1993* to conserve places of heritage value. The revenues, expenses, assets, liabilities, changes in equity and cash flows of the South Australian Heritage Fund are disclosed below. It is noted that these amounts also form part of and are incorporated within DEWNR's financial statements. When incorporating these amounts into the Department's financial statements all transactions between the Fund and the Department have been eliminated.

*Statement of Comprehensive Income for the year ended 30 June 2014*

	2014	2013
	\$'000	\$'000
<b>Expenses:</b>		
Supplies and services	-	2
Grants and subsidies	150	249
<b>Total expenses</b>	<u>150</u>	<u>251</u>
<b>Income:</b>		
Grant revenues	-	-
<b>Total income</b>	<u>-</u>	<u>-</u>
<b>Net cost of providing services</b>	<u>150</u>	<u>251</u>
<b>Revenues from SA Government</b>	<u>150</u>	<u>250</u>
<b>Net result</b>	<u>-</u>	<u>(1)</u>

*Statement of Financial Position as at 30 June 2014*

	2014	2013
	\$'000	\$'000
<b>Current assets:</b>		
Cash	350	367
<b>Total assets</b>	<u>350</u>	<u>367</u>
<b>Current liabilities:</b>		
Payables	-	17
<b>Total liabilities</b>	<u>-</u>	<u>17</u>
<b>Net assets</b>	<u>350</u>	<u>350</u>
<b>Equity:</b>		
Retained earnings	350	350
<b>Total equity</b>	<u>350</u>	<u>350</u>

*Statement of Changes in Equity for the year ended 30 June 2014*

	Retained earnings	Total
	\$'000	\$'000
Balance at 30 June 2012	351	351
Net result for 2012-13	(1)	(1)
Balance at 30 June 2013	350	350
Net result for 2013-14	-	-
<b>Balance at 30 June 2014</b>	<u>350</u>	<u>350</u>

*Statement of Cash Flows for the year ended 30 June 2014*

	2014	2013
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
<b>Cash flows from operating activities:</b>		
Cash outflows:		
Payments for supplies and services	-	(2)
Payments for grants and subsidies	(167)	(318)
<b>Cash used in operations</b>	<u>(167)</u>	<u>(320)</u>
Cash inflows:		
Receipts from grants	-	-
<b>Cash generated from operations</b>	<u>-</u>	<u>-</u>
<b>Cash generated from SA Government</b>	<u>150</u>	<u>250</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(17)</u>	<u>(70)</u>
<b>Cash at 1 July</b>	<u>367</u>	<u>437</u>
<b>Cash at 30 June</b>	<u>350</u>	<u>367</u>

**Statement of Administered Comprehensive Income  
for the year ended 30 June 2014**

	Note	2014 \$'000	2013 \$'000
<b>Expenses:</b>			
Employee benefits expenses		296	276
Board member expenses		167	157
Supplies and services		2 840	2 466
Grants and subsidies	A4	61 016	56 797
Depreciation expense		1 864	1 904
Net loss from disposal of non-current assets		40	176
Other expenses		(596)	100
<b>Total expenses</b>		65 627	61 876
<b>Income:</b>			
Revenues from fees and charges	A5	17 060	15 412
Grant revenues	A6	17 314	18 870
Interest revenues		405	542
Resources received free of charge		20	727
Net gain from disposal of non-current assets		9 413	-
Other income		24	955
<b>Total income</b>		44 236	36 506
<b>Net cost of providing services</b>		21 391	25 370
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	A7	35 070	19 791
Payments to SA Government	A7	(17 424)	(2 397)
<b>Total revenues from (payments to) SA Government</b>		17 646	17 394
<b>Net result</b>		(3 745)	(7 976)
<b>Other comprehensive income:</b>			
Items that will not be reclassified to net result:			
Changes in property, plant and equipment revaluation surplus		3 668	2 955
Gain on revaluation of interest in joint venture	A10	11 000	2 450
<b>Total other comprehensive income</b>		14 668	5 405
<b>Total comprehensive result</b>		10 923	(2 571)

**Statement of Administered Financial Position  
as at 30 June 2014**

	Note	2014 \$'000	2013 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	A8	32 474	18 180
Receivables	A9	5 119	5 039
Inventories		73	92
<b>Total current assets</b>		37 666	23 311
<b>Non-current assets:</b>			
Property, plant and equipment	A3	123 029	128 323
Interest in joint venture	A10	803 835	792 835
<b>Total non-current assets</b>		926 864	921 158
<b>Total assets</b>		964 530	944 469
<b>Current liabilities:</b>			
Payables		13 534	4 071
Board member benefits		4	4
Other current liabilities		-	325
<b>Total current liabilities</b>		13 538	4 400
<b>Total liabilities</b>		13 538	4 400
<b>Net assets</b>		950 992	940 069
<b>Equity:</b>			
Revaluation surplus		405 879	391 211
Retained earnings		545 113	548 858
<b>Total equity</b>		950 992	940 069

**Statement of Administered Changes in Equity  
for the year ended 30 June 2014**

	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2012	51 893	87 151	139 044
Error correction - property, plant and equipment	-	7 496	7 496
Error correction - payables	-	278	278
Error correction - receivables	-	(151)	(151)
Restated balance at 30 June 2012	51 893	94 774	146 667
Net result for 2012-13	-	(7 976)	(7 976)
Gain (Loss) on revaluation of property, plant and equipment	2 955	-	2 955
Revaluation adjustment - interest in joint venture	2 450	-	2 450
Total comprehensive result for 2012-13	5 405	(7 976)	(2 571)
Net assets received from administrative restructure	333 913	462 060	795 973
Balance at 30 June 2013	391 211	548 858	940 069
Net result for 2013-14	-	(3 745)	(3 745)
Gain (Loss) on revaluation of property, plant and equipment	3 668	-	3 668
Revaluation adjustment - interest in joint venture	11 000	-	11 000
Total comprehensive result for 2013-14	14 668	(3 745)	10 923
<b>Balance at 30 June 2014</b>	<b>405 879</b>	<b>545 113</b>	<b>950 992</b>

**Statement of Administered Cash Flows  
for the year ended 30 June 2014**

	2014	2013
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
<b>Cash flows from operating activities:</b>		
Cash outflows:		
Employee benefit payments	(296)	(276)
Board member remuneration payments	(167)	(157)
Payments for supplies and services	(3 146)	(2 265)
Payments of grants and subsidies	(61 440)	(58 396)
Other payments	(97)	(102)
<b>Cash used in operations</b>	<u>(65 146)</u>	<u>(61 196)</u>
Cash inflows:		
Fees and charges	17 060	15 412
Receipts from grants	17 927	20 389
Interest received	405	542
Other receipts	24	955
<b>Cash generated from operations</b>	<u>35 416</u>	<u>37 298</u>
Cash flows from SA Government:		
Receipts from SA Government	35 070	19 791
Payments to SA Government	(7 537)	(2 147)
<b>Cash generated from SA Government</b>	<u>27 533</u>	<u>17 644</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(2 197)</u>	<u>(6 254)</u>
<b>Cash flows from investing activities:</b>		
Cash outflows:		
Purchase of property, plant and equipment	(831)	-
<b>Cash used in investing activities</b>	<u>(831)</u>	<u>-</u>
Cash inflows:		
Proceeds from sale of property, plant and equipment	17 322	402
<b>Cash generated from investing activities</b>	<u>17 322</u>	<u>402</u>
<b>Net cash provided by (used in) investing activities</b>	<u>16 491</u>	<u>402</u>
<b>Cash flows from financing activities:</b>		
Cash inflows:		
Cash received from restructuring activities	-	4 963
<b>Cash generated from financing activities</b>	<u>-</u>	<u>4 963</u>
<b>Net cash provided by (used in) financing activities</b>	<u>-</u>	<u>4 963</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	14 294	(889)
<b>Cash and cash equivalents at 1 July</b>	18 180	19 069
<b>Cash and cash equivalents at 30 June</b>	<u>32 474</u>	<u>18 180</u>



**Schedule of Administered Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2014**

(Activities - refer note A1)	1		2		3		4	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Expenses:</b>								
Employee benefits expenses	-	-	-	-	-	-	296	276
Board member expenses	118	121	-	-	-	-	-	-
Supplies and services	666	547	142	45	-	-	-	-
Grants and subsidies	786	1 175	7680	-	13 606	13341	-	-
Depreciation expense	1 851	1 887	3	7	-	-	-	-
Net loss from disposal of non-current assets	40	3	-	-	-	-	-	-
Net loss from disposal of land held for sale	-	-	-	173	-	-	-	-
Other expenses	49	76	-	-	-	-	-	-
<b>Total expenses</b>	<b>3 510</b>	<b>3 809</b>	<b>7 825</b>	<b>225</b>	<b>13 606</b>	<b>13 341</b>	<b>296</b>	<b>276</b>
<b>Income:</b>								
Revenues from fees and charges	1 173	1 100	(58)	-	-	-	-	-
Grant revenues	119	170	17	330	-	-	-	-
Interest revenues	92	102	-	-	-	-	-	-
Resources received free of charge	20	727	-	-	-	-	-	-
Net gain from disposal of land held for sale	-	-	9 413	-	-	-	-	-
Other income	22	951	-	4	-	-	-	-
<b>Total income</b>	<b>1 426</b>	<b>3 050</b>	<b>9 372</b>	<b>334</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cost of (surplus from) providing services</b>	<b>2 084</b>	<b>759</b>	<b>(1 547)</b>	<b>(109)</b>	<b>13 606</b>	<b>13 341</b>	<b>296</b>	<b>276</b>
<b>Revenues from (Payments to) SA Government:</b>								
Revenues from SA Government	-	-	15 360	-	13 614	13 344	289	279
Payments to SA Government	-	-	(17 424)	(478)	-	-	-	-
<b>Net revenues from (payments to) SA Government</b>	<b>-</b>	<b>-</b>	<b>(2 064)</b>	<b>(478)</b>	<b>13 614</b>	<b>13 344</b>	<b>289</b>	<b>279</b>
<b>Net result</b>	<b>(2 084)</b>	<b>(759)</b>	<b>(517)</b>	<b>(369)</b>	<b>8</b>	<b>3</b>	<b>(7)</b>	<b>3</b>
<b>Other comprehensive income:</b>								
Changes in property, plant and equipment revaluation surplus	-	-	3 668	2 955	-	-	-	-
Gain on revaluation of interest in joint venture	-	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>3 668</b>	<b>2 955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive result</b>	<b>(2 084)</b>	<b>(759)</b>	<b>3 151</b>	<b>2 586</b>	<b>8</b>	<b>3</b>	<b>(7)</b>	<b>3</b>

1. Board of the Botanic Gardens and State Herbarium
2. Crown lands
3. Minister's other payments
4. Special Acts allocation
5. Dog and Cat Management Board
6. Coast Protection Board
7. Caring for our Country

8. Natural Heritage Trust
9. NRM Fund
10. Native Vegetation Fund
11. Pastoral Board
12. National Action Plan for Salinity and Water Quality
13. Qualco Sunlands
14. DEWNR corporate admin items

**Schedule of Administered Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2014 (continued)**

(Activities - refer note A1)	5		6		7		8	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefits expenses	-	-	-	-	-	-	-	-
Board member expenses	37	25	12	11	-	-	-	-
Supplies and services	1 675	1 515	30	119	-	-	-	-
Grants and subsidies	10	68	448	382	17 015	22 067	182	-
Depreciation expense	10	10	-	-	-	-	-	-
Net loss from disposal of non-current assets	-	-	-	-	-	-	-	-
Net loss from disposal of land held for sale	-	-	-	-	-	-	-	-
Other expenses	9	8	9	8	-	-	-	-
<b>Total expenses</b>	<b>1 741</b>	<b>1 626</b>	<b>499</b>	<b>520</b>	<b>17 015</b>	<b>22 067</b>	<b>182</b>	<b>-</b>
<b>Income:</b>								
Revenues from fees and charges	1 443	1 343	21	25	-	-	-	-
Grant revenues	-	-	-	-	17 178	18 142	-	-
Interest revenues	19	28	-	-	21	91	-	-
Resources received free of charge	-	-	-	-	-	-	-	-
Net gain from disposal of land held for sale	-	-	-	-	-	-	-	-
Other income	2	-	-	-	-	-	-	-
<b>Total income</b>	<b>1 464</b>	<b>1 371</b>	<b>21</b>	<b>25</b>	<b>17 199</b>	<b>18 233</b>	<b>-</b>	<b>-</b>
<b>Net cost of (surplus from) providing services</b>	<b>277</b>	<b>255</b>	<b>478</b>	<b>495</b>	<b>(184)</b>	<b>3 834</b>	<b>182</b>	<b>-</b>
<b>Revenues from (Payments to) SA Government:</b>								
Revenues from SA Government	-	-	522	509	-	-	-	-
Payments to SA Government	-	-	-	-	-	-	-	-
<b>Net revenues from (payments to) SA Government</b>	<b>-</b>	<b>-</b>	<b>522</b>	<b>509</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net result</b>	<b>(277)</b>	<b>(255)</b>	<b>44</b>	<b>14</b>	<b>184</b>	<b>(3 834)</b>	<b>(182)</b>	<b>-</b>
<b>Other comprehensive income:</b>								
Changes in property, plant and equipment revaluation surplus	-	-	-	-	-	-	-	-
Gain on revaluation of interest in joint venture	-	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive result</b>	<b>(277)</b>	<b>(255)</b>	<b>44</b>	<b>14</b>	<b>184</b>	<b>(3 834)</b>	<b>(182)</b>	<b>-</b>

- |                                                     |                                                         |
|-----------------------------------------------------|---------------------------------------------------------|
| 1. Board of the Botanic Gardens and State Herbarium | 8. Natural Heritage Trust                               |
| 2. Crown lands                                      | 9. NRM Fund                                             |
| 3. Minister's other payments                        | 10. Native Vegetation Fund                              |
| 4. Special Acts allocation                          | 11. Pastoral Board                                      |
| 5. Dog and Cat Management Board                     | 12. National Action Plan for Salinity and Water Quality |
| 6. Coast Protection Board                           | 13. Qualco Sunlands                                     |
| 7. Caring for our Country                           | 14. DEWNR corporate admin items                         |

**Schedule of Administered Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2014 (continued)**

(Activities - refer note A1)	9		10		11		12	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefits expenses	-	-	-	-	-	-	-	-
Board member expenses	-	-	-	-	-	-	-	-
Supplies and services	-	-	327	240	-	-	-	-
Grants and subsidies	18 386	15 138	2 733	4 096	-	-	170	530
Depreciation expense	-	-	-	-	-	-	-	-
Net loss from disposal of non-current assets	-	-	-	-	-	-	-	-
Net loss from disposal of land held for sale	-	-	-	-	-	-	-	-
Other expenses	(248)	-	9	8	-	-	-	-
<b>Total expenses</b>	<b>18 138</b>	<b>15 138</b>	<b>3 069</b>	<b>4 344</b>	<b>-</b>	<b>-</b>	<b>170</b>	<b>530</b>
<b>Income:</b>								
Revenues from fees and charges	13 843	11 435	659	2 016	-	-	-	-
Grant revenues	-	-	-	228	-	-	-	-
Interest revenues	126	51	145	218	-	-	2	52
Resources received free of charge	-	-	-	-	-	-	-	-
Net gain from disposal of land held for sale	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-
<b>Total income</b>	<b>13 969</b>	<b>11 486</b>	<b>804</b>	<b>2 462</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>52</b>
<b>Net cost of (surplus from) providing services</b>	<b>4 169</b>	<b>3 652</b>	<b>2 265</b>	<b>1 882</b>	<b>-</b>	<b>-</b>	<b>168</b>	<b>478</b>
<b>Revenues from (Payments to) SA Government:</b>								
Revenues from SA Government	3 990	4 390	1 031	1 004	14	15	-	-
Payments to SA Government	-	-	-	-	-	-	-	(1 669)
<b>Net revenues from (payments to) SA Government</b>	<b>3 990</b>	<b>4 390</b>	<b>1 031</b>	<b>1 004</b>	<b>14</b>	<b>15</b>	<b>-</b>	<b>(1 669)</b>
<b>Net result</b>	<b>(179)</b>	<b>738</b>	<b>(1 234)</b>	<b>(878)</b>	<b>14</b>	<b>15</b>	<b>(168)</b>	<b>(2 147)</b>
<b>Other comprehensive income:</b>								
Changes in property, plant and equipment revaluation surplus	-	-	-	-	-	-	-	-
Gain on revaluation of interest in joint venture	-	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive result</b>	<b>(179)</b>	<b>738</b>	<b>(1 234)</b>	<b>(878)</b>	<b>14</b>	<b>15</b>	<b>(168)</b>	<b>(2 147)</b>

1. Board of the Botanic Gardens and State Herbarium
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12. National Action Plan for Salinity and Water Quality
13. Qualco Sunlands
14. DEWNR corporate admin items

**Schedule of Administered Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2014 (continued)**

(Activities - refer note A1)	13		14		Total	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefits expenses	-	-	-	-	296	276
Board member expenses	-	-	-	-	167	157
Supplies and services	-	-	-	-	2 840	2 466
Grants and subsidies	-	-	-	-	61 016	56 797
Depreciation expense	-	-	-	-	1 864	1 904
Net loss from disposal of non-current assets	-	-	-	-	40	3
Net loss from disposal of land held for sale	-	-	-	-	-	173
Other expenses	-	-	(424)	-	(596)	100
<b>Total expenses</b>	-	-	(424)	-	65 627	61 876
<b>Income:</b>						
Revenues from fees and charges	-	-	(21)	(507)	17 060	15 412
Grant revenues	-	-	-	-	17 314	18 870
Interest revenues	-	-	-	-	405	542
Resources received free of charge	-	-	-	-	20	727
Net gain from disposal of land held for sale	-	-	-	-	9 413	-
Other income	-	-	-	-	24	955
<b>Total income</b>	-	-	(21)	(507)	44 236	36 506
<b>Net cost of (surplus from) providing services</b>	-	-	(403)	507	21 391	25 370
<b>Revenues from (Payments to) SA Government:</b>						
Revenues from SA Government	250	250	-	-	35 070	19 791
Payments to SA Government	-	(250)	-	-	(17 424)	(2 397)
<b>Net revenues from (payments to) SA Government</b>	250	-	-	-	17 646	17 394
<b>Net result</b>	250	-	403	(507)	(3 745)	(7 976)
<b>Other comprehensive income:</b>						
Changes in property, plant and equipment revaluation surplus	-	-	-	-	3 668	2 955
Gain on revaluation of interest in joint venture	-	-	11 000	2 450	11 000	2 450
<b>Total other comprehensive income</b>	-	-	11 000	2 450	14 668	5 405
<b>Total comprehensive result</b>	250	-	11 403	1 943	10 923	(2 571)

1. Board of the Botanic Gardens and State Herbarium
2. Crown lands
3. Minister's other payments
4. Special Acts allocation
5. Dog and Cat Management Board
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12. National Action Plan for Salinity and Water Quality
13. Qualco Sunlands
14. DEWNR corporate admin items

## Notes to and forming part of the administered financial statements

### A1. Administered items of the Department of Environment, Water and Natural Resources (DEWNR or the Department)

#### *Reporting entities and strategic context*

The activities of the administered items are:

#### *Board of the Botanic Gardens and State Herbarium (the Board)*

The Board of the Botanic Gardens and State Herbarium was established under section 6 of the *Botanic Gardens and State Herbarium Act 1978* to ensure the maintenance and development of South Australia's Botanic Gardens and State Herbarium and to provide advice on relevant policies consistent with the provisions of the Act and with the objectives of the Minister for Sustainability, Environment and Conservation.

The Department performs the following functions required for the operation of the Botanic Gardens and State Herbarium:

- managing, planning, accounting and control of recurrent, capital appropriation and funds allocated by the Board
- monitoring the performance of the staff of the Botanic Gardens and State Herbarium
- valuing and maintaining assets (including all public, recreational, institutional and administration buildings) not specifically controlled, bequeathed, vested in or assigned to the Board
- determining risk management and occupational health and safety and welfare procedures.

However, the Department cannot direct the Board to perform its functions and duties in a particular manner. As a result, the Board is not controlled by the Department and has therefore been reflected in the administered financial statements.

#### *Crown lands*

Crown lands is comprised of an account established by the Treasurer of South Australia to record receipts and payments associated with the sale of Crown land and other surplus SA Government land and property. The net revenues from these sales are returned to the Consolidated Account.

#### *Minister's other payments*

Grants and subsidies payments of \$13.606 million (\$13.341 million) approved by the Minister for Sustainability, Environment and Conservation were made to community organisations, associations and local government. This includes grants made to Zoo SA \$5.277 million (\$5.16 million); Adelaide City Council \$1.447 million (\$1.414 million); Stormwater Management Authority \$4.754 million (\$4.638 million); South Eastern Water Conservation and Drainage Board \$2.128 million (\$2.12 million); and other organisations \$0 (\$8000).

#### *Special Acts allocation*

This item comprises salary and allowance payments for the Minister for Sustainability, Environment and Conservation.

#### *Dog and Cat Management Board*

The Dog and Cat Management Board was established under the *Dog and Cat Management Act 1995* to plan for, promote and provide advice about the effective management of dogs and cats throughout South Australia, and oversee the administration and enforcement of the provisions of the *Dog and Cat Management Act 1995*.

The financial activities of the Dog and Cat Management Board are administered through the Dog and Cat Management Fund in accordance with the *Dog and Cat Management Act 1995*.

All activities and functions of the Dog and Cat Management Board are performed by DEWNR employees.

#### *Coast Protection Board*

The Coast Protection Board was established under the *Coast Protection Act 1972* to manage, maintain, develop and improve coast facilities that are vested in, or are under the care, control and management of the Coast Protection Board.

The financial activities of the Coast Protection Board are administered through the Coast Protection Fund in accordance with the *Coast Protection Act 1972*.

All activities and functions of the Coast Protection Board are performed by DEWNR employees.

### *Caring for our Country*

The Caring for our Country program is administered by the Commonwealth and SA Governments pursuant to clause 19(2) of the *Natural Heritage Trust of Australia Act 1997* (Cwlth) and section 5 of the *Natural Resources Management (Financial Assistance) Act 1992* (Cwlth).

In March 2008 the Commonwealth announced Caring for our Country as an ongoing and integrated program, bringing together the delivery of the Natural Heritage Trust, National Landcare program, Environmental Stewardship and Working on Country programs. This program is fully Commonwealth funded and disbursed based on Commonwealth approval.

The goal of Caring for our Country is to provide an environment that is healthy, better protected, well-managed, resilient and provides essential ecosystem services in a changing climate. Caring for our Country has six national priority areas for investment:

- (a) a national reserve system
- (b) biodiversity and natural icons
- (c) coastal environments and critical aquatic habitats
- (d) sustainable farm practices
- (e) natural resource management in remote and northern Australia
- (f) community skills, knowledge and engagement.

### *Natural Heritage Trust (NHT) and NHT Extension*

The NHT was established by the *Natural Heritage Trust of Australia Act 1997*. The bilateral agreement to deliver the NHT Extension reflects the intention of the Commonwealth and SA Governments to work as joint investment partners, with the community and other stakeholders, in natural resource management activities including biodiversity conservation, sustainable use of natural resources and community capacity building and institutional change. Funding for NHT ceased on 30 June 2008 and all projects were completed by 31 December 2009.

Post-31 December 2009, program finalisation continued with the receipt of project final reports and acquittals including the return of unspent funds by project proponents. The Commonwealth requested unspent funds held be returned and elected to allocate remaining funds held in the NHT holding account to existing State agency and Natural Resources Management (NRM) Board competitive projects approved under the Caring for our Country program in accordance with clauses 13.2(c) and 20.4 of the 'Transitional Arrangement and Financial Agreement between the Australian Government and State of South Australia for implementation of Caring for our Country' during 2011-12.

### *NRM Fund*

The NRM Fund was established pursuant to section 117(1) of the *Natural Resources Management Act 2004* (NRM Act). The Minister for Sustainability, Environment and Conservation administers the NRM Fund and may apply any part of the NRM Fund in making payments to the regional NRM Boards; in paying subsidies or making grants or other payments to NRM authorities or other persons or bodies for the purposes of the NRM Act. This may also include making any payment required, or authorised by or under the NRM Act or any other law. The balance of the NRM Fund at 30 June was \$2.249 million (\$2.389 million).

Some activities have been restructured to assist in the interpretation of the financial transactions relating to the NRM Fund.

### *NRM Boards*

The NRM Boards were established pursuant to section 23(1) of the NRM Act. The Department administers various revenues and expenses on account of the NRM Boards.

Specific provisions of the NRM Act require that the following revenues be paid into the NRM Fund prior to being applied for the purposes of the NRM Act:

- government appropriations (controlled and administered allocated in respect of the regional NRM Boards)
- water levies
- penalties relating to water levies
- expiation fees and other penalties.

(i) *Government appropriations*

The Department receives recurrent funding, which is administered through the NRM Fund and provided to regional NRM Boards to support business operations and the administration of the NRM Act.

<i>Regional NRM Board</i>	2014 \$'000	2013 \$'000
Alinytjara Wilurara NRM Board	970	850
Eyre Peninsula NRM Board	500	670
Kangaroo Island NRM Board	970	600
Northern and Yorke NRM Board	380	515
South Australian Arid Lands NRM Board	970	1 020
South East NRM Board	200	335
	<hr/>	<hr/>
	3 990	3 990

(ii) *Water levies*

Water levies are collected for prescribed water resources under section 101 of the NRM Act. The levies are subsequently paid to the regional NRM Boards pursuant to section 116(1)(a)(ii)(A) of the NRM Act.

(iii) *Penalties*

Penalties declared in relation to the unauthorised or unlawful taking or use of water were raised pursuant to section 115 of the NRM Act.

(iv) *Reimbursement of payroll tax*

Prior to NRM integration into DEWNR, NRM Boards were compensated for the anticipated payroll tax expense they incurred, with provision reflected in the administered items of the Department's budget. An appropriation of \$400 000 was received in 2012-13 to fund the payroll tax expenses of the NRM Boards. No appropriation was received in 2013-14.

(v) *Expiation fees and other penalties*

Expiation fees and penalties are recovered in respect of offences against the NRM Act (eg for unlawful possession of animals or plants). Unlike penalties declared under section 115 of the NRM Act, they are not required to be paid to regional NRM Boards.

*Native Vegetation Fund*

The Native Vegetation Fund is established under section 21 of the *Native Vegetation Act 1991*. The Native Vegetation Fund is applied in achieving the following objectives:

- the conservation, protection and enhancement of the native vegetation of the State and, in particular, remnant native vegetation
- the provision of incentives and assistance to landowners to encourage the commonly held desire of landowners to preserve, enhance and properly manage the native vegetation on their land
- the limitation of the clearance of native vegetation to circumstances in which the clearance will facilitate the management of other native vegetation or will facilitate the sustainable use of land for primary production
- the encouragement of research into the preservation, enhancement and management of native vegetation
- the encouragement of the re-establishment of native vegetation in those parts of the State where native vegetation has been cleared or degraded.

All activities and functions associated with the Native Vegetation Fund are performed by DEWNR employees.

*Pastoral Board*

The Pastoral Board is responsible for the administration of the *Pastoral Land Management and Conservation Act 1989*. The Pastoral Board provides advice to the Minister for Sustainability, Environment and Conservation on the policies that should govern the administration of pastoral land.

*National Action Plan for Salinity and Water Quality (NAP)*

NAP is a bilateral agreement between the Commonwealth and SA Governments signed in 2001 providing funds to address issues associated with salinity and water quality in priority regions in South Australia. The Commonwealth and SA Governments make progressive contributions to a single holding account. Disbursement of funds from the account is by agreement between the parties. Funding for NAP ceased on 30 June 2008 with the majority of projects completed by 31 December 2009.

*National Action Plan for Salinity and Water Quality (NAP) (continued)*

The Commonwealth requested that the Commonwealth share of unspent funds held be returned and elected to allocate remaining funds held in the NAP holding account to existing State agency and Natural Resources Management Board competitive projects approved under the Caring for our Country Program in accordance with clauses 13.2c and 20.4 of the 'Transitional Arrangement and Financial Agreement between the Australian Government and State of South Australia for implementation of Caring for our Country' during 2011-12.

*Qualco Sunlands*

*The Ground Water (Qualco-Sunlands) Control Act 2000* established a scheme managed by a trust to prevent, and reverse, the salinisation and water logging of horticultural land due to irrigation induced factors. Upon request from the trust, DEWNR provides a temporary grant, sourced from DTF, to carry out the specified works. The trust facilitates the required work, and recharges irrigators for the work undertaken. Once fully collected, the trust returns the temporary funds to DEWNR, for on-passing back to DTF.

*South Eastern Water Conservation and Drainage Board*

The South Eastern Water Conservation and Drainage Board was established pursuant to Division 1 of the *South Eastern Water Conservation and Drainage Act 1992*. DEWNR supplies funding to the South Eastern Water Conservation and Drainage Board on a quarterly basis. The funding is sourced from appropriations provided by DTF.

*Stormwater Management Authority (SMA)*

The SMA was established on 1 July 2007 under schedule 1A of the *Local Government Act 1999* in accordance with and to implement the Stormwater Management Agreement dated 14 March 2006. The SMA's functions include to liaise with relevant public authorities to ensure the proper functioning of the State's stormwater management system; and to facilitate and coordinate stormwater management planning by local councils. DEWNR provides a resource to manage the day-to-day operations of the SMA relevant costs are fully recovered from the SMA. DEWNR also supplies funding to the SMA on an annual basis; the funding is sourced from appropriations provided by DTF.

**A2. Administered items' financial arrangements**

The financial activities of the administered items are conducted through a number of deposit accounts with DTF pursuant to the PFAA. The financial activities of administered items that do not have their own deposit account are conducted through DEWNR's deposit account.

The Department conducts a large number of activities directed towards meeting the administered items' objectives and responsibilities as specified in the legislation and/or other authoritative documentation that establishes the administered items. Many of the administered items, in accordance with the Acts, have delegated certain functions to officers within DEWNR who provide technical and administrative support including the use of plant and equipment, office accommodation and various administrative services. The cost of the services provided that can be identified with the activities of the administered items and can be measured reliably are met by the administered items. Other support services that are not identifiable and/or cannot be measured reliably are provided free of charge and have not been recognised in the administered financial statements.

**A3. Administered items' summary of significant accounting policies**

The administered financial statements detail the sum of the individual administered items' revenues, expenses, assets, liabilities, changes in equity and cash flows. As such the principles of consolidation have not been applied in preparing the financial statements as the definition of an economic entity has not been satisfied. Accordingly, transactions between the individual administered items have not been eliminated.

In general, the administered items adopt the accounting policies of DEWNR, as detailed in note 2 of DEWNR's financial statements. Deviations from these policies are as follows:

*Property, plant and equipment*

Administered property, plant and equipment includes the Crown's interest in land leased to third parties under perpetual and other leases and annual licenses. However limitations exist on the reliability of the base information used to determine the valuation of this land.

DEWNR is also custodian of unallotted Crown land, by virtue of its responsibilities under the *Crown Land Management Act 2009*. This land is considered to be an administered asset. Unallotted Crown land is not included in the Statement of Administered Financial Position as the Department has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings.



*Property, plant and equipment (continued)*

Total property, plant and equipment as disclosed in the Statement of Administered Financial Position consists of assets belonging to the Botanic Gardens and State Herbarium \$40.486 million (\$41.53 million), Crown lands \$33.855 million (\$38.095 million), Dog and Cat Management Board \$104 000 (\$113 000), Coast Protection Board \$5.124 million (\$5.124 million) and Pastoral Board \$43.46 million (\$43.46 million).

- *Pastoral land revaluation*

*Under the Pastoral Land Management and Conservation Act 1989* the Valuer-General must determine the rents to be paid on all pastoral leases. This requires the Valuer-General to determine the unimproved value of each pastoral lease and the appropriate rate of return for the land as a percentage of the unimproved value, considering the purpose for which it is used.

The land lease assets were revalued at \$43.46 million as at 1 November 2010 by Mark William Kay and Andrew Weinmann, Supervising Valuers, State Valuation Office, Land Services Group, Department of Planning, Transport and Infrastructure. Rentals and unimproved values for the period 1 November 2009 to 31 October 2010 were determined with regard to:

- the most recent land type classifications and associated information
- carrying capacities
- property sales and price movements within the pastoral industry
- prevailing market conditions
- climatic conditions
- property locations
- access to markets.

*Employee benefits*

In general, administered items utilise the services of contractors or DEWNR employees rather than recruiting and appointing employees in their own right. In the majority of cases, the services provided by DEWNR employees are provided free of charge. If, however, the services provided by DEWNR employees are directly attributable to the activities of an administered item and can be reliably measured, the services are charged to the administered item on a fee-for-service (cost recovery) basis. The liability for employee benefits arising from services rendered by DEWNR employees is not recognised in the administered financial statements as DEWNR is obligated to pay employees for services provided. Accordingly, employee benefits are recognised in DEWNR's financial statements.

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

The net gain from disposal of non-current assets is determined by comparing proceeds with carrying amount. Given a suitable methodology for determining a reliable measure of the value of unallotted Crown land has not been identified, the carrying amount of all unallotted Crown land sold is \$0.

*Error correction*

An error correction of \$7.623 million has been disclosed in the Statement of Changes in Equity. The error has been retrospectively restated in accordance with AASB 108 and comprises a net increase to property, plant and equipment (\$7.496 million), a decrease to payables (\$278 000) and a net decrease to receivables (\$151 000).

**A4. Grants and subsidies**

	2014	2013
	\$'000	\$'000
Botanic Gardens and State Herbarium	786	1 175
Coast Protection Board	448	382
Caring for our Country	17 015	22 067
Crown lands	7 680	-
Dog and Cat Management Board	10	68
Minister's other payments	13 606	13 341
Native Vegetation Fund	2 733	4 096
Natural Heritage Trust	182	-
National Action Plan for Salinity and Water Quality	170	530
Payments to NRM Boards	18 386	15 138
Total grants and subsidies	61 016	56 797

*Grants and subsidies paid/payable to entities within the SA Government*

The following grants and subsidies (included in the grants and subsidies amounts shown above) were provided to entities within the SA Government:

Payments to NRM Boards	18 386	15 138
Total grants and subsidies paid/payable to entities within the SA Government	18 386	15 138

<b>A5. Revenues from fees and charges</b>	2014	2013
	\$'000	\$'000
Water levies received from licence holders	11 766	11 435
Penalties	2 077	-
Board of the Botanic Gardens and State Herbarium	1 173	1 100
Coast Protection Board	21	25
Crown lands	(58)	-
Dog and Cat Management Board	1 443	1 343
Native Vegetation Fund	659	2 016
DEWNR Corporate administered items	(21)	(507)
Total revenues from fees and charges	<u>17 060</u>	<u>15 412</u>
<b>A6. Grant revenues</b>		
Botanic Gardens and State Herbarium	119	170
Caring for our Country	17 178	18 142
Crown lands	17	330
Native Vegetation Fund	-	228
Total grant revenues	<u>17 314</u>	<u>18 870</u>
<b>A7. Revenues from (Payments to) SA Government</b>		
Recurrent appropriations	35 070	19 791
Payments to Consolidated Account	(17 424)	(2 397)
Total revenues from (payments to) SA Government	<u>17 646</u>	<u>17 394</u>
<b>A8. Administered cash flow reconciliation</b>		
Reconciliation of cash and cash equivalents at 30 June:		
Board of the Botanic Gardens and State Herbarium	2 906	3 534
Caring for our Country	490	303
Coast Protection Board	442	335
Crown lands	18 027	841
Dog and Cat Management Board	399	713
Natural Heritage Trust	362	545
NRM Fund	2 249	2 389
Native Vegetation Fund	5 245	6 789
Pastoral Board	57	43
National Action Plan for Salinity and Water Quality	34	201
Qualco Sunlands	250	250
The Department's corporate administrative items	2 013	2 237
	<u>32 474</u>	<u>18 180</u>
Balance as per administered cash flows	<u>32 474</u>	<u>18 180</u>
<b><i>Reconciliation of net cash provided by (used in) operating activities to net result</i></b>		
Net cash provided by (used in) operating activities	(2 197)	(6 254)
Revenues from SA Government	(35 070)	(19 791)
Payments to SA Government	17 424	2 147
Non-cash items:		
Depreciation expense of non-current assets	(1 864)	(1 904)
Bad debts expense	693	2
Gain (Loss) on disposal of non-current assets	(40)	(176)
Net gain from disposal of land held for sale	9 413	-
Assets received free of charge	20	727
Movements in assets and liabilities:		
Receivables	(613)	(1 520)
Inventories	(19)	(44)
Payables	(9 463)	1 600
Other liabilities	325	(157)
Net cost of providing services	<u>(21 391)</u>	<u>(25 370)</u>

<b>A9. Receivables</b>	2014	2013
Receivables reflected as current assets as at 30 June comprise the following:	\$'000	\$'000
Water levies	1 956	3 034
Penalties	3 274	2 827
Accrued interest	33	38
Other	194	171
Allowance for doubtful debts	(338)	(1 031)
Total receivables	5 119	5 039

**A10. Interest in joint venture**

During the year ended 30 June 2009, the agreements for the management of the assets and resources (the water) within the Murray-Darling Basin Commission were restructured. The transition date to the new arrangements was 14 December 2008, ie the date from which the Murray-Darling Basin Authority (MDBA) was established, replacing the Murray-Darling Basin Commission.

Following the restructure, under the revised arrangements, the venturers no longer have a joint interest in net assets, but instead, they have a joint interest specifically in the infrastructure assets and water rights (as opposed to an interest in an entity controlling/holding the assets). The MDBA assets are held in two separate reporting entities: the River Murray Operations and the Living Murray Initiative. The River Murray Operations primary assets include physical infrastructure, the Living Murray Initiative primary assets include intangibles/water licenses. The share in the individually controlled assets was transferred at transition in the original proportions of the share of the entity held by the individual jurisdictions as follows: New South Wales 26.67%; South Australia 26.67%; Victoria 26.67%; the Commonwealth Government 20%.

For the year ended 30 June 2014 the Department recognised an increase in its joint interest in MDBA assets of \$11 million, bringing the Department's total recognition in the MDBA assets to \$803.835 million.

**A11. Contingent assets and liabilities**

A contingent asset is acknowledged whereby the Minister for Water and the River Murray has an exclusive right to access 40ML per day from the Langhorne and Currency Creek pipeline. The Minister has not exercised this right. The Department is not aware of the existence of any other contingent liabilities.

# Flinders University of South Australia

## Functional responsibility

### Establishment

The Flinders University of South Australia (the University) is established by *The Flinders University of South Australia Act 1966*.

### Functions

The functions of the University include to establish and provide educational facilities and courses of study at a university standard, and generally to disseminate knowledge and promote scholarship.

The University has a financial interest in a number of entities as detailed in notes 1, 34 and 35 to the financial statements.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

Regulations under the PFAA provide that the University is a public authority. Consequently, section 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the University for each financial year.

#### *Assessment of controls*

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

### Scope of audit

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

During 2013 specific areas of audit attention included:

- corporate governance
- payroll
- expenditure
- Commonwealth financial assistance
- student fees revenue
- research grant revenue
- accounts receivable and other revenue
- cash and investments
- property, plant and equipment
- general ledger and reporting.

Internal audit activities were also reviewed.

## **Audit findings and comments**

### **Auditor's report on the financial report**

In my opinion, the financial report gives a true and fair view of the financial position of The Flinders University of South Australia and its controlled entities (the Consolidated Entity) as at 31 December 2013, their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Support Act 2003* and Australian Accounting Standards.

### **Assessment of controls**

In my opinion, the controls exercised by The Flinders University of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for all matters outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of The Flinders University of South Australia have been conducted properly and in accordance with law.

### **Communication of audit matters**

Matters arising during the course of the audit were detailed in a management letter to the Vice-Chancellor of the University. The main matters raised with the University are detailed below. Some of these matters are similar to issues reported to the University in previous years. The University has responded to all matters raised in the management letter.

### ***Cyclical declarations of conflicts of interest***

The University has established a conflicts of interest policy outlining the obligations of employees and officers when potential or actual conflicts of interest arise. The University Council and its committees have established registers of members' interests and require that meetings include a regular item to provide members with the opportunity to declare any interests. A register of interests was also maintained for Finance Services staff.

However, the policy did not require employees to declare conflicts of interest on a cyclical basis. As a result, the University has a reduced capacity to monitor and identify potential or actual conflicts of interest. Audit recommended the University update its policy to require all staff with procurement or contract management responsibilities and other staff with higher risk responsibilities to declare conflicts of interest on a cyclical basis and implement monitoring processes.

The University responded that it would identify relevant staff and implement a reporting framework.

### ***Gifts and benefits register***

The University's conflicts of interest policy outlines the actions required by University staff when they are offered gifts or benefits. Audit noted the policy did not require University staff to register gifts or benefits offered and/or accepted. The use of formal registers facilitates monitoring of gifts or benefits accepted.

Audit recommended the University establish a gifts and benefits register that records gifts and benefits received and accepted by its staff. The University responded that it would develop a register of gifts and benefits which will be monitored for appropriateness.

### ***Approval of tuition fee waivers***

Last year's Report detailed concerns regarding the University's processes for approving waiver of tuition fees. Audit follow-up of progress made by the University found it had not implemented previous audit recommendations to:

- establish formal criteria that describe the circumstances in which a waiver of tuition fees is appropriate

- update the Vice-Chancellor's authorisations to include delegations for the approval of fee waivers.

Consequently, the risk remained that improper factors may influence the waiver of fees. Audit recommended that the University document criteria and establish delegations of authority for approving fee waivers. The University agreed, indicating it was in the process of formulating formal criteria for waiving tuition fees.

#### ***Timesheets (professional staff)***

The payroll audit considered procedures in place to ensure that employee attendance is recorded and monitored. Consistent with the prior year audit the review found instances where timesheets were not prepared or authorised in accordance with the enterprise agreement. Timesheets constitute important documentation of hours worked. Audit recommended that, where required by the enterprise agreement, employees complete and supervisors authorise timesheets. The University responded that it was continuing to evaluate an online timesheet option and would, in the meantime, remind staff of their responsibility to maintain timesheets.

#### ***Leave recording (professional staff)***

The payroll audit considered the University's processes that ensure leave taken by individual professional employees is correctly recorded in the payroll system. The review noted that leave payments only occur once the payroll team receives an approved leave form. Where a leave form is not received employees are paid ordinary hours. Audit found processes employed by the University to identify and follow up employees who fail to submit leave forms were inconsistently applied across the University, not subject to formal procedural guidance and not monitored.

Consequently, there is a risk that the University will not follow up employees who fail to submit leave forms causing employee liability balances to remain unadjusted and resulting in overpayment to employees. Audit recommended the University implement processes to detect and follow up missing leave forms. The University agreed and indicated it would establish and communicate processes to detect and follow up missing leave forms.

#### ***Property, plant and equipment accounting***

Audit assessed the University's accounting for property, plant and equipment. The review found the University did not:

- maintain a comprehensive register of construction in progress
- reconcile the construction in progress register to physical asset projects
- regularly reconcile the construction in progress register to the general ledger
- comprehensively reconcile its fixed asset register to its general ledger on a timely basis.

These matters were addressed by the University prior to finalising its 2013 financial statements.

#### **Information and communications technology and control**

The previous Report indicated that there has been continued focus by University management to enhance ICT governance and remediate aspects of information security and control arrangements at the University. The issues were being considered and addressed through the University-wide security governance processes and ICT infrastructure changes. More recently Audit commenced an updated review process of the overall governance, security and control arrangements for ICT at the University. This includes an assessment of the effectiveness of the remediation program in progress at the University and areas of information classification, general ICT security, backup and disaster recovery. The outcome of this review, including the University's response to any matters raised for action, will be included in a subsequent report to Parliament.

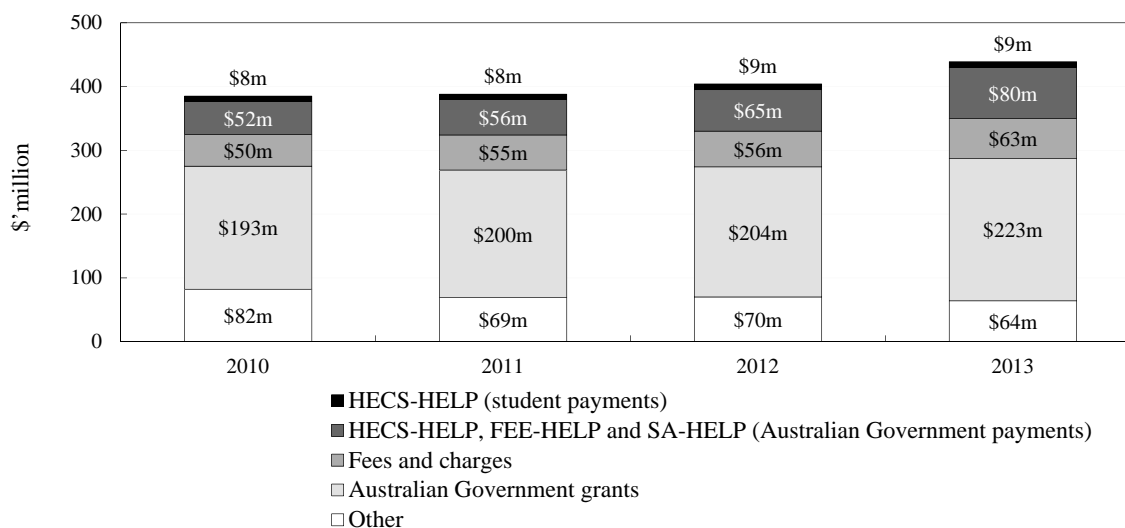
## Interpretation and analysis of the financial report

Highlights of the financial report (Consolidated)	2013 \$'million	2012 \$'million
<b>Income</b>		
Australian Government grants	223	204
HECS-HELP, FEE-HELP and SA-HELP (Australian Government payments)	80	65
HECS-HELP (student payments)	9	9
Fees and charges	63	56
Other	64	70
<b>Total income</b>	<b>439</b>	<b>404</b>
<b>Expenses</b>		
Employee related expenses	272	248
Other expenses	133	124
<b>Total expenses</b>	<b>405</b>	<b>372</b>
<b>Operating result</b>	<b>34</b>	<b>32</b>
<b>Net cash provided by (used in) operating activities</b>	<b>52</b>	<b>62</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(68)</b>	<b>(65)</b>
<b>Assets</b>		
Current assets	214	202
Non-current assets	551	514
<b>Total assets</b>	<b>765</b>	<b>716</b>
<b>Liabilities</b>		
Current liabilities	59	49
Non-current liabilities	73	77
<b>Total liabilities</b>	<b>132</b>	<b>126</b>
<b>Total equity</b>	<b>633</b>	<b>590</b>

### Income Statement

#### Income

A structural analysis of the University's operating income for the four years to 2013 is presented in the following chart.

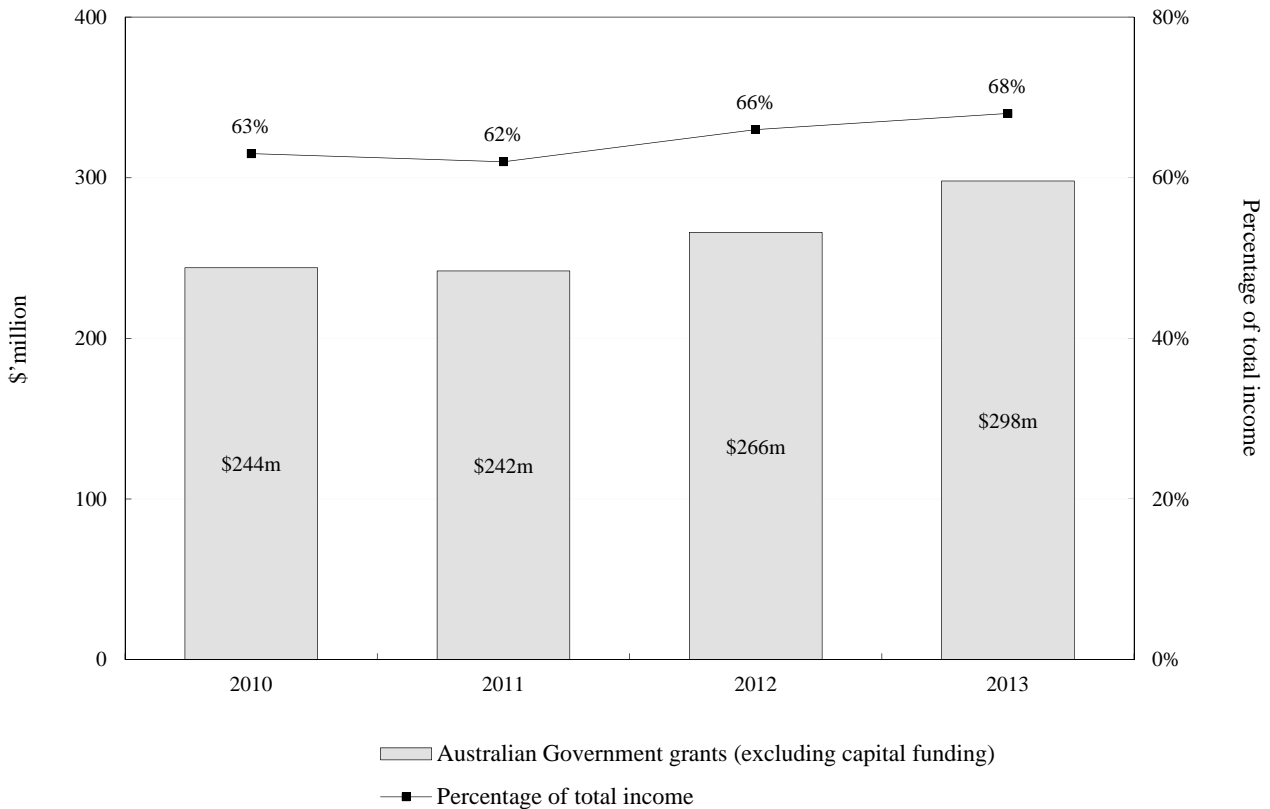


The chart shows that the University is dependent to a large extent on financial assistance from the Australian Government.

*Australian Government grants and payments*

The total Australian Government grants and payments received by the University during 2013 increased by \$34 million to \$303 million, which represents 69% of total income.

The following chart shows Australian Government grants and payments excluding capital funding as this is not necessarily comparable from year to year. It shows that in the last three years the proportion of non-capital Australian Government grants and payments to total income has grown.

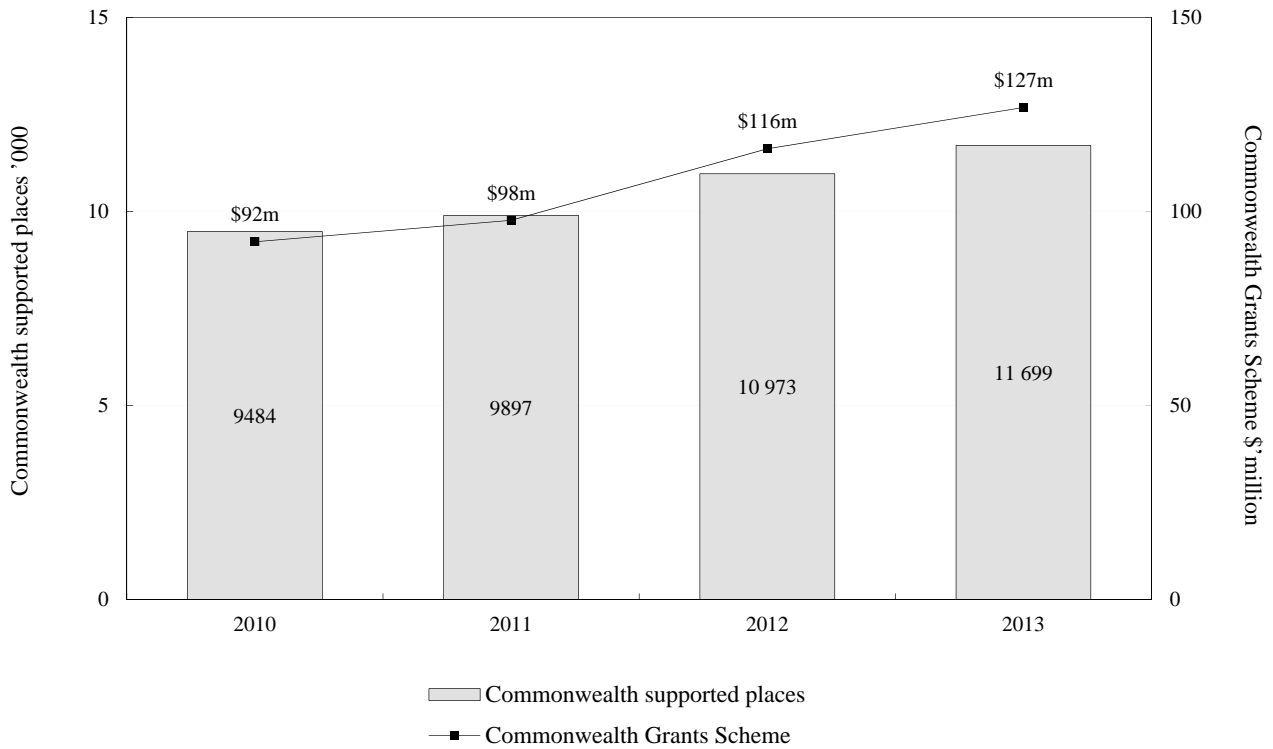


Australian Government grants and payments include the following major items:

- \$80 million Higher Education Loan Program (HELP) funding including for HECS-HELP. In 2013 HECS-HELP funding increased \$12.5 million (21%) to \$72 million which is primarily due to growth in Commonwealth supported places, price indexation and changes in national priority bands
- \$65 million Australian Government funding for research activities including competitive research grant programs and research infrastructure grants. This funding increased by \$7 million in 2013 mainly due to increased grants from the Australian Research Council, National Health and Medical Research Council and other competitive grant programs
- \$127 million Commonwealth Grants Scheme (CGS) funding for Commonwealth supported student places. CGS funding increased \$11 million (9%) primarily due to a 7% increase in the number of Commonwealth supported students together with price indexing and changes in the level of funding for specific programs.



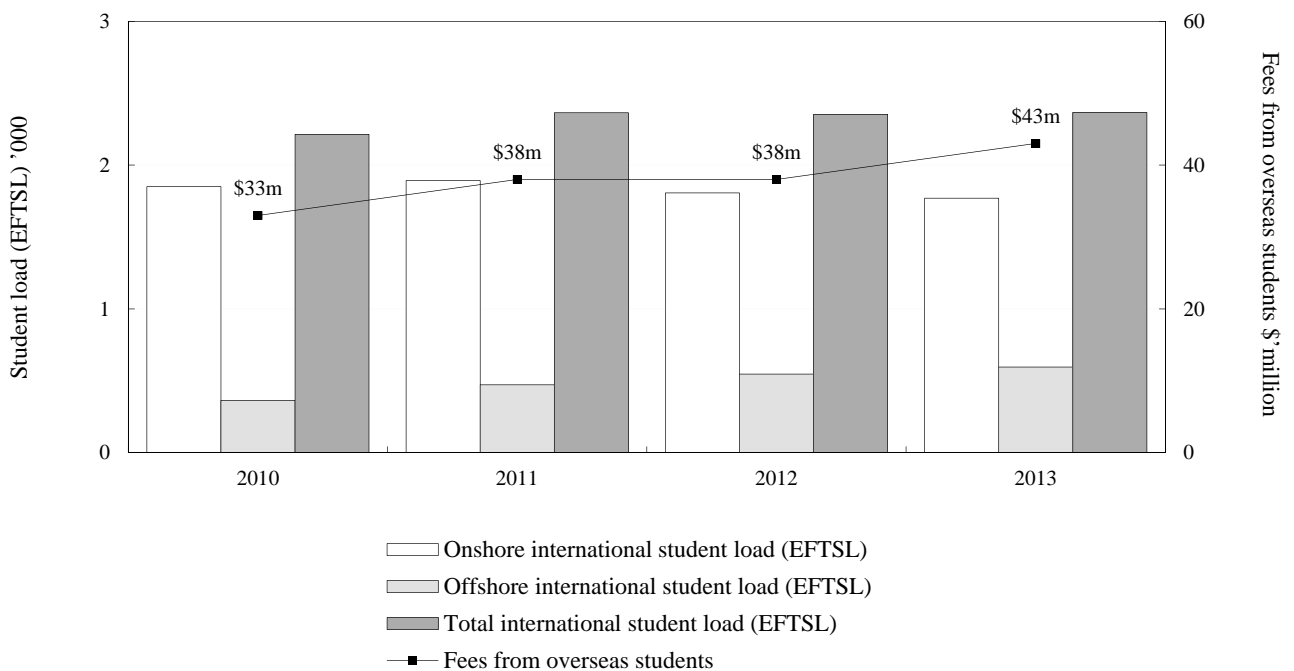
The following chart highlights the upward trend in CGS funding and supported places.



Source: Student numbers, which are based on equivalent full-time student load (EFTSL), were obtained from the University and are unaudited figures.

*Fees and charges - overseas students*

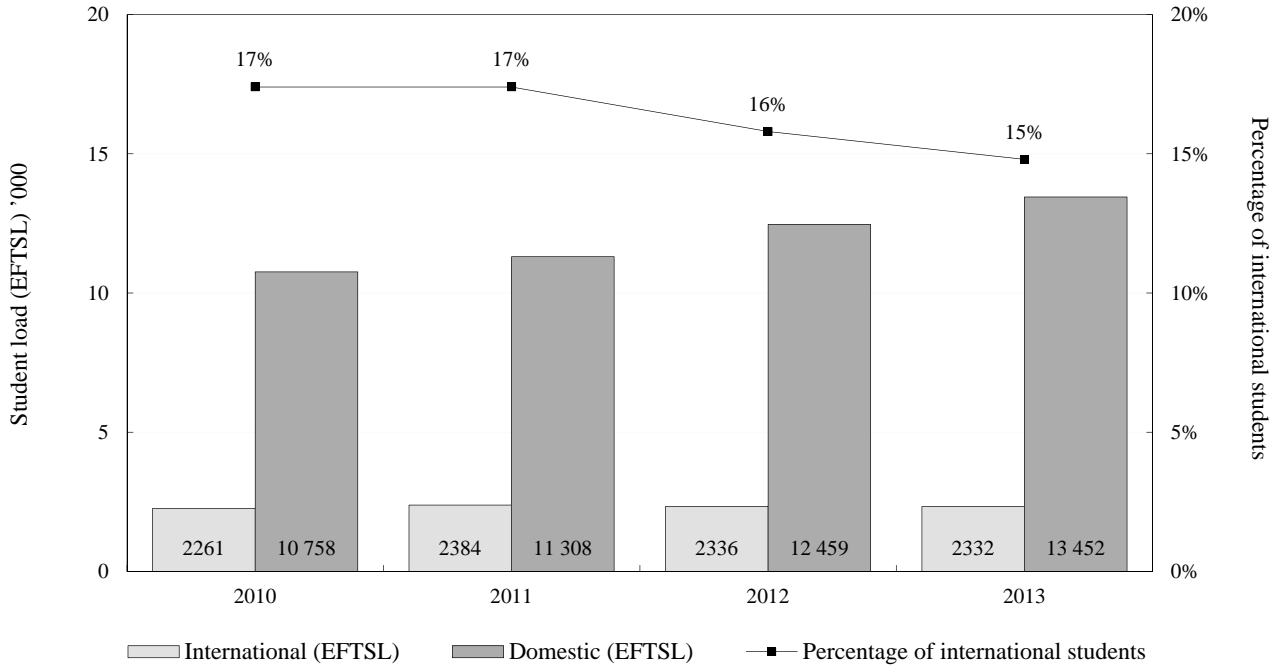
The following chart shows fees from overseas students together with international student numbers.



Source: Student numbers, which are based on EFTSL, were obtained from the University and are unaudited figures.

Fees from overseas students increased \$5 million (13%) to \$43 million primarily due to price increases. Total international students remained relatively stable, as the small increase in offshore international student load (48) was mostly offset by a decline in onshore international student load (37).

The following chart illustrates that international students have decreased as a percentage of total students since 2011.

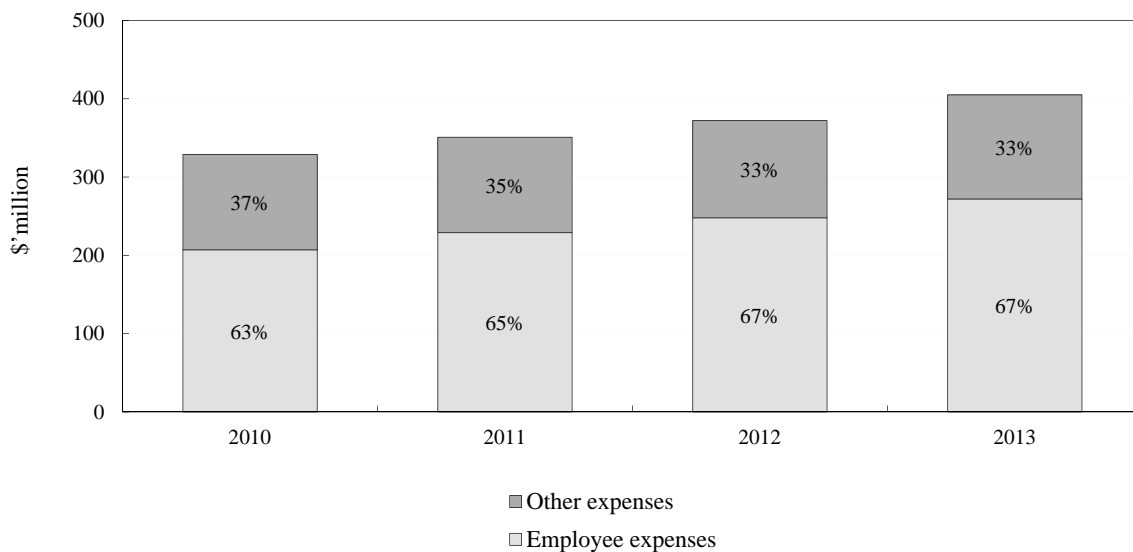


Source: Student numbers, which are based on EFTSL, were obtained from the University and are unaudited figures.

**Expenses**

Total expenses increased by \$33 million (9%) to \$405 million.

The following chart shows the expense amount and proportion of employee and other expenses to total expenditure over the four years to 2013.



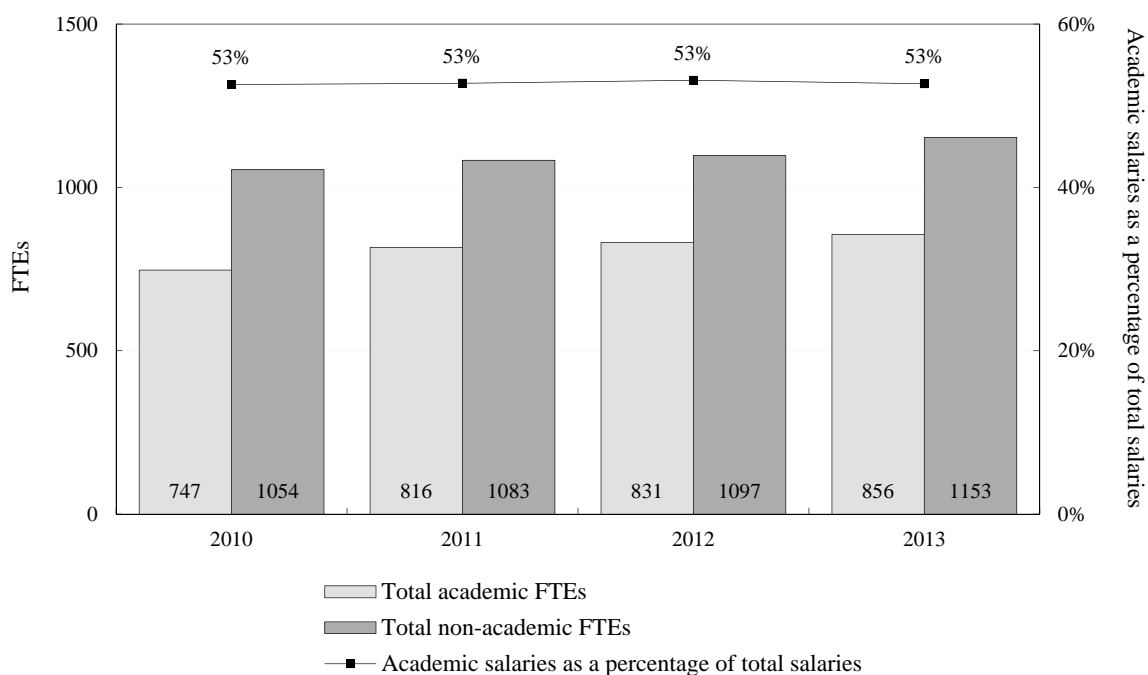
### Employee related expenses

Employee related expenses increased by \$24 million (10%) due mainly to:

- a 4.5% pay increase associated with the University's enterprise agreement
- a 3% increase in academic staff numbers and a 5% increase in professional staff numbers.

In 2013 the University had 856 academic employees and 1153 non-academic employees (full-time equivalent). Academic employees comprised 53% of total salaries and related expenses in 2013.

The following chart shows that the proportion of academic staff numbers and salaries as a percentage of total salaries is consistent over the four years to 2013.



Source: Staff numbers, which are based on full-time equivalents (FTEs) were obtained from the University's published statistics and are unaudited figures.

### Other expenses

Other expenses increased by \$9 million (7%) primarily due to a:

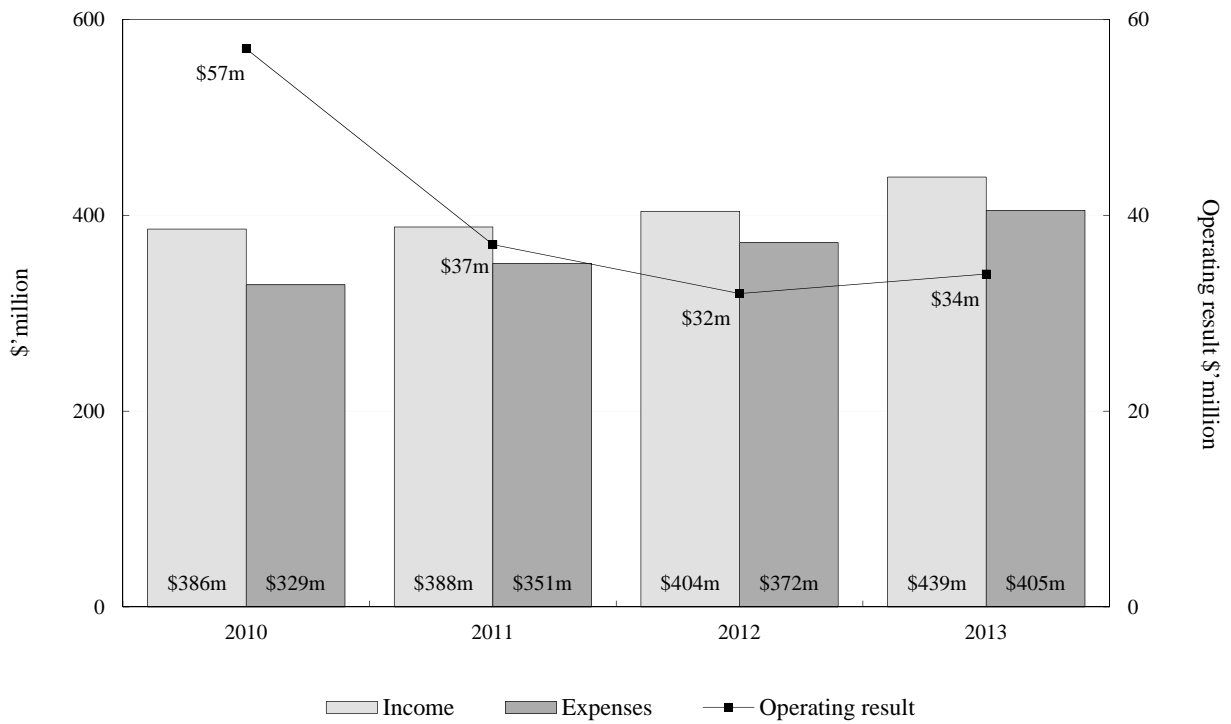
- \$2 million increase in repairs and maintenance expenses
- \$2 million increase in consultancy fees
- \$1 million increase in scholarships, grants and prizes
- \$1 million increase in travel, staff development and entertainment costs
- \$1 million increase in non-capitalised equipment.

### Operating result

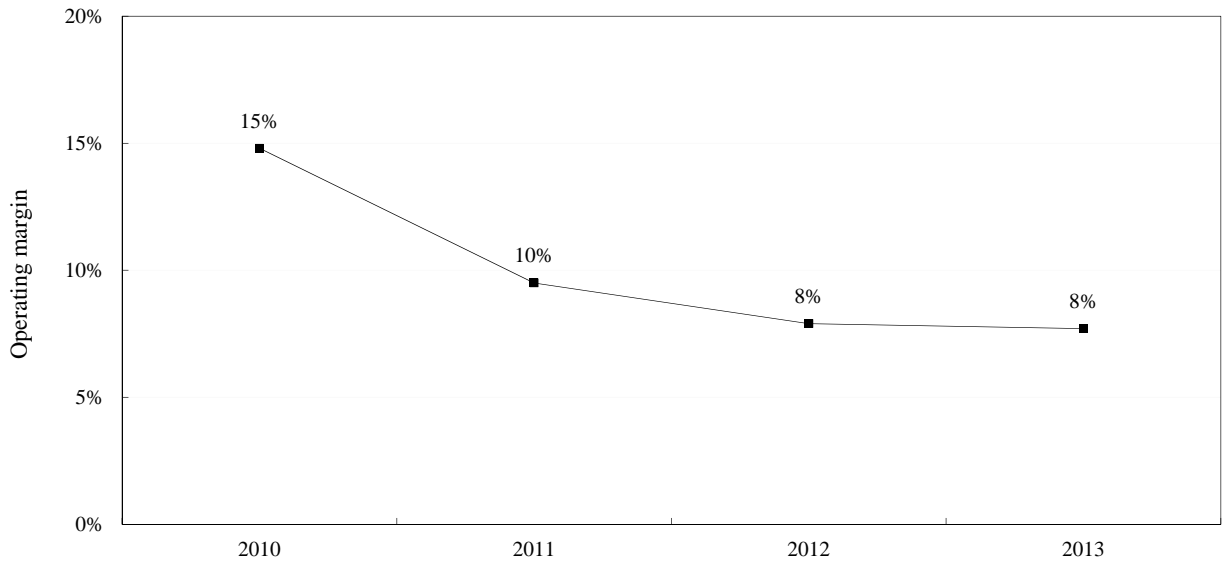
The operating result for the year was a \$34 million (\$32 million) surplus. Contributing to the surplus was:

- \$18 million investment revenue resulting from the University's significant cash and financial asset balances
- \$4 million capital funding from the Commonwealth Government.

The following chart shows the operating income, operating expenses and the operating result for the four years to 2013.



The chart below shows the University’s operating margin (the operating result as a percentage of total income) over the four years to 2013.



The chart shows the operating margin has been relatively consistent in recent years. The higher operating margin in 2010 reflects higher Australian Government revenue for capital projects in that year.

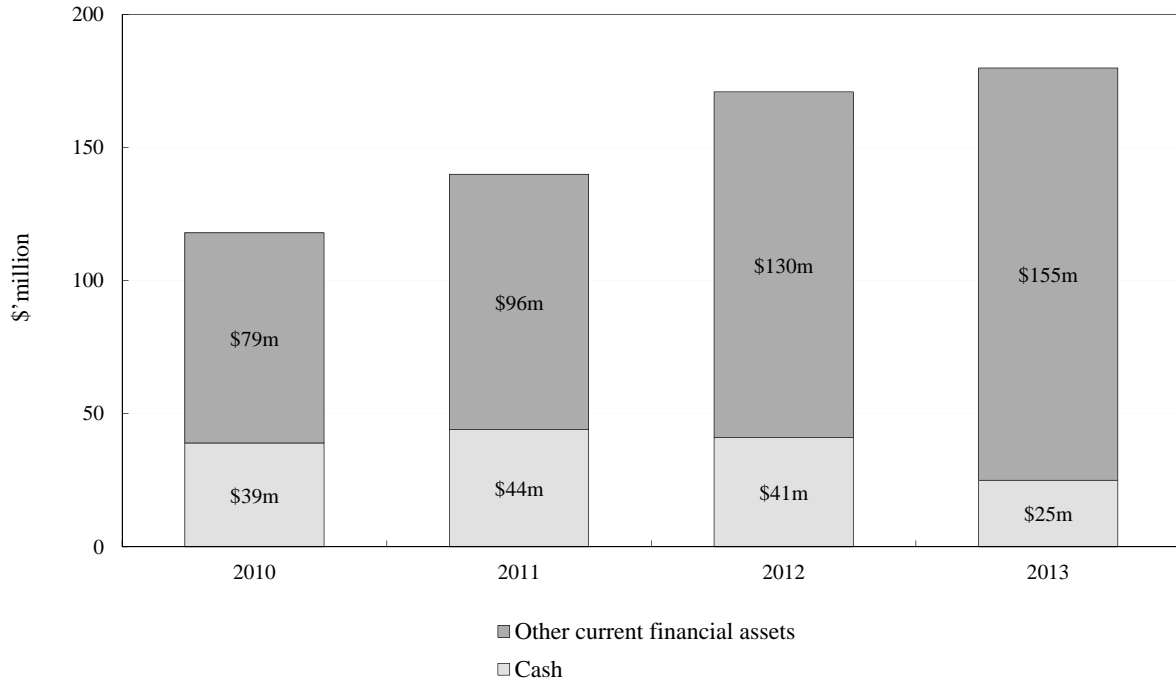
**Statement of Financial Position**

The University’s consolidated net assets as at 31 December 2013 totalled \$633 million (\$590 million), an increase of \$43 million.

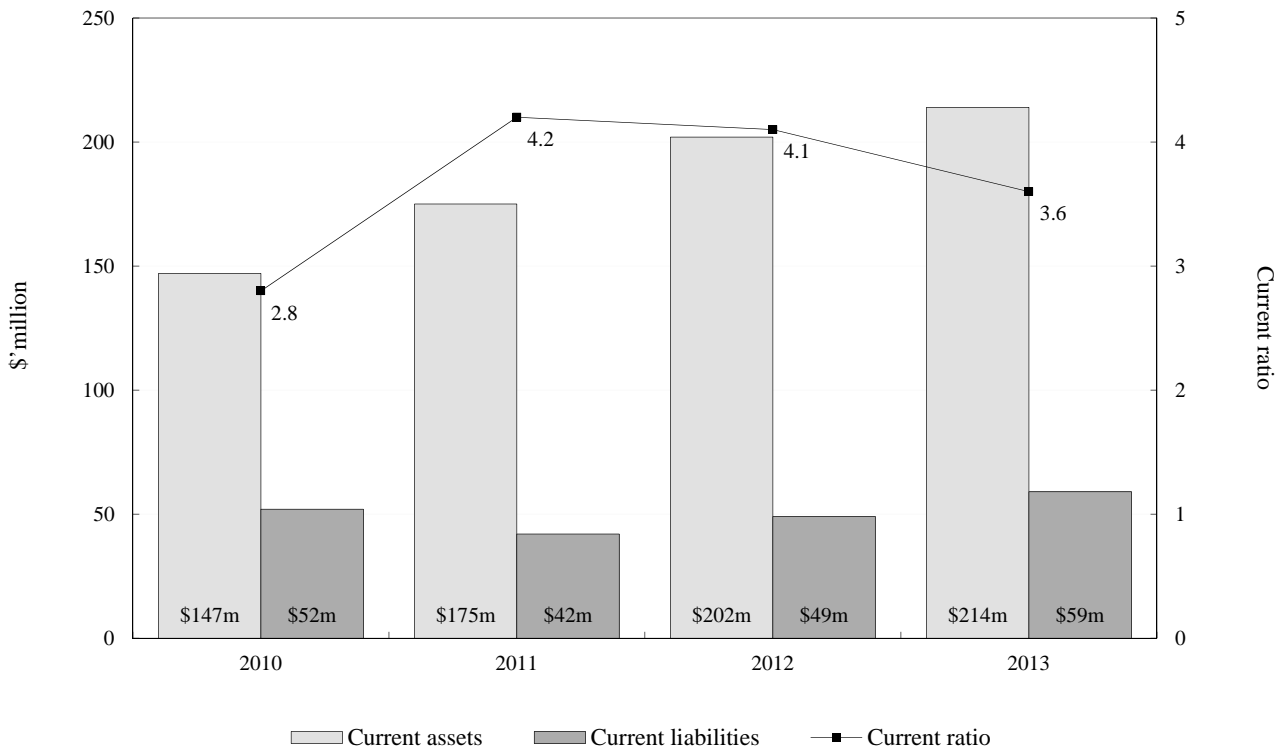
**Assets**

*Current assets*

The University holds significant cash and current financial assets (term deposits) of \$180 million. The following chart shows continued grow in cash and term deposits over the four years to 2013.



The following chart shows the University’s current assets and liabilities. While the chart shows the University’s current ratio declined in 2013, it remains strong as the University’s current assets, \$214 million exceeded current liabilities, \$59 million by \$155 million.



*Non-current assets*

The main item of the University's Statement of Financial Position is property, plant and equipment, representing 58% of total assets. The carrying value of property, plant and equipment increased by \$45 million to \$441 million due mainly to:

- \$50 million expenditure on capital infrastructure, including construction work associated with the Tonsley Park project and other major infrastructure projects
- other asset additions of \$9 million
- an \$8 million revaluation increment associated with an independent valuation of land and building on a fair value basis as at 31 December 2013. For information regarding the basis of the valuation refer notes 1, 22 and 41 to the financial statements. The University had previously revalued land and buildings as at 31 December 2010.

These increases were offset by \$20 million in depreciation charges.

*Major capital works at Tonsley Park*

In July 2013, the University Council approved the construction of a new building at Tonsley Park. The new building will house the Flinders' School of Computer Science, Engineering and Mathematics, Medical Device Research Institute, Centre for Nanoscale Science and Technology, as well as the University's business engagement activities. With a floor area of 16 000 square metres over six levels the building will support 2000 students and 150 staff.

The Tonsley Park building project has a total budgeted cost of \$120 million. Construction of the building commenced in July 2013 and is scheduled to be fully operational in early 2015. As at 31 December 2013 the University's financial report recognises a \$22 million construction in progress asset in relation to the project.

**Liabilities**

The University's liabilities increased by \$6 million to \$132 million. The major items causing this change were:

- a \$9 million increase in trade and other payables, partly due to expense accruals relating to the Tonsley Park project
- a \$2 million increase in income received in advance
- a \$6 million decrease in defined superannuation benefits obligation, mainly due to an increase in discount rates used to calculate the liability.

**Statement of Cash Flows**

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

	2013 \$'million	2012 \$'million	2011 \$'million	2010 \$'million
<b>Net cash flows</b>				
Operating	52	62	52	74
Investing	(68)	(65)	(47)	(110)
Change in cash	(16)	(3)	5	(36)
Cash at 31 December	25	41	44	39

Operating cash inflows include capital grants which are used for investing purposes. Investing activities include \$57 million payments for property, plant and equipment. For further information regarding these activities refer to commentary under 'Non-current assets'.

## **Further commentary on operations**

### **South Australian Health and Medical Research Institute (SAHMRI)**

SAHMRI was formally established as a company limited by guarantee under the Commonwealth *Corporations Act 2001* on 21 December 2009.

The primary objective of SAHMRI is to develop a centre of excellence both in Australia and internationally for the benefit of the community in undertaking, promoting and expanding research relating to:

- human medicine and health, including research relating to the detection, prevention, control and treatment of diseases in humans
- the social determinants of health, including the health of particular sections of the community
- health service delivery.

The founding members of SAHMRI are:

- the South Australian Treasurer
- the South Australian Minister for Health
- the South Australian Minister for Science and Economy
- the University of Adelaide
- the Flinders University of South Australia
- the University of South Australia.

The University does not control or exercise significant influence over SAHMRI operations under current constitutional and board membership arrangements.

The University has entered into a license agreement and building fitout contribution agreement with SAHMRI. Under these agreements, the University has a licence to occupy space in the SAHMRI building in return for a contribution to the building fitout.

The University made an interim payment of \$1.4 million in December 2013 to contribute to its portion of the SAHMRI building fitout. This transaction has been reflected as a prepayment in the Statement of Financial Position as at 31 December 2013 (refer note 20).

The University made a further payment of \$1.3 million in April 2014 to pay for the remainder of the fitout works. The University's researchers commenced their relocation to the SAHMRI building premises in February 2014.

Under the license agreement, the University will be obliged to contribute to outgoings associated with their space (eg utilities costs), however no ongoing licence fee will be payable. A memorandum of understanding under the license agreement details how the University's share of the SAHMRI's building space is to be determined.

## Income Statement for the year ended 31 December 2013

	Note	Consolidated		University	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Income from continuing operations:</b>					
Australian Government financial assistance:					
Australian Government grants	3	222 859	204 347	222 859	204 347
HELP - Australian Government payments	3	79 909	64 813	79 909	64 813
State and Local Government financial assistance	4	14 682	18 043	14 682	18 043
HECS-HELP - student payments		9 012	9 125	9 012	9 125
Fees and charges	5	63 071	56 082	63 023	56 045
Investment revenue	6	13 340	14 403	12 945	13 400
Royalties, trademarks and licences	7	549	629	210	346
Consultancy and contracts	8	8 554	8 645	8 394	7 946
Other revenue	9	20 819	22 332	14 762	16 191
<b>Total revenue from continuing operations</b>		<b>432 795</b>	<b>398 419</b>	<b>425 796</b>	<b>390 256</b>
Gains on disposal of assets	10	1 363	-	1 257	-
Share of profit or loss on investments accounted for using the equity method	21	274	59	-	-
Other investment income	6	4 837	5 157	4 746	4 633
<b>Total income from continuing operations</b>		<b>6 474</b>	<b>5 216</b>	<b>6 003</b>	<b>4 633</b>
<b>Total revenue and income from continuing operations</b>		<b>439 269</b>	<b>403 635</b>	<b>431 799</b>	<b>394 889</b>
<b>Expenses from continuing operations:</b>					
Employee related expenses	11	271 687	248 229	266 315	243 142
Depreciation and amortisation	12	21 435	20 990	21 235	20 793
Repairs and maintenance	13	11 529	9 071	11 455	9 012
Impairment of assets	14	320	35	320	14
Losses on disposal of assets	10	-	57	-	14
Other expenses	15	100 107	93 311	97 499	89 908
<b>Total expenses from continuing operations</b>		<b>405 078</b>	<b>371 693</b>	<b>396 824</b>	<b>362 883</b>
<b>Operating result for the year</b>		<b>34 191</b>	<b>31 942</b>	<b>34 975</b>	<b>32 006</b>
Operating result attributable to non-controlling interest		(48)	(50)	-	-
<b>Operating result attributable to the University</b>		<b>34 239</b>	<b>31 992</b>	<b>34 975</b>	<b>32 006</b>



## Statement of Comprehensive Income for the year ended 31 December 2013

	Note	Consolidated		University	
		2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000
<b>Operating result for the year</b>		34 191	31 942	34 975	32 006
Gain (Loss) on revaluation of land, buildings, library and artwork	28	8 322	-	8 322	-
Gain (Loss) on value of available-for-sale financial assets	28	164	103	1 019	710
<b>Total comprehensive income</b>		<u>42 677</u>	<u>32 045</u>	<u>44 316</u>	<u>32 716</u>
Total comprehensive income attributable to non-controlling interest		(48)	(50)	-	-
Total comprehensive income attributable to the University		<u>42 725</u>	<u>32 095</u>	<u>44 316</u>	<u>32 716</u>
<b>Total comprehensive income attributable to the University</b>		<u>42 677</u>	<u>32 045</u>	<u>44 316</u>	<u>32 716</u>

## Statement of Financial Position as at 31 December 2013

	Note	Consolidated		University	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Assets:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	16	25 368	40 902	23 871	40 032
Receivables	17	22 184	21 765	20 922	20 340
Inventories	18	461	502	207	244
Other financial assets	19	154 455	130 116	154 455	129 049
Other non-financial assets	20	12 001	8 492	11 972	8 420
<b>Total current assets</b>		<b>214 469</b>	<b>201 777</b>	<b>211 427</b>	<b>198 085</b>
<b>Non-current assets:</b>					
Receivables	17	43 814	49 671	43 814	49 671
Other financial assets	19	50 992	55 714	56 014	59 385
Investments accounted for using the equity method	21	333	59	-	-
Property, plant and equipment	22	441 078	396 284	439 823	395 000
Investment properties	23	9 400	9 400	9 400	9 400
Intangible assets	24	5 083	3 157	4 333	2 870
<b>Total non-current assets</b>		<b>550 700</b>	<b>514 285</b>	<b>553 384</b>	<b>516 326</b>
<b>Total assets</b>		<b>765 169</b>	<b>716 062</b>	<b>764 811</b>	<b>714 411</b>
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Trade and other payables	25	33 519	24 453	32 821	23 802
Provisions	26	17 442	17 695	16 929	17 354
Other liabilities	27	8 412	6 726	9 439	7 709
<b>Total current liabilities</b>		<b>59 373</b>	<b>48 874</b>	<b>59 189</b>	<b>48 865</b>
<b>Non-current liabilities:</b>					
Trade and other payables	25	4 035	4 285	4 035	4 285
Provisions	26	68 939	73 073	68 816	72 806
<b>Total non-current liabilities</b>		<b>72 974</b>	<b>77 358</b>	<b>72 851</b>	<b>77 091</b>
<b>Total liabilities</b>		<b>132 347</b>	<b>126 232</b>	<b>132 040</b>	<b>125 956</b>
<b>Net assets</b>		<b>632 822</b>	<b>589 830</b>	<b>632 771</b>	<b>588 455</b>
<b>Equity:</b>					
University interest:					
Reserves	28	150 859	142 373	161 024	151 683
Retained surplus	28	481 682	447 443	471 747	436 772
<b>Total University interest</b>		<b>632 541</b>	<b>589 816</b>	<b>632 771</b>	<b>588 455</b>
Non-controlling interest		281	14	-	-
<b>Total equity</b>		<b>632 822</b>	<b>589 830</b>	<b>632 771</b>	<b>588 455</b>

## Statement of Changes in Equity for the year ended 31 December 2013

<b>Consolidated</b>	Reserves	Retained	Total	Non-	Total
	\$'000	surplus	University	controlling	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2012	142 270	415 807	558 077	201	558 278
Surplus or deficit	-	31 992	31 992	(50)	31 942
Gain (Loss) on available-for-sale financial assets	103	-	103	-	103
<b>Total comprehensive income</b>	<b>103</b>	<b>31 992</b>	<b>32 095</b>	<b>(50)</b>	<b>32 045</b>
Additional share capital issued	-	-	-	134	134
Loss on derecognition	-	(356)	(356)	(271)	(627)
<b>Balance at 31 December 2012</b>	<b>142 373</b>	<b>447 443</b>	<b>589 816</b>	<b>14</b>	<b>589 830</b>
Balance at 1 January 2013	142 373	447 443	589 816	14	589 830
Surplus or deficit	-	34 239	34 239	(48)	34 191
Revaluation of land, buildings, library and artwork	8 322	-	8 322	-	8 322
Gain (Loss) on available-for-sale financial assets	164	-	164	-	164
<b>Total comprehensive income</b>	<b>8 486</b>	<b>34 239</b>	<b>42 725</b>	<b>(48)</b>	<b>42 677</b>
Recognition of non-controlling interest	-	-	-	315	315
<b>Balance at 31 December 2013</b>	<b>150 859</b>	<b>481 682</b>	<b>632 541</b>	<b>281</b>	<b>632 822</b>

<b>University</b>	Reserves	Retained	Total
	\$'000	surplus	\$'000
	\$'000	\$'000	\$'000
Balance at 1 January 2012	150 973	404 766	555 739
Surplus or deficit	-	32 006	32 006
Revaluation of land, buildings, library and artwork	-	-	-
Gain (Loss) on available-for-sale financial assets	710	-	710
<b>Total comprehensive income</b>	<b>710</b>	<b>32 006</b>	<b>32 716</b>
Balance at 31 December 2012	151 683	436 772	588 455
Balance at 1 January 2013	151 683	436 772	588 455
Surplus or deficit	-	34 975	34 975
Revaluation of land, buildings, library and artwork	8 322	-	8 322
Gain (Loss) on available-for-sale financial assets	1 019	-	1 019
<b>Total comprehensive income</b>	<b>9 341</b>	<b>34 975</b>	<b>44 316</b>
<b>Balance at 31 December 2013</b>	<b>161 024</b>	<b>471 747</b>	<b>632 771</b>

## Statement of Cash Flows for the year ended 31 December 2013

		Consolidated		University	
		2013	2012	2013	2012
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities:</b>	Note				
Australian Government grants received	3(g)	307 774	281 686	307 774	281 686
OS-HELP (net)	3(g)	116	(63)	116	(63)
Superannuation supplementation	3(g)	2 807	2 044	2 807	2 044
State Government grants received		14 507	18 176	14 507	18 176
Local Government grants received		175	58	175	58
HECS-HELP - student payments		9 012	9 125	9 012	9 125
Fees and charges		63 764	56 464	63 717	56 228
Receipts from customers		37 646	37 816	30 848	30 956
Dividends received		3 169	2 402	2 652	1 365
Interest received		8 121	9 934	8 029	9 781
Other investment income		2 325	3 030	2 539	2 481
GST recovered from the ATO		6 919	1 997	6 919	1 644
Payments to employees		(270 381)	(247 988)	(265 035)	(243 033)
Payments to suppliers (inclusive of GST)		(133 281)	(112 548)	(130 723)	(108 151)
<b>Net cash provided by (used in) operating activities</b>	37	<b>52 673</b>	<b>62 133</b>	<b>53 337</b>	<b>62 297</b>
<b>Cash flows from investing activities:</b>					
Proceeds from sale of property, plant and equipment		1 967	590	1 967	298
Payments for property, plant and equipment		(57 150)	(29 066)	(56 514)	(28 932)
Proceeds from sale of financial assets		4 872	-	4 455	-
Payments for financial assets		(17 919)	(36 450)	(19 272)	(36 450)
Repayment of loan from joint venture partner		118	98	118	98
Increase (Decrease) in funds held on behalf of other entities		(95)	(628)	(252)	(384)
<b>Net cash provided by (used in) investing activities</b>		<b>(68 207)</b>	<b>(65 456)</b>	<b>(69 498)</b>	<b>(65 370)</b>
<b>Cash flows from financing activities:</b>					
Proceeds from borrowings		-	-	-	-
<b>Net cash provided by (used in) financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(15 534)</b>	<b>(3 323)</b>	<b>(16 161)</b>	<b>(3 073)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>40 902</b>	<b>44 225</b>	<b>40 032</b>	<b>43 105</b>
<b>Cash and cash equivalents at 31 December</b>	1(d)(i),16	<b>25 368</b>	<b>40 902</b>	<b>23 871</b>	<b>40 032</b>
Non-cash financing and investing activities	38				

## Notes to and forming part of the financial statements

### 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the years presented unless otherwise stated. The financial statements include separate statements for The Flinders University of South Australia (Flinders University or the University) as the Parent Entity and the Consolidated Entity (or the Group) consisting of Flinders University and its subsidiaries.

The principal address of Flinders University is:

Sturt Road  
Bedford Park  
South Australia 5042

#### (a) *Basis of preparation*

The annual financial statements represent the audited general purpose financial statements of Flinders University. They have been prepared on an accrual basis and comply with AASs.

Additionally, the statements have been prepared in accordance with the following statutory requirements:

- *Higher Education Support Act 2003* (Financial Statement Guidelines)
- relevant provisions of the TIs issued pursuant to the PFAA and the APF issued pursuant to the TIs, except where they conflict with the Australian Government Department of Education (AGDE) Guidelines.

#### *Compliance with International Financial Reporting Standards (IFRS)*

Flinders University is a not-for-profit entity and these statements have been prepared on that basis. Some of the AASs requirements for not-for-profit entities are inconsistent with the IFRS requirements.

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

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

#### *Critical accounting estimates*

The preparation of financial statements in conformity with AASs requires management to make judgements, estimates and assumptions. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The main items with critical assumptions are superannuation receivable and provision, valuation of property, plant and equipment, LSL liability and depreciation.

#### (b) *Basis of consolidation*

##### *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University as at 31 December and the revenues and expenses of all subsidiaries for the financial years shown. The financial statements of the Consolidated Entity comprise the accounts of Flinders University (the Parent Entity) and all of its subsidiaries. A subsidiary is any entity controlled by the University. Control exists where the University has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. A list of subsidiaries is contained in note 34. The University and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity

Intercompany transactions, balances and unrealised gains on transactions between members of the Consolidated Entity are eliminated to the extent of the Consolidated Entity's interest in the subsidiaries. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity respectively.

(c) **Depreciation and amortisation**

The basis for depreciation and the depreciation rates is reviewed annually. Depreciation is calculated on a straight-line basis on all property, plant and equipment, other than land and works of art, which are not depreciated. The following rates are based on the estimated useful life of the assets to the University:

<i>Item</i>	<i>Percentage</i>
Depreciation:	
Buildings and infrastructure	2.5-20.0
Equipment:	
Motor vehicles	20.0
General equipment	10.0-33.3
Computer hardware	16.6-33.3
Furniture	10.0
Aircraft	10.0
Library collection	10.0
Amortisation:	
Computer software	20.0

The gross amount of depreciable assets and the related accumulated depreciation is provided within note 22. Depreciation expense by asset class is shown in note 12.

(d) **Financial instruments**

(i) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand and at bank, deposits with financial institutions at call within three days and term deposits maturing in less than 90 days from the date invested that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank accounts are recognised at nominal amounts. Note disclosure is made in note 16.

(ii) *Receivables*

Receivables are shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (provision for doubtful debts). The University's credit terms are net 30 days. Note disclosure is made in note 17.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of receivables is established when there is objective evidence that amounts due according to the original terms will not be able to be collected. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Details regarding the receivable from the Australian Government relating to the State Superannuation Scheme are disclosed in note 1(h)(v).

(iii) *Financial assets (investments)*

Subsequent to initial recognition, investments in subsidiaries are measured at fair value. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the University's financial statements.

In accordance with AASB 139, other financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. In the case of assets classified as held-to-maturity, the University re-evaluates this designation at each reporting date.

*Financial assets at fair value through profit or loss*

The Consolidated Entity has classified certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

*Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Interest on term deposits is recognised at balance date based on the proportion of the term that has elapsed.

*Available-for-sale financial assets*

Certain shares held are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period. This category includes investments classified as available-for-sale and any investments that do not fit the definitions for inclusion in the previous categories. Consequently it should not be assumed that the University has plans to dispose of these assets.

They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

*Loans and receivables*

Trade receivables, loans, and other receivables are recorded at cost less impairment.

The carrying amount of investments is reviewed annually by the University to ensure that all items are carried at fair value. Note disclosure for other financial assets (investments) is made in note 19.

*Fair value*

The fair value of investments and other financial assets is based on quoted prices in an active market. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques that maximise the use of relevant data. These include reference to the estimated price in an orderly transaction that would take place between market participants at the measurement date. Other valuation techniques used are the cost approach and the income approach based on the characteristics of the asset and the assumptions made by market participants.

*(iv) Payables*

Payables are shown at amounts due to suppliers, inclusive of GST and exclusive of any applicable discounts that will be taken. Note disclosure is made in note 25. The amounts are unsecured and the standard University terms of trade is payment within 30 days of invoice.

*(v) Interest bearing liabilities*

The University has no loans or borrowings. However the University receives deposits from subsidiaries, certain joint ventures and related external entities for group investment along with University funds and shares the investment income with those entities. Note disclosure is made in note 27.

*(vi) Other liabilities: funds held on behalf of external entities*

Funds held on behalf of external entities are shown at amounts due. These do not incur any interest charges. Note disclosure is made in note 27.

*(e) Investment property*

Investment properties exclude properties held to meet service delivery objectives of the University. The University holds investment properties which are measured on a fair value basis, which is based on active market prices of similar properties, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods such as recent prices in less active markets or discounted cash flow projections are used.

Independent valuations are undertaken annually. At each reporting date, the reported value is reviewed to ensure that it does not differ materially from the property's fair value at that date. Changes to fair value are recorded in the Income Statement as other income.

The investment properties were independently valued at fair value as at 31 December 2013 by Richard Wood AAPI CPV BAppSc(Val) of Opteon Pty Ltd.

Rental revenue from the leasing of investment properties is recognised in the Income Statement in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the properties.

*(f) Website costs*

Costs in relation to websites are charged as expenses in the period in which they are incurred.

**(g) Intangible assets**

**(i) Research and development**

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Income Statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Income Statement as an expense when incurred.

The University expenses development costs when incurred, as the expenses are not recoverable beyond reasonable doubt. One of the University's subsidiaries, Flinders Partners Pty Ltd, has the rights to commercialise intellectual property arising from the University. Development costs incurred by Flinders Partners Pty Ltd are treated as deferred expenditure:

- during the assessment phase of projects, until financial viability is determined
- for projects expected to be financially viable, to offset future revenue.

Development costs treated as deferred expenditure are included in the consolidated Statement of Financial Position and are disclosed under note 24 as project costs carried forward.

The recoverability of deferred expenditure is reviewed annually and any amounts previously deferred that are no longer expected to be recovered are charged to the net operating result.

**(ii) Software costs**

The University capitalises certain software costs with a purchase price greater than \$40 000 and an expected useful life greater than 12 months, together with costs associated with implementation. These are recorded on the basis of cost less amortisation once the system is operational. Impairment is assessed annually. Note disclosure is made in note 24.

**(h) Employee expenses**

Employee expenses expected to be settled within one year have been recognised at their nominal amount. These liabilities are measured at the amounts expected to be paid when the liability is settled. On-costs on the leave liabilities accruing to employees are recognised as provisions and on-costs not accruing to employees are classed as payables as required under APF IV, APS 5.23. Benefits expected to be settled later than one year have been measured at the present value of the estimated applicable future cash flows to be made for those benefits and related on-costs.

**(i) Salaries**

Liabilities for short-term employee benefits including salaries, non-monetary benefits and bonuses due to be settled within 12 months after the end of the period are measured at the amount expected to be paid when the liability is settled and recognised in trade and other payables.

**(ii) LSL**

The liability for LSL is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

The LSL liability is independently actuarially estimated each year in accordance with AASB 119. The last update was performed at 31 December 2013 by Stuart Mules FIAA of Mercer (Australia) Pty Ltd. The assumptions used by the actuary include:

- investment earnings rate of 3.9% p.a. (2.8% p.a.). Impact of the 2013 earnings rate resulted in a reduction in LSL provision of \$1.7 million
- salary inflation rate of 3.5% p.a. (4%)
- on-costs have been applied at the rate of 15.8% (17.3%)
- the proportion of leave taken in service is 73% (71%), the balance at termination of service.

The current portion represents the amount expected to be paid in the following 12 months. Note disclosure is made in notes 25 and 26.



*(iii) Annual leave*

The calculation to measure the value of annual leave has assumed a 4% salary inflation factor, as recommended by the APF IV, APS 5.5. The current portion represents the amount expected to be paid in the following 12 months. Note disclosure is made in notes 25 and 26.

*(iv) Sick leave*

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken each year is expected to be less than the annual entitlement for sick leave.

*(v) Superannuation**Superannuation schemes*

Superannuation schemes exist to provide benefits to University employees and their dependents upon resignation, retirement, disability or death. The contributions made to these schemes by the University and the emerging costs from unfunded schemes are expensed in the Income Statement. Except in the case of multi-employer schemes such as UniSuper, the University recognises, as an asset or a liability, the difference between the employer established defined benefit superannuation scheme's accrued benefits and the net market value of the scheme's assets. Note 42 provides details in respect of the individual schemes.

*Unfunded superannuation - State Superannuation Scheme*

An arrangement exists between the Australian Government and the State Government to share the unfunded liability for the University's beneficiaries of the State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by the *State Grants (General Revenue) Amendment Act 1987* (Cwlth), *Higher Education Funding Act 1988* (Cwlth) and subsequent amending legislation. Accordingly the unfunded liabilities have been recognised in the Statement of Financial Position under provisions with a corresponding asset recognised under receivables. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the University or the Consolidated Entity (refer note 42(ii)).

The AGDE Guidelines require that Superannuation Supplementation funding received from the Australian Government must not be shown as revenue as this is a partial settlement of an asset recognised in accordance with AASB 119.116. The net difference between the gross expense and the amount received from the Australian Government is shown as an expense within employee related expenses.

*(vi) Severance*

Provision is made for severance payments where it is probable payments will be made under industrial awards for fixed-term staff. The current portion represents the amount expected to be paid in the following 12 months. Severance payments are included under salaries within employee related expenses. Note disclosure of the provision is made in note 26.

*(vii) Redundancy benefits*

Redundancy benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The University recognises redundancy benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing redundancy benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance date are discounted to present value. Expenses are disclosed in note 11. Amounts unpaid at balance are included under trade and other payables.

**(i) Foreign currency***(i) Functional and presentation currency*

The consolidated financial statements are presented in Australian dollars which is the Consolidated Entity's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions were converted to Australian currency at the rates of exchange prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Note 40 discloses foreign currency monetary items outstanding at balance date.

**(j) Workers compensation**

The University is responsible for payments of workers compensation and is registered with WorkCoverSA as an exempt employer. Lawsons Risk Management Services Pty Ltd administers workers compensation arrangements on behalf of the University.

The provision for workers compensation liability is actuarially determined each year. The valuation as at 31 December 2013 was performed by Laurie Brett FIA FIAA. The method used is the claims paid development method where all past claims are brought to current values with an allowance for late claims reporting and administration costs. The liability for workers compensation is disclosed in note 26.

**(k) GST**

The University recognises revenues, expenses and assets net of the amount of associated GST, except where the amount of GST incurred by the University is not recoverable from the ATO. In this case, it is recognised as part of the cost acquisition of the asset or as part 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 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 ATO is classified as operating cash flows.

Commitments and contingencies are disclosed net of GST recoverable from, or payable to, the ATO.

**(l) Inventories**

Inventories are stores of consumable items including printing and maintenance materials and are measured at cost. Annual stocktakes are used to verify inventory account balances. Other small inventories of consumable items including stationery, fuel and antisera are expensed as purchased. Note disclosure is made in note 18.

**(m) Investments in business undertakings**

*Subsidiaries*

Investments in subsidiaries are carried in the University's Statement of Financial Position at fair value, which is determined to be the net asset value of the subsidiary. Dividends are brought to account when they are received. Note disclosure is made in note 34.

*Joint ventures*

• *Joint venture operations*

The University's proportionate interest in 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 Income Statement, where material. Details of joint ventures are included in note 35.

• *Joint venture entities*

The University has a material interest in one joint venture entity.

If material, the interest in a joint venture entity is accounted for in the consolidated financial statements using the equity method and is carried at cost by the University. Under the equity method, the share of profits or losses of the entity is recognised in the Income Statement, and the share of movements in reserves is recognised in reserves in the Statement of Comprehensive Income and the Statement of Changes in Equity. Details relating to the entity are set out in note 35.

*Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. If material, investments in associates are accounted for in the University's financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

There were no material associates at balance date.

**(n) Leased assets***University as lessee*

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases of assets in which a significant portion of the risks and benefits of ownership remain with the lessor are classified as operating leases. Payments made under an operating lease are expensed over the period to which the payment relates.

*University as lessor*

The University leases space in its investment property to external entities. Accommodation on campus is leased to students. The University also leases a small amount of space on its main campus to commercial entities for provision of services to students and staff and a portion of the Lincoln Marine Science Centre to other research entities. The leases are all classified as operating leases. Note disclosure is made in note 32(b).

**(o) Revenue recognition***(i) Government financial assistance*

Grant revenue is recognised in the year that the University gains control of the revenue which is generally when it is received. Where the University obtains control of the right to receive the grant and when revenue recognition criteria are met, the grant revenue is recognised in the period to which it relates. Note disclosure is made in notes 3 and 4.

*(ii) Consultancy and contract research*

Revenue from consultancy and contract research is recognised in the period in which the consultancies/contract services are provided. Research grant revenue is recognised as revenue when received. Note disclosure is made in note 8.

*(iii) Donations*

Donations are received in cash and non-cash forms. Non-cash donations are recognised at the University's estimate of the fair value of the items donated. Note disclosure is made in note 9.

*(iv) Fees and charges: student revenue*

Student tuition fees and charges are recognised as income in the year in which the service is provided. Note disclosure is made in note 5.

*(v) Investment income*

Interest revenue is recognised as it accrues. Dividend revenue and imputation credits are recognised only when declared before the 31 December reporting date.

Income distributions from managed funds are recognised on receipt of official advice from investment companies of the University's entitlement to distributions. All movements in the value of investments classified as financial assets at fair value through profit and loss are included in the net operating result. For available-for-sale investments and investments classified as other financial assets, realised gains are included in the net operating result while unrealised gains and losses are taken to the available-for-sale revaluation surplus for investments except to the extent that unrealised losses exceed previous revaluation increments for all investments held in that reserve. Note disclosure is made in note 6.

**(p) Property, plant and equipment**

Property, plant and equipment are measured on a fair value basis. At each reporting date, the value of each asset class is reviewed to ensure that it does not differ materially from the asset class' fair value at that date. Where necessary, the asset class is revalued to reflect its fair value. Note disclosure is made in note 22.

*(i) Land*

Land is owned by the University in its own right and by the State and Northern Territory Governments. The value of land owned by the State Government is reflected in the University's financial statements on the basis that the University effectively controls the land occupied. Land controlled by the University was independently revalued as at 31 December 2013 by Richard Wood BAppSc(Val) AAPI CPV of Opteon Pty Ltd. Comprehensive independent land valuations are undertaken triennially with an annual update based on relevant price movements.

(ii) *Buildings and infrastructure*

Buildings and above-ground infrastructure controlled by the University were independently revalued as at 31 December 2013 by Richard Wood BAppSc(Val) AAPI CPV of Opteon Pty Ltd. Comprehensive independent valuations are undertaken triennially with an annual update based on relevant price movements.

Below-ground infrastructure is not included as an asset as the value is not able to be reliably estimated.

Buildings under construction are measured at cost.

(iii) *Leased buildings*

The University has entered into various arrangements with other entities to occupy buildings on land not owned by the University. The University initially recognises a lease asset as the value of its contribution to construction costs plus any future amounts payable under the lease agreement and revalues it to fair value each year. The University depreciates the asset over the lease period.

(iv) *Library collection*

The library collection was internally revalued on 31 December 2010 to fair value based on the written down cost of the most recent price inputs. Subsequent acquisitions are measured at historical cost. The value is depreciated over a 10 year period on a straight-line basis.

(v) *Equipment*

This class of assets includes computer hardware (not software), furniture, vehicles, marine and general equipment. Individual items costing \$10 000 or more are capitalised and recorded in the Statement of Financial Position initially at cost. Items costing less than \$10 000 are recognised as an expense in the Income Statement in the period acquired. The depreciated value of equipment is deemed to be its fair value.

(vi) *Works of art*

The value of the works of art collection is assessed annually at fair value at Council valuation. However the works of art collection was independently revalued as at 31 December 2013 by Helen Miller BA SYD AVAA CPV NCJV (Fine Arts Division) of Rodney Hyman Asset Services Pty Ltd and is reported at fair value.

(vii) *Revaluations*

Increases in the carrying amounts arising on revaluation of land, buildings and infrastructure, library and works of art are recognised, under revaluation surplus. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset class are also recognised in under revaluation surplus to the extent of the remaining reserve attributable to the asset class. All other decreases are charged to the Income Statement.

(q) *Impairment of assets*

At each reporting date, the University undertakes an assessment of its significant assets to determine if there is any evidence of impairment. Where impairment exists, the University recognises an impairment loss in the Income Statement. This is calculated as the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

(r) *Derivatives*

The Group enters into foreign currency hedges (derivative financial instruments) to manage its exposure to movements in exchange rates for library purchases and certain equipment acquisitions.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at balance date. Changes in the fair value of derivatives are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Where the maturity date of a hedge is more than 12 months, the asset and liability are classified as non-current, otherwise they are classified as current.

(s) *Income tax status*

The activities of the University and its major subsidiaries are exempt from income tax.

The University is subject to FBT, GST and payroll tax.

**(t) Current and non-current classification**

Assets and liabilities are characterised as either current or non-current. The University and the Consolidated Entity operate on a 12 month operating cycle. Assets and liabilities that are sold, consumed or realised as part of the 12 month operating cycle are classified as current. All other assets and liabilities are classified as non-current.

**(u) Rounding to the nearest \$'000**

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.

**(v) New or revised AASs**

No new accounting standards which have been issued but are not yet effective have been early-adopted in 2013. The University has assessed the impact of the new and amended standards and interpretations and considers the impact to be insignificant.

**(w) Comparative figures**

The previous year's figures are provided in the financial statements for comparative purposes. Where practicable comparative figures have been adjusted to conform to changes in presentation and classification in the present year.

Comparative figures have been adjusted to include transactions and balances related to the Flinders Charitable Trust (FCT). The University is a beneficiary of 50% of the surplus achieved by FCT each year but this amount has not previously been recognised. The 2012 opening equity has been increased by \$900 000 being the value of the receivable recognised by this change. The 2012 revenue has been increased by \$400 000 to reflect the University's share of 2012 FCT earnings with receivables increased by the same amount.

Comparative figures have also been adjusted to reflect the inclusion, for the first time, of the University's interest in NILS Foundation Inc. This has adjusted the 2012 balances of other financial assets and asset revaluation reserve in the University column by \$1.2 million. There is no impact on the consolidated balances.

**(x) Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous year.

**2. Disaggregated information**

The University operates in the field of higher education in Australia and its primary activities are the provision of teaching and research services. It has no material offshore operations.

**3. Australian Government financial assistance including Australian Government loan programs (HELP)**

		Consolidated		University	
		2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000
<b>(a) Commonwealth Grants Scheme and other grants</b>	Note 45.1				
Commonwealth Grants Scheme (CGS) <sup>#1</sup>		126 780	116 161	126 780	116 161
Indigenous Support Program		652	470	652	470
Partnership & Participation Program <sup>#2</sup>		3 271	3 236	3 271	3 236
Disability Support Program		168	164	168	164
Transitional Cost Program		(6)	19	(6)	19
Promotion of Excellence in Learning and Teaching		283	135	283	135
Reward Funding		637	574	637	574
<b>Total Commonwealth Grants Scheme and other grants</b>		<b>131 785</b>	<b>120 759</b>	<b>131 785</b>	<b>120 759</b>
<b>(b) Higher Education Loan Programs</b>	45.2				
HECS-HELP		71 583	59 073	71 583	59 073
FEE-HELP		6 618	4 277	6 618	4 277
SA-HELP		1 708	1 463	1 708	1 463
<b>Total Higher Education Loan Programs</b>		<b>79 909</b>	<b>64 813</b>	<b>79 909</b>	<b>64 813</b>

	Note	Consolidated		University	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>(c) Scholarships</b>	45.3				
Australian Postgraduate Awards		4 319	3 891	4 319	3 891
International Postgraduate Research Scholarship		332	320	332	320
Commonwealth Education Cost Scholarships <sup>#3</sup>		(105)	235	(105)	235
Commonwealth Accommodation Scholarships <sup>#3</sup>		(53)	197	(53)	197
Indigenous Access Scholarships		(60)	119	(60)	119
Indigenous Staff Scholarships		43	-	43	-
Total scholarships		4 476	4 762	4 476	4 762
<b>(d) AGDE Research</b>	45.4				
Joint Research Engagement Program <sup>#4</sup>		6 105	6 334	6 105	6 334
Joint Research Engagement Cadetships		49	25	49	25
Research Training Scheme		10 897	10 436	10 897	10 436
Research Infrastructure Block Grants		3 172	3 378	3 172	3 378
Sustainable Research Excellence in Universities		2 057	1 965	2 057	1 965
Total AGDE Research grants		22 280	22 138	22 280	22 138
<sup>#1</sup>	Includes the basic CGS grant amount, CGS-Regional loading, CGS-Enabling loading, Maths and Science Transition loading and Full Fee Places Transition loading.				
<sup>#2</sup>	Includes Equity Support Program.				
<sup>#3</sup>	Includes Grandfathered Scholarships, National Priority and National Accommodation Priority Scholarships respectively				
<sup>#4</sup>	Includes Institutional Grants Scheme.				
<b>(e) Australian Research Council</b>	Note	Consolidated		University	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>(i) Discovery</b>	45.6(i)				
Project		3 360	2 970	3 360	2 970
Fellowships		2 123	2 100	2 123	2 100
Indigenous Researchers Development		-	38	-	38
Total discovery		5 483	5 108	5 483	5 108
<b>(ii) Linkages</b>	45.6(ii)				
Special research initiatives		1 985	2 087	1 985	2 087
Infrastructure		925	163	925	163
International Projects		-	(77)	-	(77)
Total linkages		1 161	1 363	1 161	1 363
<b>(iii) Networks and Centres</b>	45.6(iii)				
Centres		229	217	229	217
Total Networks and Centres		229	217	229	217
<b>(f) Other Australian Government financial assistance</b>					
Non-capital:					
National Health and Medical Research Council		8 278	7 691	8 278	7 691
Other research		24 291	18 582	24 291	18 582
Other non-research		16 978	17 546	16 978	17 546
Commonwealth scholarships		517	589	517	589
Total non-capital		50 064	44 408	50 064	44 408

(f) <b>Other Australian Government financial assistance (continued)</b>	Consolidated		University	
	2013	2012	2013	2012
Capital:	\$'000	\$'000	\$'000	\$'000
Northern Territory Medical Program	3 085	2 035	3 085	2 035
Other capital programs	1 386	1 384	1 386	1 384
Total capital	4 471	3 419	4 471	3 419
Total other Australian Government financial assistance	54 535	47 827	54 535	47 827
Total Australian Government financial assistance	302 768	269 160	302 768	269 160
<i>Reconciliation</i>				
Australian Government grants (a+c+d+e+f)	222 859	204 347	222 859	204 347
HECS-HELP payments	71 583	59 073	71 583	59 073
FEE-HELP payments	6 618	4 277	6 618	4 277
SA-HELP payments	1 708	1 463	1 708	1 463
Total Australian Government financial assistance	302 768	269 160	302 768	269 160
<b>(g) Australian Government grants received - cash basis</b>				
CGS and other AGDE grants	131 172	119 202	131 172	119 202
Higher Education Loan Programs	81 423	66 610	81 423	66 610
Scholarships	3 934	5 862	3 934	5 862
AGDE Research	22 280	22 138	22 280	22 138
ARC grants - discovery	5 780	4 900	5 780	4 900
ARC grants - linkages	8 325	10 546	8 325	10 546
Other Australian Government grants	54 860	52 427	54 860	52 427
Total Australian Government grants received - cash basis	307 774	281 686	307 774	281 686
OS-HELP (net)	45.7	116	(63)	116
Superannuation supplementation	45.8	2 807	2 044	2 044
Total Australian Government funding received - cash basis	310 697	283 667	310 697	283 667
<b>4. State and Local Government financial assistance</b>				
South Australian State Government financial assistance	9 662	12 149	9 662	12 149
South Australian Local Government financial assistance	175	58	175	58
Other State/Territory Governments financial assistance	4 845	5 836	4 845	5 836
Total State and Local Government financial assistance	14 682	18 043	14 682	18 043
<b>5. Fees and charges</b>				
Course fees and charges:				
Fee-paying overseas students	42 701	38 480	42 701	38 480
Fee-paying domestic postgraduate students	2 764	1 965	2 764	1 965
Fee-paying domestic undergraduate students	3 806	2 619	3 806	2 619
Fee-paying domestic non-award students	141	187	141	187
Other domestic course fees and charges	2 638	1 854	2 638	1 854
Total course fees and charges	52 050	45 105	52 050	45 105
Other non-course fees and charges:				
Student accommodation	5 595	5 209	5 595	5 209
Rental charges	716	906	668	869
Other student charges	241	213	241	213
Other hire fees	164	95	164	95
Parking fees	2 202	2 139	2 202	2 139
Student services and amenities fees from students	1 467	1 440	1 467	1 440
Other fees and charges	636	975	636	975
Total other fees and charges	11 021	10 977	10 973	10 940
Total fees and charges	63 071	56 082	63 023	56 045

6. <b>Investment revenue and income</b>	Consolidated		University	
	2013	2012	2013	2012
Investment revenue:				
Dividends:	\$'000	\$'000	\$'000	\$'000
Wholly-owned subsidiaries	-	-	215	307
Other entities	1 841	2 401	1 108	1 058
Total dividends	1 841	2 401	1 323	1 365
Interest	9 174	9 706	9 083	9 554
Managed funds distributions	1 083	840	1 083	840
Investment property rental revenue	1 242	1 456	1 456	1 641
Total investment revenue	13 340	14 403	12 945	13 400
Investment gains (losses):				
Movements in assets at fair value through profit and loss	4 837	5 757	4 746	5 233
Movements in fair value of investment properties	-	(600)	-	(600)
Total investment movements	4 837	5 157	4 746	4 633
Total investment revenue and income	18 177	19 560	17 691	18 033
<b>7. Royalties, trademarks and licences</b>				
Total royalties, trademarks and licences	549	629	210	346
<b>8. Consultancy and contracts</b>				
Consultancy	2 263	2 366	1 962	2 199
Contract research	6 291	6 279	6 432	5 747
Total consultancy and contracts	8 554	8 645	8 394	7 946
<b>9. Other revenue</b>				
Donations and bequests	837	1 047	837	1 047
Contribution of assets	301	449	301	449
Scholarships and prizes	755	581	755	581
Non-government grants	5 993	5 119	5 993	5 119
Reimbursements	4 956	5 483	4 956	5 483
Sales and other charges	6 801	7 078	1 022	1 831
Other revenue	1 176	2 575	898	1 681
Total other revenue	20 819	22 332	14 762	16 191
<b>10. Gains (Losses) on disposal of assets</b>				
Net gain (loss) on disposal of assets - refer below	1 363	(57)	1 257	(14)
Total net gain (loss) on disposal of assets	1 363	(57)	1 257	(14)
Proceeds from sale of assets:				
Investments	4 872	1 611	4 455	1 188
Property, plant and equipment	1 967	364	1 967	364
Total proceeds from sale of assets	6 839	1 975	6 422	1 552
Carrying amount of assets sold:				
Investments	3 983	1 718	3 672	1 254
Property, plant and equipment	1 493	314	1 493	312
Total carrying amount of assets sold	5 476	2 032	5 165	1 566
Net gains on sale of assets:				
Investments	889	-	783	-
Property, plant and equipment	474	50	474	52
Total net gains on sale of assets	1 363	50	1 257	52
Net losses on sale of assets:				
Investments	-	(107)	-	(66)
Total net losses on sale of assets	-	(107)	-	(66)
Net gain (loss) on sale of assets	1 363	(57)	1 257	(14)



11. <b>Employee related expenses</b>	Consolidated		University	
	2013	2012	2013	2012
<b>Employee benefits and on-costs</b>	\$'000	\$'000	\$'000	\$'000
Academic:				
Salaries	107 980	99 336	107 980	99 336
Contributions to superannuation and pension schemes:				
Emerging cost	168	169	168	169
Funded	16 368	15 143	16 368	15 143
Payroll tax	6 368	5 877	6 368	5 877
Workers compensation	704	(20)	704	(20)
LSL expense	1 979	3 003	1 979	3 003
Annual leave	8 691	8 311	8 691	8 311
Redundancy expenses	874	-	874	-
Total academic	143 132	131 819	143 132	131 819
Professional:				
Salaries	97 109	88 732	92 139	84 039
Contributions to superannuation and pension schemes:				
Emerging cost	42	42	42	42
Funded	14 284	12 901	14 096	12 747
Payroll tax	5 483	4 868	5 403	4 806
Workers compensation	632	25	611	8
LSL expense	1 522	2 569	1 518	2 523
Annual leave	8 188	7 204	8 079	7 089
Redundancy expenses	1 295	69	1 295	69
Total professional	128 555	116 410	123 183	111 323
Total employee benefits and on-costs	271 687	248 229	266 315	243 142
<b>12. Depreciation and amortisation</b>				
Depreciation:				
Buildings	10 781	10 319	10 781	10 319
Infrastructure	1 099	1 098	1 099	1 098
Plant and equipment	5 040	4 852	4 840	4 655
Library collection	3 540	3 638	3 540	3 638
Total depreciation	20 460	19 907	20 260	19 710
Amortisation:				
Software	975	1 083	975	1 083
Total amortisation	975	1 083	975	1 083
Total depreciation and amortisation	21 435	20 990	21 235	20 793
<b>13. Repairs and maintenance</b>				
Buildings and grounds	6 541	4 763	6 541	4 763
Minor new works	784	669	784	669
Equipment and artwork	4 204	3 639	4 130	3 580
Total repairs and maintenance	11 529	9 071	11 455	9 012
<b>14. Impairment of assets</b>				
Bad and doubtful debts	320	23	320	14
Impairment of assets	-	12	-	-
Total impairment of assets	320	35	320	14
<b>15. Other expenses</b>				
Scholarships, grants and prizes	14 377	12 990	14 377	12 990
Non-capitalised equipment	7 940	6 890	7 905	6 839
Advertising, marketing and promotional expenses	3 320	3 435	3 308	3 352
Fees and charges	14 815	14 512	14 556	13 779
Consultancy fees	5 446	3 450	5 371	2 781
General consumables	7 982	10 619	7 604	8 139
Printing and photocopying	1 309	1 473	1 309	1 473
Operating lease rental expenses	3 031	2 902	3 095	2 951

**15. Other expenses (continued)**

	Consolidated		University	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Telecommunications	2 766	2 315	2 766	2 315
Travel, staff development and entertainment	14 951	14 085	14 891	13 949
Utilities	4 972	5 155	4 951	5 135
Student related expenditure	4 036	3 228	3 643	3 217
Library	2 835	2 974	2 835	2 974
Software	4 646	3 715	4 564	3 689
Postage and freight	837	765	837	765
Insurance	1 307	1 427	1 307	1 427
Miscellaneous	5 537	3 376	4 180	4 133
Total other expenses	100 107	93 311	97 499	89 908

**16. Cash and cash equivalents**

Cash at bank and on hand	25 145	23 727	23 871	22 857
Term deposits maturing within 90 days	223	17 175	-	17 175
Total cash and cash equivalents	25 368	40 902	23 871	40 032

**17. Receivables**

Current:

Student fees	893	924	893	924
Provision for impaired receivables	(355)	(504)	(355)	(504)
	538	420	538	420
General debtors	12 631	11 320	11 584	10 939
Provision for impaired receivables	(471)	(286)	(377)	(286)
	12 160	11 034	11 207	10 653
Subsidiary debtors	-	-	101	144
Provision for impaired receivables	-	-	(95)	-
	-	-	6	144
Accrued income	6 227	7 164	5 912	5 976
FCD Health line of credit	-	47	-	47
Deferred government contribution for superannuation	3 259	3 100	3 259	3 100
Total current receivables	22 184	21 765	20 922	20 340

Non-current:

FCD Health line of credit	-	71	-	71
Provision for impaired receivables	-	-	-	-
	-	71	-	71
Deferred government contribution for superannuation	43 814	49 600	43 814	49 600
Total non-current receivables	43 814	49 671	43 814	49 671
Total trade and other receivables	65 998	71 436	64 736	70 011

**(a) Impaired receivables**

As at 31 December 2013 current receivables of the group with a nominal value of \$826 000 (\$790 000) were impaired. The provision is based on an aged analysis of the debt types based on collectability. The ageing of these receivables is as follows:

	Consolidated		University	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Student fees:				
Less than three months	48	53	48	53
Three to six months	116	251	116	251
Over six months	191	200	191	200
	355	504	355	504
General debtors:				
Less than three months	63	95	63	95
Three to six months	229	44	229	44
Over six months	179	147	84	147
	471	286	376	286
Subsidiary debtors:				
Over six months	-	-	95	-
	-	-	95	-

**(a) Impaired receivables (continued)**

As at 31 December 2013 current receivables of the Group with a nominal value of \$2.808 million (\$4.146 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables is as follows:

	Consolidated		University	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Student fees:				
Less than three months	137	88	137	88
Three to six months	279	267	279	267
Over six months	122	60	122	60
	<u>538</u>	<u>415</u>	<u>538</u>	<u>415</u>
General debtors:				
Less than three months	2 036	3 563	2 036	3 553
Three to six months	11	11	11	11
Over six months	4	157	4	9
	<u>2 051</u>	<u>3 731</u>	<u>2 051</u>	<u>3 573</u>
Movements in the provision for impaired receivables are as follows:				
At 1 January	790	874	790	874
Provision for impairment recognised (derecognised) during the year	178	1	178	1
Receivables written off during the year as uncollectable	(142)	(85)	(142)	(85)
At 31 December	<u>826</u>	<u>790</u>	<u>826</u>	<u>790</u>

**(b) Foreign exchange and interest rate risk**

The carrying amounts of current receivables includes receivables denominated in the following currencies:

US dollars	328	106	328	106
Other	97	37	97	37
	<u>425</u>	<u>143</u>	<u>425</u>	<u>143</u>

The carrying amounts of all non-current receivables are denominated in Australian dollars.

Information regarding the effective interest rate risk of both current and non-current receivables is set out in the financial risk management disclosures at note 40.

**(c) Fair value and credit risk**

The carrying value approximates fair value for all receivables. For non-current receivables, fair values are based on cash flows discounted using a discount rate. The FCD Health line of credit is a fixed interest rate of 5%. The superannuation receivable is always offset by a corresponding payable, nullifying credit risk for this line item. The maximum exposure to credit risk at the reporting date is the higher of the carrying amount and fair value of receivables.

Information regarding the effective credit risk of both current and non-current receivables is set out in the financial risk management disclosures at note 40.

**18. Inventories**

	Consolidated		University	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current:				
Inventories held for other than distribution	461	502	207	244
Total current inventories	<u>461</u>	<u>502</u>	<u>207</u>	<u>244</u>
Total inventories	<u>461</u>	<u>502</u>	<u>207</u>	<u>244</u>

**19. Other financial assets**

Current:				
Held-to-maturity assets:				
Term deposits greater than 90 days	154 455	130 116	154 455	129 049
Total current held-to-maturity assets	<u>154 455</u>	<u>130 116</u>	<u>154 455</u>	<u>129 049</u>
Total current other financial assets	<u>154 455</u>	<u>130 116</u>	<u>154 455</u>	<u>129 049</u>



**21. Investments accounted for using the equity method (continued)**

Summarised financial information in respect of jointly controlled entities is set out below.

	Consolidated	
	2013	2012
	\$'000	\$'000
Financial position:		
Total assets	886	839
Total liabilities	(220)	(721)
Net assets	666	118
Share of jointly controlled entities' net assets	333	59
Financial performance:		
Total revenue	4 368	2 707
Profit (Loss)	549	544
Share of jointly controlled entities' profit (loss)	274	272

**Flinders Reproductive Medicine (FRM)**

The University has a 50% interest in FRM which is trustee of the Flinders Charitable Trust (FCT). As FCT fully distributes its surpluses each year, and FRM has no material assets, the University has no material interest in FRM and has therefore not recognised this as an investment.

**22. Property, plant and equipment****Land, buildings and infrastructure**

	Consolidated		University	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Crown land:				
2013 independent valuation	32 030	-	32 030	-
2010 independent valuation	-	32 310	-	32 310
Total Crown land	32 030	32 310	32 030	32 310
Freehold land:				
2013 independent valuation	5 352	-	5 352	-
2010 independent valuation	-	5 878	-	5 878
At cost	-	364	-	364
Total freehold land	5 352	6 242	5 352	6 242
Total land	37 382	38 552	37 382	38 552
Buildings:				
2013 independent valuation	282 922	-	282 922	-
2010 independent valuation	-	255 246	-	255 246
At cost	-	30 569	-	30 569
Total buildings	282 922	285 815	282 922	285 815
Leased buildings:				
2013 independent valuation	13 687	-	13 687	-
At cost	-	15 211	-	15 211
Total leased buildings	13 687	15 211	13 687	15 211
Infrastructure:				
2013 independent valuation	24 998	-	24 998	-
2010 independent valuation	-	27 100	-	27 100
At cost	-	702	-	702
Total infrastructure	24 998	27 802	24 998	27 802
Total buildings and infrastructure	321 607	328 828	321 607	328 828
Accumulated depreciation	-	(21 964)	-	(21 964)
Total buildings and infrastructure	321 607	306 864	321 607	306 864
Buildings under construction	37 601	5 468	37 601	5 468
Total land, buildings and infrastructure	396 590	350 884	396 590	350 884
<b>Library collection</b>				
2010 University valuation	18 103	18 103	18 103	18 103
At cost	8 810	5 754	8 810	5 754
Accumulated depreciation	(10 295)	(6 956)	(10 295)	(6 956)
Total library collection	16 618	16 901	16 618	16 901

<b>Equipment</b>	Consolidated		University	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
At fair value	62 082	60 009	59 175	57 205
Accumulated depreciation	(39 740)	(37 872)	(38 088)	(36 352)
<b>Total equipment</b>	<b>22 342</b>	<b>22 137</b>	<b>21 087</b>	<b>20 853</b>
<b>Works of art</b>				
2013 independent valuation	5 528	-	5 528	-
2011 independent valuation	-	6 283	-	6 283
At cost	-	79	-	79
<b>Total works of art</b>	<b>5 528</b>	<b>6 362</b>	<b>5 528</b>	<b>6 362</b>
<b>Total property, plant and equipment</b>	<b>441 078</b>	<b>396 284</b>	<b>439 823</b>	<b>395 000</b>

**Valuations of land and buildings**

Land, buildings and infrastructure were revalued as at 31 December 2013 by Richard Wood BAppSc(Val) AAPI CPV of Opteon Pty Ltd. The basis of the valuation was written down current value (existing use). The basis of valuation of land, buildings and infrastructure is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. Buildings located in remote areas have retained cost as the valuation amount due to minimal movement in market conditions within the remote locations.

**Reconciliations**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current year are as follows:

	Land	Buildings and infrastructure	Construction in progress	Library	Equipment	Works of art	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated 2013</b>							
Balance at 1 January	38 552	306 864	5 468	16 901	22 137	6 362	396 284
Additions	-	-	49 694	3 257	5 438	49	58 438
Reclassification	(195)	17 756	(17 561)	-	-	-	-
Disposals	(662)	(651)	-	-	(193)	-	(1 506)
Revaluation increments (decrements)	(313)	9 518	-	-	-	(883)	8 322
Depreciation expense	-	(11 880)	-	(3 540)	(5 040)	-	(20 460)
<b>Carrying amount at 31 December</b>	<b>37 382</b>	<b>321 607</b>	<b>37 601</b>	<b>16 618</b>	<b>22 342</b>	<b>5 528</b>	<b>441 078</b>
<b>University 2013</b>							
Balance at 1 January	38 552	306 864	5 468	16 901	20 853	6 362	395 000
Additions	-	-	49 694	3 257	5 267	49	58 267
Reclassification	(195)	17 756	(17 561)	-	-	-	-
Disposals	(662)	(651)	-	-	(193)	-	(1 506)
Revaluation increments (decrements)	(313)	9 518	-	-	-	(883)	8 322
Depreciation expense	-	(11 880)	-	(3 540)	(4 840)	-	(20 260)
<b>Carrying amount at 31 December</b>	<b>37 382</b>	<b>321 607</b>	<b>37 601</b>	<b>16 618</b>	<b>21 087</b>	<b>5 528</b>	<b>439 823</b>
<b>Consolidated 2012</b>							
Balance at 1 January	38 316	295 245	10 663	17 906	21 542	6 283	389 955
Additions	236	479	19 501	2 633	5 761	79	28 689
Reclassification	-	22 557	(24 696)	-	-	-	(2 139)
Disposals	-	-	-	-	(314)	-	(314)
Revaluation increments (decrements)	-	-	-	-	-	-	-
Depreciation expense	-	(11 417)	-	(3 638)	(4 852)	-	(19 907)
<b>Carrying amount at 31 December</b>	<b>38 552</b>	<b>306 864</b>	<b>5 468</b>	<b>16 901</b>	<b>22 137</b>	<b>6 362</b>	<b>396 284</b>

<b>Reconciliations (continued)</b>	Buildings and infrastructure		Construction in progress	Library	Equipment	Works of art	Total
	Land \$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>University 2012</b>							
Balance at 1 January	38 316	295 245	10 663	17 906	20 129	6 283	388 542
Additions	236	479	19 501	2 633	5 691	79	28 619
Reclassification	-	22 557	(24 696)	-	-	-	(2 139)
Disposals	-	-	-	-	(312)	-	(312)
Revaluation increments (decrements)	-	-	-	-	-	-	-
Depreciation expense	-	(11 417)	-	(3 638)	(4 655)	-	(19 710)
Carrying amount at 31 December	38 552	306 864	5 468	16 901	20 853	6 362	395 000

Note: The University has restrictions imposed on the real property listed in this note under *The Flinders University of South Australia Act 1966*. Section 3(5) of the Act states:

*The University must not alienate (except by way of lease for a term not exceeding 21 years), mortgage or charge land vested in or conveyed to the University on trust except with, and in accordance with any terms or conditions of, an approval given by the Governor.*

The University also occupies various sites in the Northern Territory on Crown land. The value of these properties is \$17.1 million (\$13.2 million).

### 23. Investment properties

	Consolidated		University	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Non-current:				
Properties held for investment purposes	9 400	9 400	9 400	9 400
Movements for the period:				
Opening balance at 1 January	9 400	10 557	9 400	10 557
Transfers for the year	-	(557)	-	(557)
Revaluation for the year	-	(600)	-	(600)
Closing balance at 31 December	9 400	9 400	9 400	9 400
Amounts recognised in profit and loss for investment properties:				
Rental income	1 242	1 456	1 456	1 641
Direct operating expenses (income generating)	(381)	(434)	(381)	(429)
Direct operating expenses (non-income generating)	(163)	(119)	(163)	(74)
Total net amount recognised in profit and loss	698	903	912	1 138

### 24. Intangible assets

Non-current:						
Software costs	13 494	11 147	13 494	11 147		
Accumulated amortisation and impairment	(9 161)	(8 277)	(9 161)	(8 277)		
Book value of software costs	4 333	2 870	4 333	2 870		
Project costs carried forward (development costs)	750	287	-	-		
Accumulated amortisation and impairment	-	-	-	-		
Book value of project costs	750	287	-	-		
Total intangible assets	5 083	3 157	4 333	2 870		

	Consolidated			University		
	Software costs \$'000	Project costs \$'000	Total \$'000	Software costs \$'000	Project costs \$'000	Total \$'000
At 1 January 2012:						
Cost	10 385	1 208	11 593	10 385	-	10 385
Accumulated amortisation and impairment	(7 194)	(844)	(8 038)	(7 194)	-	(7 194)
Net book amount	3 191	364	3 555	3 191	-	3 191

**24. Intangible assets (continued)**

	Consolidated			University		
	Software costs \$'000	Project costs \$'000	Total \$'000	Software costs \$'000	Project costs \$'000	Total \$'000
Year ended 31 December 2012:						
Opening net book amount	3 191	364	3 555	3 191	-	3 191
Additions	762	-	762	762	-	762
Transfer to receivables	-	(89)	(89)	-	-	-
Impairment charge	-	12	12	-	-	-
Amortisation charge	(1 083)	-	(1 083)	(1 083)	-	(1 083)
Closing net book amount	2 870	287	3 157	2 870	-	2 870
At 31 December 2012:						
Cost	11 147	1 119	12 266	11 147	-	11 147
Accumulated amortisation and impairment	(8 277)	(832)	(9 109)	(8 277)	-	(8 277)
Net book amount	2 870	287	3 157	2 870	-	2 870
Year ended 31 December 2013:						
Opening net book amount	2 870	287	3 157	2 870	-	2 870
Additions	2 452	463	2 915	2 452	-	2 452
Disposals	(105)	-	(105)	(105)	-	(105)
Write-back of amortisation on disposal	91	-	91	91	-	91
Amortisation charge	(975)	-	(975)	(975)	-	(975)
Closing net book amount	4 333	750	5 083	4 333	-	4 333
At 31 December 2013:						
Cost	13 494	1 582	15 076	13 494	-	13 494
Accumulated amortisation and impairment	(9 161)	(832)	(9 993)	(9 161)	-	(9 161)
Net book amount	4 333	750	5 083	4 333	-	4 333

**25. Trade and other payables**

	Consolidated		University	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current:				
Creditors	10 975	7 722	10 465	7 267
OS-HELP liability to Australian Government*	108	(8)	108	(8)
Accrued expenses	20 010	14 079	19 822	13 883
Annual leave on-costs	1 891	1 840	1 891	1 840
LSL on-costs	535	820	535	820
Total current trade and other payables	33 519	24 453	32 821	23 802
Non-current:				
Creditors	-	181	-	181
Annual leave on-costs	754	732	754	732
LSL on-costs	3 281	3 372	3 281	3 372
Total non-current trade and other payables	4 035	4 285	4 035	4 285
Total trade and other payables	37 554	28 738	36 856	28 087

\* The net amount of money received from the Australian Government under OS-HELP that is yet to be disbursed as loans to students.

**(a) Foreign currency risk**

The carrying amounts of the University and Consolidated Entity's trade payables include payables in the following foreign currencies:

	Consolidated		University	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Euro	-	10	-	10
US dollars	-	179	-	179
GBP	-	1	-	1
Other	-	4	-	4
	-	194	-	194

**(b) Fair value**

The carrying amounts shown above approximate fair value.



26. Provisions		Consolidated		University	
		2013	2012	2013	2012
Current provisions expected to be settled within 12 months:	Note	\$'000	\$'000	\$'000	\$'000
Employee benefits:					
Annual leave		9 123	9 044	8 956	8 848
LSL		3 721	4 893	3 375	4 748
Defined benefit obligation	42	3 259	3 100	3 259	3 100
Severance (contract employees)		803	451	803	451
Total employee benefits		16 906	17 488	16 393	17 147
Workers compensation		536	207	536	207
Total current provisions		17 442	17 695	16 929	17 354
Non-current:					
Employee benefits:					
Annual leave		3 574	3 476	3 574	3 476
LSL		20 809	19 794	20 686	19 527
Defined benefit obligation	42	43 814	49 600	43 814	49 600
Severance (contract employees)		178	166	178	166
Total employee benefits		68 375	73 036	68 252	72 769
Workers compensation		564	37	564	37
Total non-current provisions		68 939	73 073	68 816	72 806
Total provisions		86 381	90 768	85 745	90 160
Reconciliation of employee benefits:					
Current employee benefits		16 906	17 488	16 393	17 147
Non-current employee benefits		68 375	73 036	68 252	72 769
Leave on-costs (included in note 25)		6 461	6 764	6 461	6 764
Aggregate employee benefits		91 742	97 288	91 106	96 680
Reconciliation of leave provisions:					
Annual leave		12 697	12 520	12 530	12 324
Annual leave on-costs		2 645	2 572	2 645	2 572
Total annual leave provision		15 342	15 092	15 175	14 896
LSL		24 530	24 687	24 061	24 275
LSL on-costs		3 816	4 192	3 816	4 192
Total LSL provision		28 346	28 879	27 877	28 467
Total leave provisions		43 688	43 971	43 052	43 363

**Movements in provisions**

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Consolidated 2013	Workers compensation	
	Current	Non-current
	\$'000	\$'000
Carrying amount at 1 January	207	37
Additional provisions recognised	735	527
Amounts used	(406)	-
Carrying amount at 31 December	536	564

27. Other liabilities	Consolidated		University	
	2013	2012	2013	2012
Current:	\$'000	\$'000	\$'000	\$'000
Income in advance:				
Fees and charges	4 990	4 179	4 990	4 179
Other	1 942	972	1 942	771
Total income in advance	6 932	5 151	6 932	4 950
Funds held on behalf of external entities	104	279	108	279
Total current other liabilities	7 036	5 430	7 040	5 229

27. Other liabilities (continued)	Consolidated		University	
	2013	2012	2013	2012
Current: (continued)	\$'000	\$'000	\$'000	\$'000
Interest bearing funds held on behalf of external entities:				
Student entities	14	-	1 037	1 090
Other entities	1 362	1 296	1 362	1 296
Deposits from subsidiaries	-	-	-	94
Total current unsecured interest bearing liabilities	1 376	1 296	2 399	2 480
Total current other liabilities	8 412	6 726	9 439	7 709
Total other liabilities	8 412	6 726	9 439	7 709

Interest bearing liabilities consist of funds held at the request of related entities. These are not borrowings. The University invests these funds and provides an investment return to those entities. Funds held are at call. The University has no assets pledged as security for interest bearing liabilities.

28. Reserves and retained surplus	Consolidated		University	
	2013	2012	2013	2012
(a) Reserves	\$'000	\$'000	\$'000	\$'000
Revaluation surplus: Note				
Property, plant and equipment revaluation surplus	149 661	141 339	149 483	141 161
Available-for-sale investments revaluation surplus:	1 198	1 034	11 541	10 522
Total reserves	150 859	142 373	161 024	151 683

*Movements in reserves*

Property, plant and equipment				
Balance 1 January	141 339	141 339	141 161	141 161
Increment (Decrement) on revaluation of:				
Land	22 (313)	-	(313)	-
Buildings and infrastructure	22 9 518	-	9 518	-
Works of art	22 (883)	-	(883)	-
Balance 31 December	149 661	141 339	149 483	141 161

Available-for-sale investments revaluation surplus:

Balance 1 January	1 034	931	10 552	9 812
Increment (Decrement) on revaluation	164	103	1 019	710
Balance 31 December	1 198	1 034	11 541	10 522

(b) Retained surplus

Movements in retained surplus were as follows:

Retained surplus at 1 January	447 443	415 807	436 772	404 766
Operating result for the period	34 239	31 992	34 975	32 006
Derecognition on loss of control over entity	-	(356)	-	-
Retained surplus at 31 December	481 682	447 443	471 747	436 772

29. Key management personnel disclosures

29.1 Responsible persons

The principal governing body of the University is its Council. All members of the University Council were appointed or elected under the provisions of *The Flinders University of South Australia Act 1966*. Council members include University employees who may be ex officio members or elected staff members.

No members of Council received any remuneration from the University other than by way of salary and related benefits arising from a normal employment relationship.

(a) **Names of responsible persons**

**Council members in 2013**

Persons listed were all Council members for the full year unless otherwise indicated. An asterisk indicates University employees.

**Members ex officio**

**Chancellor**

Mr Stephen Gerlach AM

**Vice-Chancellor**

Professor Michael Barber\*

**Presiding member of the Academic Senate**

Professor Eimear Muir-Cochrane\*

**Members appointed by the Council**

Ms Leonie Clyne  
 Mr Douglas Gautier  
 Mr Marty Gauvin  
 Mr Stephen Hains  
 Dr Bronwyn Halliday (to 19 February 2013)  
 Ms Peggy Lau Flux  
 Ms Elizabeth Perry (from 8 August 2013)  
 Mr Thomas Phillips AM  
 Mr Austin Taylor  
 Mr Ian Yates AM  
 Mrs Christine Zeitz

**Member co-opted and appointed by the Council**

Mr Richard Ryan AO (to 22 February 2013)  
 Professor Goran Roos (from 8 March 2013)

**Members elected by the academic staff**

Professor Leon Lack\*  
 Dr Clare McCarty\*

**Members elected by the general staff**

Ms Debra Hackett\*  
 Mr Bruce Whitby\*

**Student members elected by the students**

Ms Anna Guthleben  
 Mr Mochamad Ali Hanafiah  
 Mr Brodie McGee

**Directors of the University subsidiaries in 2013**

Persons listed were directors for the full year unless otherwise indicated.

**Flinders Bioremediation Pty Ltd**

Mr Anthony Francis

**Flinders Campus Community Services**

Ms Leonie Clyne (Chair) (to 24 September 2013)  
 Mr Shane McGregor (Chair)  
 (from 25 September 2013)  
 Mr Shane McGregor (to 24 September 2013)  
 Mr Peter Hogan  
 Mr Andrew Nairn  
 Ms Fiona Gilbert  
 Mr Brendon Golden  
 Mr Chris O'Grady

**Flinders Consulting Pty Ltd**

Ms Leonie Clyne

**Lung Health Diagnostics Pty Ltd**

Mr Anthony Francis (Chair)

**National Institute of Labour Studies**

**Foundation Inc**

Professor Phyllis Tharenou

**Flinders Partners Pty Ltd**

Mr Thomas Phillips AM (Chair)  
 Mr Anthony Francis (Managing Director)  
 Professor David Day  
 Ms Peggy Lau Flux  
 Mr Geoffrey Pitt (to 7 March 2013)  
 Mr Roger Sexton

**Strategiize Pty Ltd**

Mr Anthony Francis

**Clevertar Pty Ltd**

Mr Anthony Francis  
 Ms Tanya Newhouse

**In Remedy Pty Ltd**

Mr Anthony Francis

**Nest Group Ltd**

Mr Anthony Francis  
 Mr Peter Streader  
 Mr Daniel Goldman  
 Ms Wanda McKinnon

(b) **Remuneration of board members**

The table comprises total remuneration that falls within the prescribed bandwidths for board members. Remuneration for executive officers who are also directors is shown as zero in this table, with their total remuneration shown under remuneration of executive officers. Individuals who serve as directors on more than one board are counted multiple times in the figures disclosed below.

(b) **Remuneration of board members (continued)**

	Consolidated		University	
	2013 Number	2012 Number	2013 Number	2012 Number
\$0	44	53	23	23
\$1 - \$9 999	1	-	-	-
\$10 000 - \$19 999	-	-	-	-
\$20 000 - \$29 999	2	3	-	-
\$30 000 - \$39 999	1	-	-	-
\$40 000 - \$49 999	-	1	-	-
	<u>48</u>	<u>57</u>	<u>23</u>	<u>23</u>

	Consolidated		University	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Aggregate remuneration of board members	<u>92</u>	<u>115</u>	<u>-</u>	<u>-</u>

**29.2 Key management personnel**

*Remuneration of key management personnel*

The table comprises total remuneration that falls within the prescribed bandwidths for executives:

	Consolidated		University	
	2013 Number	2012 Number	2013 Number	2012 Number
<i>Remuneration of executive officers</i>				
\$160 000 - \$169 999 <sup>#</sup>	-	1	-	1
\$170 000 - \$179 999	-	1	-	-
\$180 000 - \$189 999	1	-	-	-
\$250 000 - \$259 999	-	2	-	2
\$260 000 - \$269 999	2	-	2	-
\$280 000 - \$289 999	-	2	-	2
\$290 000 - \$299 999	1	1	1	1
\$300 000 - \$309 999	1	1	1	-
\$310 000 - \$319 999	-	3	-	3
\$320 000 - \$329 999	2	-	2	-
\$330 000 - \$339 999	1	-	1	-
\$340 000 - \$349 999	1	-	-	-
\$360 000 - \$369 999	1	-	1	-
\$390 000 - \$399 999	-	1	-	1
\$400 000 - \$409 999	1	-	1	-
\$730 000 - \$739 999 <sup>^</sup>	-	1	-	1
\$760 000 - \$769 999 <sup>^</sup>	1	-	1	-
	<u>12</u>	<u>13</u>	<u>10</u>	<u>11</u>

	Consolidated		University	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Aggregate remuneration of executives*	<u>4 179</u>	<u>4 087</u>	<u>3 647</u>	<u>3 606</u>

<sup>#</sup> The amount disclosed in 2012 was for an executive who commenced part way during the year.

<sup>^</sup> The Vice-Chancellor's total remuneration package comprised base salary \$567 000 (\$540 000), superannuation \$96 000 (\$92 000), performance bonus of \$85 000 (\$82 000) and fringe benefits of \$14 000 (\$18 000). The performance bonus is included in the year to which it relates but it is not paid until the subsequent year.

\* The number of executives has reduced by one from 2012 as a retiring executive was not replaced immediately and the replacement earned less than the \$130 000 cut-off for reporting.

The AGDE Guidelines specify that 'For the purposes of AASB 24, key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the University, directly or indirectly including any director (whether executive or otherwise) of the University'. AGDE provides further guidance on the definition of key management personnel by stating that 'such persons should have authority and responsibility for planning, directing and controlling the activities of the whole University, and not just a faculty'.<sup>(1)</sup>

<sup>(1)</sup> Financial Statement Guidelines for Australian Higher Education Providers for the 2013 Reporting Period.

**29.3 Related party transactions**

The remuneration includes salary, employer's superannuation costs and other benefits, including the associated FBT. No loans have been provided to key management personnel and any other transaction between personnel and the University has been undertaken on a normal commercial basis.

From time to time University Council members have interests in entities with which the University conducts business. In all cases, transactions are undertaken on a normal commercial basis.

**30. Remuneration of auditors**

	Consolidated		University	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Auditing the financial report:				
South Australian Auditor-General	289	251	289	251
Other auditors	46	34	-	-
Total remuneration for auditing the financial report	335	285	289	251
Other audit and assurance services:				
South Australian Auditor-General	8	8	8	8
Total remuneration for other audit services	8	8	8	8
Total remuneration for audit services	343	293	297	259

**31. Contingencies****Contingent liabilities**

The University is an exempt employer for WorkCoverSA purposes. The University is required by WorkCoverSA to have a bank guarantee in place for the purposes of covering workers compensation liabilities in the event that the University was unable to pay them. As at 31 December 2013 the University had a bank guarantee facility of \$790 000 in place (total facility limit of \$2.965 million).

**Contingent assets**

The University is a beneficiary of 50% of the net surplus of FCT. As at 30 June 2013, the financial year end of the FCT, the University's share of the net surplus was \$484 000. However, as the trustees had not made a declaration to distribute the net surplus as at 31 December 2013, no amount of revenue has been recognised in the University's 2013 Income Statement.

**32. Commitments****(a) Capital commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		University	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Building works:				
Within one year	88 359	10 529	88 359	10 449
Between one and five years	12 000	-	12 000	-
	100 359	10 529	100 359	10 449
Plant and equipment:				
Within one year	316	127	-	-
	316	127	-	-
Total capital commitments	100 675	10 656	100 359	10 449

**(b) Lease commitments****(i) Operating leases**

The University has various operating leases of property and equipment. Lease amounts have only been included in the table where there is a non-cancellable commitment.

	Consolidated		University	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
University as lessee:				
Total lease payments recognised as an expense during the reporting period	3 031	2 902	3 095	2 951

(i) <i>Operating leases (continued)</i>	Consolidated		University	
	2013	2012	2013	2012
Commitments:	\$'000	\$'000	\$'000	\$'000
Commitments in relation to leases contracted for as at the reporting date but not recognised as liabilities, payable:				
Within one year	1 365	937	1 365	937
Between one and five years	3 055	3 174	3 055	3 174
Later than five years	637	1 322	637	1 322
Total lease commitments as lessee	5 057	5 433	5 057	5 433

University as lessor:

Lease receivables contracted but not included in the financial statements and receivable as follows:

Within one year	425	833	575	966
Between one and five years	263	1 127	554	1 538
Later than five years	-	-	-	-
Total lease commitments as lessor	688	1 960	1 129	2 504

In 2000 the University purchased the Mark Oliphant building in Science Park as an investment property. As at 31 December 2013 69% (72%) of the building is leased or available for lease to entities outside the Consolidated Entity. A further 8% (8%) is leased to entities outside the University but within the Consolidated Entity.

The University has accommodation for 560 students available on campus that are leased on a yearly basis. As leases are not entered into until February and are completed before the end of the year, they are not included in the above figures.

The University leases a small amount of space on its main campus to commercial entities that provide services to students and staff.

(ii) *Finance leases*

The University has contracted for property and equipment at the reporting date. The lease commences after the reporting period ends and has not been recognised as an asset or liability.

Commitments in relation to finance leases are payable as follows:

	Consolidated		University	
	2013	2012	2013	2012
Plant and equipment:	\$'000	\$'000	\$'000	\$'000
Within one year	1 919	-	1 919	-
Between one and five years	7 676	-	7 676	-
Total future minimum lease payments	9 595	-	9 595	-

The weighted average interest rate implicit in the leases is 5.96%.

(c) *Other expenditure commitments*

	Consolidated		University	
	2012	2011	2012	2011
Commitments in existence at the reporting date but not recognised as liabilities, payable:	\$'000	\$'000	\$'000	\$'000
Within one year	222	2 906	222	2 846
Between one and five years	420	131	420	131
Later than five years	-	-	-	-
Total other expenditure commitments	642	3 037	642	2 977

33. **Related parties**

*Responsible persons and specified executives*

Disclosures relating to Council members, directors of subsidiaries and specified executives are set out in note 29.

*Wholly-owned Consolidated Entity*

Ownership interests in subsidiaries are set out in note 34.

**34. Subsidiaries**

Flinders University is the Parent Entity or ultimate Parent Entity of the following entities, all of which are incorporated in Australia. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

<i>Name of entity</i>	<i>Principal activities</i>	<i>Ownership interest</i>	
		<i>2013</i>	<i>2012</i>
		<i>%</i>	<i>%</i>
Flinders Bioremediation Pty Ltd	Develop and extend commercial activities of the University in the areas of soil bioremediation, organic waste management and related technologies.	100	100
Flinders Campus Community Services Pty Ltd	Provides on-campus services and support for students.	100	100
Flinders Consulting Pty Ltd	From 1 January 2008 Flinders Consulting merged its operations with Flinders Partners Pty Ltd.	100	100
Flinders Partners Pty Ltd	Commercialisation of University sourced intellectual property and conduct of commercial consultancies.	100	100
Strategiize Pty Ltd (formerly Flinders MediTech Pty Ltd ) (subsidiary of Flinders Partners Pty Ltd)	Software development company.	100	100
Clevertar Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Software development company.	100	100
Lung Health Diagnostics Pty Ltd	Biotech development company.	60	60
InRemedy Pty Ltd	Healthcare consultancy.	100	-
National Institute of Labour Studies (NILS) Foundation Inc*	Supports the activities of NILS.	100	100

\* The University is in the process of winding up the NILS Foundation and transferring its operations to the University.

**35. Jointly controlled operations and assets****(a) Joint venture operations and assets**

		<i>Output interest</i>	
		<i>2013</i>	<i>2012</i>
		<i>%</i>	<i>%</i>
<b>Joint venture operations</b>			
Centre for Remote Health	Provision of health education and research to remote areas.	50	50
<b>Joint venture assets</b>			
Rubuntja building, Alice Springs Hospital	Education and research services providing health services to local and remote Indigenous populations.	41	41
Lincoln Marine Science Centre, Port Lincoln	Supports research and tertiary level education in marine science.	43	41

The assets employed in the above jointly controlled operations are detailed below. The amounts are included in the financial statements under their respective categories.

<b>Joint venture operations</b> <b>Centre for Remote Health</b>	Consolidated		University	
	2013	2012	2013	2012
Assets:	\$'000	\$'000	\$'000	\$'000
Cash at bank	972	883	972	883
Receivables	33	-	33	-
Property, plant and equipment	2 690	2 949	2 690	2 949
Total assets	3 695	3 832	3 695	3 832

<b>Centre for Remote Health (continued)</b>	Consolidated		University	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Liabilities:				
Payables	39	22	39	22
Provisions	213	246	213	246
Total liabilities	252	268	252	268
Share of net assets employed in the joint venture	3 443	3 564	3 443	3 564

**Joint venture assets**

**Rubuntja building**

Assets:

Property, plant and equipment	1 103	1 201	1 103	1 201
Total assets	1 103	1 201	1 103	1 201
Share of net assets employed in the joint venture	1 103	1 201	1 103	1 201

**Lincoln Marine Science Centre:**

Assets:

Property, plant and equipment	2 505	2 411	2 505	2 411
Total assets	2 505	2 411	2 505	2 411
Share of net assets employed in the joint venture	2 505	2 411	2 505	2 411

**Joint venture operations and assets**

The University's joint venture operations and assets have contingent liabilities of \$0 as at 31 December 2013 (\$0).

**Other**

The University has collaborative arrangements in place with a number of overseas institutions for joint teaching of students. Revenue is shared between the University and collaborating institutions. The University's share of revenue and expense is included in the Income Statement.

**(b) Joint venture entities**

The University participates in a number of joint venture entities for which the University's interest is not considered to be material. Accordingly they have not been taken up in the accounts as per AASB 131 paragraph Aus1.4 referencing AASB 1031.

Relevant disclosures are as follows:

Name of entity	Reporting date	Principal activity	Ownership interest	
			2013 %	2012 %
<b>Cooperative Research Centres (CRC)</b>				
The Lowitja Institute	(U) 30 June	Provides a cross cultural framework for strategic research leading to evidence based improvements in education and health practice.	15	15
<b>Other joint venture entities</b>				
Australian Institute of Nuclear Science and Engineering (AINSE)	(I) 30 June	A cooperative venture between 22 Australian universities and ANSTO to carry out research in the field of nuclear science.	4	4
Australia and New Zealand School of Government (ANZSOG)	(I) 30 June	A cooperative venture between 10 governments and 14 universities to carry out research and teaching in the area of public policy and governance.	4	4
eResearch SA	(U) 31 December	Supports and promotes the use of advanced and high-performance computing and communications.	33	33
SABRENet Ltd	(I) 30 June	Delivers high capacity broadband network services to the education and research sector.	20	20



**Other joint venture entities (continued)**

<i>Name of entity</i>	<i>Reporting date</i>	<i>Principal activity</i>	<i>Ownership interest</i>	
			<i>2013</i> %	<i>2012</i> %
South Australian Centre for Economic Studies (SACES)	(U) 31 December	Conducts research on economic issues for government and private sector bodies.	50	50
South Australian Consortium of Information Technology and Telecommunications Inc (SACITT)	(I) 31 December	Explores collaborative IT&T research and development issues.	33	33
South Australian Tertiary Admissions Centre (SATAC)	(U) 31 December	Agent for tertiary institutions in Adelaide for receiving and processing applications for admission to tertiary level courses.	25	25

(I) Incorporated  
(U) Unincorporated

**(c) Other information**

- (1) *Capital expenditure commitments*  
No material capital expenditure commitments.
- (2) *Contingent liabilities*  
No material contingent liabilities.
- (3) *After balance date events*  
No material after balance date events.

**36. Events occurring after the balance sheet date**

There were no events that took place after reporting date that have a material impact on the financial statements of the University or the Consolidated Entity.

**37. Reconciliation of operating result to net cash flows from operating activities**

	Consolidated		University	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Operating result for the period	34 191	31 942	34 975	32 006
Non-cash items:				
Depreciation and amortisation	21 435	20 990	21 235	20 793
Net loss (gain) on sale of assets	(1 363)	57	(1 257)	14
Net contribution of assets	(785)	(414)	(785)	(449)
Fair value gains on other financial assets at fair value through profit or loss	(4 837)	(5 157)	(4 746)	(4 633)
Loss of control of subsidiary	-	(401)	-	-
Investment expenses paid direct from funds	151	60	114	60
Total of non-cash items	14 601	15 135	14 561	15 785
Movements in assets/liabilities:				
Receivables	5 328	7 305	5 161	7 013
Inventories	41	3	37	(5)
Other operating assets	(3 509)	351	(3 552)	387
Payables	4 449	5 254	4 525	5 231
Other provisions	(4 209)	1 785	(4 347)	1 723
Other operating liabilities	1 781	358	1 977	157
Net cash provided by operating activities	52 673	62 133	53 337	62 297

The cash and cash equivalents figures in note 16 are reconciled to cash and cash equivalents at the end of the year in the Statement of Cash Flows as follows:

Cash at bank and on hand	25 145	23 727	23 871	22 857
Term deposits maturing within 90 days	223	17 175	-	17 175
Cash and cash equivalents balance per Statement of Financial Position	25 368	40 902	23 871	40 032
Bank overdraft	-	-	-	-
Balance per Statement of Cash Flows	25 368	40 902	23 871	40 032



**40. Financial risk management (continued)**

Investment funds managers used by the University also utilise derivative instruments in accordance with their respective risk policies which have been reviewed and accepted by the University. The University holds funds on behalf of other entities associated with the University and these funds are invested with University investments with the entities receiving a share of the investment returns.

The following is the Consolidated Entity's accounting policies and terms and conditions for each class of financial asset, financial liability and equity instruments:

<i>Recognised financial instruments</i>	<i>Note</i>	<i>Accounting policies</i>	<i>Terms and conditions</i>
<b>(i) Financial assets</b>			
Cash at bank	1(d)(i),16	Recognised at nominal amounts.	Interest accrued credited to revenue in the period it is earned.
Deposits within three days	16	Recognised at nominal amounts.	Interest accrued credited to revenue in the period it is earned.
Term deposits	16,19	Recognised at nominal amounts.	Interest accrued credited to revenue as it is earned.
Equities	19	Recognised at market value.	Carrying amount of investments adjusted to market value monthly.
Managed funds	19	Recognised at market value.	Accrued distributions credited to revenue monthly. Investments adjusted to market value monthly.
Interest in business undertakings	19	Recognised at fair value.	Carrying amount of investments reviewed annually to ensure that it is not in excess of the recoverable amount of these investments.
Trade receivables	17	Shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (provision for doubtful debts).	Credit is allowed for a 30 day term.
Derivative instruments - hedge receivable	17	Recognised at fair value in revenue.	The gross payable and receivable values are recognised in the Statement of Financial Position. The net fair value is recognised as revenue or expense for the reporting period.
<b>(ii) Financial liabilities</b>			
Trade creditors and accruals	25	Liabilities are recognised for amounts to be paid in future for goods and services received, whether or not billed to the Consolidated Entity.	The University's standard terms of trade is payment 30 days after receipt of invoice.
Interest bearing liabilities	27	Carried at their principal amounts.	Interest is credited monthly at the University's (weighted) interest earning rate on short-term investments.
Income in advance	27	Carried at their nominal amounts.	Income is recognised in the period in which it is earned.
Non-interest bearing liabilities	27	Carried at their nominal amounts.	

**Net fair value**

At reporting date the carrying amount of financial assets and liabilities approximates their net fair values.

The Consolidated Entity's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at balance date are shown below.

**Interest rate risk exposure**

<b>2013</b>	Floating interest	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non-interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:									
Current assets:									
Cash and cash equivalents	25 119	223	-	-	-	-	-	26	25 368
Receivables	-	-	-	-	-	-	-	22 108	22 108
Other financial assets	-	154 455	-	-	-	-	-	-	154 455
Total current assets	25 119	154 678	-	-	-	-	-	22 134	201 931
Non-current assets:									
Receivables	-	-	-	-	-	-	-	43 814	43 814
Other financial assets	112	368	-	-	1 962	-	3 258	45 292	50 992
Total non-current assets	112	368	-	-	1 962	-	3 258	89 106	94 806
Total financial assets	25 231	155 046	-	-	1 962	-	3 258	111 240	296 737
Weighted average interest rate (%)	2.78	3.83	-	-	5.04	-	5.82		
Financial liabilities:									
Current liabilities:									
Payables	-	-	-	-	-	-	-	33 519	33 519
Other liabilities	1 376	-	-	-	-	-	-	104	1 480
Total current liabilities	1 376	-	-	-	-	-	-	33 623	34 999
Non-current liabilities:									
Payables	-	-	-	-	-	-	-	4 035	4 035
Total non-current liabilities	-	-	-	-	-	-	-	4 035	4 035
Total financial liabilities	1 376	-	-	-	-	-	-	37 658	39 034
Weighted average interest rate (%)	3.59								
Net financial assets	23 855	155 046	-	-	1 962	-	3 258	73 582	257 703
<b>2012</b>									
Financial assets:									
Current assets:									
Cash and cash equivalents	23 341	17 175	-	-	-	-	-	386	40 902
Receivables	-	47	-	-	-	-	-	20 394	20 441
Other financial assets	-	130 116	-	-	-	-	-	-	130 116
Total current assets	23 341	147 338	-	-	-	-	-	20 780	191 459
Non-current assets:									
Receivables	-	-	48	23	-	-	-	49 600	49 671
Other financial assets	679	653	370	-	1 447	-	2 612	49 953	55 714
Total non-current assets	679	653	418	23	1 447	-	2 612	99 553	105 385
Total financial assets	24 020	147 991	418	23	1 447	-	2 612	120 333	296 844
Weighted average interest rate (%)	3.30	4.66	5.33	5.00	5.42	-	6.44		
Financial liabilities:									
Current liabilities:									
Payables	-	47	-	-	-	-	-	24 406	24 453
Other liabilities	1 296	-	-	-	-	-	-	279	1 575
Total current liabilities	1 296	47	-	-	-	-	-	24 685	26 028
Non-current liabilities:									
Payables	-	-	48	23	-	-	-	4 214	4 285
Total non-current liabilities	-	-	48	23	-	-	-	4 214	4 285
Total financial liabilities	1 296	47	48	23	-	-	-	28 899	30 313
Weighted average interest rate (%)	4.43	5.00	5.00	5.00					
Net financial assets	22 724	147 944	370	-	1 447	-	2 612	91 434	266 531

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Consolidated Entity has no borrowings and therefore its interest rate risk exposure is on the income side only. As at 31 December 2013 the Consolidated Entity held \$155.046 million (\$147.991 million) in term deposits and short-term deposits earning interest at market rates (refer notes 16 and 19). The Consolidated Entity also held \$5.034 million (\$14.88 million) in fixed interest managed funds (refer note 19).

**Interest rate risk exposure (continued)**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Consolidated Entity's exposure to foreign exchange risk is limited to its investments in international equities of \$6000 in 2013 (\$6000), and as indicated in note 17 there is also the equivalent of AUD425 000 (AUD143 000) denoted in foreign currency receivables. There are AUD0 (AUD194 000) of trade and other payables denoted in foreign currency as per note 25. The University utilised cash flow hedges to manage currency risk exposures. The net gain on cash flow hedges in 2013 was \$18 000.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements. Except for the following concentration of credit risk, the Consolidated Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Consolidated Entity:

- Superannuation receivable from AGDE of \$47.073 million (\$52.7 million).

Liquidity risk is the risk that financial obligations will not be able to be met when they fall due. The University manages liquidity risk by monitoring forecast cash flows and maintains sufficient cash to maintain short-term flexibility and enable the University to meet financial commitments in a timely manner.

**Sensitivity analysis**

The following table summarises the sensitivity of the Consolidated Entity's financial assets and financial liabilities to interest rate risk and price risk.

	Carrying amount \$'000	Interest rate risk				Price risk			
		-1% Result \$'000	Equity \$'000	+1% Result \$'000	Equity \$'000	-1% Result \$'000	Equity \$'000	+1% Result \$'000	Equity \$'000
<b>2013</b>									
Financial assets:									
Cash and cash equivalents	25 368	(251)	(251)	251	251	-	-	-	-
Receivables	65 922	-	-	-	-	-	-	-	-
Other financial assets	205 447	(1 545)	(1 545)	1 545	1 545	(381)	(381)	381	381
Financial liabilities:									
Payables	37 554	-	-	-	-	-	-	-	-
Other financial liabilities	1 480	(14)	(14)	14	14	-	-	-	-
Total increase (decrease)	<u>257 703</u>	<u>(1 810)</u>	<u>(1 810)</u>	<u>1 810</u>	<u>1 810</u>	<u>(381)</u>	<u>(381)</u>	<u>381</u>	<u>381</u>

The interest rate risk on other financial liabilities not included above is nil as these funds are invested on behalf of related entities and they bear the interest rate risk. No sensitivity analysis has been prepared for foreign exchange risk as the risks are immaterial.

The above sensitivity analysis has been prepared on the assumption that all other variables remain constant.

**41. Fair value measurements****(a) Fair value measurements**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Due to the short-term nature of the current receivables, their carrying value is assumed to approximate their fair value and based on credit history it is expected that the receivables that are neither past due nor impaired will be received.

The consolidated carrying amounts and aggregate net fair values of financial assets and liabilities at balance date are:

	Carrying amount		Fair value	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Financial assets</b>				
Cash and cash equivalents	25 368	40 902	25 368	40 902
Receivables	65 998	71 436	65 998	71 436
Investments using the equity method	333	59	333	59
Other financial assets:				
Held-to-maturity assets	154 455	130 116	154 455	130 116
Available-for-sale financial assets	7 224	7 437	7 224	7 437
Financial assets at fair value through profit or loss	43 768	48 277	43 768	48 277
Total financial assets	<u>297 146</u>	<u>298 227</u>	<u>297 146</u>	<u>298 227</u>
<b>Financial liabilities</b>				
Payables	37 554	28 738	37 554	28 738
Other financial liabilities	1 480	1 575	1 480	1 575
Total financial liabilities	<u>39 034</u>	<u>30 313</u>	<u>39 034</u>	<u>30 313</u>

(a) **Fair value measurements (continued)**

The following assets and liabilities are measured and recognised at fair value on a recurring basis:

- held-to-maturity assets
- available-for-sale financial assets
- financial assets at fair value through profit or loss
- land, buildings and infrastructure
- investment property.

(b) **Fair value hierarchy**

The Consolidated Entity categorises assets and liabilities measured at fair value into a hierarchy based on the level of inputs used in measurement.

Level 1: quoted prices in active markets (unadjusted) for identical assets or liabilities.

Level 2: inputs other than quoted prices within level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) **Recognised fair value measurements**

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 31 December 2013. Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of AASB 13.

Fair value measurements at 31 December 2013			Consolidated		
Recurring fair value measurements:	Note	2013 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Financial assets</b>					
Financial assets at fair value through profit or loss:					
Derivatives used for hedging		1 462	-	1 462	-
Available-for-sale financial assets:					
Equity securities	19	43 457	2 165	35 902	5 390
Debt securities	19	5 701	-	5 701	-
Other entities	19	1 834	-	-	1 834
Investments using the equity method	21	333	-	-	333
Total financial assets		52 787	2 165	43 065	7 557
<b>Non-financial assets</b>					
Investment properties	23	9 400	-	9 400	-
Land, buildings and infrastructure	22	358 989	-	-	358 989
Library	22	16 618	-	-	16 618
Works of art	22	5 528	-	-	5 528
Total non-financial assets		390 535	-	9 400	381 135
<b>Financial liabilities</b>					
Derivatives used for hedging		1 444	-	1 444	-
Total financial liabilities		1 444	-	1 444	-
Total fair value measurements at 31 December		441 878	2 165	51 021	388 692

(i) *Recognised fair value measurements (continued)*

Fair value measurements at 31 December 2012		Consolidated			
Recurring fair value measurements:	Note	2012 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Financial assets</b>					
Available-for-sale financial assets:					
Equity securities	19	38 784	3 107	29 910	5 767
Debt securities	19	15 260	-	15 260	-
Other entities	19	1 670	-	-	1 670
Investments using the equity method	21	59	-	-	59
Total financial assets		55 773	3 107	45 170	7 496
Total fair value measurements at 31 December		55 773	3 107	45 170	7 496

(c) *Valuation techniques used to derive level 2 and level 3 fair values*(i) *Recurring fair value measurements*

The fair value of financial instruments that are not traded in an active market (eg managed investments and cash flow hedges) are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The Consolidated Entity uses quoted market prices or dealer quotes based on market conditions existing at each balance date. All of the resulting fair value estimates are included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and investments accounted for using the equity method.

An independent valuation was performed in December 2013 on investment properties and freehold land and building (classified as property, plant and equipment). All properties are valued independently at least every three years. At the end of each reporting period, the Consolidated Entity updates their assessment of the fair value of each property, taking into account the most recent independent valuations. The Consolidated Entity determines the property's value within a range of reasonable fair value estimates.

The best evidence of fair value is the current price in an active market for similar properties. Where such information is not available the Consolidated Entity considers information from a variety of sources, including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 3.

(d) *Fair value measurements using significant unobservable inputs (level 3)*

The following table is a reconciliation of level 3 items for the period ended 31 December 2013:

*Level 3 fair value measurement 2013*

	Unlisted equity securities	Land, buildings infra-structure	Library	Works of art	Other financial assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Level 3 financial assets						
Opening balance 1 January	7 437	-	-	-	59	7 496
Adoption of AASB 13	-	345 416	16 901	6 362	-	368 679
Gains (Losses) in profit or loss:						
Additions	-	17 561	3 257	49	274	21 141
Disposals	(377)	(1 313)	-	-	-	(1 690)
Depreciation recognised in net operating surplus	-	(11 880)	(3 540)	-	-	(15 420)
Total gains (losses) in profit or loss	(377)	4 368	(283)	49	274	4 031

Level 3 financial assets (continued)	Unlisted equity securities \$'000	Land, buildings infra-structure \$'000	Library \$'000	Works of art \$'000	Other financial assets \$'000	Total \$'000
Gains (Losses) in comprehensive income:						
Gain (Loss) in other comprehensive income	164	-	-	-	-	164
Revaluation increment (decrement)	-	9 205	-	(883)	-	8 322
Total gains (losses) in other comprehensive income	164	9 205	-	(883)	-	8 486
Closing balance	7 224	358 989	16 618	5 528	333	388 692

#### 42. Defined benefit plans

The University contributes to the following employee superannuation funds:

##### (i) UniSuper

###### (a) UniSuper Defined Benefit Plan or Accumulation 2

UniSuper Management Pty Ltd administers the scheme and UniSuper Ltd is the trustee. The University contributes at a rate double the contributions made by employees. Employees' contributions are normally 7% 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.

UniSuper reports its results on a financial year ending 30 June.

As at 30 June 2013 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Benefit Plan.

In 2006 the UniSuper Trust Deed was amended so that in the event UniSuper assets are insufficient to provide for the benefits payable the trustee must consider whether to reduce member benefits on a fair and equitable basis instead of requesting additional payments from employers. While remaining a defined benefits plan under superannuation law, the change in the UniSuper Trust Deed effectively alters the nature of the scheme to a defined contribution scheme under AASB 119.

As set out under paragraph 28 of AASB 119 a contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the fund and the actuarial risk and investment risk fall on the employee.

As at 30 June 2013 the assets of the Defined Benefit Division (DBD) in aggregate were estimated to be:

- \$691 million (\$2.011 billion) in deficiency of vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of indexed pensions being provided by the DBD
- \$861 million above accrued benefits (\$907 million deficiency). The accrued benefits have been calculated as the present value of expected future benefit payments to members and indexed pensioners which arise from membership of UniSuper up to the reporting date.

The vested benefit and accrued benefit liabilities were determined by the fund's actuary, Russell Employee Benefits, using the actuarial demographic assumptions outlined in their report dated 14 November 2013 on the actuarial investigation of the DBD as at 30 June 2013. The financial assumptions used were:

	Vested benefits	Accrued benefits
Gross of tax investment return:		
DBD pensions	6.10%	7.80%
Commercial rate indexed pensions	3.70%	3.70%
Net of tax investment return - non-pensioner members	5.50%	7.00%
CPI	2.75%	2.75%
Inflationary salary increases long-term	3.75%	3.75%

Assets have been included at their net market value, ie allowing for realisation costs.



(a) *UniSuper Defined Benefit Plan or Accumulation 2 (continued)*

At 30 June 2013 the vested benefit index (VBI) was 94.7% and the accrued benefit index (ABI) was 106%. As a result of the VBI being less than 95% at 30 June 2013, the monitoring period and process set out in clause 34 of the Trust Deed has been commenced. The trustee has notified employers and members of this in accordance with the requirements of clause 34.

Clause 34 of the Trust Deed provides a mechanism for reducing benefits if after initially falling below specified threshold levels and after a period of at least four years, the ABI and VBI are below those thresholds (100% and 95% respectively).

Clause 34 was initiated following the 31 December 2008, 30 June 2011 and 30 June 2012 actuarial investigations and it has again been initiated following the 30 June 2013 actuarial investigation.

Following the end of the monitoring period commenced in relation to the 31 December 2008 actuarial investigation, the UniSuper Limited Board made a decision not to reduce accrued benefits but to reduce the rate at which benefits accrue in respect of the DBD membership after 1 January 2015.

After the four year monitoring periods ending on 30 June 2015, 30 June 2016 and 30 June 2017, if the ABI and/or VBI are below the specified thresholds (or the level of contribution is such that they are expected to decline to below those thresholds) the trustee must consider if it is in the interests of members of Division A and Division B as a whole to reduce the benefits payable and if so must do so on a fair and equitable basis.

(b) *UniSuper Award Plus Plan*

UniSuper Management Pty Ltd administers the scheme and TESS Superannuation Ltd is the trustee. The University contributes to the scheme 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 scheme for employee benefits arising under the Superannuation Guarantee legislation.

(ii) **South Australian Superannuation Scheme**

(a) *Fund specific disclosure*

The University has 78 (78) present and former employees who are members of closed State Government Pension and Lump Sum 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 for the shortfall in the employer's contribution. 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 University's superannuation liability with respect to future benefits for current employees and pensioners was assessed as at 31 December 2013. This assessment was performed by PricewaterhouseCoopers Securities Ltd actuaries on information that was provided by the Director Superannuation, South Australian Department of Treasury and Finance. The University's superannuation liability was assessed as being \$47.1 million (\$52.7 million). The net unfunded amount has been recognised in the accounts of the University as a liability with a corresponding receivable from the Commonwealth Government (refer note 17). Recognition of the receivable from the Commonwealth is in accordance with AGDE Guidelines and reflects an assessment that while there is no specific legislated requirement, the Commonwealth has committed to funding the University's emerging costs.

The University expects to make a contribution of \$3.3 million (\$3.1 million) to the defined benefit plan during the next financial year.

The weighted average duration of the defined benefit obligation is 15.39 years (15.91 years). The expected maturity analysis of undiscounted benefit obligations is as follows:

(a) *Fund specific disclosure (continued)*

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2013 (p.a.)	2012 (p.a.)
Discount rate	4.6%	3.8%
Expected rate of salary increase	4.0%	4.0%
Long-term CPI increases	2.5%	2.5%
Investment earnings	7.0%	7.0%

	University	
	2013 \$'000	2012 \$'000
University's gross liability	50 485	55 700
Funded component	(3 412)	(3 000)
Unfunded liability	47 073	52 700
Total obligation	47 073	52 700
Reimbursement rights (receivable from AGDE)	47 073	52 700
Net liability	-	-

**43. Entity information**

Flinders University is a body corporate established by an Act of the South Australian Parliament, *The Flinders University of South Australia Act 1966*. It is domiciled in Australia and its address is Sturt Road, Bedford Park, South Australia, 5042. The University's Australian Business Number (ABN) is 65 542 596 200.

**44. Acronyms and abbreviations**

AASB	Australian Accounting Standards Board
AGDE	Australian Government Department of Education
ARC	Australian Research Council
CGS	Commonwealth Grants Scheme
FEE-HELP	Fee Higher Education Loan Programme (financial support for full-fee paying domestic students)
HECS-HELP	Higher Education Contribution Scheme - Higher Education Loan Program
HEFA	Higher Education Funding Agreement
IFRS	International Financial Reporting Standards
NH&MRC	National Health & Medical Research Council
OS-HELP	Overseas - Higher Education Loan Program
SA-HELP	Student Amenities Fee - Higher Education Loan Program

**45. Acquittal of Australian Government financial assistance**

**45.1 AGDE - CGS and other AGDE grants**

	Note	University only					
		Commonwealth Grants Scheme <sup>(1)</sup>		Indigenous Support Program		Partnership and Participation Program	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)		126 087	116 453	652	470	3 344	1 430
Net accrual adjustments		693	(292)	-	-	(74)	1 806
Revenue for the period	3(a)	126 780	116 161	652	470	3 271	3 236
Surplus (Deficit) from the previous year		-	-	-	-	70	1 876
Total revenue including accrued revenue		126 780	116 161	652	470	3 341	5 112
Expenses including accrued expenses		(126 780)	(116 161)	(652)	(470)	(2 843)	(5 042)
Surplus (Deficit) for reporting period		-	-	-	-	497	70

	Note	University only					
		Disability Support Program		Learning and Teaching Performance Fund		Capital Development Pool	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)		168	164	-	-	-	-
Net accrual adjustments		-	-	-	-	-	-
Revenue for the period	3(a)	168	164	-	-	-	-
Surplus (Deficit) from the previous year		-	-	-	12	-	758
Total revenue including accrued revenue		168	164	-	12	-	758
Expenses including accrued expenses		(168)	(164)	-	(12)	-	(758)
Surplus (Deficit) for reporting period		-	-	-	-	-	-

**45.1 AGDE - CGS and other AGDE grants  
(continued)**

		University only					
		Diversity and Structural Adjustment Fund <sup>(2)</sup>		Transitional Cost Program		Reward Funding	
		2013	2012	2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)	Note	-	-	-	(23)	637	574
Net accrual adjustments		-	-	(6)	42	-	-
Revenue for the period	3(a)	-	-	(6)	19	637	574
Surplus (Deficit) from the previous year		-	455	-	-	-	-
Total revenue including accrued revenue		-	455	(6)	19	637	574
Expenses including accrued expenses		-	(455)	6	(19)	(637)	(574)
Surplus (Deficit) for reporting period		-	-	-	-	-	-

		University only			
		Promotion of Excellence in Learning & Teaching		Total	
		2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)		283	135	131 172	119 202
Net accrual adjustments		-	-	613	1 557
Revenue for the period	3(a)	283	135	131 785	120 759
Surplus (Deficit) from the previous year		-	-	70	3 101
Total revenue including accrued revenue		283	135	131 855	123 860
Expenses including accrued expenses		(283)	(135)	(131 358)	(123 790)
Surplus (Deficit) for reporting period		-	-	497	70

(1) Includes the basic CGS grant amount, CGS-Regional loading, CGS-Enabling loading, Maths and Science Transition loading and Full Fee Places Transition loading.

(2) Includes Collaboration and Structural Adjustment Programme.

**45.2 Higher Education Loan Programs (excl OS-HELP)**

		University only			
		HECS-HELP (Australian Govt payments only)		FEE-HELP	
		2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000
Cash payable (receivable) at 1 January	Note	796	(1 035)	359	393
Financial assistance received in CASH during the reporting period		73 505	60 904	6 259	4 243
Cash available for period		74 301	59 869	6 618	4 636
Revenue earned	3(b)	71 583	59 073	6 618	4 277
Cash payable (receivable) at 31 December		2 718	796	-	359

		University only			
		SA-HELP		Total	
		2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000
Cash payable (receivable) at 1 January		-	-	1 155	(642)
Financial assistance received in CASH during the reporting period		1 659	1 463	81 423	66 610
Cash available for period		1 659	1 463	82 578	65 968
Revenue earned	3(b)	1 708	1 463	79 909	64 813
Cash payable (receivable) at 31 December		(49)	-	2 669	1 155

**45.3 Scholarships**

		University only					
		Australian Postgraduate Awards		International Post- graduate Research Scholarships		Commonwealth Education Cost Scholarships <sup>(3)</sup>	
		2013	2012	2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)		4 319	3 891	332	320	(31)	700
Net accrual adjustments		-	-	-	-	(74)	(465)
Revenue for the period	3(c)	4 319	3 891	332	320	(105)	235
Surplus (Deficit) from the previous year		858	751	-	-	665	701
Total revenue including accrued revenue		5 177	4 642	332	320	560	936
Expenses including accrued expenses		(4 353)	(3 784)	(332)	(320)	(77)	(271)
Surplus (Deficit) for reporting period		824	858	-	-	483	665

**45.3 Scholarships (continued)**

		University only			
		Commonwealth Accommodation Scholarships <sup>(3)</sup>		Indigenous Access Scholarships	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)		(702)	832	(27)	119
Net accrual adjustments		649	(635)	(33)	-
Revenue for the period	3(c)	(53)	197	(60)	119
Surplus (Deficit) from the previous year		795	890	87	3
Total revenue including accrued revenue		742	1 087	27	122
Expenses including accrued expenses		(84)	(292)	(28)	(35)
Surplus (Deficit) for reporting period		658	795	(1)	87

		University only			
		Indigenous Staff Scholarships		Total	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)		43	-	3 934	5 862
Net accrual adjustments		-	-	542	(1 100)
Revenue for the period	3(c)	43	-	4 476	4 762
Surplus (Deficit) from the previous year		-	-	2 405	2 345
Total revenue including accrued revenue		43	-	6 881	7 107
Expenses including accrued expenses		(43)	-	(4 917)	(4 702)
Surplus (Deficit) for reporting period		-	-	1 964	2 405

<sup>(3)</sup> Includes Grandfathered Scholarships, National Priority and National Accommodation Priority Scholarships respectively.

**45.4 AGDE Research**

		University only					
		Joint Research Engagement		Joint Research Engagement Cadetships		Research Training Scheme	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)		6 105	6 334	49	25	10 897	10 436
Net accrual adjustments		-	-	-	-	-	-
Revenue for the period	3(d)	6 105	6 334	49	25	10 897	10 436
Surplus (Deficit) from the previous year		-	-	25	-	-	-
Total revenue including accrued revenue		6 105	6 334	74	25	10 897	10 436
Expenses including accrued expenses		(6 105)	(6 334)	-	-	(10 897)	(10 436)
Surplus (Deficit) for reporting period		-	-	74	25	-	-

		University only					
		Research Infrastructure Block Grants		University only Implementation Assistance Programme		Sustainable Research Excellence in Universities	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)		3 172	3 378	-	-	2 057	1 965
Net accrual adjustments		-	-	-	-	-	-
Revenue for the period	3(d)	3 172	3 378	-	-	2 057	1 965
Surplus (Deficit) from the previous year		-	-	-	-	-	-
Total revenue including accrued revenue		3 172	3 378	-	-	2 057	1 965
Expenses including accrued expenses		(3 172)	(3 378)	-	-	(2 057)	(1 965)
Surplus (Deficit) for reporting period		-	-	-	-	-	-

		University only			
		Commercialisation Training Scheme		Total	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)		-	-	22 280	22 138
Net accrual adjustments		-	-	-	-
Revenue for the period	3(d)	-	-	22 280	22 138
Surplus (Deficit) from the previous year		12	80	37	80
Total revenue including accrued revenue		12	80	22 317	22 218
Expenses including accrued expenses		245	(68)	(21 986)	(22 181)
Surplus (Deficit) for reporting period		257	12	331	37

**45.5 Other capital funding**

	Note	University only			
		Teaching and Learning Capital Fund		Total	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)		-	-	-	-
Net accrual adjustments		-	-	-	-
Revenue for the period		-	-	-	-
Surplus (Deficit) from the previous year		-	6 335	-	6 335
Total revenue including accrued revenue		-	6 335	-	6 335
Expenses including accrued expenses		-	(6 335)	-	(6 335)
Surplus (Deficit) for reporting period		-	-	-	-

**45.6 Australian Research Council Grants**

		University only			
		Projects		Fellowships	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)		3 657	2 782	2 123	2 080
Net accrual adjustments		(297)	188	-	20
Revenue for the period	3(e)(i)	3 360	2 970	2 123	2 100
Surplus (Deficit) from the previous year		2 010	1 996	1 231	387
Total revenue including accrued revenue		5 370	4 966	3 354	2 487
Expenses including accrued expenses		(3 571)	(2 956)	(2 226)	(1 256)
Surplus (Deficit) for reporting period		1 799	2 010	1 128	1 231

		University only			
		Indigenous Researchers Development		Total	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)		-	38	5 780	4 900
Net accrual adjustments		-	-	(297)	208
Revenue for the period	3(e)(i)	-	38	5 483	5 108
Surplus (Deficit) from the previous year		9	35	3 250	2 418
Total revenue including accrued revenue		9	73	8 733	7 526
Expenses including accrued expenses		(9)	(64)	(5 806)	(4 276)
Surplus (Deficit) for reporting period		-	9	2 927	3 250

**(ii) Linkages**

		University only					
		Special Research Initiatives		Infrastructure		International	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2012 \$'000	2012 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)		6 638	9 637	630	-	-	(77)
Net accrual adjustments		(4 653)	(7 550)	295	163	-	-
Revenue for the period	3(e)(ii)	1 985	2 087	925	163	-	(77)
Surplus (Deficit) from the previous year		2 805	2 962	87	242	-	8
Total revenue including accrued revenue		4 790	5 049	1 012	405	-	(69)
Expenses including accrued expenses		(2 519)	(2 244)	(304)	(318)	-	69
Surplus (Deficit) for reporting period		2 271	2 805	708	87	-	-

		University only			
		Projects		Total	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)		1 057	986	8 325	10 546
Net accrual adjustments		104	377	(4 254)	(7 010)
Revenue for the period	3(e)(ii)	1 161	1 363	4 071	3 536
Surplus (Deficit) from the previous year		1 264	1 053	4 156	4 265
Total revenue including accrued revenue		2 425	2 416	8 227	7 801
Expenses including accrued expenses		(988)	(1 152)	(3 811)	(3 645)
Surplus (Deficit) for reporting period		1 437	1 264	4 416	4 156

(iii) *Networks and Centres*

	Note	University only			
		Centres		Total	
		2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)		-	-	-	-
Net accrual adjustments		229	217	229	217
Revenue for the period	3(e)(iii)	229	217	229	217
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		229	217	229	217
Expenses including accrued expenses		(179)	(217)	(179)	(217)
Surplus (Deficit) for reporting period		50	-	50	-

**45.7 OS-HELP**

		University only	
		Total*	
		2013	2012
		\$'000	\$'000
Cash received during the reporting period		710	393
Cash spent during the reporting period		595	456
Net cash received	3(g)	116	(63)
Cash surplus (deficit) from the previous period		(7)	(7)
Cash surplus (deficit) for reporting period		109	(70)

\* OS-HELP is not included in income. The University effectively acts as a transfer agency with regard to the OS-HELP monies received from the Australian Government.

**45.8 Higher education superannuation**

		University only	
		Total	
		2013	2012
		\$'000	\$'000
Cash received during the reporting period	3(g)	2 807	2 044
University contribution in respect of current employees		210	212
Cash available		3 017	2 256
Cash surplus (deficit) from the previous period		(730)	119
Cash available for current period		2 287	2 375
Contributions to specified defined benefit funds		(2 592)	(3 105)
Cash surplus (deficit) this period		(305)	(730)

**45.9 Student services and amenities fee**

		University only	
		Total	
		2013	2012
		\$'000	\$'000
Unspent (overspent) revenue from previous period		2 268	-
SA-HELP revenue earned	3(b)	1 708	1 463
Student services and amenities fees direct from students	5	1 467	1 440
Total revenue expendable in period		5 443	2 903
Student services expenses during period		(2 560)	(635)
Unspent (overspent) student services revenue		2 883	2 268

# Department of Further Education, Employment, Science and Technology

## Functional responsibility

### Establishment

The Department of Further Education, Employment, Science and Technology (DFEEST or the Department) is established as an administrative unit pursuant to the PSA. DFEEST's Chief Executive is responsible to the Minister for Employment, Higher Education and Skills and the Minister for Science and Information Economy.

### Functions

DFEEST's main function is to develop the State's workforce and skills base predominantly by providing funding to TAFE SA and private registered training organisations (RTOs) through the Skills for All program. For details of DFEEST's functions refer note 1 to the financial statements.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

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

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

### Scope of audit

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

During 2013-14, specific areas of audit attention included:

- expenditure, including funding to TAFE SA and private RTOs, grants and accounts payable
- employee benefits
- revenue, including fees and charges and receivables
- cash management, including bank reconciliations
- fixed assets
- general ledger.

The audit took into account the controls and procedures performed by service providers including SSSA.

The work of internal audit was considered in planning and conducting the audit program.

## **Audit findings and comments**

### **Auditor's report on the financial report**

In my opinion, the financial report gives a true and fair view of the financial position of the Department of Further Education, Employment, Science and Technology as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### **Assessment of controls**

In my opinion, the controls exercised by the Department of Further Education, Employment, Science and Technology in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for all the matters outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Further Education, Employment, Science and Technology have been conducted properly and in accordance with law.

### **Communication of audit matters**

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive of DFEEST. The main matters raised with DFEEST and the related responses are detailed below.

#### ***Skills for All expenditure***

The Skills for All systems are used for payments made to TAFE SA and private RTOs. In 2012-13 Audit identified a number of issues relating to Skills for All expenditure controls. In 2013-14 DFEEST has worked to address the findings resulting from the 2012-13 audit and other internal reviews which have been undertaken in relation to Skills for All. To progress this work the Department has engaged an external provider to assist in reviewing the status of issues that have previously been raised and to undertake a specific review of Skills for All ICT.

Further discussion on the findings of the external review of Skills for All ICT is contained below under the heading 'External review of Skills for All systems'.

In 2013-14 Audit undertook a further review of Skills for All expenditure. While this review identified progress against some of the findings previously raised by Audit, a number of matters requiring management attention were identified as detailed below.

#### ***Lack of formal policies and procedures***

Audit review revealed policy and procedural control deficiencies including:

- there are no documented policies and procedures describing the methodology for calculating the training subsidy to training providers



- DFEEST does not have a procedure in place to ensure that all changes made to payment hours in the Enterprise Client Relationship Management (Pricing Management) system are independently checked for validity, accuracy and completeness of changes
- DFEEST does not have a report that captures a complete history of changes made to subsidy hourly rate pricing variables since the date the last report was produced
- there is a lack of management and exception reporting about payment hours.

DFEEST responded that a project will be established to formally document, communicate and keep up to date the policies and procedures that describe:

- how payment hours applicable to each unit of competency are determined and approved
- the variables that comprise these subsidy rates
- any changes to the variables.

*Approval of Skills for All training subsidy rates and pricing variables*

In 2012-13, Audit identified that there was no instrument of delegation to clearly set out which positions within the Department had the authority to approve changes in subsidy training rates and other pricing variables. DFEEST responded to the 2012-13 findings indicating the intent to implement an instrument of delegation to ensure greater clarity and appropriate accountability.

Follow-up in 2013-14 confirmed that DFEEST had established an instrument of delegation for pricing and volume management during the year. The instrument did not, however, appear to specifically address the authorisation of training subsidy rates and changes to the pricing variables.

DFEEST responded that the existing instrument of delegation will be updated to specify the approval authorities for Skills for All training subsidy rates and changes to training subsidy variables.

*Change in training activity data and risk of invalid payments*

There is no automated system control process/report that:

- identifies changes in training activity data that have already been paid and are then either removed permanently from the training providers' records or are removed and then subsequently reinstated in the training providers' records
- prevents payments to training providers for units of competency attempted more than three times by a student where the Skills for All code assigned to the unit of competency has changed.

DFEEST responded that, to address the immediate concern, a systems-based solution was developed to check historical payments against data files submitted by RTOs. This process identified a small number of claims that would require further investigation to determine whether the RTOs original claim remained valid.

The Department also identified that an updated Skills for All claims, payments and reconciliation system, due for deployment in January 2015, would alleviate this issue in future.

*Reconciliation of Skills for All systems to the general ledger*

As some data quality issues still existed over data flowing from source systems through to the Vocational Education and Training Application system (VETA) for payment processing, a manual reconciliation process between VETA and the Masterpiece general ledger was required to be undertaken as at 30 June 2014, which was also the case in 2012-13.

DFEEST advised that the manual reconciliation process had confirmed the integrity of data transferred between VETA and Masterpiece and that the second element of the reconciliation, relating to the validity of Skills for All claims by RTOs, revealed that only a small number of Skills for All transactions require further investigation to ensure incorrect payments have not been made in the past.

The revised Skills for All claims, payments and reconciliation system will enable the timely synchronisation of financial and data adjustments as well as automated reconciliations.

*External review of Skills for All systems*

Last year's Report included commentary concerning a review of the Skills for All information systems and associated business processes. This review was conducted by an external consultant.

In September 2014 a follow-up review was completed by another external consultant. Although this review reported progress in actioning certain issues raised by the previous consultant's review, there were a number of outstanding matters to be addressed to strengthen operations, controls and documentation aspects for the Skills for All systems.

In summary the review noted the following matters:

- As mentioned above, data integrity issues continued in 2013-14, which again required the completion of a manual reconciliation process.
- The Department needs to develop sufficient technical documentation that describes the systems used within the Skills for All systems complement. This includes appropriate documentation for all interfaces to enable effective management of data moving between systems. In addition, appropriate documentation for interface controls relating to roles and responsibilities for interface management, data transfers and batch processes for the systems.
- The change management standard and process requires updating to ensure all systems are subject to consistent and authorised change processes and there is regular integrity review of production system environments for application developers.
- Certain attention was required to address access and password control, segregation of duties and management reporting aspects for certain systems, including the VETA system.
- The systems governance model being applied to Skills for All systems required enhancement, including consideration of a formal independent project advisor role to assist the Skills for All Systems Committee in its governance and strategic oversight of the systems.

At the time of preparation of this Report, the consultant's follow-up review report had been considered by the DFEEST Audit and Risk Management Committee, which had endorsed proposed actions to address the consultant's findings and recommendations under governance of the Skills for All Systems Committee.

The remediation program will be subject to review by Audit in 2014-15.

***Payroll***

*Return of bona fide certificates*

Consistent with previous years' audit findings, managers do not always review and return bona fide certificates on a timely basis.

DFEEST responded that fortnightly reminders are sent to certifying officers. In addition, DFEEST has undertaken an audit of outstanding bona fide certificates and managers have been sent reminders.

#### *Approval of employee timesheets*

Employees use timesheets to record their hours worked and record leave taken and to manage flexitime arrangements. Some timesheets were not authorised or were not authorised on a timely basis.

DFEEST responded that an email reminder has previously been sent to all managers reminding them of their responsibilities with regard to employee timesheets and that a further reminder would be sent.

#### **Expenditure**

##### *Policies and procedures*

The audit identified a need for review of policies and procedures in order to remove inconsistencies between a policy and the associated procedure document for simple procurements and to clarify the types of approved online purchasing arrangements which are exempt from purchase order requirements.

DFEEST responded that it is currently reviewing the relevant procurement policies and procedures to ensure consistent practices will occur across the Department.

#### **Shared Services SA – financial systems and transaction processing environments**

SSSA processes financial transactions on behalf of the Department under service level determinations. The main systems and control environments include accounts payable and general ledger financial functions.

Last year's Report made specific comment on the progress being taken by SSSA to remediate key control weaknesses raised in prior years for the systems and control environments, in order to achieve a satisfactory ongoing standard of control operation over financial transaction processing.

As discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report, Audit review and evaluation of controls for the SSSA main accounts payable systems and environments concluded that controls met a generally satisfactory standard for 2013-14.

Notwithstanding this overall conclusion, there were some specific matters that were raised with SSSA for corrective action and review for process and procedural improvement. The matters did not relate to the Department's transaction processing.

#### **Interpretation and analysis of the financial report**

##### **Highlights of the financial report**

TAFE SA was established as a public corporation on 1 November 2012 and from this date it was responsible for the operations of TAFE institutes. The operations of TAFE institutes were previously part of DFEEST and were reported in DFEEST's financial statements up to that date. This change explains the variation in some individual expense and income disclosures between the 2013-14 year and the 2012-13 year, the figures for which contain four months of transactions related to TAFE SA.

In addition from 1 July 2013 a further transfer of staff occurred from DFEEST to TAFE SA. Note 33 provides details of the transfers.

	2014 \$'million	2013 \$'million
<b>Expenses</b>		
Employee benefits	54	139
Vocational education and training funding	309	271
Supplies and services	35	57
Grants and subsidies	131	97
Other expenses	51	30
<b>Total expenses</b>	<b>580</b>	<b>594</b>
<b>Income</b>		
Commonwealth Government grants	31	44
Fees and charges	44	65
Other income	8	8
<b>Total income</b>	<b>83</b>	<b>117</b>
<b>Net cost of providing services</b>	<b>497</b>	<b>477</b>
<b>Net revenues from (payments to) SA Government</b>	<b>504</b>	<b>426</b>
<b>Net result</b>	<b>7</b>	<b>(51)</b>
<b>Other comprehensive income</b>	<b>(26)</b>	<b>(10)</b>
<b>Total comprehensive result</b>	<b>(19)</b>	<b>(61)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>(32)</b>	<b>10</b>
<b>Assets</b>		
Current assets	101	82
Non-current assets	796	821
<b>Total assets</b>	<b>897</b>	<b>903</b>
<b>Liabilities</b>		
Current liabilities	57	105
Non-current liabilities	11	15
<b>Total liabilities</b>	<b>68</b>	<b>120</b>
<b>Total equity</b>	<b>829</b>	<b>783</b>

### Statement of Comprehensive Income

#### *Net cost of providing services*

Expenses decreased by \$14 million to \$580 million and income decreased by \$34 million to \$83 million. This reflects the changes arising from the establishment of TAFE SA from 1 November 2012.

The 2012-13 comparatives include four months of expense and revenue transactions that were previously part of DFEEST but are now part of TAFE SA operations. In addition only eight months of Skills for All expenditure, which commenced on 1 July 2012, relates to payments to TAFE SA as a separate entity in 2012-13. For details on Skills for All refer 'Further commentary on operations' below.

#### *Expenses*

The main expenses of DFEEST are vocational education and training funding of \$309 million and grants and subsidies of \$131 million, which constitute 76% of total expenses.

Vocational education and training funding consists of:

- funding to TAFE SA for vocational education and training, \$193 million
- funding to other providers for vocational education and training, \$116 million.

These predominantly relate to payments under Skills for All.

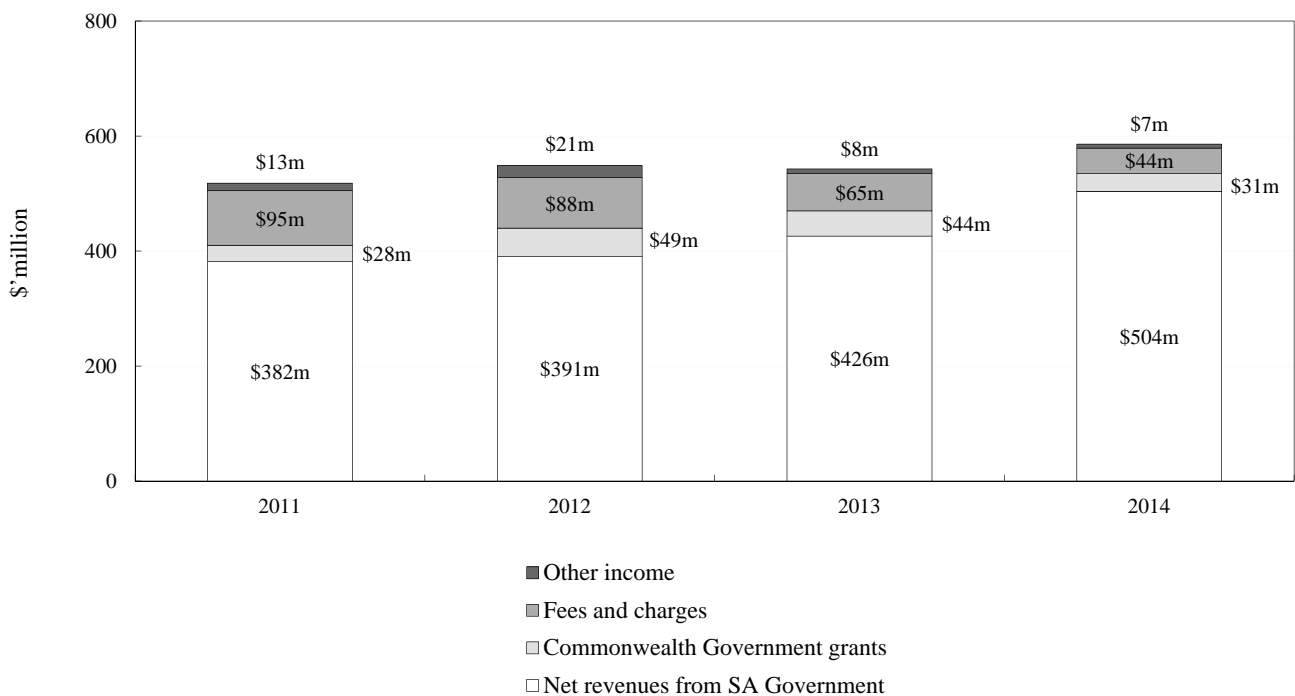
Other payments to TAFE SA include \$74 million in grants and subsidies for structural funding and community services obligations and \$30 million in other expenses for reimbursement of TVSPs.

**Income**

DFEEST is mainly funded through appropriation. Net revenues from the SA Government were \$504 million in 2013-14.

The other main income sources for DFEEST were:

- fees and charges of \$44 million, of which \$36 million is from TAFE SA for corporate services and infrastructure recharges
- Commonwealth grants of \$31 million.



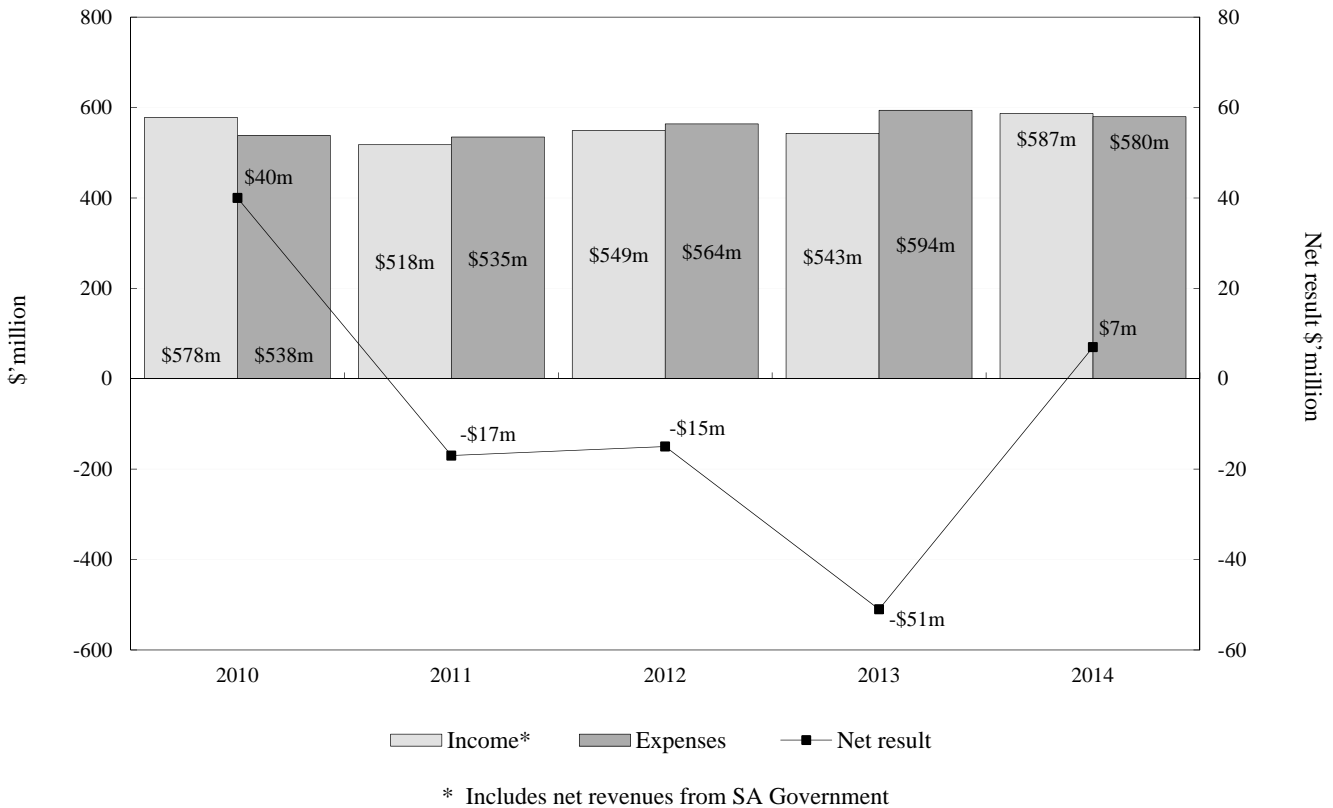
The chart shows the principal source of funding for DFEEST is the net revenues from the SA Government. The increases in 2012-13 and 2013-14 were mainly to meet additional expenditure due to Skills for All payments.

Commonwealth Government grants have fluctuated depending on the stages of implementation of various programs.

Fees and charges have decreased as these previously included fee-for-service revenue and student enrolment fees and charges, which transferred to TAFE SA from 1 November 2012. In 2013-14 the fees and charges balance includes \$36 million (\$32 million) received from TAFE SA for corporate services and infrastructure recharges.

**Net result**

The following chart shows the movement in income (including net revenues from the SA Government), expenses and the net result for the five years to 2013-14.



**Statement of Financial Position**

The Statement of Financial Position shows that the most significant items are:

	2014 \$'million	2013 \$'million
<b>Assets</b>		
Cash and cash equivalents	42	63
Property, plant and equipment	778	804
Non-current assets held for sale	41	10
<b>Liabilities</b>		
Payables	51	98
Employee benefits	15	20

Property, plant and equipment and non-current assets held for sale are the most dominant items in the Statement of Financial Position, representing 91% of total assets. These items have increased by \$5 million due mainly to additions to construction work in progress of \$54 million, offset by a revaluation decrement of \$26 million on assets subsequently reclassified as held for sale and depreciation expense of \$21 million.

Payables totalling \$51 million include \$21 million owing to TAFE SA for Skills for All and other funding.

**Statement of Cash Flows**

The following table summarises the net cash flows for the four years to 2014.

	2014 \$'million	2013 \$'million	2012 \$'million	2011 \$'million
<b>Net cash flows</b>				
Operating	(31.6)	9.7	13.4	-
Investing	(50.5)	(65.8)	(11.8)	(21.4)
Financing	61.0	52.4	-	-
Change in cash	(21.1)	(3.7)	1.6	(21.4)
Cash at 30 June	41.5	62.6	66.3	64.7

Cash decreased by \$21.1 million during 2013-14 to \$41.5 million. The decrease mainly reflects a net cash outflow from operations of \$31.6 million and a net cash outflow from investing of \$50.5 million, predominantly due to spending on capital works in progress. This was offset by a net cash inflow from financing of \$61 million. This reflects a capital contribution from the Government.

**Further commentary on operations****Skills for All**

In 2011 the SA Government announced its Skills for All policy, with the aim of achieving an additional 100 000 training places. Under Skills for All, eligible South Australian students will be able to gain qualifications at little or no cost from an approved training provider of their choice (either TAFE SA or a private RTO).

Skills for All commenced on 1 July 2012. Total expenditure for 2013-14 was \$289 million, of which \$189 million was paid/payable to TAFE SA.

**Sustainable Industries Education Centre**

A building and construction education hub has been constructed at Tonsley Park in collaboration with the universities and industry.

The Sustainable Industries Education Centre is located at the Tonsley Park redevelopment and will focus on equipping the building and construction and water and renewable energy industries with the knowledge and skills necessary to lead the nation in the use of sustainable technologies.

The construction was managed by the Department of Planning, Transport and Infrastructure.

TAFE SA will occupy approximately 95% of the space with the remainder available for lease to other organisations or training providers.

The facility was completed to allow lecturer and student occupation on 20 December 2013 and the official opening for the facility took place on 28 January 2014.

As at 30 June 2014, the facility was valued at \$103.3 million on the asset register.

**Formation of the Department of State Development**

As proclaimed on 26 June 2014 and in accordance with section 26 of the PSA, the title of the Department for Manufacturing, Innovation, Trade, Resources and Energy is altered to the Department of State Development, effective 1 July 2014.

In addition, the Public Sector (Reorganisation of Public Sector Organisations) Notice 2013 and 2014 of 15 June 2014 proclaimed that effective from 1 July 2014 the Department of Further, Education, Employment, Science and Technology, Arts SA, Aboriginal Affairs and Reconciliation Division, Office of the Economic Development Board, Invest in South Australia and Health Industries SA will be transferred to the Department of State Development.



## Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Expenses:</b>			
Employee benefits	5	53 690	138 638
VET funding	6	309 060	270 936
Supplies and services	7	34 903	57 326
Grants and subsidies	8	130 547	97 091
Depreciation and amortisation	9	21 905	22 442
Net loss from the disposal of non-current assets	16	156	12
Other expenses	10	30 044	7 789
<b>Total expenses</b>		580 305	594 234
<b>Income:</b>			
Commonwealth grants	12	31 475	44 222
Fees and charges	13	44 330	64 841
Other grants and contributions	14	2 631	6 020
Investment income	15	425	534
Other income	17	4 015	1 786
<b>Total income</b>		82 876	117 403
<b>Net cost of providing services</b>		497 429	476 831
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	18	506 219	434 139
Payments to SA Government	18	(1 411)	(8 247)
<b>Total revenues from (payments to) SA Government</b>		504 808	425 892
<b>Net result</b>		7 379	(50 939)
<b>Other comprehensive income:</b>			
Items that will not be reclassified to net result:			
Changes in revaluation surplus		(26 302)	(9 298)
Change in financial asset available for sale revaluation surplus	30	163	(349)
<b>Total other comprehensive income</b>		(26 139)	(9 647)
<b>Total comprehensive result</b>		(18 760)	(60 586)

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

## Statement of Financial Position as at 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	19	41 560	62 712
Receivables	20	18 159	10 024
Non-current assets classified as held for sale	21	41 090	9 570
<b>Total current assets</b>		100 809	82 306
<b>Non-current assets:</b>			
Receivables	20	41	50
Investments	29	6 103	5 940
Property, plant and equipment	22	778 017	804 109
Intangibles	23	12 458	11 179
<b>Total non-current assets</b>		796 619	821 278
<b>Total assets</b>		897 428	903 584
<b>Current liabilities:</b>			
Payables	25	50 155	97 788
Employee benefits	26	5 469	7 022
Provisions	27	208	240
Other current liabilities	28	658	495
<b>Total current liabilities</b>		56 490	105 545
<b>Non-current liabilities:</b>			
Payables	25	896	527
Employee benefits	26	9 651	12 919
Provisions	27	933	1 080
<b>Total non-current liabilities</b>		11 480	14 526
<b>Total liabilities</b>		67 970	120 071
<b>Net assets</b>		829 458	783 513
<b>Equity:</b>			
Retained earnings	30	324 474	313 387
Financial assets available for sale revaluation surplus	30	3 499	3 336
Revaluation surplus	30	328 011	354 313
Contributed capital	30	173 474	112 477
<b>Total equity</b>		829 458	783 513
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	31		
Contingent assets and liabilities	32		

## Statement of Changes in Equity for the year ended 30 June 2014

	Note	Revaluation surplus \$'000	Financial assets available for sale revaluation surplus \$'000	Retained earnings \$'000	Contributed capital \$'000	Total \$'000
Balance at 30 June 2012		367 900	3 685	380 489	-	752 074
Net result for 2012-13		-	-	(51 156)	-	(51 156)
Change in financial assets available for sale revaluation surplus	30	-	(349)	-	-	(349)
Loss on revaluation of property assets during 2012-13	22	(9 298)	-	-	-	(9 298)
Write-off of asset revaluation reserve - libraries	22	(4 289)	-	4 289	-	-
Contributed capital increases	30	-	-	-	112 477	112 477
Net assets transferred as a result of administrative restructure	33	-	-	(20 452)	-	(20 452)
Total comprehensive result 2012-13		(13 587)	(349)	(67 319)	112 477	31 222
Balance at 30 June 2013		354 313	3 336	313 170	112 477	783 296
Error correction		-	-	217	-	217
Restated balance at 30 June 2013		354 313	3 336	313 387	112 477	783 513
Net result for 2013-14		-	-	7 379	-	7 379
Change in financial assets available for sale revaluation surplus	30	-	163	-	-	163
Loss on revaluation of property assets during 2013-14	22	(26 302)	-	-	-	(26 302)
Contributed capital increases	30	-	-	-	60 997	60 997
Net assets transferred as a result of administrative restructure	33	-	-	3 708	-	3 708
Total comprehensive result 2013-14		(26 302)	163	11 087	60 997	45 945
<b>Balance at 30 June 2014</b>		<b>328 011</b>	<b>3 499</b>	<b>324 474</b>	<b>173 474</b>	<b>829 458</b>

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

## Statement of Cash Flows for the year ended 30 June 2014

		2014	2013
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
<b>Cash flows from operating activities:</b>	Note		
Cash outflows:			
Employee benefit payments		(54 769)	(142 501)
Payments for VET providers		(328 469)	(235 461)
Payments for supplies and services		(85 717)	(73 305)
Payments for grants and subsidies		(130 548)	(89 499)
GST paid to the ATO		(4 730)	(6 830)
Payments for Paid Parental Leave Scheme		(133)	(204)
Other payments		(28 201)	(7 703)
<b>Cash used in operations</b>		<u>(632 567)</u>	<u>(555 503)</u>
Cash inflows:			
Commonwealth grants		31 475	44 222
Fees and charges		40 486	67 717
Other grants and contributions		2 631	4 606
Interest received		-	11
GST recovered from the ATO		16 961	21 042
Dividends received		425	522
Receipts for Paid Parental Leave Scheme		150	170
Other receipts		4 034	1 175
<b>Cash generated from operations</b>		<u>96 162</u>	<u>139 465</u>
Cash flows from SA Government:			
Receipts from SA Government		506 219	434 139
Payments to SA Government		(1 411)	(8 247)
<b>Cash generated from SA Government</b>		<u>504 808</u>	<u>425 892</u>
<b>Net cash provided by (used in) operating activities</b>	36	<u>(31 597)</u>	<u>9 854</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of property, plant and equipment		(49 222)	(64 921)
Purchase of intangibles		(2 750)	(895)
<b>Cash used in investing activities</b>		<u>(51 972)</u>	<u>(65 816)</u>
Cash inflows:			
Proceeds from the sale of property, plant and equipment		1 420	-
<b>Cash generated from investing activities</b>		<u>1 420</u>	<u>-</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(50 552)</u>	<u>(65 816)</u>
<b>Cash flows from financing activities:</b>			
Cash outflows:			
Cash transferred as a result of restructuring activities		-	(60 109)
<b>Cash used in financing activities</b>		<u>-</u>	<u>(60 109)</u>
Cash inflows:			
Capital contributions from government		60 997	112 477
<b>Cash generated from financing activities</b>		<u>60 997</u>	<u>112 477</u>
<b>Net cash provided by (used in) financing activities</b>		<u>60 997</u>	<u>52 368</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>(21 152)</u>	<u>(3 594)</u>
<b>Cash and cash equivalents at 1 July</b>		<u>62 712</u>	<u>66 306</u>
<b>Cash and cash equivalents at 30 June</b>	19	<u>41 560</u>	<u>62 712</u>

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2014

	(Activities - refer note 4)							
	Employment and Skills Formation							
	Learning, Workforce							
	Vocational Education and Training		Participation and Workforce Development		Quality Assurance and Regulatory Services		International and Higher Education	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefits	14 281	110 954	19 362	13 557	14 702	9 148	1 812	1 579
VET funding	309 060	270 936	-	-	-	-	-	-
Supplies and services	17 336	47 865	13 793	6 982	1 525	554	297	457
Grants and subsidies	89 591	55 604	21 429	25 317	3	25	3 260	2 008
Depreciation and amortisation	21 905	22 442	-	-	-	-	-	-
Net loss from the disposal of assets	156	12	-	-	-	-	-	-
Other expenses	30 033	7 786	-	-	5	2	2	1
<b>Total expenses</b>	<b>482 362</b>	<b>515 599</b>	<b>54 584</b>	<b>45 856</b>	<b>16 235</b>	<b>9 729</b>	<b>5 371</b>	<b>4 045</b>
<b>Income:</b>								
Commonwealth grants	29 379	41 201	1 838	2 596	106	-	-	-
Fees and charges	44 306	63 826	-	61	24	286	-	157
Other grants and contributions	1 012	2 100	1 048	2 777	-	-	227	989
Investment income	425	534	-	-	-	-	-	-
Other income	747	-	2 491	209	156	114	126	1 204
<b>Total income</b>	<b>75 869</b>	<b>107 661</b>	<b>5 377</b>	<b>5 643</b>	<b>286</b>	<b>400</b>	<b>353</b>	<b>2 350</b>
<b>Net cost of providing services</b>	<b>406 493</b>	<b>407 938</b>	<b>49 207</b>	<b>40 213</b>	<b>15 949</b>	<b>9 329</b>	<b>5 018</b>	<b>1 695</b>
<b>Revenues from (Payments to)</b>								
<b>SA Government:</b>								
Revenues from SA Government	415 283	368 031	49 207	37 676	15 949	9 216	5 018	1 676
Payments to SA Government	(1 411)	(8 247)	-	-	-	-	-	-
<b>Net result</b>	<b>7 379</b>	<b>(48 154)</b>	<b>-</b>	<b>(2 537)</b>	<b>-</b>	<b>(113)</b>	<b>-</b>	<b>(19)</b>
	(Activities - refer note 4)							
	Science, Technology and Information Economy							
	Science and Innovation		Information Economy		Bioscience Industry Development		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefits	2 083	1 256	1 450	2 144	-	-	53 690	138 638
VET funding	-	-	-	-	-	-	309 060	270 936
Supplies and services	1 076	745	876	723	-	-	34 903	57 326
Grants and subsidies	9 955	7 907	583	107	5 726	6 123	130 547	97 091
Depreciation and amortisation	-	-	-	-	-	-	21 905	22 442
Net loss from the disposal of assets	-	-	-	-	-	-	156	12
Other expenses	2	-	2	-	-	-	30 044	7 789
<b>Total expenses</b>	<b>13 116</b>	<b>9 908</b>	<b>2 911</b>	<b>2 974</b>	<b>5 726</b>	<b>6 123</b>	<b>580 305</b>	<b>594 234</b>
<b>Income:</b>								
Commonwealth grants	-	-	152	425	-	-	31 475	44 222
Fees and charges	-	34	-	477	-	-	44 330	64 841
Other grants and contributions	196	-	148	154	-	-	2 631	6 020
Investment income	-	-	-	-	-	-	425	534
Other income	394	140	101	119	-	-	4 015	1 786
<b>Total income</b>	<b>590</b>	<b>174</b>	<b>401</b>	<b>1 175</b>	<b>-</b>	<b>-</b>	<b>82 876</b>	<b>117 403</b>
<b>Net cost of providing services</b>	<b>12 526</b>	<b>9 734</b>	<b>2 510</b>	<b>1 799</b>	<b>5 726</b>	<b>6 123</b>	<b>497 429</b>	<b>476 831</b>
<b>Revenues from (Payments to)</b>								
<b>SA Government:</b>								
Revenues from SA Government	12 526	9 719	2 510	1 698	5 726	6 123	506 219	434 139
Payments to SA Government	-	-	-	-	-	-	(1 411)	(8 247)
<b>Net result</b>	<b>-</b>	<b>(15)</b>	<b>-</b>	<b>(101)</b>	<b>-</b>	<b>-</b>	<b>7 379</b>	<b>(50 939)</b>

## Disaggregated Disclosures - Assets and Liabilities as at 30 June 2014

	(Activities - refer note 4)		Employment and Skills Formation							
			Learning, Workforce							
			Vocational Education and Training		Participation and Workforce Development		Quality Assurance and Regulatory Services		International and Higher Education	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Assets:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	
Receivables	13 323	6 638	190	77	9	12	89	1 723		
Non-current assets classified as held for sale	41 090	9 570	-	-	-	-	-	-		
Investments	-	-	-	-	-	-	6 103	5 940		
Property, plant and equipment	778 017	804 109	-	-	-	-	-	-		
Intangibles	12 458	11 179	-	-	-	-	-	-		
<b>Total assets</b>	<b>844 888</b>	<b>831 496</b>	<b>190</b>	<b>77</b>	<b>9</b>	<b>12</b>	<b>6 192</b>	<b>7 663</b>		
<b>Liabilities:</b>										
Payables	42 752	83 801	2 228	2 186	349	286	125	65		
Employee benefits	1 945	2 026	2 868	2 952	2 414	2 469	342	224		
Provisions	-	-	-	-	-	-	-	-		
Other liabilities	385	403	-	-	-	-	-	-		
<b>Total liabilities</b>	<b>45 082</b>	<b>86 230</b>	<b>5096</b>	<b>5 138</b>	<b>2 763</b>	<b>2 755</b>	<b>467</b>	<b>289</b>		
<b>Net assets</b>	<b>799 806</b>	<b>745 266</b>	<b>(4 906)</b>	<b>(5 061)</b>	<b>(2 754)</b>	<b>(2 743)</b>	<b>5 725</b>	<b>7 374</b>		

	(Activities - refer note 4)		Science, Technology and Information Economy					
			Science and Innovation		Information Economy		Bioscience Industry Development	
			2014	2013	2014	2013	2014	2013
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>								
Cash and cash equivalents		-	-	-	-	-	-	
Receivables		94	25	71	5	-	-	
Non-current assets classified as held for sale		-	-	-	-	-	-	
Investments		-	-	-	-	-	-	
Property, plant and equipment		-	-	-	-	-	-	
Intangibles		-	-	-	-	-	-	
<b>Total assets</b>		<b>94</b>	<b>25</b>	<b>71</b>	<b>5</b>	<b>-</b>	<b>-</b>	
<b>Liabilities:</b>								
Payables		2 039	255	145	226	284	-	
Employee benefits		371	323	273	500	-	-	
Provisions		-	-	-	-	-	-	
Unearned revenue		-	-	-	-	-	-	
Other liabilities		-	-	-	-	-	-	
<b>Total liabilities</b>		<b>2 410</b>	<b>578</b>	<b>418</b>	<b>726</b>	<b>284</b>	<b>-</b>	
<b>Net assets</b>		<b>(2 316)</b>	<b>(553)</b>	<b>(347)</b>	<b>(721)</b>	<b>(284)</b>	<b>-</b>	

## Disaggregated Disclosures - Assets and Liabilities as at 30 June 2014 (continued)

(Activities - refer note 4)	General/			
	Not attributable		Total	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>				
Cash and cash equivalents	41 560	62 712	41 560	62 712
Receivables	4 424	1 594	18 200	10 074
Non-current assets classified as				
held for sale	-	-	41 090	9 570
Investments	-	-	6 103	5 940
Property, plant and equipment	-	-	778 017	804 109
Intangibles	-	-	12 458	11 179
<b>Total assets</b>	<b>45 984</b>	<b>64 306</b>	<b>897 428</b>	<b>903 584</b>
<b>Liabilities:</b>				
Payables	3 129	11 496	51 051	98 315
Employee benefits	6 907	11 447	15 120	19 941
Provisions	1 141	1 320	1 141	1 320
Other liabilities	273	92	658	495
<b>Total liabilities</b>	<b>11 450</b>	<b>24 355</b>	<b>67 970</b>	<b>120 071</b>
<b>Net assets</b>	<b>34 534</b>	<b>39 951</b>	<b>829 458</b>	<b>783 513</b>

Correction of error: Cash and cash equivalents (refer note 19), receivables (refer note 20), payables (refer note 25) and other liabilities (refer note 28) comparatives have changed due to prior period corrections.

### Notes to and forming part of the financial statements

#### 1. Agency objectives and funding

##### (a) Objectives

The objective of the Department of Further Education, Employment, Science and Technology (DFEEST or the Department) is to help people build and enhance their skills and education for South Australia to be a smarter and more innovative State.

DFEEST plays a central role in supporting the Government's strategic priorities of growing advanced manufacturing, realising the benefits of the mining boom for all, creating a vibrant city, every chance for every child and premium food and wine from our clean environment.

The Department undertakes a range of functions in order to meet its objectives and contribute to a strong and sustainable economic future for South Australia. These include:

- coordinating and investing in high quality publicly funded vocational education and training
- building skills through workforce planning and skills development programs
- increasing the workforce development and planning culture in South Australian workplaces
- regulation, administration and funding of apprenticeships and traineeships
- managing State funded employment and training support programs
- supporting the Government's strategic direction in the higher education sector
- developing policies and strategies, and delivering programs, that create opportunities for Aboriginal people, young people, people with a disability and older workers
- fostering innovation through applied science and research to support technology transfer to industry
- promoting and supporting digital and technology developments within business, industry and community sectors.

**(b) Funding**

The Department is predominantly funded by State Government appropriations supplemented by Commonwealth grants. In addition income is generated from fees and charges.

The financial activities of the Department are primarily conducted through a special deposit account with DTF pursuant to section 8 of the PFAA. The special deposit account is used for funds provided by State Government appropriation, Commonwealth grants and revenues from fees and charges.

**(c) Principles of consolidation**

*Associates*

Associates are all entities over which the Department has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

The Minister for Employment, Higher Education and Skills has a 100% interest in Austraining International Pty Ltd (Austraining). Although the Minister has control over Austraining it is not considered part of the Department's operations. The Department cannot influence the decisions of Austraining, nor can the Department dominate the financial and operational policies of Austraining. Consequently, Austraining has not been consolidated in the accounts nor disclosed as an associate. The value of Austraining is shown in the Statement of Financial Position under investments.

Details of the investment in Austraining are set out in note 29.

The Minister for Employment, Higher Education and Skills has a 25% interest in SABRENet. SABRENet was registered on 28 September 2005 as a non-profit company limited by guarantee and has been recognised by the ATO as a tax exempt entity. The founding members are the three South Australian universities and the SA Government. The objectives for which the company was established are to be a non-profit institution to further the use of advanced data networking for the conduct of research and education in South Australia for the benefit of South Australia and for the purposes of economic and social advancement in Australia generally. While the Minister has significant influence over SABRENet, the Minister's interest in SABRENet is limited to the Minister's use of SABRENet's asset (the network). That is, the Minister receives no return for its interest in SABRENet. SABRENet is not accounted for using the equity method as the Minister does not have access to the residual assets of the entity.

**2. Summary of significant accounting policies**

**(a) Statement of compliance**

The Department has prepared these financial statements in compliance with section 23 of the PFAA.

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

The Department has applied AASs that are applicable to not-for-profit entities, as the Department is a not-for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2014 (refer note 3).

**(b) Basis of preparation**

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Department's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in these financial statements:



**(b) Basis of preparation (continued)**

- (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies
- (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
- (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
- (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement
- (e) employee TVSP information.

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

The Statement of Cash Flows has been prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented for the year ended 30 June 2013.

**(c) Reporting entity**

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

The financial statements and accompanying notes reflect the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. Transactions and balances relating to administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are insignificant in relation to the Department's overall financial performance and position, they are disclosed in summary in note 38.

Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

**(d) Transferred functions**

As published in The South Australian Government Gazette (dated 4 October 2012, page 4584), the *TAFE SA Act 2012* (no 28 of 2012) came into operation on 1 November 2012.

As published in The South Australian Government Gazette (dated 4 October 2012, page 4586), the proclamation of TAFE SA resulted in the transfer of various assets, rights and liabilities from the Minister for Employment, Higher Education and Skills to TAFE SA (refer note 33).

In June 2013, the Chief Executives of DFEEST and TAFE SA authorised the transfer of approximately 100 staff from DFEEST to TAFE SA pursuant to section 9 of the PSA. These transfers were in accordance with a decision taken by the TAFE SA Board to establish autonomous corporate services within TAFE SA. The financial effect of this machinery of government change has been reflected in the financial statements as transferred functions effective from 1 July 2013.

**(e) Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs have required a change. Where presentation or classification of items in the financial statements has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

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

(e) **Comparative information (continued)**

As detailed in note 33, TAFE SA was proclaimed as a statutory authority from 1 November 2012 and all assets, liabilities and employees relating to TAFE SA within DFEEST were transferred out to the new entity on that date. Consequently, DFEEST comparative amounts include TAFE SA activities in 2012-13 relating to the period 1 July 2012 to 31 October 2012.

(f) **Income and expenses**

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

*Income*

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

The following are specific recognition criteria:

- Income from fees and charges is derived from the provision of goods and services to other SA Government agencies and to other clients and is recognised when invoices are raised.
- Income from disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount.
- Income from grants is recognised upon receipt of funding.
- Interest income is recognised as it accrues. Dividend income is recognised only when it is declared.
- Contribution income is recognised when control of the contribution or the right to receive the contribution and the income recognition criteria are met.
- Appropriations for program funding are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon their receipt.

Payments to the SA Government include the payment of surplus cash pursuant to the cash alignment policy. Revenues from SA Government include the return of surplus cash pursuant to the cash alignment policy to DFEEST.

*Expenses*

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

The following are specific recognition criteria:

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

In regard to superannuation expenses, the amount charged to the Statement of Comprehensive Income represents the contributions made by the Department to the superannuation plan in respect of current services of current Departmental staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

- *Grant expenses*  
Grants are amounts provided by the Department to entities for capital, specific or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. The grants are paid when the conditions set out in the contract or correspondence are met.

(g) **Current and non-current classification**

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

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

**(h) Events after the end of the reporting period**

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

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years (refer note 34).

**(i) Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand.

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank and cash on hand.

Cash is measured at nominal value.

**(j) Receivables**

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

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

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

**(k) Non-current assets held for sale**

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

Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

**(l) Financial assets (investments)**

In accordance with AASB 139 other financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Available-for-sale financial assets*

Certain shares held are classified as being available for sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the financial assets available for sale revaluation surplus, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the financial assets available-for-sale revaluation surplus is included in profit or loss for the period. This category includes investments classified as available for sale and any investments that do not fit the definitions for inclusion in any of the categories contained in AASB 139.

**(m) Property, plant and equipment**

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets (excluding land) are subsequently measured at fair value less accumulated depreciation. Where assets are acquired for no consideration, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value, ie the amount recorded by the transferor public authority immediately prior to the restructure.

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

*Revaluation of non-current assets*

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

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

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

Any revaluation decrement is recognised in the Statement of Comprehensive Income as an expense, except to the extent that it offsets a previous revaluation increment for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

For buildings and improvements revaluations, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

The valuation methodology applied to specific classes of non-current assets under revaluations is as follows:

*Land*

Land is recorded on the basis of market value. Valuations for land were conducted as at 30 June 2012 by Liquid Pacific Pty Ltd, independent valuers, on the basis of market value. As at 30 June 2013 and 30 June 2014 properties classified as held for sale were valued in accordance with the principles outlined in the note titled non-current assets held for sale.

*Buildings and improvements*

Buildings and improvements are valued at market value or written down current cost which is considered to be equivalent to fair value. The building data provided in the statements relates specifically to buildings, paved areas, utility reticulation, fencing, sheds and other site infrastructure assets. Valuations for building and infrastructure assets were conducted as at 30 June 2012 by Liquid Pacific Pty Ltd, independent valuers, on the basis of market value or written down current cost. As at 30 June 2013 and 30 June 2014, properties classified as held for sale were valued in accordance with the principles outlined in the note titled non-current assets held for sale.

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

*Plant and equipment*

Items of plant and equipment are recorded at cost less accumulated depreciation (deemed fair value).

All plant and equipment assets with a value of \$10 000 or greater are capitalised.

Items under \$10 000 are recorded in the Statement of Comprehensive Income as an expense in the accounting period in which they are acquired.

*Heritage assets*

Heritage assets are recorded at fair value (deemed) and recognised when valued at greater than \$10 000.

*Intangibles*

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

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

*Intangibles (continued)*

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

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

*Fair value measurement*

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Department classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3: not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Director, Finance and the Audit Risk and Management Committee at each reporting date.

*Non-financial assets*

In determining fair value, the Department has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Department's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Department did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years is deemed to approximate fair value.

Refer notes 21, 22 and 24 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

**(n) Impairment**

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

For revalued assets an impairment loss is offset against the revaluation surplus.

**(o) Depreciation and amortisation of non-current assets**

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

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

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

Land and non-current assets held for sale are not depreciated. In addition, heritage assets are not depreciated.

(o) **Depreciation and amortisation of non-current assets (continued)**

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

	<i>Useful life (years)</i>
Buildings	15-80
Improvements	5-50
Paved areas	40-50
Computing and communication equipment	2-20
Other plant and equipment	1-45
Intangibles	10

(p) **Payables**

Payables include creditors, accrued expenses and employment on-costs and Paid Parental Leave Scheme payable.

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

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

The Paid Parental Leave Scheme payable represents amounts which the Department has received from the Commonwealth Government to forward onto eligible employees via the Department's standard payroll processes. That is, the Department is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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

Employee benefits on-costs include superannuation contributions, workers compensation and payroll tax with respect to outstanding liabilities for salaries and wages, LSL, annual leave and SERL.

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

(q) **Employee benefits and employment related liabilities**

Liabilities have been established for various employee benefits arising from services rendered by employees to balance date. Employee benefits include entitlements to wages and salaries, LSL and annual leave. Long-term benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Employment related expenses include on-costs such as employer superannuation and payroll tax on employee entitlements together with the workers compensation insurance premium. These are reported under payables as on-costs on employee benefits (refer note 25).

*Salaries, wages, annual leave, SERL, non-attendance days and sick leave*

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

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

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

*LSL*

The liability for LSL is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

*LSL (continued)*

The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data across SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

**(r) Provisions**

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

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

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

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

**(s) Leases**

The Department has entered into a number of operating lease agreements, as lessee, for buildings and other facilities where the lessors effectively retain all risks and benefits incidental to ownership of the items held under the operating leases.

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

Details of commitments of current non-cancellable operating leases are disclosed at note 31.

**(t) Accounting for taxation**

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

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

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

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

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

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

**(u) Financial guarantees**

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

(u) **Financial guarantees (continued)**

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

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

The Department has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2014 (there was no material liability recognised for financial guarantee contracts in 2013).

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

(v) **Unrecognised contractual commitments and contingent assets and liabilities**

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

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

(w) **Rounding**

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

**3. Changes in accounting policies**

The Department did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13, which became effective for the first time in 2013-14, the Department has:

- reviewed its fair value valuation techniques (primarily independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, the Department has used the cost approach or the market approach to determine fair value. The Department will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements
- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information are provided in notes 21, 22 and 24.

AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2014. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

**4. Activities and subactivities**

**Activity: Employment and Skills Formation**

Description/Objective: To strengthen the economic prosperity and social wellbeing of South Australians through strategic employment, skills formation and workforce development.

**Subactivity: Vocational Education and Training (VET)**

Coordinate high quality VET through TAFE SA and other registered training organisations through:

- the investment of public funds to support individuals and employers to develop workforce skills, including through apprenticeships and traineeships
- supporting post-secondary training and education to meet industry requirements
- providing State and national policy advice.



*Subactivity: Learning, Workforce Participation and Workforce Development*

Address the State's economic development, productivity and social inclusion objectives by:

- providing opportunities for people to participate in employment, training, skills development and adult community education
- meeting the current and future labour and skill needs of industry
- providing State and national policy advice.

*Subactivity: Quality Assurance and Regulatory Services*

Administer the State's further education and training system through:

- quality assurance of Skills for All training providers and other training organisations in accordance with contract standards
- quality oversight of the State vocational education system through the Training and Skills Commission
- regulating and administering the apprenticeship and traineeship system
- providing State and national policy advice.

*Subactivity: International and Higher Education*

Support South Australian higher education institutions, both local and international, in sustaining the State's reputation for quality teaching and learning for both domestic and international students.

Provide high level strategic policy advice to the Minister on higher education policy and planning.

**Activity: Science, Technology and Information Economy**

Description/Objective: Provide the Government with a strategic and coordinated focus in science, technology and information economy policy development and program delivery, supporting better linkages between research institutions and industry, to support State productivity.

*Subactivity: Science and Innovation*

Provide high level strategic advice to the Minister on maximising economic, environmental and social benefits from the State's scientific and research performance and investments by:

- identifying strategic priorities for State Government investment in science and research
- raising awareness and understanding of the benefits of science and innovation amongst government, business and the community
- facilitating coordinated and strategic bids for Commonwealth Government grants
- facilitating the coordination of education and research activity with end-user (industry) requirements to maximise the benefits for South Australia.

*Subactivity: Information Economy*

Provide high level strategic policy advice to the Minister and Government on the information economy and the ICT sector with particular regards to its uptake and effective use to maximise economic benefits across the State through:

- developing strategy and facilitating programs and projects for promoting the information economy and supporting the deployment, availability and effective use of broadband across the State
- supporting strategic investments projects that deliver on the information economy objectives
- implementing initiatives that support digital literacy across the community.

*Subactivity: Bioscience Industry Development*

Develop the bioscience industry by providing assistance in business development, finance, infrastructure and marketing.

<b>5. Employee benefits</b>	2014	2013
	\$'000	\$'000
Salaries and wages (including annual leave)	40 797	109 134
Superannuation	4 525	11 414
Payroll tax	2 844	6 268
LSL	1 013	4 014
SERL	99	948
Workers compensation	25	1 602
TVSP payments	4 026	4 717
Other employee related costs	361	541
Total employee benefits	53 690	138 638
<b>TVSPs</b>		
Amount paid to these employees:		
TVSPs	4 026	4 717
Annual leave and LSL paid during the period	1 154	1 238
	5 180	5 955
Funding from DTF (refer note 18)	3 898	4 866
Net cost to the Department	1 282	1 089

The number of employees who were paid TVSPs during the period was 32 (39)

**Remuneration of employees**

	2014	2013
	Number (including TVSPs)	Number (including TVSPs)
The number of employees whose remuneration received or receivable falls within the following bands:		
\$138 000 - \$141 499 <sup>(i)</sup>	n/a	4
\$141 500 - \$151 499	1	1
\$151 500 - \$161 499	3	2
\$161 500 - \$171 499	-	4
\$171 500 - \$181 499	2	2
\$181 500 - \$191 499	2	-
\$191 500 - \$201 499	-	1
\$201 500 - \$211 499	2	3
\$221 500 - \$231 499 <sup>(iii)</sup>	1	3
\$231 500 - \$241 499	1	-
\$261 500 - \$271 499	-	1
\$271 500 - \$281 499	1	-
\$281 500 - \$291 499	-	1
\$301 500 - \$311 499	1	-
\$311 500 - \$321 499 <sup>(ii)</sup>	1	-
\$341 500 - \$351 499	-	1
\$361 500 - \$371 499	1	-
\$371 500 - \$381 499 <sup>(ii)</sup>	1	-
\$381 500 - \$391 499 <sup>(ii)</sup>	1	-
Total	18	23

(i) This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2012-13.

(ii) This bandwidth includes employees that have received TVSPs during 2013-14.

(iii) This bandwidth includes employees that have received TVSPs during 2012-13.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, separation packages, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$4.2 million (\$4.4 million).

For 2013-14, the above figures included three non-executive employees (zero in 2012-13) who took a TVSP during the year. The total remuneration received by non-executive employees in 2013-14 was \$1.2 million.

<b>6. VET funding</b>	2014	2013
	\$'000	\$'000
Funding to TAFE SA for VET	192 545	165 832
Funding to other providers for VET	116 515	105 104
Total VET funding	<u>309 060</u>	<u>270 936</u>
VET funding provided by entities within the SA Government:		
Funding to TAFE SA for VET	192 545	165 832
Funding to other providers for VET	1 406	3 642
Total VET funding - SA Government entities	<u>193 951</u>	<u>169 472</u>

<b>7. Supplies and services</b>		
Printing and consumables	318	3 891
Minor works, maintenance and equipment	1 929	5 056
Information technology infrastructure and communications	13 012	11 895
Fees - contracted services (including consultants)	6 846	12 727
Trainee and apprenticeship reimbursements	4 256	2 680
Utilities	315	2 809
Cleaning	601	2 615
Vehicle and travelling expenses	880	3 084
Rentals and leases	5 030	5 384
Books, materials and copyright	4	950
South Australian Tertiary Admissions Centre and student support	146	1 053
Other	1 566	5 182
Total supplies and services	<u>34 903</u>	<u>57 326</u>

Supplies and services provided by entities within the SA Government:		
Minor works, maintenance and equipment	1 542	4 435
Information technology infrastructure and communications	1 481	1 922
Fees - contracted services (including consultants)	1 637	4 574
Utilities	216	696
Cleaning	560	2 253
Vehicle and travelling expenses	571	1 376
Rentals and leases	4 858	4 537
Other	269	582
Total supplies and services - SA Government entities	<u>11 134</u>	<u>20 375</u>

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

<b>Consultancies</b>	2014		2013	
The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:	Number	\$'000	Number	\$'000
Below \$10 000	1	5	1	5
Between \$10 000 and \$50 000	3	75	2	45
Above \$50 000	2	119	4	264
Total paid/payable to the consultants engaged (GST exclusive)	<u>6</u>	<u>199</u>	<u>7</u>	<u>314</u>

<b>8. Grants and subsidies</b>	2014	2013
	\$'000	\$'000
Grants provided to TAFE SA	73 580	41 237
Employment programs	19 629	20 542
VET programs	7 542	6 507
Science and information economy programs	15 292	14 093
Tertiary student transport concessions	10 996	10 602
National Training Infrastructure program	660	1 510
Other specific grants	2 848	2 600
Total grants and subsidies	<u>130 547</u>	<u>97 091</u>

<b>8. Grants and subsidies (continued)</b>	Note	2014	2013
Grants and subsidies paid/payable to entities within the SA Government:		\$'000	\$'000
Grants provided to TAFE SA		73 580	41 237
Employment programs		-	435
VET programs		176	281
Science and information economy programs		6 964	7 440
Tertiary student transport concessions		10 996	10 602
Other specific grants		1 780	1 796
Total grants and subsidies - SA Government entities		93 496	61 791
<b>9. Depreciation and amortisation</b>			
Buildings and improvements		19 630	19 604
Plant and equipment		870	1 409
Library		-	673
Intangibles		1 405	756
Total depreciation and amortisation		21 905	22 442
All library assets transferred to TAFE SA as at 1 November 2012.			
<b>10. Other expenses</b>			
TVSP reimbursement to TAFE SA		29 712	7 490
Audit fees	11	216	207
Allowance for doubtful debts and debt write-offs		116	86
Other		-	6
Total other expenses		30 044	7 789
<b>11. Auditor's remuneration</b>			
Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements		213	180
Other audit fees		3	27
Total auditor's remuneration paid/payable		216	207
No other services were provided by the Auditor-General's Department.			
<b>12. Commonwealth grants</b>			
Productivity Places program		13 140	15 158
Foundation Skills Workforce Development project		690	1 499
Language, Literacy and Numeracy Delivery Statewide		-	2 126
Industry and Indigenous Skills Centre program		90	844
Australian Flexible Learning Framework		106	-
Joint Group Training program		1 148	1 097
Aged Care Workforce		-	197
Remote Indigenous Public Internet Access program		152	425
Community Development Employment Projects program		-	418
TAFE Fee Waivers for Childcare Qualifications		1 226	861
Training Places for Single and Teen Parents		2 227	3 898
Skills Reform		12 696	17 314
Other specific Commonwealth revenue		-	385
Total Commonwealth grants		31 475	44 222

**2013-14 commitments**

\$13.1 million in Commonwealth revenue was received for the National Partnership Agreement on the Productivity Places program in 2013-14. All revenue was fully spent in 2013-14.

The 2013-14 expenditure associated with the Foundation Skills Workforce Development National Partnership Agreement was funded from a 2012-13 carryover. Similarly, \$700 000 was received late in the financial year which is unspent and will be carried over to fund 2014-15 commitments.

\$100 000 in Commonwealth revenue was received for the Industry and Indigenous Skills Centre program. The program has completed and no 2014-15 commitments exist.

\$1.1 million in Commonwealth revenue was received for the Joint Group Training program in 2013-14. All revenue other than \$55 636 was fully spent. The remainder is committed to be spent in 2014-15.

**2013-14 commitments (continued)**

Revenue received associated with the Remote Indigenous Public Internet Access program in 2013-14 totalled \$200 000 and was spent in full.

\$1.2 million in Commonwealth revenue was received for the National Partnership Agreement on TAFE Fee Waivers for Childcare Qualifications in 2013-14. All revenue was fully spent in 2013-14 as part of the Skills for All training initiative.

\$2.2 million in Commonwealth revenue was received for the National Partnership Agreement on Training Places for Single and Teen Parents in 2013-14. All revenue was fully spent in 2013-14 as part of the Skills for All training initiative.

\$12.67 million in Commonwealth revenue was received for the National Partnership Agreement on Skills Reform in 2013-14. All revenue was fully spent in 2013-14 as part of the Skills for All training initiative.

**2012-13 commitments**

\$15.2 million in Commonwealth revenue was received and fully spent for the National Partnership Agreement on the Productivity Places program.

\$1.5 million was received in 2012-13 relating to the Foundation Skills Workforce Development National Partnership Agreement. A minor amount was spent in 2012-13 while the remainder funded the 2013-14 program commitments via a year-end carryover.

\$800 000 was received for the Industry and Indigenous Skills Centre program in 2012-13. A carryover was submitted at year end to support 2013-14 program commitments.

\$400 000 in Commonwealth revenue was received in 2012-13 for the Remote Indigenous Public Internet Access program. Of this amount \$200 000 was not spent and carried over to fund 2013-14 commitments.

Commonwealth National Partnership revenue received in 2012-13 for the Training Places for Single And Teen Parents, TAFE Fee Waivers for Childcare Qualifications and VET Skills Reform programs was spent in full as part of the Skills For All training initiative.

<b>13. Fees and charges</b>	2014	2013
	\$'000	\$'000
Corporate services recharge to TAFE SA	13 188	19 945
Infrastructure recharge to TAFE SA	23 023	12 100
Sales/Fee-for-service revenue	5 407	20 806
Student enrolment fees and charges	-	10 937
Other user fees and charges	2 712	1 053
Total fees and charges received/receivable	44 330	64 841
Fees and charges received/receivable from entities within the SA Government:		
Corporate services recharge to TAFE SA	13 188	19 945
Infrastructure recharge to TAFE SA	23 023	12 100
Sales/Fee-for-service revenue	5 407	5 285
Student enrolment fees and charges	-	334
Other user fees and charges	1 963	114
Total fees and charges - SA Government entities	43 581	37 778
<b>14. Other grants and contributions</b>		
Grants and subsidies revenue	500	1 114
Miscellaneous contributions	-	130
Donations	76	42
Grants from entities within the SA Government	2 055	4 734
Total other grants and contributions	2 631	6 020
<b>15. Investment income</b>		
Dividends	425	533
Interest from entities external to the SA Government	-	1
Total investment income	425	534

<b>16. Net gain (loss) from the disposal of non-current assets</b>	2014	2013
Land and buildings:	\$'000	\$'000
Proceeds from disposals	1 420	-
Net book value of assets disposed	(1 397)	-
Net gain (loss) on disposals	<u>23</u>	<u>-</u>
Plant and equipment:		
Proceeds from disposals	-	-
Net book value of assets disposed	(179)	(12)
Net gain (loss) on disposals	<u>(179)</u>	<u>(12)</u>
Total assets:		
Proceeds from disposals	1 420	-
Net book value of assets disposed	(1 576)	(12)
Net gain (loss) from the disposal of non-current assets	<u>(156)</u>	<u>(12)</u>
<b>17. Other income</b>		
Recoup of salaries	351	666
Sundry income	3 664	1 120
Total other income	<u>4 015</u>	<u>1 786</u>
<b>18. Revenues from (Payments to) SA Government</b>		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	471 298	415 290
Appropriation transfers from contingency <sup>(1)</sup>	34 921	18 849
	<u>506 219</u>	<u>434 139</u>
Payments to SA Government:		
Payments to Consolidated Account for sale of property	(1 411)	(8 247)
	<u>(1 411)</u>	<u>(8 247)</u>
Total revenues from (payments to) SA Government	<u>504 808</u>	<u>425 892</u>
<sup>(1)</sup> Includes an amount of \$3.9 million (\$4.9 million) for funding of TVSP payments (refer note 5).		
<b>19. Cash and cash equivalents</b>		
Special deposit account with DTF	41 557	62 709
Cash on hand	3	3
Total cash and cash equivalents	<u>41 560</u>	<u>62 712</u>

**Deposits with the Treasurer**

Comprises funds held in the Accrual Appropriation Excess Funds Account. The balances of these funds are not available for general use (ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval).

**Interest rate risk**

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

**Correction of error**

The comparatives have been adjusted for a \$135 000 understatement for deposits relating to pre-1 Nov 2012 that were previously recorded as TAFE SA.

<b>20. Receivables</b>	2014	2013
Current:	\$'000	\$'000
Fees and charges receivable	15 432	7 837
Allowance for doubtful debts	(103)	(9)
Prepayments	895	613
GST recoverable from the ATO	1 926	1 569
Other receivables	9	14
Total current receivables	<u>18 159</u>	<u>10 024</u>

<b>20. Receivables (continued)</b>	2014	2013
Non-current:	\$'000	\$'000
Workers compensation receivable	41	50
Total non-current receivables	41	50
Total receivables	18 200	10 074
Receivables from SA Government entities:		
Receivables	13 378	7 173
Total receivables from SA Government entities	13 378	7 173

**Correction of error**

The comparatives have been adjusted for a \$282 000 understatement for receivables transferred between DFEEST and TAFE SA.

**Movement in the allowance for doubtful debts**

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

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

	2014	2013
	\$'000	\$'000
Carrying amount at 1 July	9	2 786
Increase (Decrease) in the allowance	-	(1 102)
Amounts written off	(26)	(1 675)
Increase (Decrease) in allowance recognised in profit or loss	120	-
Carrying amount at 30 June	103	9

**Interest rate risk**

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

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations.

The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

- (a) Maturity analysis of receivables - refer note 37.  
 (b) Categorisation of financial instruments and risk exposure information - refer note 37.

<b>21. Non-current assets classified as held for sale</b>	2014	2013
	\$'000	\$'000
Land at fair value	30 459	6 719
Buildings and improvements at fair value	10 631	2 851
	41 090	9 570

**Valuation of assets held for sale**

As at 30 June 2013 and 30 June 2014 properties classified as held for sale were valued by Valcorp Australia Pty Ltd in accordance with the principles outlined in note 2(k).

<b>22. Property, plant and equipment</b>		
Land and buildings:		
Land at fair value	125 404	154 530
Buildings and improvements at fair value	670 409	574 873
Accumulated depreciation	(34 746)	(19 106)
Construction work in progress	13 449	89 956
	774 516	800 253
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	7 752	10 847
Accumulated depreciation	(4 300)	(6 991)
	3 452	3 856

<b>22. Property, plant and equipment (continued)</b>	2014	2013
Heritage assets:	\$'000	\$'000
Heritage assets at fair value	49	-
	<u>49</u>	<u>-</u>
Total property, plant and equipment	817 063	830 206
Total accumulated depreciation at 30 June	(39 046)	(26 097)
Total property, plant and equipment	<u>778 017</u>	<u>804 109</u>

**Valuation of property**

The valuation of land and buildings was performed by Martin Burns, independent valuer from Liquid Pacific as at 30 June 2012. The valuer arrived at fair value on the basis of market values or at written down current cost, which is considered to be equivalent to fair value.

**Plant and equipment**

All items of plant and equipment had a fair value at the time of acquisition that was less than \$1 million, or had an estimated useful life that was less than three years, and have not been revalued in accordance with APF III. The carrying value of these items is deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustment to their value, except for management assumptions about the assets' condition and remaining useful life.

**Heritage assets**

The valuation of heritage assets was performed in 2008 by Bonhams and Bruce, approved valuers of the Auctioneers & Valuers Association of Australia. The assets are held at fair value based on the book value recorded by the transferor agency immediately prior to the transfer.

**Impairment**

There were no indications of impairment of property and plant and equipment assets at 30 June 2014.

<b>23. Intangibles</b>	2014	2013
	\$'000	\$'000
Computer software	13 692	7 680
Accumulated amortisation	(2 121)	(716)
Intangible work in progress	887	4 215
Total intangibles	<u>12 458</u>	<u>11 179</u>

The Department has no contractual commitments for the acquisition of intangibles assets.

**Impairment**

There were no indications of impairment on intangible assets at 30 June 2014.

**(a) Reconciliations**

Reconciliations of the carrying amount of each class of non-current assets at the beginning and end of the current financial year are set out below:

	Carrying amount 01.07.13	Additions	Disposals	Net revaluation increment (decrement)	Transfer to assets held for sale
<b>2014</b>	\$'000	\$'000	\$'000	\$'000	\$'000
Land at fair value	154 530	-	(694)	(4 222)	(24 210)
Buildings and improvements	555 767	-	(132)	(22 080)	(7 880)
Plant and equipment	3 856	645	(179)	-	-
Construction work in progress	89 956	53 111	-	-	-
Heritage assets at valuation	-	49	-	-	-
Total	<u>804 109</u>	<u>53 805</u>	<u>(1 005)</u>	<u>(26 302)</u>	<u>(32 090)</u>
		Other movements	Transfer due to restructure	Depreciation	Carrying amount 30.06.14
		\$'000	\$'000	\$'000	\$'000
Land at fair value		-	-	-	125 404
Buildings and improvements		129 618	-	(19 630)	635 663
Plant and equipment		-	-	(870)	3 452
Construction work in progress		(129 618)	-	-	13 449
Heritage assets at valuation		-	-	-	49
Total		<u>-</u>	<u>-</u>	<u>(20 500)</u>	<u>778 017</u>



(a) <b>Reconciliations (continued)</b>	Carrying amount			Net revaluation	Transfer	
	01.07.12	Additions	Disposals	increment	to assets	held for sale
<b>2013</b>	\$'000	\$'000	\$'000	(decrement)	\$'000	\$'000
Land at fair value	161 600	-	-	(351)	(6 719)	
Buildings and improvements	586 484	-	-	(8 943)	(2 852)	
Plant and equipment	16 632	400	(13)	-	-	
Construction work in progress	11 786	78 852	-	-	-	
Libraries at valuation	5 386	126	-	-	-	
<b>Total</b>	<b>781 888</b>	<b>79 378</b>	<b>(13)</b>	<b>(9 294)</b>	<b>(9 571)</b>	

	Other movements	Transfer due to restructure	Depreciation	Carrying amount
	\$'000	\$'000	\$'000	30.06.13
Land at fair value	-	-	-	154 530
Buildings and improvements	682	-	(19 604)	555 767
Plant and equipment	-	(11 754)	(1 409)	3 856
Construction work in progress	(682)	-	-	89 956
Libraries at valuation	-	(4 839)	(673)	-
<b>Total</b>	<b>-</b>	<b>(16 593)</b>	<b>(21 686)</b>	<b>804 109</b>

	Carrying amount	Additions	Disposals	Net revaluation	Other	Transfer	Amorti-	Carrying
	01.07.13	\$'000	\$'000	increment	movements	due to	sation	amount
	\$'000	\$'000	\$'000	(decrement)	\$'000	restructure	\$'000	30.06.14
<b>2014</b>				\$'000	\$'000	\$'000	\$'000	\$'000
Intangibles	6 964	-	-	-	6 012	-	(1 405)	11 571
Intangibles work in progress	4 215	2 926	(242)	-	(6 012)	-	-	887
<b>Total</b>	<b>11 179</b>	<b>2 926</b>	<b>(242)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 405)</b>	<b>12 458</b>

	Carrying amount	Additions	Disposals	Net revaluation	Other	Transfer	Amorti-	Carrying
	01.07.12	\$'000	\$'000	increment	movements	due to	sation	amount
	\$'000	\$'000	\$'000	(decrement)	\$'000	restructure	\$'000	30.06.13
<b>2013</b>				\$'000	\$'000	\$'000	\$'000	\$'000
Intangibles	13 761	-	-	-	5 192	(11 233)	(756)	6 964
Intangibles work in progress	4 874	5 137	-	-	(5 192)	(604)	-	4 215
<b>Total</b>	<b>18 635</b>	<b>5 137</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11 837)</b>	<b>(756)</b>	<b>11 179</b>

## 24. Fair value measurement

### Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Department categorises non-financial assets measured at fair value into hierarchy based on the level of inputs use in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014:

The Department had no valuations categorised into level 1.

### Fair value measurements

	Note	Level 2	Level 3	Total
		\$'000	\$'000	\$'000
Recurring fair value measurements:				
Land	22	125 404	-	125 404
Buildings and improvements	22	-	635 663	635 663
Plant and equipment	22	-	3 452	3 452
Heritage assets	22	-	49	49
<b>Total recurring fair value measurements</b>		<b>125 404</b>	<b>639 164</b>	<b>764 568</b>
Non-recurring fair value measurements:				
Land held for sale	21	30 459	-	30 459
Buildings and improvements held for sale	21	10 631	-	10 631
<b>Total non-recurring fair value measurements</b>		<b>41 090</b>	<b>-</b>	<b>41 090</b>
<b>Total fair value measurements</b>		<b>166 494</b>	<b>639 164</b>	<b>805 658</b>

Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2014. The Department's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

**Valuation techniques and inputs**

Valuation techniques used to derive level 2 and 3 fair values are at notes 21 and 22. There were no changes in valuation techniques during 2014. The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3):

**Quantitative information about fair value measurement using significant unobservable inputs (level 3)**

Description	Valuation technique	Unobservable inputs	Range
Buildings	Depreciated replacement cost	Cost per unit of area Effective life (years)	\$85-\$5600 40-80
Plant and equipment	Depreciated cost	Effective life (years)	1-45
Heritage	Deemed fair value	n/a	n/a

**Fair value measurements - level 3**

	Buildings \$'000	Plant and equipment \$'000	Heritage \$'000
<b>2014</b>			
Opening balance at 1 July	555 767	3 856	-
Acquisitions	-	645	-
Donated assets	-	-	49
Transfer out of level 3	(7 880)	-	-
Disposals	(132)	(179)	-
Transfers between asset classes	129 618	-	-
	<u>677 373</u>	<u>4 322</u>	<u>49</u>
Gains (Losses) for the period recognised in net result:*			
Depreciation	(19 630)	(870)	-
	<u>(19 630)</u>	<u>(870)</u>	<u>-</u>
Gains (Losses) for the period recognised in other comprehensive income:			
Revaluation increment (decrement)	(22 080)	-	-
	<u>(22 080)</u>	<u>-</u>	<u>-</u>
Closing balance at 30 June	<u>635 663</u>	<u>3 452</u>	<u>49</u>

\* The gains (losses) on operating result include changes in unrealised gains (losses) for assets still held at the end of the reporting period. The amounts of these changes included in the various line items are as follows:

	Buildings \$'000	Plant and equipment \$'000	Heritage \$'000
Depreciation	(19 530)	(678)	-

**25. Payables**

	2014 \$'000	2013 \$'000
Current:		
Creditors	24 581	61 084
Accrued expenses	24 520	35 501
Employment on-costs	1 036	1 193
Paid Parental Leave Scheme	4	(12)
Other	14	22
Total current payables	<u>50 155</u>	<u>97 788</u>
Non-current:		
Employment on-costs	896	527
Total non-current payables	<u>896</u>	<u>527</u>
Total payables	<u>51 051</u>	<u>98 315</u>
Payables to SA Government entities:		
Creditors	13 647	54 814
Accrued expenses	15 388	28 615
Employment on-costs	1 879	1 643
Total payables to SA Government entities	<u>30 914</u>	<u>85 072</u>

**Correction of error**

The comparatives have been adjusted for a \$206 000 understatement for payables between DFEEST and TAFE SA.

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken has increased from the 2013 rate of 26% to 40%. This also incorporates a change in accounting estimate, whereby the Department has adopted the percentage for other government departments (40%), rather than the educational percentage (64%). The average factor for the calculation of employer superannuation cost on-cost has increased from the 2013 rate of 10.2% to 10.3%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the employment on-cost of \$160 000.

**Interest rate and credit risk**

Creditors are raised for all amounts billed but unpaid and accruals are raised where goods and services are received but an invoice has not yet been received. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

- (a) Maturity analysis of payables - refer note 37.  
 (b) Categorisation of financial instruments and risk exposure information - refer note 37.

26. Employee benefits	2014	2013
Current:	\$'000	\$'000
Annual leave	3 245	4 018
LSL	929	1 610
SERL	201	293
Accrued salaries and wages	1 094	1 101
Total current employee benefits	<u>5 469</u>	<u>7 022</u>
Non-current:		
LSL	9 651	12 919
Total non-current employee benefits	<u>9 651</u>	<u>12 919</u>
Total employee benefits	<u>15 120</u>	<u>19 941</u>

AASB 119 contains the calculation methodology for LSL liability. The actuarial assessment performed by DTF has provided a set level of liability for the measurement of LSL.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has decreased from 2013 (3.5%) to 2014 (3.25%).

This decrease in the bond yield, which is used to discount future LSL cash flows, results in an increase in the reported LSL liability. The net financial effect of the changes in the current financial year is an increase in the LSL liability of \$247 000 (however the LSL liability has decreased overall due to the transfer of staff to TAFE SA and the number of TVSPs taken during 2013-14). The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

27. Provisions	2014	2013
Current:	\$'000	\$'000
Workers compensation	208	240
Total current provisions	<u>208</u>	<u>240</u>
Non-current:		
Workers compensation	933	1 080
Total non-current provisions	<u>933</u>	<u>1 080</u>
Total provisions	<u>1 141</u>	<u>1 320</u>
Carrying amount at 1 July	1 320	9 174
Reductions arising from payments/other sacrifice of future economic benefits	(179)	-
Provisions transferred to TAFE SA on restructure	-	(8 074)
Additional provision recognised	-	220
Carrying amount at 30 June	<u>1 141</u>	<u>1 320</u>

**27. Provisions (continued)**

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Branch of DPC.

<b>28. Other liabilities</b>	2014	2013
Current:	\$'000	\$'000
Other liabilities	658	495
Total current other liabilities	<u>658</u>	<u>495</u>

**Correction of error**

The comparatives have been adjusted for a \$6000 overstatement for unearned revenue between DFEEST and TAFE SA.

**29. Investments**

	Austraining International Pty Ltd	
	2014	2013
	\$'000	\$'000
Contributed capital in subsidiary company	<u>400</u>	<u>400</u>
Share of retained profit	<u>100%</u>	<u>100%</u>
Retained profits attributable to subsidiary company:		
Balance at 1 July	5 940	6 289
Share of operating profit (loss) after income tax	163	(349)
Total investments as at 30 June	<u>6 103</u>	<u>5 940</u>

**Austraining International Pty Ltd (Austraining)**

Austraining, which has a reporting date of 30 June, is controlled by the Minister for Employment, Higher Education and Skills. Its principal activity is to secure international contracts for work in vocational education and training.

The current investment value is an estimate of fair value and is based on unaudited financial statements as at 30 June 2014.

<b>30. Equity</b>	2014	2013
	\$'000	\$'000
Retained earnings	324 474	313 387
Revaluation surplus	328 011	354 313
Financial asset available for sale revaluation surplus	3 499	3 336
Contributed capital	<u>173 474</u>	<u>112 477</u>
Total equity	<u>829 458</u>	<u>783 513</u>

The revaluation surplus is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another.

**31. Unrecognised contractual commitments**

**Remuneration commitments**

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at 30 June but not recognised as liabilities are payable as follows:

Within one year	2 942	2 797
Later than one year and not later than five years	<u>6 098</u>	<u>2 221</u>
Total remuneration commitments	<u>9 040</u>	<u>5 018</u>

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

**Capital commitments**

Capital expenditure contracted for at 30 June but not recognised as liabilities in the financial statements are payable as follows:

Within one year	1 892	50 346
Later than one year and not later than five years	198	4 103
Later than five years	-	2 280
Total capital commitments	<u>2 090</u>	<u>56 729</u>

The Department's capital commitment mainly relate to information and communication technology contracts.

<i>Other commitments</i>	2014	2013
	\$'000	\$'000
Within one year	4 605	3 233
Later than one year and not later than five years	-	-
Total other commitments	<u>4 605</u>	<u>3 233</u>

The Department's other commitments relate to agreements for Productivity Places program contracts, cleaning contracts and other procurement commitments.

#### *Operating leases commitments*

Commitments in relation to operating leases contracted for at 30 June but not recognised as liabilities are payable as follows:

Within one year	6 506	5 500
Later than one year and not later than five years	10 668	14 756
Total operating lease commitments	<u>17 174</u>	<u>20 256</u>

The Department's operating leases are for office accommodation, equipment and motor vehicles. Office accommodation is leased from the Department for Planning, Transport and Infrastructure. The leases are non-cancellable with some leases having the right of renewal. Rent is payable in arrears. Motor vehicles are leased from SAFA through their agent LeasePlan Australia.

### 32. Contingent assets and liabilities

#### *Assets*

The Department is in the process of reviewing a potential breach of contractual obligation relating to bridging units undertaken by up to 15 Skills for All training providers.

The Department will seek information from each training provider about the evidence they hold to justify the use of the bridging units so that a position can be formed on whether overpayments have been made.

#### *Liabilities*

The Minister for Employment, Higher Education and Skills has provided a \$3 million guarantee to Austraining which has not been invoked as at 30 June 2014.

The Minister for Employment, Higher Education and Skills has entered an agreement to provide Le Cordon Bleu with a 10 year interest free loan of \$7 million conditional upon Le Cordon Bleu entering into a building contract for the development of Le Cordon Bleu's city training facility.

### 33. Transferred functions

#### *Transferred out*

##### 2014

In June 2013, the Chief Executives of DFEEST and TAFE SA authorised the transfer of approximately 100 staff from DFEEST to TAFE SA pursuant to section 9 of the PSA. These transfers were in accordance with a decision taken by the TAFE SA Board to establish autonomous corporate services within TAFE SA. The transfer became effective from 1 July 2013.

On transfer, DFEEST released the following liabilities:

	2014
	\$'000
Payables	220
Employee benefits liability	3 488
Total liabilities	<u>3 708</u>
Total net assets transferred	<u>(3 708)</u>

Liabilities transferred by the Department as a result of the administrative restructure were at the carrying amount recorded in the Statement of Financial Position immediately prior to transfer. The liabilities have been charged directly to equity.

#### *Transferred out*

##### 2013

Under the Public Sector (Reorganisation of Public Sector Operations) Notice 2012, from 1 November 2012 TAFE SA has been proclaimed as a statutory corporation, and all assets and liabilities relating to TAFE SA within DFEEST were transferred out to the new entity.

**2013 (continued)**

On transfer, DFEEST released the following assets and liabilities:

	2013
	\$'000
Cash	60 109
Receivables	19 418
Inventories	905
Property, plant and equipment	16 593
Intangible assets	11 838
Total net assets	<u>108 863</u>
Payables	11 424
Employee benefits liability	65 413
Provisions	8 074
Other liabilities	3 500
Total liabilities	<u>88 411</u>
Total net assets transferred	<u>20 452</u>

Net assets transferred by the Department as a result of the administrative restructure were at the carrying amount recorded in the Statement of Financial Position immediately prior to transfer. The net assets have been charged directly to equity.

**34. After balance day events**

As proclaimed on 26 June 2014 and in accordance with section 26 of the PSA, from 1 July 2014 the title of the Department for Manufacturing, Innovation, Trade, Resources and Energy is altered to the Department of State Development.

In addition the Public Sector (Reorganisation of Public Sector Operations) Notice 2013 and 2014 (dated 15 June 2014) proclaimed that effective from 1 July 2014 Department of Further Education, Employment, Science and Technology, Arts SA, Aboriginal Affairs and Reconciliation division, Office of the Economic Development Board, Invest in South Australia and Health Industries SA will be transferred to the Department of State Development.

In September 2014, the Chief Executive of the Department of State Development and the Acting Chief Executive of TAFE SA authorised a transfer of approximately 80 staff from the Department of State Development to TAFE SA pursuant to section 9 of the PSA. These transfers were in accordance with a decision taken by the TAFE SA Board to establish autonomous ICT services within TAFE SA. The financial effect of this change has not been reflected in the 2013-14 financial statements due to the transfer becoming effective from 8 September 2014.

**35. Remuneration of board and committee members**

Members that were entitled to receive remuneration during the 2013-14 financial year were:

***Audit and Risk Management Committee***

C Dunsford (Chair) W Einarson^

***Premier's Science and Industry Council***

L Cobiac^	C Priest
D Evans ^ (from January 2014)	L Read
I Gould	K Reynolds (resigned September 2013)
M Heard	P Sandercock
A Lopez	K Scott
T Monro	P Tharenou
D Mutton	G Todd^ (resigned September 2013)
R Popelka-Filcoff	G Young^ (from January 2014)

***Training and Skills Commission***

J Buchanan	N McBride (from December 2013)
I Curry (Deputy to J Newlyn)	S Myatt
P Dowd	J Newlyn (from November 2013)
A Downs^ (Deputy to S Myatt)	A Nieuwenhuis
J Giles ^ (resigned September 2013)	L Palmer
C Haythorpe (from December 2013)	A Smith (Chair)
K Heneker	M Keating

**Training and Skills Commission Access and Participation Reference Group**

J Giles (resigned September 2013) P Wright  
K Heneker (from September 2013, Chair) G McFadyen

**Training and Skills Commission Quality Reference Group**

A Coker S Holden  
S Forrest A Nieuwenhuis (Chair)  
D Frith (resigned September 2013) E Sckrabei ^ (from October 2013)

**Training and Skills Development Act 2008 Assessor Panel**

J Adler^ I Curry^  
R Buckler^ S Frazer^  
A Cartledge^ D Jeffries^

^ Indicates a member who is entitled to receive remuneration but did not receive remuneration during 2013-14.

The number of members whose remuneration from the entity falls within the following bands is:	2014 Number	2013 Number
\$1 - \$9 999	22	26
\$10 000 - \$19 999	1	6
\$20 000 - \$29 999	-	3
\$30 000 - \$39 999	10	1
\$40 000 - \$49 999	1	2
\$60 000 - \$69 999	-	1
Total	34	39

Remuneration of board members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$400 000 (\$300 000).

Amounts paid to a superannuation plan for board/committee members was \$19 337 (\$20 579).

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

36. Reconciliation of cash and cash equivalents	2014	2013
Cash at 30 June as per:	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	41 560	62 712
Balance as per the Statement of Cash Flows	41 560	62 712

**Reconciliation of net cash provided by (used in) operating activities to net cost of providing services**

Net cash provided by (used in) operating activities	(31 597)	9 854
Depreciation and amortisation	(21 905)	(22 442)
Gain (Loss) on sale of assets	(156)	(12)
Transfer out for administrative restructure	(3 708)	(68 088)
Movements in assets/liabilities:		
Employee benefits	4 821	67 979
Receivables	8 126	(14 279)
Inventories	-	(898)
Payables	51 782	(34 540)
Other liabilities	(163)	3 633
Provisions	179	7 854
Revenues from government	(506 219)	(434 139)
Payments to government	1 411	8 247
Net cost of providing services	(497 429)	(476 831)

**37. Financial instruments****37.1 Categorisation of financial instruments**

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

	Note	Carrying amount	
		2014 \$'000	2013 \$'000
<b>Financial assets</b>			
Cash and cash equivalents	19	41 560	62 712
Receivables <sup>(1)(2)</sup>	20	15 353	7 852
Investments:			
Financial assets	29	6 103	5 940
<b>Financial liabilities</b>			
Payables:			
Financial liabilities at cost	25	48 890	96 440
Total net financial assets at cost		<u>14 126</u>	<u>(19 936)</u>

(1) Receivables and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights and obligations have their source legislation such as levy receivables/payables, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 20 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

DFEEST does not recognise financial assets or financial liabilities at fair value with the exception of the investment in Austraining which is disclosed at fair value derived from data not observable in a market (refer note 29).

**Credit risk**

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

The carrying amount of financial assets as detailed in note 37.1 represents the Department's maximum exposure to credit risk.

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Department does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired (refer note 20).

**37.2 Ageing analysis of financial assets**

The following table discloses the ageing of financial assets, past due, including impaired assets past due:

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2014</b>				
Not impaired:				
Receivables	1	11	397	409
<b>2013</b>				
Not impaired:				
Receivables	34	46	71	151



**37.3 Maturity analysis of financial assets and liabilities**

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

	Carrying amount	Contractual maturities		
		Less than 1 year	1-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000
<b>2014</b>				
Financial assets:				
Cash and cash equivalents	41 560	41 560	-	-
Receivables	15 353	15 330	-	23
Other financial assets	6 103	-	-	6 103
<b>Total financial assets</b>	<b>63 016</b>	<b>56 890</b>	<b>-</b>	<b>6 126</b>
Financial liabilities:				
Payables	48 890	48 890	-	-
<b>Total financial liabilities</b>	<b>48 890</b>	<b>48 890</b>	<b>-</b>	<b>-</b>
<b>2013</b>				
Financial assets:				
Cash and cash equivalents	62 712	62 712	-	-
Receivables	7 852	7 829	-	23
Other financial assets	5 940	-	-	5 940
<b>Total financial assets</b>	<b>76 504</b>	<b>70 541</b>	<b>-</b>	<b>5 963</b>
Financial liabilities:				
Payables	96 440	96 440	-	-
<b>Total financial liabilities</b>	<b>96 440</b>	<b>96 440</b>	<b>-</b>	<b>-</b>

**Liquidity risk**

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The Department is funded principally from appropriations from the SA Government. The Department works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Department's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in note 37.1 represents the Department's maximum exposure to financial liabilities.

**38. Administered items**

	Minister's salary and allowances	
	2014	2013
	\$'000	\$'000
<b>Administered expenses:</b>		
Employee benefits	286	273
<b>Total administered expenses</b>	<b>286</b>	<b>273</b>
<b>Administered income:</b>		
Revenues from SA Government	286	273
<b>Total administered income</b>	<b>286</b>	<b>273</b>
<b>Net result</b>	<b>-</b>	<b>-</b>

**Minister's salary and allowances**

Minister's salary and allowances represents the amount pursuant to *Parliamentary Remuneration Act 1990*.

# Department for Health and Ageing

## Functional responsibility

### Establishment

The Department for Health and Ageing (the Department) is an administrative unit established pursuant to the PSA.

The Department is a funder or service purchaser, policy setter and strategic planner and provider of services. Note 1 to the financial statements provides details regarding the Department's objectives.

### Functions

The Department is charged with broad ranging policy and administrative responsibilities associated with health. One of the functions delegated to the Chief Executive of the Department under the *Health Care Act 2008* is to ensure that there is proper allocation and use of resources between health regions and health services incorporated under the *Health Care Act 2008*.

### Local health networks

In August 2011 the Australian, State and Territory Governments entered into the National Health Reform Agreement (NHRA). The NHRA establishes governance, funding and financial management arrangements for the delivery of public hospital services and other health services.

The NHRA required the States to establish local health networks (LHNs) that operate under governing councils to directly manage the delivery of public hospital and other health services. An LHN can contain one or more hospitals, and is usually defined as a business group, geographical area or community. Every Australian public hospital is part of an LHN. These requirements are to place responsibility and accountability for health service delivery to local health areas.

In response to the NHRA reform agenda five LHNs were established from 1 July 2011 as follows:

- Central Adelaide Local Health Network Incorporated (CALHN)
- Southern Adelaide Local Health Network Incorporated (SALHN)
- Northern Adelaide Local Health Network Incorporated (NALHN)
- Women's and Children's Health Network Incorporated (WCHN)
- Country Health SA Local Health Network Incorporated. (CHSALHN)

The SA Ambulance Service Inc (SAAS) has operated since 1992 and was not affected by the requirements for change under the NHRA.

## Structure of this section of the Report

This section of the Report includes commentary and/or financial information for the following matters:

- comment on some health sector challenges
- audit commentary and findings arising from audits of the financial operations of the Department
- Department for Health and Ageing financial report

- audit commentary and findings arising from audits of the incorporated LHNs and health services
- financial information for the incorporated LHNs and health services
- health sector staffing and patient activity data - unaudited.

### **Health sector challenges**

Previous Reports have included certain observations on some important changes and challenges facing the health sector and its administration. Certain matters are again commented on below in consideration of their importance, recent developments and Audit observations and findings arising out of review work associated with the 2013-14 audit of health services.

### **National health reforms**

The *National Health Funding Pool Administration (South Australia) Act 2012* (NHFPA Act) operated from 1 October 2012. This Act gives effect to the funding and financial accountability requirements of the NHRA, with implications for South Australian health sector administration and audit responsibilities for the Auditor-General.

Pursuant to the requirements of the NHRA and the NHFPA Act, from 1 October 2012 the Commonwealth and State Governments provided three types of funding into a State Pool account established with the Reserve Bank of Australia. The three types of funding are as follows:

- activity based funding (Commonwealth and State) – represents acute admitted public, acute admitted private, non-admitted and emergency department categories of service
- block funding (Commonwealth) – represents mental health, small rural and metropolitan hospitals, subacute, teaching, training and research and other categories
- public health funding – other amounts transacted through the State Pool account and are subsequently paid to the Department.

The NHFPA Act also requires the Administrator of the National Health Funding Pool to prepare an annual financial statement for the State Pool account and for the Auditor-General to audit this financial statement and express an audit opinion on the statement.

A financial statement of the State Pool account has been prepared by the Administrator for the period 1 July 2013 to 30 June 2014. An audit of this financial statement has been carried out and an unmodified Independent Auditor's Report issued.

The audited financial statement will form part of the Administrator's annual report to the responsible Commonwealth Minister pursuant to the NHFPA Act.

### **Information technology and system change**

The Department has a significant responsibility in managing the replacement of health and financial management information systems. Two of the most important systems are the Enterprise Patient Administration System (EPAS) and the Oracle Corporate System (OCS).

The Department's successful implementation of these systems is fundamental to it achieving improved health service delivery performance and the financial management and control and accountability requirements under the health reform agenda.

It is a concern that there have been delays and remediation issues with the rollout of the Procure to Pay component of the OCS and with EPAS. This means that legacy systems remain in operation in most health services, resulting in additional costs and inefficiencies in patient health care administration and financial services administration across the health sector.

The management of the implementation of major information technology developments and systems and the audit of their operations will remain an area of audit focus.

### **The new Royal Adelaide Hospital project**

A public private partnership project, the new Royal Adelaide Hospital, is in progress and is scheduled for delivery by April 2016. The estimated total value of the contractual arrangement provides for a capital cost for design and construction of \$1.85 billion (nominal) and State works of \$248.1 million (nominal) towards the overall hospital development.

Audit will review aspects of the project and contract arrangements through to project delivery. Specific comments on this project development are contained in Part A of this Report.

### **Governance and financial control**

The Department and LHNs need to have strong systems of governance and control to adequately respond to risks associated with fundamental change that is occurring to administration and financial arrangements and systems.

Annual audits of the Department and associated health services continue to raise many matters relating to governance and control. They represent deficiencies in practices or the requirement for improvement in practices. Over 20 audit management letter communications raising issues for consideration by health sector management were forwarded to the Department in respect of the 2013-14 financial year. Over 20 letters were forwarded for the 2012-13 financial year. In addition, management letters communicating issues arising from the audit of functions and processes performed by SSSA on behalf of the Department were forwarded during the year to SSSA.

Commentaries on communications of audit findings to the Department, health services and SSSA for 2013-14 are provided later in this section of this Report.

### **Financial reporting**

The Department and LHNs met their 2013-14 financial reporting obligations. As mentioned in last year's Report, meeting the obligations of timely and effective financial reporting is greatly advanced through well established and maintained financial management and reporting systems and control environments.

The Department and LHNs are exposed to financial reporting preparation and integrity risks until such time as the OCS is fully implemented and stabilised and legacy systems are discontinued.

### **Audit mandate and coverage**

#### **Audit authority**

#### ***Audit of the financial report***

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

## **Assessment of controls**

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

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

## **Scope of the audit**

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

During 2013-14, specific areas of audit attention included:

- payroll
- accounts payable
- accounts receivable
- funding to health services
- grants to non-profit organisations
- interstate patient transfers
- non-current assets
- inventory management
- revenues received from the Commonwealth
- insurance services
- financial management and compliance
- overseas travel
- ICT developments.

## ***Audit committee and internal audit***

The Department's Risk Management and Audit Committee has continued in operation throughout the 2013-14 financial year. Audit considered internal audit activities in order to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures.

## **Audit findings and comments**

### **Auditor's report on the financial report**

In my opinion, the financial report gives a true and fair view of the financial position of the Department for Health and Ageing as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

## **Assessment of controls**

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

### **Communication of audit matters**

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of the Department. The main matters raised and the related responses are outlined below.

In addition, matters relating to SSSA as a service provider to the Department are also described below.

### ***Internal audit review of medical consultant allowances***

Last year's Report included comment on an internal audit review that was conducted on medical consultant allowance payments. This review identified a significant number of weaknesses in processes and controls relating to payment of allowances.

A follow-up review was undertaken by internal audit during 2013-14. This review identified that:

- consultants are being paid recall payments when not entitled to them under the enterprise agreement
- the enterprise agreement includes Commonwealth Medicare Benefits Schedule based recall payments that allow payments to be made to consultants with no correlation to actual hours worked.

The Department has advised that it is undertaking additional work to make an informed decision on the next step in addressing the issues identified.

Audit will monitor these developments during 2014-15.

### ***Implementation of TIs 2 and 28***

TI 2 requires agencies to document key financial policies and procedures. TI 28 also requires agencies to develop and maintain a financial management compliance program (FMCP) of review of relevant policies and procedures, internal controls and financial reporting. A key feature of the Department's compliance program is a self-assessment process.

The Department's internal audit has continued to review compliance with TIs as part of its program of internal audits across the Health portfolio (SA Health). During the year internal audit engaged an accounting firm to assess SA Health's FMCP and to identify enhancement opportunities.

The review concluded that SA Health's FMCP was partially effective and identified certain findings for improvement of the FMCP. A number of recommendations were made and the Department has identified a number of improvements that will be implemented in 2014-15 to address the issues raised. The key improvement recommendations included:

- assign target dates and responsible officers for completing action plans and implement a process to track and validate completion of action plans
- define expected controls and associated roles and responsibilities to enhance accountability at LHN and business unit levels, identify all relevant expected controls applicable to each area and include them in the FMCP questionnaire to be distributed and rated for control effectiveness
- formulate detailed rating criteria and distribute it with the FMCP questionnaire
- formulate validation guidance and mandate a requirement for LHNs to validate a sample of their operational controls to ensure that they are in place and operating effectively.

Audit will monitor progress made as part of the 2014-15 audit.

### **Payroll**

Payroll costs are the predominant cost component of the Department's overall expenditure. It is therefore critical that payroll system processes and procedures are of a high standard and embody appropriate control practices, to minimise the risk of unauthorised or incorrect payments and result in reliable information for financial reporting. This is particularly relevant in confirming the bona fide nature of employees.

The audit identified a number of areas where there is a need for the Department to implement efficient and effective controls. The main audit findings are detailed below.

#### *Absence of a valid service level determination (SLD) between the Department and SSSA*

Audit recommended that the Department establish at the earliest opportunity an SLD clearly defining the roles and responsibilities of the two agencies.

The Department responded that its Human Resources Admin Hub is currently working under the existing SLD while the Department and SSSA are reviewing the existing arrangements. SSSA provided revised draft documents in July 2014. Feedback was provided to SSSA for appraisal and a workshop is scheduled to review the feedback and confirm a process to complete the documentation. The expected completion date is June 2015.

#### *Bona fide certificate (BFC) management*

The Department, in responding to issues raised from the 2012-13 audit, advised that the issues would be addressed by August 2013 or sooner. While this year's audit identified that steps were taken to improve the BFC process, a number of issues raised last year were not implemented for the full 2013-14 year. In the absence of a robust bona fide process, the Department has no assurance that all employees paid through the CHRIS payroll system are valid employees of the Department.

Audit identified issues with the distribution and timely return of BFCs maintaining a BFC returns register throughout the year and follow-up of outstanding BFCs.

The Department advised that divisional distribution lists were established and review had been ongoing from December 2012 to reflect organisational changes. The Department indicated it was reviewing and benchmarking its bona fide process and was recruiting a systems administrator to maintain organisational levels and report distribution. It advised its BFC returns register was established in February 2014 but noted issues with monitoring and follow-up on missing BFCs. The review of the bona fide process was anticipated to streamline the maintenance of the register.

#### *Annual leave*

Excessive leave balances remain an area of concern and were reported to the Department's Risk Management and Audit Committee during 2013-14. The Department needs to continue to take a proactive approach in working with staff to reduce excessive leave balances.

Audit testing of leave payments identified a number of errors in the calculation of leave taken, including leave loading. The errors were reported to both SSSA and the Department. Audit recommended the Department relate with SSSA to understand the cause of these errors, assess the need for any process changes and ensure errors are rectified.

**Shared Services SA – CHRIS payroll control environment**

SSSA processes payroll transactions specific to the CHRIS HRMS system on behalf of the Department in accordance with an SLD with SSSA. Audit review identified the following matters:

- SSSA needs to work with the Department to establish an SLD that reflects current practices and clearly defines the roles and responsibilities of each agency.
- SSSA should ensure there is adequate independent quality assurance review of changes to the payroll masterfile.

Consistent with the Department's response, SSSA advised it had provided revised payroll and HRMS service level documents for consultation and feedback. In addition, SSSA indicated it would remind its quality teams to ensure adequate independent quality assurance review, and advised that from September 2014 all the quality teams will be consolidated into a single team to allow for further standardisation and improved system controls in this area.

**Accounts payable**

Accounts payable services are provided to the Department by SSSA under an SLD.

The audit identified some areas of control weakness and opportunities for improvement in processes and controls, notably:

- the Department and SSSA need to establish an SLD that reflects current practices with respect to changes in organisational structures, systems and responsibilities
- requisition and payment approvals need to comply with the Department's approved governance and delegation system
- reconciliations should be performed in a timely manner
- system access reviews of the accounts payable and corporate online banking systems need to be conducted on a regular basis.

The Department responded to the audit findings advising of action taken or proposed to address the matters raised.

In addition, Audit review of the management of purchase cards and purchase card expenditure identified:

- the need for purchase card limit adjustments to be appropriately authorised
- documentation to support expenditure incurred using purchase cards was not always maintained
- instances where accommodation expenses were outside of the reimbursement of expenditure limits in Commissioner's Standard 3.2
- instances where purchase card disposals were not evident.

The Department advised that it issued a revised Purchase Card Policy Directive in June 2014 which addresses the issues raised by Audit.



### **TI 11 creditor account payment performance**

TI 11 requires each chief executive to provide an account payment performance report to the Minister on a monthly basis including an analysis/explanation of account payment performance and action taken or to be taken.

The Department provides monthly reports to the Minister which include the following information:

- a summary of the current month's 30 day performance compared to the previous month for the Department and each LHN. The report also includes changes and trends in account payment performance and a high level summary of the measures being taken by the Department to improve the payment performance. The reports do not identify the reasons for changes or trends in account payment performance
- a high level summary of the general measures being taken by the Department to improve the payment performance but no specific actions taken or to be taken.

Audit noted that for SA Health (consolidated) in the year ended 30 June 2014, 76.7% of invoices (83% by value) were paid within 30 calendar days or less. With the exception of the Department, which is paying approximately 94% of its accounts within 30 days, the majority of LHNs are paying on average 70% of their accounts within 30 days. Of all the LHNs, NALHN is the best performer at around 82% (76% by value) paid within 30 days, while WCHN is the worst performer at around 66% (66% by value) paid within 30 days.

Year to date data showed that for SA Health (consolidated) 7.2% of invoices (5% by value) were paid after more than 60 calendar days.

Audit recommended the Department improve the reporting information to explain why LHNs or specific health units are not paying accounts within 30 days or where an LHN's account performance for the month has deteriorated compared to previous months. Audit also raised for consideration the setting of time and performance targets for the respective health units based on their particular circumstances.

The Department advised that the rollout of phase 3 of the OCS will integrate a function to electronically manage the flow of invoices across all SA Health and assist SA Health in attaining full compliance with the requirements of TI 11. In recognition of this situation, Cabinet was advised that continued investment in improving local procedures would not be cost effective. The Department is exempt from any interest penalties for late payments until such time as the rollout is complete. Notwithstanding, the Department indicated it continued to take steps to improve payment performance.

### **Accounts receivable**

Accounts receivable services are provided to the Department by SSSA under an SLD.

The 2013-14 audit revealed certain control weaknesses in the accounts receivable control environment. The control weaknesses noted and raised with the Department included:

- large amounts of monies were being applied to the unapplied receipts accounts instead of being receipted to the appropriate revenue accounts when received
- there is no check to ensure that requests to raise invoices have been appropriately approved and that invoices are raised completely and accurately.

In addition, the Department should ensure that the SLD is updated to reflect the current roles and responsibilities of both the Department and SSSA.

The Department responded to the audit findings advising of action taken or proposed to address the matters raised, including a revised SLD, forwarding a delegation listing to SSSA and monitoring customer masterfile maintenance with SSSA.

### ***Fixed assets***

The key issues arising from the review of fixed assets identified the need for the Department to:

- formalise policies and procedures for designated project governance and fixed asset reconciliation processes
- ensure the repairs and maintenance and minor equipment accounts are reviewed for capitalisation purposes on a monthly basis and in a timely manner
- ensure that adjustments identified from the fixed asset stocktake process are followed up and completely and accurately updated to the fixed asset register in a timely manner.

The Department accepted the findings and advised of proposed action to be taken to address the matters raised including:

- an updated major capital projects governance policy was drafted for consideration for approval
- additional steps will be put in place to ensure the repairs and maintenance and minor equipment accounts are reviewed on a monthly basis and signed off by the fixed assets supervisor/senior accountant
- the ICT and Infrastructure divisions will investigate stocktake exceptions and initiate amendments to the fixed asset register that may be required.

### ***General ledger***

The review of general ledger processes identified:

- the need to ensure there is adequate segregation of duties over certain account reconciliation processes
- a requirement for changes processed to the general ledger to be independently reviewed.

The Department responded advising of action taken or proposed to address the matters raised.

### ***Special purpose funds***

The various LHNs administer significant monies in special purpose funds (SPFs). These funds currently include private practice funds, specific research grants, and funds received through fund raising activities undertaken by hospitals or voluntary organisations closely affiliated with the hospitals.

Since 2011 Audit has communicated issues to the Department about SPF policies, procedures and reporting.

Last year's Report indicated the anticipated implementation by the Department of a policy framework in 2013-14 together with a significant review of SPFs across LHNs. Audit indicated that the review should address the issues previously raised, notably the adequacy of documentation underpinning the operations of SPFs, the usefulness of SPF reports for monitoring purposes, and the significance and implications of and reasons for overdrawn SPFs.

Audit has recently commenced follow-up audit work in relation to SPFs across the LHNs. A fully endorsed policy and procedure framework is not yet implemented, however, the SPF Steering Group established by the Department in August 2013 endorsed a new assessment criteria for SPFs and a review of SPFs against the new criteria is in progress.

At May 2014 about 2000 SPF projects existed with a combined overall value of about \$240 million. The review to July 2014 has resulted in over 300 projects approved as SPFs, over 100 projects not approved as SPFs, about 900 projects either closed or no longer considered SPFs, and approximately 700 projects still under review or to be assessed.

In progressing review work in this area, Audit will evaluate aspects of the review and assessment of SPFs undertaken by the Department and the financial accountability arrangements to apply to the SPFs authorised for operation.

### ***Information and communication technology and control***

#### ***Oracle Corporate System (OCS)***

The aim of OCS is to replace the Department's and the various health unit's legacy general ledger and financial systems with a whole-of-health integrated system. The last phase of the implementation of OCS is now known as the One Procurement Solution.

Previous Reports have highlighted significant problems with the implementation of the OCS. In brief the problems related to the delay in the full rollout of OCS functionality and a number of control weaknesses for system functionality that introduced into operation. As a consequence of the problems, costs are being incurred for the operation and maintenance of legacy systems and health services continue to be deprived of the full financial management and reporting benefits that are expected to be available from OCS.

In the latter part of 2013-14 Audit completed a follow-up review of the position status of OCS, including the progress of the One Procurement Solution program and remediation of the control weaknesses previously raised with the Department for attention.

Details regarding Audit's 2013-14 review are contained in Part A of this Report.

#### ***Enterprise Patient Administration Systems (EPAS)***

EPAS is a significant system information program initiative for the replacement of a large number of legacy patient administration systems operating within the health services.

EPAS aims to provide functionality in patient registration, admission, discharge and transfer, patient billing, waitlist management and patient flow and clinical management. In addition the system is expected to integrate and/or interoperate with other systems.

The new Royal Adelaide Hospital is also reliant on EPAS being implemented and embedded with reformed clinical workflows and practices.

Audit has been reviewing developments relating to EPAS, including pilot implementation into certain health services during 2013-14.

The EPAS development is discussed in Part A of this Report.

***ICT procurement***

Given the importance of the ICT spend agencies must maintain robust ICT procurement practices. This is to ensure not only compliance with both whole-of-government and agency processes and procedural requirements but also that value for money is achieved.

In 2013-14 Audit completed a review of seven sample ICT procurements. The procurements were between the monetary values of \$220 000 and \$1.1 million (inclusive of GST).

The focus of the review was to examine aspects of governance and control over ICT procurements, including contractor and consultancy engagements and goods and services. The review considered compliance with State Procurement Board policy guidance, TIs and the Department's procurement related policy and procedures. The procurements were tested for appropriateness of the procurement approach adopted. This included whether reasonable justification was available to support the adopted acquisition plan and any direct negotiations and also to confirm that appropriate approval was applied.

Audit review noted that four procurements tested had no documented evidence stored in the Procurement and Contract Management System (PCMS) of written market quotes obtained. One procurement had no documented evidence of a risk management plan or an evaluation plan. Also one of the procurements had no clear evidence in the related purchase recommendation or the evaluation report to support the acquisition selection. In addition, two procurements tested had no documented approval evidence as required by TIs and four procurements had no documented evidence of completed conflict of interest declarations and confidentiality agreement forms from involved participants.

To strengthen the ICT procurement process, Audit recommended that the Department:

- follow up agreed action items in an internal audit report relating to incomplete information in PCMS and ensure that ICT procurements were included in PCMS
- reiterate to responsible staff the importance of properly performing and documenting the supplier evaluation and selection process
- review the current internal procurement compliance program, ICT procurement practices and supporting policy and procedures in consideration of the requirements of the State Procurement Board policy guidance and TIs.

The Department responded positively to the audit findings and recommendations. Key initiatives advised included reviewing the procurement compliance program, ICT procurement practices and supporting policy and procedures for compliance with TIs and State Procurement Board policy guidelines. The Department also communicated it will ensure gaps in procurement documentation are identified and addressed in relation to PCMS, supplier evaluation and the selection process. Further the Department indicated improvements for probity directives and relevant procurement training and communications for responsible staff. The key initiatives are due for implementation before the end of December 2014.

## **Further audit commentary**

### **Recurrent funding to health services**

In 2013-14 \$3.8 billion of recurrent funding was provided to health services, a major component of departmental expenditure. The control framework implemented by the Department to support this function is significant and centres on the execution and performance obligations of health service agreements.

The 2013-14 audit included review of the following matters:

- performance agreements with health services are appropriately executed on a timely basis
- processes are in place to monitor compliance requirements of the performance agreements
- cash call payments are appropriately approved and are accurately processed into accounts payable
- budget variations are appropriately approved and supported
- key reconciliations of funding are regularly performed and independently reviewed
- progress status of the performance of casemix audits.

The findings of the 2013-14 audit were generally satisfactory.

### **Capital funding to health services**

Capital funding provided to health services in 2013-14 was \$218 million.

Costs associated with major projects undertaken across SA Health are funded and paid by the Department. The Department advises the relevant health service monthly of all costs incurred. Each health service recognises costs incurred on its behalf as capital funding (revenue) received from the Department and, depending on the nature of the payment, a corresponding expense or asset (work in progress) in its ledger.

In 2013-14 the scope of the audit included an assessment of controls for the following matters:

- purchasing/initiating projects – all projects have the appropriate approval
- project management – all projects are monitored on an ongoing basis
- update to general ledger – projects module is reconciled to the general ledger.

The findings of the 2013-14 audit were generally satisfactory.

### **Funding to not-for-profit organisations**

The 2013-14 audit involved coverage of the following matters:

- grant funding is paid in accordance with service agreements
- grant payments are appropriately authorised
- terms and conditions of service agreements are monitored by the Department
- grant funding is completely and accurately recorded in the general ledger.

The results of the audit were generally satisfactory.

## South Australian Health and Medical Research Institute (SAHMRI)

SAHMRI was incorporated in December 2009 as a company limited by guarantee under the *Corporations Act 2001*. The liability of the members is limited to \$1 each. At 30 June 2014 the company had five members who were public authorities or prescribed public authorities under the PFAA. They are the:

- South Australian Treasurer
- South Australian Minister for Health
- Department for Further Education, Employment, Science and Technology
- University of Adelaide
- Flinders University of South Australia
- University of South Australia.

SAHMRI's key strategic objectives include the development and subsequent operation of a 'world-class flagship health and medical research facility'.

SAHMRI operates under a grant deed. The grant deed, executed on 24 May 2010, provided seed funding from the Government of South Australia (through the Minister for Health) of \$15 million over the period 2009-10 to 2012-13. The State Government has agreed to provide SAHMRI operational grant funding for a further three financial years commencing 1 July 2013 and totalling \$16.6 million.

During 2013-14 the Department provided SAHMRI with grant funding totalling \$6.8 million.

SAHMRI does not come within the ambit of the definition of public authority under the PFAA. It is therefore not subject to statutory audit by the Auditor-General pursuant to section 31 of the PFAA. SAHMRI is being subject to annual statutory audit by a major accounting/auditing firm.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2014 \$'million	2013 \$'million
<b>Expenses</b>		
Employee benefits expenses	211	199
Supplies, services and other expenses	468	477
Grants, subsidies and client payments	4 009	3 931
<b>Total expenses</b>	<b>4 688</b>	<b>4 607</b>
<b>Income</b>		
Fees and charges	302	252
Grants and contributions	1 103	1 136
Other	40	21
<b>Total income</b>	<b>1 445</b>	<b>1 409</b>
<b>Net cost of providing services</b>	<b>3 243</b>	<b>3 198</b>
Revenues from SA Government	3 187	2 991
Payments to SA Government	2	-
<b>Total revenues from/payments to SA Government</b>	<b>3 185</b>	<b>2 991</b>
<b>Net result</b>	<b>(58)</b>	<b>(207)</b>

	2014 \$'million	2013 \$'million
<b>Other comprehensive income</b>		
Property, plant and equipment revaluation	-	1
<b>Total comprehensive result</b>	(58)	(206)
<b>Net cash provided by (used in) operating activities</b>	(112)	(223)
<b>Assets</b>		
Current assets	320	311
Non-current assets	144	141
<b>Total assets</b>	464	452
<b>Liabilities</b>		
Current liabilities	170	204
Non-current liabilities	162	154
<b>Total liabilities</b>	332	358
<b>Total equity</b>	132	94

#### Statement of Comprehensive Income

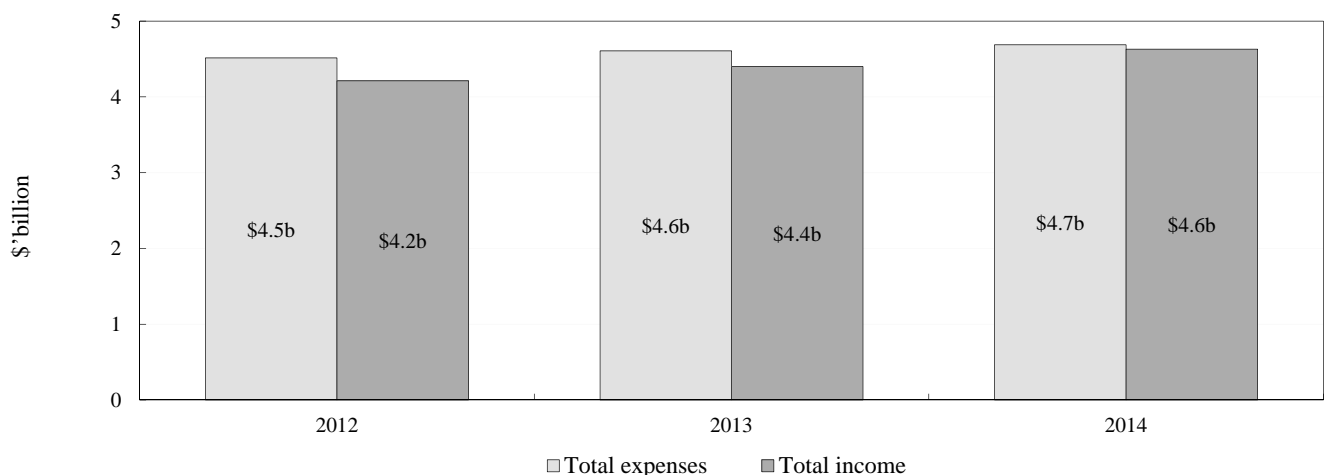
Total expenses increased by \$81 million to \$4.7 billion (\$4.6 billion) and is principally comprised of grants and subsidies of \$4 billion (\$3.9 billion). Grants and subsidies include recurrent and capital funding to incorporated health services of \$3.8 billion and funding to not-for-profit organisations of \$27 million (\$31 million). A further \$101 million (\$94 million) was paid to not-for-profit organisations for contract of services (refer note 7 to the financial statements).

Income for 2013-14 amounted to \$1.4 billion (\$1.4 billion) and principally comprised of Commonwealth Government grants of \$1.1 billion (\$1.1 billion). The Department receives Commonwealth Government grants paid from the State Pool account under the revised funding agreement pursuant to the NHRA rather than via DTF through State Government appropriation.

Revenues from the SA Government increased by \$196 million to \$3.2 billion (\$3 billion).

The payments to the SA Government of \$2.3 million relate to the proceeds from the sale of a property.

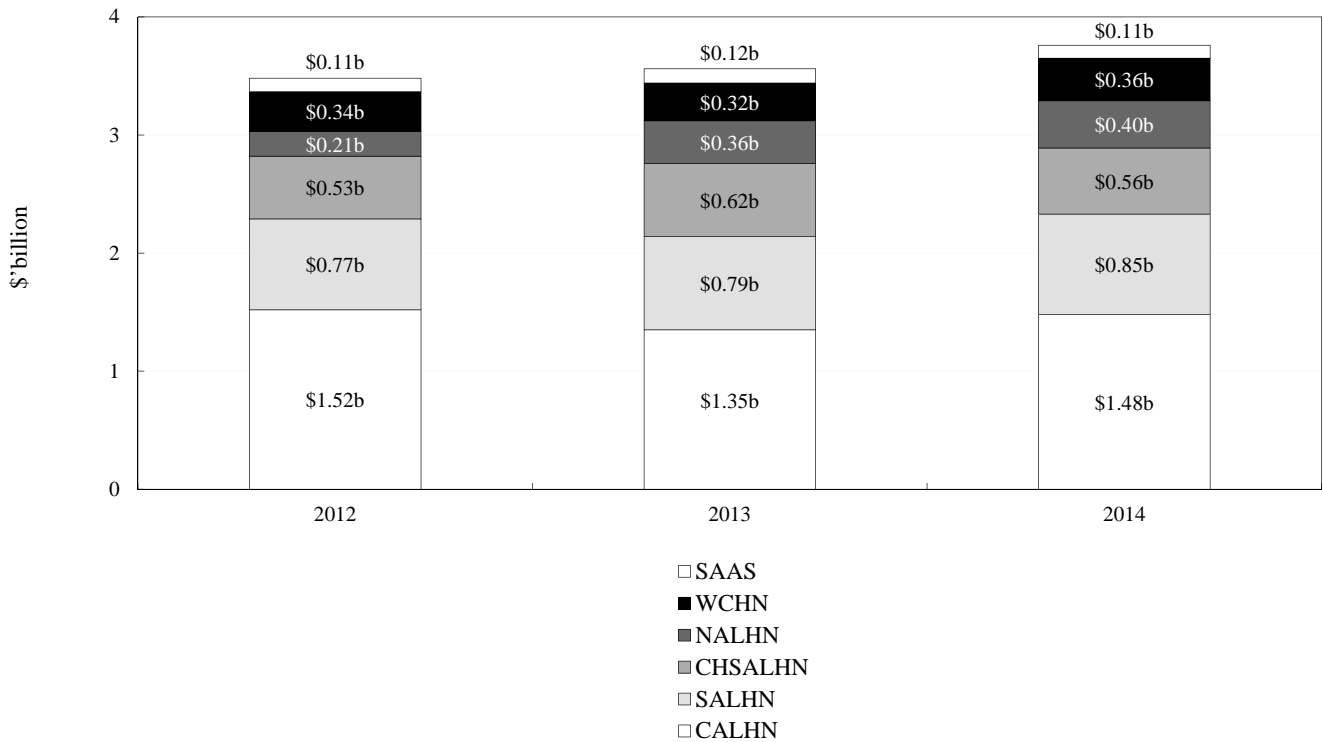
The following chart shows the total expenses and total income for the past three years.



The chart highlights the growth in total financial activity over the three years. Total expenses increased by \$175 million (3.9%) from 2012 to 2014.

**Recurrent funding to incorporated health services**

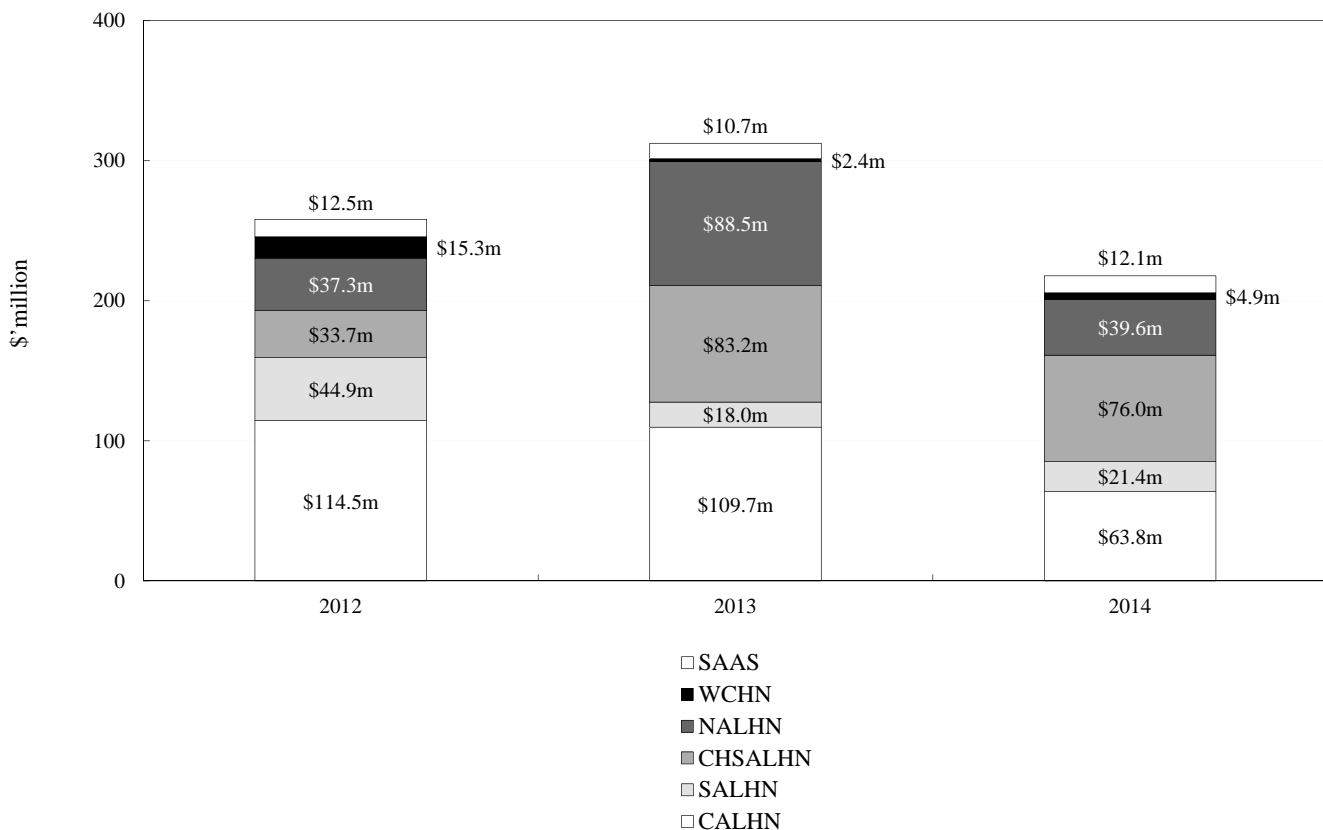
The following chart shows recurrent funding to incorporated health services for the three years to 2014.



The chart highlights the growth in total funding over the three years increasing from \$3.5 billion in 2012 to \$3.8 billion in 2014 (refer note 9 to the financial statements).

**Capital funding to incorporated health services**

The following chart shows capital funding to incorporated health services for the three years to 2014.





The chart highlights the fall in total funding in 2014, decreasing to \$218 million from \$312 million in 2012. The decrease in capital funding is due mainly to expenditure being deferred (refer note 9 to the financial statements).

#### Statement of Financial Position

As at 30 June 2014, the Department had a net assets position of \$132 million (\$94 million). During the year the Department received an equity contribution by the SA Government of \$99 million (\$314 million).

#### Statement of Cash Flows

In 2013-14 the Department recorded a net cash outflow of \$36 million compared with a net cash inflow of \$139.5 million during 2012-13. The main contributing factor was that the Department received a capital contribution from government of \$99 million in 2013-14 as compared to \$314 million in 2012-13.

The following table summarises the net cash flows for the four years to 2014.

	2014 \$'million	2013 \$'million	2012 \$'million	2011 \$'million
<b>Net cash flows</b>				
Operating	(112)	(223)	(115)	(185)
Investing	(21)	50	(80)	(54)
Financing	97	313	213	252
Change in cash	(36)	140	18	13
Cash at 30 June	176	212	72	54

**Statement of Comprehensive Income  
for the year ended 30 June 2014**

	Note	2014 \$'000	2013 \$'000
<b>Expenses:</b>			
Employee benefits expenses	6	210 674	199 341
Supplies and services	7	408 095	400 163
Depreciation and amortisation expense	8	18 390	17 303
Grants and subsidies	9	4 009 314	3 930 963
Borrowing costs	10	1 731	1 868
Net loss from disposal of non-current assets and other assets	17	863	29 704
Other expenses	11	38 838	27 307
<b>Total expenses</b>		4 687 905	4 606 649
<b>Income:</b>			
Revenues from fees and charges	13	302 219	251 686
Grants and contributions	14	1 102 440	1 135 793
Interest revenue	15	5 615	4 440
Resources received free of charge	16	23 889	8 813
Other income	18	10 479	8 096
<b>Total income</b>		1 444 642	1 408 828
<b>Net cost of providing services</b>		3 243 263	3 197 821
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	19	3 187 016	2 991 413
Payments to SA Government	19	2 339	-
<b>Total revenues from (payments to) SA Government</b>		3 184 677	2 991 413
<b>Net result</b>		(58 586)	(206 408)
<b>Other comprehensive income:</b>			
Items that will not be classified to net result:			
Changes in property, plant and equipment revaluation surplus		-	858
<b>Total other comprehensive result</b>		-	858
<b>Total comprehensive result</b>		(58 586)	(205 550)

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

## Statement of Financial Position as at 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	21	176 080	212 009
Receivables	22	123 642	84 530
Inventories	23	14 803	14 393
		<u>314 525</u>	<u>310 932</u>
Non-current assets classified as held for sale	24	5 727	-
<b>Total current assets</b>		<u>320 252</u>	<u>310 932</u>
<b>Non-current assets:</b>			
Receivables	22	18 960	21 882
Property, plant and equipment	25	57 943	64 063
Intangible assets	26	66 430	55 290
		<u>143 333</u>	<u>141 235</u>
<b>Total non-current assets</b>		<u>143 333</u>	<u>141 235</u>
<b>Total assets</b>		<u>463 585</u>	<u>452 167</u>
<b>Current liabilities:</b>			
Payables	28	130 595	161 875
Borrowings	29	2 253	1 867
Employee benefits	30	24 416	24 389
Provisions	31	12 233	15 156
Other current liabilities	32	665	708
		<u>170 162</u>	<u>203 995</u>
<b>Total current liabilities</b>		<u>170 162</u>	<u>203 995</u>
<b>Non-current liabilities:</b>			
Payables	28	33 645	30 879
Borrowings	29	15 441	17 694
Employee benefits	30	34 631	32 874
Provisions	31	77 792	72 482
Other non-current liabilities	32	69	78
		<u>161 578</u>	<u>154 007</u>
<b>Total non-current liabilities</b>		<u>161 578</u>	<u>154 007</u>
<b>Total liabilities</b>		<u>331 740</u>	<u>358 002</u>
<b>Net assets</b>		<u>131 845</u>	<u>94 165</u>
<b>Equity:</b>			
Contributed capital	33	1 459 657	1 360 587
Revaluation surplus	33	32 098	32 098
Retained earnings	33	(1 359 910)	(1 298 520)
<b>Total equity</b>		<u>131 845</u>	<u>94 165</u>
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	35		
Contingent assets and liabilities	37		

## Statement of Changes in Equity for the year ended 30 June 2014

	Note	Contributed capital \$'000	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2012		1 046 161	31 240	(1 092 534)	(15 133)
Restated balance at 30 June 2012		1 046 161	31 240	(1 092 534)	(15 133)
Net result for 2012-13		-	-	(206 408)	(206 408)
Gain (Loss) on revaluation of property during 2012-13		-	(15)	-	(15)
Gain (Loss) on revaluation of plant and equipment during 2012-13		-	873	-	873
Total comprehensive result for 2012-13		-	858	(206 408)	(205 550)
Transactions with SA Government as owner:					
Equity contributions from DTF	33	314 426	-	-	314 426
Net assets received from an administrative restructure	36	-	-	374	374
Net assets transferred as a result of an administrative restructure	36	-	-	48	48
Balance at 30 June 2013	33	1 360 587	32 098	(1 298 520)	94 165
Changes in accounting policy		-	-	-	-
Error correction		-	-	-	-
Restated balance at 30 June 2013	33	1 360 587	32 098	(1 298 520)	94 165
Net result for 2013-14		-	-	(58 586)	(58 586)
Total comprehensive result for 2013-14		-	-	(58 586)	(58 586)
Transactions with SA Government as owner:					
Equity contributions from DTF	33	99 070	-	-	99 070
Net assets received from an administrative restructure	36	-	-	(2 804)	(2 804)
<b>Balance at 30 June 2014</b>	33	<b>1 459 657</b>	<b>32 098</b>	<b>(1 359 910)</b>	<b>131 845</b>

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

## Statement of Cash Flows for the year ended 30 June 2014

	2014	2013
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
<b>Cash flows from operating activities:</b>		
Cash outflows:		
Employee benefit payments	(211 117)	(199 115)
Payments for supplies and services	(453 357)	(363 830)
Payments of grants and subsidies	(4 009 314)	(4 025 379)
Interest paid	(1 731)	(1 868)
GST payments on purchases	(166 624)	(119 837)
GST remitted to the ATO	-	(4 874)
Payments for Paid Parental Leave Scheme	(473)	(140)
Other payments	(4 283)	(27 189)
<b>Cash used in operations</b>	<u>(4 846 899)</u>	<u>(4 742 232)</u>
Cash inflows:		
Fees and charges	268 187	270 302
Grants and contributions	1 102 440	1 128 542
Interest received	5 614	4 440
GST receipts on receivables	20 693	29 992
GST recovered from the ATO	142 408	79 533
Receipts for Paid Parental Leave Scheme	479	157
Other receipts	10 144	14 747
<b>Cash generated from operations</b>	<u>1 549 965</u>	<u>1 527 713</u>
Cash flows from SA Government:		
Receipts from SA Government	3 187 016	2 991 413
Payments to SA Government	(2 339)	-
<b>Cash generated from SA Government</b>	<u>3 184 677</u>	<u>2 991 413</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(112 257)</u>	<u>(223 106)</u>
<b>Cash flows from investing activities:</b>		
Cash outflows:		
Purchase of property, plant and equipment	(5 466)	(27 633)
Purchase of intangibles	(21 247)	(18 033)
<b>Cash used in investing activities</b>	<u>(26 713)</u>	<u>(45 666)</u>
Cash inflows:		
Proceeds from sale of property, plant and equipment	2 315	95 416
Proceeds from the sale of non-current assets held for resale	3 523	-
<b>Cash generated from investing activities</b>	<u>5 838</u>	<u>95 416</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(20 875)</u>	<u>49 750</u>
<b>Cash flows from financing activities:</b>		
Cash outflows:		
Repayment of borrowings	(1 867)	(1 523)
<b>Cash used in financing activities</b>	<u>(1 867)</u>	<u>(1 523)</u>
Cash inflows:		
Capital contributions from government	99 070	314 426
<b>Cash generated from financing activities</b>	<u>99 070</u>	<u>314 426</u>
<b>Net cash provided by (used in) financing activities</b>	<u>97 203</u>	<u>312 903</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(35 929)</u>	<u>139 547</u>
<b>Cash and cash equivalents at 1 July</b>	<u>212 009</u>	<u>72 462</u>
<b>Cash and cash equivalents at 30 June</b>	<u>176 080</u>	<u>212 009</u>

21

## Notes to and forming part of the financial statements

### 1. Objectives of the Department for Health and Ageing (the Department)

The Department is committed to protecting and improving the health of all South Australians by providing leadership in health reform, policy development and planning. The vision of the Department is the best health for South Australians.

To achieve this vision the Department is:

- strengthening primary health care
- enhancing hospital care
- reforming mental health care
- supporting a range of programs to help older South Australians
- improving the health of Aboriginal people.

The Department is committed to a health system that produces positive health outcomes by focusing on health promotion, illness prevention and early intervention.

The Department has responsibility for delivery of specific programs to the public with respect to activities assigned to the Department and the powers and functions performed under the *Health Care Act 2008* (the Act), and other legislation as delegated by the Minister for Health and for Mental Health and Substance Abuse and the Minister for Ageing to the Chief Executive of the Department.

#### 1.1 Departmental functions

One of the functions delegated to the Chief Executive of the Department under the Act is to ensure that there is proper allocation and use of resources between local health networks and health services incorporated under the Act.

The financial affairs of incorporated health services do not form part of the Department's financial statements. Under the Act these bodies are required to maintain separate accounts of their respective financial affairs and to have them separately audited by the Auditor-General or an auditor approved by the Auditor-General.

#### 1.2 Administered items

The Department administers certain revenues, expenses, assets and liabilities on behalf of other government agencies and non-government entities. They are not controlled by the Department and are consequently not recognised in the Department's financial statements. They are regarded as insignificant and disclosed in note 42.

#### 1.3 Administrative restructures

2013-14

- A new SA Biomedical Engineering organisation structure was approved by the Chief Executive of the Department on 3 January 2013. This new state-wide service will deliver efficiencies, maximise the use of resources, ensure that consistent and easily accessible services are available across South Australia and provide a network-wide management approach to the maintenance and operation of medical equipment. The transition took place in two phases: the first tranche of in-scope employees were transferred as of 7 October 2013 and the second phase as of 18 November 2013. All in-scope employees and their associated employee benefits transferred from the following local health networks: Country Health SA Local Health Network Incorporated; Southern Adelaide Local Health Network Incorporated; Central Adelaide Local Health Network Incorporated and Women's and Children's Health Network Incorporated, to a consolidated state-wide biomedical engineering service within the Department.
- Health Portfolio Executive approved on 2 October 2008 the establishment of a consolidated procurement, contracting and supply chain service. This service provides the foundation for delivering best practice procurement, contracting and supply chain management across SA Health. Effective 24 March 2014 inventory associated with the Country Health SA Local Health Network Incorporated and Central Adelaide Local Health Network Incorporated were transferred to the SA Distribution Centre division of the Department.

2012-13

- As a result of the Public Sector (Reorganisation of Public Sector Operations) Notice 2012 approved by the Premier in The South Australian Government Gazette dated 8 November 2012, a staff member from the Assets Services Division was transferred to the Department of Planning, Transport and Infrastructure.

2012-13 (continued)

- Health Portfolio Executive approved on 2 October 2008 the establishment of a consolidated procurement, contracting and supply chain service. This service provides the foundation for delivering best practice procurement, contracting and supply chain management across SA Health. Effective 1 July 2012 inventory associated with the SA Ambulance Service Inc and SA Dental were transferred to the SA Distribution Centre division of the Department.

Details of the assets, rights and liabilities that transferred are provided in note 36.

#### **1.4 Funding for the Department**

Funding for the Department comes from two main sources:

- appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities
- payment and recoveries from portfolio agencies for business service functions performed on behalf of the agencies, with fees for these services being determined on a cost recovery basis.

In addition to the main funding sources, the Department receives amounts from other sources.

## **2. Summary of significant accounting policies**

### **2.1 Statement of compliance**

The Department has prepared these financial statements in compliance with section 23 of the PFAA.

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

The Department has applied AASs that are applicable to not-for-profit entities, as the Department is a not-for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2014 (refer note 4).

### **2.2 Basis of preparation**

The preparation of the financial statements requires:

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

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

**2.2 Basis of preparation (continued)**

The Statement of Cash Flows has been prepared on a cash basis.

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

The existence of the Department and the ongoing delivery of current programs and services is dependent on government policy and continuing appropriations by Parliament.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

**2.3 Reporting entity**

The Department's financial statements include both departmental and administered items. The Department's financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. As administered items are insignificant to the Department's overall financial performance and position, they have been disclosed in a schedule of administered items as notes to the accounts.

**2.4 Comparative information**

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

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

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

**2.5 Rounding**

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

**2.6 Taxation**

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST and Emergency Services levy. Income, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Department as a purchaser that is not recoverable from the ATO, is recognised as part of the cost of acquisition of an asset or is part of an item of expense
- where appropriate, 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 part of receivables or payables in the Statement of Financial Position.

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

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

Effective 1 January 2014, the Department for Health and Ageing, incorporated hospitals and the SA Ambulance Service Inc were grouped for GST purposes with the ATO. All transactions between the GST group members are not subject to GST. The Department acts as an agent on behalf of the incorporated hospitals and SA Ambulance Service Inc for the purpose of remitting GST to and recovering GST from the ATO.

**2.7 Income and expenses**

Income and expenses are recognised in the Department's Statement of Comprehensive Income when the flow or consumption or loss of future economic benefits has occurred and can be reliably measured.

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



**2.7 Income and expenses (continued)**

The following are the specific recognition criteria:

*Fees and charges*

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

*Disposal of non-current assets*

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

*Resources received/provided free of charge*

Resources received/provided free of charge are recorded as income/expenditure in the Statement of Comprehensive Income at their fair value. Goods and services received free of charge are recorded as such with revenue being separately disclosed. Resources provided free of charge are recorded at their fair value in the expense line items to which they relate. The Department provides various anti-viral and highly specialised drugs to health providers to distribute free of charge to the South Australian community.

*Contributions received/paid*

Grants that are received from other entities by the Department for general assistance or a particular purpose may be for capital, or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, Commonwealth Government or non-government organisations. The grants given are usually subject to terms and conditions set out in the contract or correspondence, or by legislation.

Grants that are paid to other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, non-government organisations or the public. The grants given are usually subject to terms and conditions set out in the contract or correspondence, or by legislation.

*Borrowing costs*

Borrowing costs are recognised as an expense when incurred.

*Employee benefits expenses*

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

*Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Department to the superannuation plan in respect of current services of current departmental employees. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

**2.8 Revenues from SA Government**

Appropriations from program funding are recognised as revenues when the Department obtains control over the assets. Control over the appropriations is normally obtained upon receipt and are accounted for in accordance with TI 3.

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

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

**2.9 Current and non-current classification**

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

**2.10 Assets**

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

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

### **2.11 Cash and cash equivalents**

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts. Cash is measured at nominal value.

The Government has a policy to align agency cash balances with the appropriation and expenditure authority.

### **2.12 Receivables**

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

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

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

#### *Doubtful debts*

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

Bad debts are written off only after all reasonable effort has been made to collect the debt.

### **2.13 Inventories**

The Department predominately holds inventory for distribution (although some items are held for use) and is measured at the lower of cost and current replacement cost (where current replacement cost is the cost the entity would incur to acquire the asset on the reporting date). Cost is the aggregation of the costs of purchase (eg purchase price, import duties, transportation and handling costs) net of trade discounts and rebates and other costs in bringing the inventories to their present location and condition excluding the cost of abnormal wastage, storage, administration and selling.

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

Inventories include:

- drug supplies
- other supplies.

### **2.14 Non-current asset acquisition and recognition**

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

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at the value held by the transferor immediately prior to the restructure.

The Department capitalises all non-current tangible property, plant and equipment and intangible assets that it controls valued at or greater than \$10 000. Assets recorded as works in progress represent projects physically incomplete as at the reporting date.

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

Non-current assets held for sale are separately disclosed and measured at cost.

### **2.15 Revaluation of non-current assets**

In accordance with APF III:

- all non-current tangible assets are valued at written down current cost (a proxy for fair value)
- the Department revalues all land, buildings and site improvements triennially via an independent Certified Practising Valuer
- triennial revaluation of other non-current assets is only performed when the assets' fair value at the time of acquisition is greater than \$1 million and the estimated useful life exceeds three years, and is done via a Certified Practising Valuer
- if at any time management considers that the carrying amount of an asset greater than \$1 million materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place
- non-current tangible assets that are acquired between revaluations are held at cost, until the next valuation, when they are revalued to fair value.

The Department's land, buildings and site improvement assets were revalued using the fair value methodology, as at 30 June 2012, based on independent valuations performed by Martin Stansfeld Burns, MBA BAppSC AAPI CPV RICS, Liquid Pacific Holdings Pty Ltd.

The Department's plant and equipment assets with a fair value greater than \$1 million were revalued using the fair value methodology, as at 1 July 2012, based on independent valuations performed by Simon O'Leary, AAPI CPV, Australian Valuation Office.

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

Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in revaluation reserves for that asset class.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class, but are not offset in respect of assets in different classes.

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

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

### **2.16 Impairment**

All non-current tangible and intangible assets are tested for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets, an impairment loss is offset against the revaluation surplus for that class of assets, to the extent that the impairment loss does not exceed the amount in the respective revaluation surplus.

### **2.17 Depreciation and amortisation of non-current assets**

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

The useful lives depreciation and amortisation methods of all major assets held by the Department are reassessed on an annual basis.

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

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

**2.17 Depreciation and amortisation of non-current assets (continued)**

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

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings and improvements	40-80
Leasehold improvements	Life of lease
Plant and equipment:	
Medical, surgical, dental and biomedical equipment and furniture	5-15
Computing equipment and software	3-5
Other plant and equipment	3-25
Intangibles	5-10

**2.18 Intangible assets**

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

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

Capitalised software is amortised over the useful life of the asset.

**2.19 Fair value measurement**

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Department classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3: not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed at each reporting date.

The Department believes the valuation methodology applied by the valuer in the last valuation of specific assets is in line with the requirements of AASB 13.

*Non-financial assets*

In determining fair value, the Department has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Department's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years. As the Department did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years are deemed to approximate fair value.

Refer notes 25 and 27 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

*Financial assets/liabilities*

The Department does not recognise any financial assets or financial liabilities at fair value.

**2.20 Payables**

Payables include creditors, accrued expenses, GST payable, employment on-costs and Paid Parental Leave Scheme payable.

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

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

The Paid Parental Leave Scheme payable represents amounts which the Department has received from the Commonwealth Government to forward onto eligible employees via the Department's standard payroll processes. That is, the Department is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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

Employment on-costs include payroll tax and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL, annual leave and SERL.

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

**2.21 Liabilities**

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

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

**2.22 Borrowings**

The Department measures financial liabilities including borrowings at historical cost.

**2.23 Employee benefits**

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

*Salaries, wages, annual leave, SERL and sick leave*

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

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

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

*LSL*

The liability for LSL was determined through an actuarial assessment undertaken by Mercer Consulting (Australia) Pty Ltd, in accordance with AASB 119. The following assumptions were made by the actuary when performing the assessment:

- the salary inflation rate assumed was 3% for 2014-15 and 4% p.a. thereafter
- discounting of 3.5% p.a. based on the gross seven year Commonwealth bond rate prevailing at 30 June 2014.

## **2.24 Provisions**

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

### *Insurance*

The Department is a participant in the State Government's insurance program. The Department pays a premium to SAICORP, a division of SAFA, for professional indemnity insurance, public liability and property insurance, and is responsible for the management claim for amounts up to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible. For professional indemnity claims after 1 July 1994 and general public liability and property claims after 1 July 1999 the deductible per claim is \$1 million. For claims incurred prior to these dates the deductible per claim is \$50 000.

The determination of the professional indemnity insurance provision was carried out through an actuarial assessment in accordance with AASB 1023, conducted by Brett & Watson Pty Ltd. Current and non-current liabilities of the Department are determined by taking into account prudential margins, inflation, taxes, claims incurred but not reported and current claim values.

The provision for claims for general public liability insurance and property is a management assessment.

### *Workers compensation*

The Department is a self-insured employer within the WRCA, and has delegated powers pursuant to section 63 of the WRCA. As a consequence, the Department is responsible for the management of and all costs of workers compensation claims.

The workers compensation provision is an actuarial assessment of the outstanding liability as at 30 June 2014 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. For the 2013-14 financial year the Department has reflected a workers compensation provision of \$1.73 million (\$1.579 million) (refer note 31).

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the payment per claim incurred valuation method. The assessment has been conducted in accordance with AASB 137, and the WorkCoverSA 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.

The Department is directly responsible for the cost of workers compensation claims and the implementation and funding of preventative programs.

From 1 July 2010, the Department devolved annual funding to all remaining safety net funded hospitals and health centres for workers compensation expenditure, excluding lump sum payments. Accordingly, the Department recognises a payable to health services equivalent to the liability for these specifically funded items which health services recognise as a provision in their financial statements. The workers compensation liability to health services as at 30 June 2014 is \$40.934 million (\$37.359 million) (refer note 28).

## **2.25 Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has not entered into finance leases but instead has entered into operating leases.

### *Operating leases*

For operating leases, the lessor retains substantially the entire risks and rewards incidental to ownership of the leased assets. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

## **2.26 Unrecognised contractual commitments and contingent assets and liabilities**

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value. Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

**2.26 Unrecognised contractual commitments and contingent assets and liabilities (continued)**

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

**2.27 SA Government/Non-SA Government disclosures**

The Department has adopted the requirements of APF II, where the Department must disclose by way of a note whether transactions are with entities that are within or external to the SA Government. These transactions are classified by their nature and relate to revenues, expenses, financial assets and financial liabilities.

**2.28 Continuity of operations**

As at 30 June 2014, the Department had working capital surplus of \$150.09 million (\$106.937 million surplus). The Government is committed to the ongoing funding of the Department to enable it to perform its functions.

**2.29 Events after the reporting period**

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

**3. Financial risk management**

The Department has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (held-to-maturity investments) and liabilities (borrowings from the SA Government). The Department's exposure to market risk and cash flow interest risk is minimal.

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

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its present programs, is dependent on government policy and on continuing appropriations by Parliament for the Department's administration and programs.

**4. Change in accounting policy**

The Department did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13, which became effective for the first time in 2013-14, the Department has:

- reviewed its fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, the Department has used the cost approach or the market approach to determine fair value. The Department will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements
- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in notes 25 and 27.

**Early adoption of accounting standards**

In accordance with APF II, the Department has not early adopted new or amended AASs and interpretations for the period ending 30 June 2014.

**Accounting standards issued or amended but not yet effective**

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2014. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department, except as outlined below.

**Accounting Standards issued or amended but not yet effective (continued)**

<i>Reference</i>	<i>Title</i>	<i>Summary</i>	<i>Application date of standard</i>	<i>Impact on financial statements</i>	<i>Application date for the Department</i>
AASB 1055	Budgetary reporting	This new standard sets out budgetary reporting requirements for not-for-profit entities within the general government sector of the Australian Government and State and Territory Governments, and together with AASB 2013-1, relocates the corresponding budgetary reporting requirements for the whole-of-government and general government sector of the Australian Government and State and Territory Governments from AASB 1049.	1 July 2014	The Department is within the general government sector and accordingly this new standard will apply.	1 July 2014
AASB 2013-1	Amendment to AASB 1049 - relocation of budgetary reporting requirements			This new standard will require the Department to disclose the original budgeted financial statements or information that was presented to Parliament. This new disclosure will also include explanations of major variances between actual and budgeted amounts. The disclosure will be required for both controlled and administered items – where the Department has presented budgeted financial statements reflecting controlled and administered items to Parliament.	1 July 2014

**5. Activities of the Department**

The Department is a funder or service purchaser, policy setter and strategic planner and provider of services. As a result the Department has no separately identifiable business segments that would require disclosure of disaggregate income and expenses, assets and liabilities.

**6. Employee benefits expenses**

	Note	2014 \$'000	2013 \$'000
Salaries and wages		149 838	141 157
TVSPs (refer below)	6.1	3 195	2 550
LSL		3 113	3 297
Annual leave		13 347	12 091
SERL		628	728
Employment on-costs - superannuation		18 015	16 796
Employment on-costs - other		6 113	5 441
Workers compensation		6 421	6 488
Board and committee fees		420	357
Other employee related expenses		9 584	10 436
<b>Total employee benefits expenses</b>		<b>210 674</b>	<b>199 341</b>

**6.1 TVSPs**

Amount paid during the reporting period to separated employees:

TVSPs	3 195	2 550
Annual leave and LSL paid during the reporting period	805	553
	<b>4 000</b>	<b>3 103</b>
Recovery from DTF	3 492	8 117
<b>Net cost to agency</b>	<b>508</b>	<b>(5 014)</b>

The number of employees who received a TVSP during the reporting period was 25 (20).



**Remuneration of employees**

The number of employees whose remuneration received or receivable falls within the following bands:	Executive Number	Admin Number	Other medical/professional Number	2014 Total Number	2013 Total Number
\$138 000 - \$141 499*	n/a	n/a	n/a	n/a	3
\$141 500 - \$151 499	2	10	2	14	14
\$151 500 - \$161 499	5	5	-	10	11
\$161 500 - \$171 499	7	3	-	10	12
\$171 500 - \$181 499	5	1	-	6	6
\$181 500 - \$191 499	6	1	-	7	8
\$191 500 - \$201 499	3	-	1	4	1
\$201 500 - \$211 499	4	-	-	4	5
\$211 500 - \$221 499	2	-	-	2	5
\$221 500 - \$231 499	3	-	-	3	4
\$231 500 - \$241 499	3	-	-	3	4
\$241 500 - \$251 499	2	-	1	3	3
\$251 500 - \$261 499	4	-	-	4	2
\$261 500 - \$271 499	1	-	-	1	1
\$271 500 - \$281 499	2	-	2	4	2
\$291 500 - \$301 499	1	-	-	1	-
\$301 500 - \$311 499	-	-	-	-	1
\$311 500 - \$321 499	-	-	2	2	2
\$321 500 - \$331 499	1	1	-	2	2
\$331 500 - \$341 499	1	-	-	1	-
\$341 500 - \$351 499	3	-	-	3	1
\$351 500 - \$361 499	-	-	-	-	2
\$361 500 - \$371 499	1	-	-	1	-
\$371 500 - \$381 499	-	-	-	-	1
\$381 500 - \$391 499	-	-	1	1	-
\$421 500 - \$431 499	-	-	-	-	1
\$431 500 - \$441 499	1	1	-	2	-
\$451 500 - \$461 499	1	-	-	1	-
\$711 500 - \$721 499	-	-	-	-	1
<b>Total</b>	<b>58</b>	<b>22</b>	<b>9</b>	<b>89</b>	<b>92</b>

Total remuneration received or due and receivable by employees included above was \$19.264 million (\$19.098 million)

\* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2012-13.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits.

Where employees have left the Department, the remuneration reflects lump sum LSL, annual leave and termination benefits.

Employees whose remuneration was equal to or greater than the base executive remuneration level can be categorised by employment group as follows:

- medical (excluding nursing) remuneration \$2.165 million, eight employees (\$1.517 million, six employees)
- executive remuneration \$13.082 million, 58 employees (\$13.711 million, 62 employees)
- nursing remuneration \$149 000, one employee (\$143 000, one employee)
- non-medical (ie administration) remuneration \$3.868 million, 22 employees (\$3.727 million, 23 employees).

The total remuneration received by these employees for the year was \$19.264 million (\$19.098 million).

For the purpose of this note, remuneration does not include amounts in payment or reimbursement of out-of-pocket expenses incurred for the benefit of the entity or a controlled entity.

7. <b>Supplies and services</b>	2014	2013
Total supplies and services provided:	\$'000	\$'000
Administration	2 092	2 858
Advertising	1 492	3 088
Communication	10 620	12 771
Computing	65 989	71 446
Contractors	7 450	20 598
Contractors - agency staff	18 257	26 538
Consultants	3 593	2 896
Contract of services	100 749	94 416
Cost of goods sold	54 365	51 555
Drug supplies	716	7 086
Electricity, gas and fuel	62	7
Fee-for-service	1 032	373
Finance lease contingent rentals	17	6
Food supplies	65	136
Health surveys	253	282
Housekeeping	105	35
Insurance	35 227	24 960
Interstate patient transfers	29 819	8 613
Legal	1 937	1 833
Medical, surgical and laboratory	332	125
Minor equipment	7 924	5 053
Motor vehicle expenses	1 304	1 251
Occupancy rent and rates	15 565	16 759
Patient transport	8	-
Payments to SSSA	30 132	29 780
Periodical, journals and publications	135	80
Postage	1 641	1 681
Printing and stationery	2 189	3 256
Rental expense on operating lease	394	1 478
Repairs and maintenance	2 138	800
Security	1 088	1 073
Staff training and development	4 242	3 265
Staff travel expenses	2 182	1 817
Other supplies and services	4 981	4 248
Total supplies and services	408 095	400 163

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2014		2013	
	Number	\$'000	Number	\$'000
Below \$10 000	9	52	6	26
\$10 000 to \$50 000	22	471	11	308
Above \$50 000	16	3 070	18	2 562
Total paid/payable to the consultants engaged	47	3 593	35	2 896

The 2013 comparative information for supplies and services has been amended to better reflect the nature of the transactions in accordance with note 2.7.

The amendments made had no impact on reported equity to the 2013 comparative information.

The following significant adjustments were made to the 2012-13 comparative information:

	Reported 2013 \$'000	Adjusted 2013 \$'000
Supplies and services:		
Contractors	4 809	20 598
Contractors - agency staff	42 939	26 538
Contract of services	-	94 416

Contract of services was originally classified as grants and subsidies (note 9) however it has been reclassified to reflect the correct nature of the transactions in accordance with note 2.7.

8. Depreciation and amortisation expense		2014	2013
Depreciation:	Note	\$'000	\$'000
Buildings and improvements		140	148
Computing equipment		7 864	7 431
Other plant and equipment		77	90
Total depreciation		<u>8 081</u>	<u>7 669</u>
Amortisation:			
Leasehold improvements		290	283
Intangible assets		10 019	9 351
Total amortisation		<u>10 309</u>	<u>9 634</u>
Total depreciation and amortisation		<u>18 390</u>	<u>17 303</u>
<b>9. Grants and subsidies</b>			
Grants and subsidies paid/payable:			
Recurrent funding to incorporated health services	9.1	3 755 140	3 569 925
Capital funding to incorporated health services	9.2	217 854	312 456
Subsidies		571	1 735
Funding to not-for-profit organisations	9.3	27 488	31 062
Other		8 261	15 785
Total grants and subsidies		<u>4 009 314</u>	<u>3 930 963</u>

Contract of services of \$94.416 million was originally classified as grants and subsidies, however, it has been reclassified as supplies and services to reflect the correct nature of the transactions in accordance with note 2.7.

**9.1 Recurrent funding to incorporated health services**

SA Ambulance Service Inc	113 687	121 752
Country Health SA Local Health Network Incorporated	562 973	618 491
Southern Adelaide Local Health Network Incorporated	848 117	793 090
Central Adelaide Local Health Network Incorporated	1 480 493	1 352 655
Women's and Children's Health Network Incorporated	356 491	320 901
Northern Adelaide Local Health Network Incorporated	393 379	363 036
Total recurrent funding to incorporated health services	<u>3 755 140</u>	<u>3 569 925</u>

**9.2 Capital funding to incorporated health services**

SA Ambulance Service Inc	12 107	10 670
Country Health SA Local Health Network Incorporated	75 978	83 161
Southern Adelaide Local Health Network Incorporated	21 444	17 964
Central Adelaide Local Health Network Incorporated	63 834	109 745
Women's and Children's Health Network Incorporated	4 864	2 381
Northern Adelaide Local Health Network Incorporated	39 627	88 535
Total capital funding to incorporated health services	<u>217 854</u>	<u>312 456</u>

**9.3 Funding to not-for-profit organisations**

South Australian Health and Medical Research Institute Ltd	6 812	6 525
National E Health Transition Authority Ltd	2 774	2 565
Local Council Support*	1 522	1 016
Aboriginal Health Council of SA Inc	1 488	1 093
Mental Health Support*	1 298	1 742
Health Promotions*	1 050	1 087
Ceduna Koonibba Aboriginal Health Service (Aboriginal Corporation)	1 019	1 083
The Flinders University of South Australia	927	1 837
Aboriginal Support*	891	1 410
Mind Australia	535	713
Life without Barriers	535	712
University of South Australia	487	100
Aged Care Support*	474	318
National Heart Foundation of Australia	455	688
Health Consumers Alliance of SA Inc	444	280
Relationships Australia (SA) Inc	412	401
GP Partners Adelaide	364	354
Community Support*	359	1 226

<b>9.3 Funding to not-for-profit organisations (continued)</b>	2014 \$'000	2013 \$'000
Survivors of Torture	352	352
University of Adelaide	339	1 341
Council on the Ageing SA Inc	328	187
Neami Limited	325	434
Mental Health Coalition of SA Inc	325	426
Drug and Alcohol Support*	322	451
Chaplaincy Service SA Inc	301	148
Other*	3 350	4 573
Total funding to not-for-profit organisations	27 488	31 062
* Contains funding provided to these support services.		
<b>10. Borrowing costs</b>		
Borrowing costs paid/payable:		
Interest on borrowings	1 700	1 849
Other finance charges	31	19
Total borrowing costs	1 731	1 868
<b>11. Other expenses</b>		
Other expenses paid/payable:		
Bad and doubtful debts	300	13
Donated asset expense	24 333	23 848
Bank fees and charges	10	32
Write-off of inventory	10 222	-
Other	3 973	3 414
Total other expenses	38 838	27 307
<b>12. Auditor's remuneration</b>		
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements		
Auditor fees - auditing financial statements	690	648
Auditor fees - other services	-	118
Total audit fees	690	766
<b>Other services</b>		
No other services were provided by the Auditor-General's Department.		
Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of other expenses - other (refer note 11).		
<b>13. Revenues from fees and charges</b>		
Fees and charges received/receivable:		
Business services	734	1 013
Fines, fees and penalties	1 320	868
Interstate patient transfers	59 252	28 196
Insurance recoveries from health services	30 871	30 278
Private practice fees	1 956	4 414
Recoveries	152 876	132 410
Sale of goods - medical supplies	54 308	51 445
Other user charges and fees	902	3 062
Total fees and charges	302 219	251 686
<b>14. Grants and contributions</b>		
<b>14.1 Commonwealth grants and contributions</b>		
Commonwealth National Health Reform Agreement funding	997 317	999 015
Department of Veterans' Affairs	53 044	58 576
Transition Care program	21 659	20 792
Woomera Hospital	1 327	1 306
Highly specialised drugs	1 057	25 306
Other	16 008	14 603
Total Commonwealth Government grants and contributions	1 090 412	1 119 598

<b>14.2 Grants and contributions from SA Government agencies</b>	2014	2013
	\$'000	\$'000
Community Development Fund	6 600	7 000
Capital contributions	322	200
Other grants and contributions from SA Government agencies	1 146	2 187
Total grants and contributions from SA Government agencies	8 068	9 387
<b>14.3 Private sector grants and contributions</b>	2014	2013
Private sector capital contributions	-	769
Private sector grants and contributions	3 960	6 039
Total private sector grants and contributions	3 960	6 808
Total grants and contributions	1 102 440	1 135 793
<b>Restrictions of contributions received</b>		
Of the \$1102.44 million received in 2013-14 for grants and contributions, \$1090.412 million was provided for specific purposes, such as research and associated activities.		
Prior year comparatives have been adjusted to reflect changes in the classification of:		
<ul style="list-style-type: none"> <li>• revenues from SA Government of \$8.944 million to grants and contributions from SA Government agencies</li> <li>• other income of \$7.051 million to private sector grants and contributions</li> <li>• other income of \$200 000 to grants and contributions from SA Government agencies.</li> </ul>		
<b>15. Interest revenue</b>	2014	2013
Interest from entities within SA Government:	\$'000	\$'000
Interest on loans	1 905	2 116
Bank interest	3 702	2 324
Other	8	-
Total interest revenue	5 615	4 440
<b>16. Resources received free of charge</b>		
Resources received free of charge or for nominal value:		
Land and improvements	9 126	3 136
Inventory	14 763	5 677
Total resources received free of charge	23 889	8 813
<b>17. Net gain (loss) from the disposal of non-current assets</b>		
Land and buildings:		
Proceeds from disposal	2 315	95 416
Net book value of assets disposed	(3 225)	(123 896)
Net gain (loss) from disposal of land and buildings	(910)	(28 480)
Plant and equipment:		
Net book value of assets disposed	(55)	(138)
Net gain (loss) from disposal of plant and equipment	(55)	(138)
Intangibles:		
Net book value of assets disposed	(23)	(1 086)
Net gain (loss) from disposal of intangible assets	(23)	(1 086)
Non-current assets held for resale:		
Proceeds from disposal	3 523	-
Net book value of assets disposed	(3 398)	-
Net gain (loss) from disposal of assets held for resale	125	-
Total assets:		
Total proceeds from disposal	5 838	95 416
Total value of assets disposed	(6 701)	(125 120)
Total net gain (loss) from disposal of non-current assets	(863)	(29 704)

<b>18. Other income</b>	2014	2013
Other income received/receivable:	\$'000	\$'000
Commissions revenue	21	17
SA Health and Medical Research Fund	2 199	2 651
Intellectual property sale	-	1 921
Training revenue	72	4
Insured drug supplies - recoveries	5 968	-
Other	2 219	3 503
Total other income	<u>10 479</u>	<u>8 096</u>

**19. Revenues from SA Government**

***Revenues from SA Government***

DTF - contingency funds	112 422	149 854
TVSP recoveries	3 492	8 117
Appropriations from the Consolidated Account pursuant to the <i>Appropriation Act</i>	2 922 157	2 684 744
Commonwealth grants received via DTF	148 945	148 698
Total revenues from SA Government	<u>3 187 016</u>	<u>2 991 413</u>

***Payments to SA Government***

Other payments to the Consolidated Account	2 339	-
Total payments to SA Government	<u>2 339</u>	<u>-</u>
Total revenues from SA Government	<u>3 184 677</u>	<u>2 991 413</u>

Total revenues from SA Government consist of \$2.72 billion (\$2.363 billion) for operational funding and \$202 million (\$257 million) for capital projects.

**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. The Department had outstanding funding commitments to the following programs:

	2014	2013
	\$'000	\$'000
Oracle Corporate Systems Phase 3 Implementation	1 136	814
Healthy Workers - National Partnership Agreement on Preventative Health	1 075	362
National Partnership Agreement on Improving Public Hospitals Services	700	7 049
Integrated Regional Clinical Training Networks	463	584
Substance Misuse Service Delivery (Day Centres)	390	-
Simulated Learning Environments Program	300	180
SA Clinical Supervision Support Program	160	343
Healthy Children - National Partnership Agreement on Preventative Health	124	358
Enabling Infrastructure - National Partnership Agreement on Preventative Health	82	-
OzFood Net	10	-
Hospital and Health Workforce Reform - Activity Based Funding	-	1 280
Bedside Computers - ICT minor works	-	1 244
Lower Murray Reclaimed Irrigation area - Pathogen Risk Assessment	-	35
Social Marketing - National Partnership Agreement on Preventative Health	-	7
Total unexpended funding commitments	<u>4 440</u>	<u>12 256</u>

**21. Cash and cash equivalents**

Cash at bank or on hand - non-government financial institutions	176 071	211 999
Imprest account/cash on hand	9	10
Total cash and cash equivalents	<u>176 080</u>	<u>212 009</u>

***Interest rate risk***

Cash on hand is non-interest bearing. Interest rate risk exposure is detailed in note 34. The carrying amount of cash represents fair value.

22. Receivables		2014	2013
Current:	Note	\$'000	\$'000
Interstate patient transfers		97 296	51 422
Interest income receivable		1	-
Loans	22.2	2 918	2 466
Prepayments		8 757	9 035
Debtors		1 734	10 924
Receivables		<u>110 706</u>	<u>73 847</u>
Allowance for doubtful debts	22.1	(306)	(6)
Sundry receivables and accrued revenue		5 455	5 054
GST recoverable from ATO		7 787	5 635
Total current receivables		<u>123 642</u>	<u>84 530</u>
Non-current:			
Workers compensation provision recoverable		20	2
Loans	22.2	18 940	21 880
Total non-current receivables		<u>18 960</u>	<u>21 882</u>
Total receivables		<u>142 602</u>	<u>106 412</u>

**Interest rate and credit risk**

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

**Maturity analysis of receivables**

Refer note 34.

**Categorisation of financial instruments and risk exposure information**

Refer note 34.

**Bad and doubtful debts**

The Department has recognised a bad and doubtful debt expense of \$300 000 (\$13 000) in the Statement of Comprehensive Income.

**Movement in the allowance for doubtful debts**

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

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

22.1 Movements in the allowance for doubtful debts (impairment loss)	2014	2013
	\$'000	\$'000
Carrying amount at 1 July	6	7
Amounts written off	(6)	(13)
Increase (Decrease) in allowance recognised in Statement of Comprehensive Income	<u>306</u>	<u>12</u>
Carrying amount at 30 June	<u>306</u>	<u>6</u>

**Revision of accounting estimates**

During the year, the Department reassessed the calculation of doubtful debts allowance as a result of new information available regarding collectability rates for sundry debtor classes. This has resulted in an increase in the allowance for doubtful debts.

The ageing profile of receivables as at 30 June 2014 has resulted in an increase of \$233 000 in the amount of doubtful debts expense calculated on these receivables in the 2013-14 financial year relative to the amount that would have been expensed based on the previous estimate of the doubtful debts allowance.

The higher doubtful debts expense will also be reflected in future years but it is impracticable to estimate that effect on future years.

<b>22.2 Reconciliation of inter-health loans</b>	2014	2013
The balance of loans to health services and related movements is as follows:	\$'000	\$'000
Balance at 1 July	24 346	26 675
Total repayable	24 346	26 675
Principal repayments received	(2 488)	(2 329)
Balance at 30 June	21 858	24 346

The Department to 30 June 2014 has financed the health services with loans amounting to \$4.164 million (\$4.784 million) from departmental funds and \$17.694 million (\$19.562 million) from back-to-back loan arrangements with DTF.

The movements and status of the back-to-back loan arrangements are as follows:	2014	2013
	\$'000	\$'000
Balance at 1 July	19 561	21 084
Principal repayments	(1 867)	(1 523)
Balance at 30 June	17 694	19 561

**23. Inventories**

Current - held for distribution materials at cost:		
Drug supplies	8 615	7 649
Other	6 188	6 744
Total current inventories - held for distribution	14 803	14 393

**24. Non-current assets classified as held for sale**

Land	5 548	-
Buildings and improvements	179	-
Total non-current assets classified as held for sale	5 727	-

During 2013-14, \$8.65 million of land and \$476 000 of buildings and improvements were reclassified to assets held for sale. Subsequently \$3.102 million of land and \$297 000 of buildings and improvements were externally sold leaving a carrying amount of \$5.727 million at 30 June 2014.

**25. Property, plant and equipment**

Land and buildings:	2014	2013
	\$'000	\$'000
Land only holdings at fair value	32 400	32 400
Site land at fair value	4 610	5 930
Land at fair value	37 010	38 330
Buildings and improvements at fair value	2 673	3 837
Buildings and improvements under construction (work in progress)	-	852
Buildings at fair value	2 673	4 689
Accumulated depreciation - buildings and improvements	177	148
Total accumulated depreciation	177	148
Total land and buildings	39 506	42 871
Leasehold improvements:		
Leasehold improvements at fair value	3 654	3 654
Accumulated amortisation	2 659	2 369
Total leasehold improvements	995	1 285
Plant and equipment:		
Computing equipment at cost (deemed fair value)	41 022	37 126
Medical, surgical, dental and biomedical equipment at cost (deemed fair value)	28	28
Other plant and equipment at cost (deemed fair value)	970	1 072
Plant and equipment under construction (work in progress)	8 553	6 969
Total plant and equipment at fair value	50 573	45 195
Accumulated depreciation - computing equipment	32 499	24 635
Accumulated depreciation - medical, surgical, dental and biomedical equipment	28	28
Accumulated depreciation - other plant and equipment	604	625
Total accumulated depreciation	33 131	25 288
Total plant and equipment	17 442	19 907
Total property, plant and equipment	57 943	64 063



**Valuation of land and buildings**

The Department's land, buildings and site improvement assets were revalued using the fair value methodology, as at 30 June 2012, based on independent valuations performed by Martin Stansfeld Burns, MBA BAppSC AAPI CPV RICS, Liquid Pacific Holdings Pty Ltd.

**Valuation of plant and equipment**

The Department's plant and equipment assets with a fair value greater than \$1 million were revalued using the fair value methodology, as at 1 July 2012, based on independent valuations performed by Simon O'Leary, AAPI CPV, Australian Valuation Office.

**Resources received free of charge**

Assets of \$9.126 million (\$3.136 million) were transferred to the Department (refer note 16).

**Impairment**

There were no indications of impairment of property, plant and equipment at 30 June 2014.

**Reconciliation of land and improvements**

	Land	Buildings and imprvmts	Leasehold imprvmts	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2014</b>					
Carrying amount at 1 July	38 330	3 689	1 285	852	44 156
Assets received free of charge	8 650	476	-	-	9 126
Disposals	(1 320)	(1 905)	-	-	(3 225)
Depreciation and amortisation	-	(140)	(290)	-	(430)
Transfers between asset classes	-	852	-	(852)	-
Assets reclassified as assets held for sale (note 24)	(8 650)	(476)	-	-	(9 126)
Carrying amount at 30 June	37 010	2 496	995	-	40 501
<b>2013</b>					
Carrying amount at 1 July	38 330	3 901	1 317	103 012	146 560
Additions	-	-	201	18 795	18 996
Disposals	(3 136)	-	-	(120 760)	(123 896)
Revaluation increment (decrement)	-	(30)	-	-	(30)
Depreciation and amortisation	-	(148)	(283)	-	(431)
Acquisition (disposal) from transfer	3 136	(49)	49	(195)	2 941
Other movements	-	15	1	-	16
Carrying amount at 30 June	38 330	3 689	1 285	852	44 156

Land includes land only holdings at fair value and site land at fair value.

Buildings and improvements include buildings and improvements at fair value, buildings and improvements under finance lease and site improvements at fair value.

**Reconciliation of plant and equipment**

	Computer equipment	Capital works in progress	Other plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
<b>2014</b>				
Carrying amount at 1 July	12 491	6 969	447	19 907
Additions	-	5 415	51	5 466
Disposals	-	-	(55)	(55)
Depreciation	(7 864)	-	(77)	(7 941)
Transfers between asset classes	3 896	(3 831)	-	65
Carrying amount at 30 June	8 523	8 553	366	17 442
<b>2013</b>				
Carrying amount at 1 July	8 542	8 622	508	17 672
Additions	6 253	2 362	48	8 663
Disposals	(119)	-	(19)	(138)
Revaluation increment (decrement)	874	-	-	874
Depreciation	(7 431)	-	(90)	(7 521)
Acquisition (disposal) from transfer	4 373	(4 015)	-	358
Other movements	(1)	-	-	(1)
Carrying amount at 30 June	12 491	6 969	447	19 907

**Reconciliation of plant and equipment (continued)**

Other plant and equipment includes motor vehicles under finance lease, motor vehicles at cost, plant and equipment - major at cost, plant and equipment under finance lease, power generation and transmission and other plant and equipment at cost

<b>26. Intangible assets</b>	2014	2013
Computer software:	\$'000	\$'000
Other computer software	82 949	71 586
Accumulated amortisation (other computer software)	32 649	(22 669)
Intangibles under construction (work in progress)	16 130	6 373
Total computer software	66 430	55 290
Total intangible assets	66 430	55 290

**Reconciliation of intangibles**

	Other computer software \$'000	Capital works in progress \$'000	Total \$'000
<b>2014</b>			
Carrying amount at 1 July	48 917	6 373	55 290
Additions*	6 668	14 579	21 247
Disposals	(23)	-	(23)
Amortisation	(10 019)	-	(10 019)
Transfers between asset classes	4 757	(4 822)	(65)
Carrying amount at 30 June	50 300	16 130	66 430

\* Additions mainly relate to acquisitions associated with further development of EPAS and Oracle (Electronic Master Patient Index). There were no impairments for intangible assets as at 30 June 2014.

	Other computer software \$'000	Capital works in progress \$'000	Total \$'000
<b>2013</b>			
Carrying amount at 1 July	42 679	5 126	47 805
Additions	14 751	3 334	18 085
Disposals	(1 086)	-	(1 086)
Depreciation and amortisation	(9 351)	-	(9 351)
Acquisition (disposal) from transfer	1 924	(2 087)	(163)
Carrying amount at 30 June	48 917	6 373	55 290

**27. Fair value measurement**

**Fair value measurements at 30 June 2014**

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Department categorises non-financial assets measured at fair value into hierarchy based on the level of inputs use in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2014:

The Department had no valuations categorised into level 1.

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2014</b>				
Recurring fair value measurements:				
Land	25	37 010	-	37 010
Buildings	25	-	2 496	2 496
Leasehold improvements	25	-	995	995
Plant and equipment	25	-	8 889	8 889
Total recurring fair value measurements		37 010	12 380	49 390
Non-recurring fair value measurements:				
Land held for sale	24	5 548	-	5 548
Buildings held for sale	24	-	179	179
Total non-recurring fair value measurements		5 548	179	5 727
Total fair value measurements		42 558	12 559	55 117

**Fair value measurements at 30 June 2014 (continued)**

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2014. The Department's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the reporting period.

Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

**Valuation techniques and inputs**

Land fair values were derived by using level 2 valuation inputs, being recent sales transactions of other similar land holdings within the region, adjusted for differences in key attributes such as property size, zoning and any restrictions on use.

Due to the predominantly specialised nature of health services assets, the majority of building and plant and equipment valuations has been undertaken using a cost approach (depreciated replacement cost), an accepted valuation methodology under AASB 13. The extent of unobservable inputs and professional judgement required in valuing these assets is significant and, as such, they are deemed to have been valued using level 3 valuation inputs.

Unobservable inputs used to arrive at final valuation figures included:

- estimated remaining useful life, which is an economic estimate and, by definition, is subject to economic influences
- cost rate, which is the estimated cost to replace an asset with the same service potential as the asset undergoing valuation, allowing for over-capacity, and based on a combination of internal records including refurbishment and upgrade costs, historical construction costs and functionality utility uses, industry construction guides, specialised knowledge and estimated acquisition/transfer costs
- characteristics of the asset, including condition, location, any restrictions on sale or use and the need for ongoing provision of government services
- effective life, being the expected life of the asset assuming general maintenance is undertaken to enable functionality but no upgrades are incorporated which extend the depreciation methodology, noting that AASB 13 dictates that regardless of the depreciation methodology adopted, the exit price should remain unchanged.

Although there were some buildings valued using level 2 inputs, the fair value of these was immaterial in comparison to the whole class, therefore all buildings have been classified as level 3.

**Quantitative information about fair value measurement using significant unobservable inputs (level 3)**

Description	Valuation technique	Unobservable inputs	Range
Buildings and improvements	Depreciated replacement cost	Replacement cost per square metre	\$177-\$2 710
		Useful life	40-80 years
Plant and equipment	Depreciated replacement cost for assets with a cost greater than \$1 million	Useful life	3-25 years

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3):

	Buildings and imprvmnts \$'000	Plant and equipment \$'000
<b>2014</b>		
Opening balance at 1 July	4 974	12 938
Additions	-	51
Assets received free of charge	476	-
Disposals	(1 905)	(55)
Total gains (losses) for the period recognised in net result:*		
Depreciation and amortisation	(430)	(7 941)
Transfer into level 3**	852	3 896
Assets reclassified to assets held for sale	(476)	-
Closing balance at 30 June	<u>3 491</u>	<u>8 889</u>

\* Of these gains and losses, \$8.31 million is attributable to the change in unrealised gains and losses for assets held at the end of the reporting period. (389) (7 921)

\*\* Assets transferred into level 3 comprise capitalisation of assets from work in progress.

**Quantitative information about fair value measurement using significant unobservable inputs (level 3) (continued)**

Buildings and improvements include leasehold improvements but exclude works in progress.

Plant and equipment includes computer, medical, surgical, dental, biomedical and other plant and equipment but excludes works in progress.

<b>28. Payables</b>	2014	2013
Current:	\$'000	\$'000
Creditors and accrued expenses	53 596	115 802
Paid Parental Leave Scheme payable	20	14
Health service workers compensation	9 609	8 767
Interstate patient transfers	64 619	34 800
Employment on-costs	2 751	2 492
Total current payables	130 595	161 875
Non-current:		
Health service workers compensation	31 325	28 592
Employment on-costs	2 320	2 287
Total non-current payables	33 645	30 879
Total payables	164 240	192 754

As a result of an actuarial assessment performed by Mercer Consulting (Australia) Pty Ltd, the percentage of the proportion of LSL taken as leave has remained unchanged from the 2013 rate of 40% and the average factor for the calculation of employer superannuation cost on-cost has decreased from 11.99% in 2013 to 11.28%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$110 000. The estimated impact on 2015 and 2016 is \$113 000 and \$117 000 respectively.

**Interest rate and credit risk**

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

**Maturity analysis of payables**

Refer note 34.

**Categorisation of financial instruments and risk exposure information**

Refer note 34.

<b>29. Borrowings</b>	2014	2013
Current:	\$'000	\$'000
Loans	2 253	1 867
Total current borrowings	2 253	1 867
Non-current:		
Loans	15 441	17 694
Total non-current borrowings	15 441	17 694
Total borrowings	17 694	19 561
<b>30. Employee benefits</b>		
Current:		
Annual leave	15 745	14 452
LSL	4 005	4 371
Accrued salaries and wages	1 379	826
FBT	2 267	2 597
SERL	1 014	728
Other	6	1 415
Total current employee benefits	24 416	24 389
Non-current:		
LSL	34 631	32 856
Other	-	18
Total non-current employee benefits	34 631	32 874
Total employee benefits	59 047	57 263

**30. Employee benefits (continued)**

AASB 119 contains the calculation methodology for LSL liability. The LSL liability has been determined based on an actuarial assessment performed by Mercer Consulting (Australia) Pty Ltd.

AASB 119 requires the use of a yield on long-term Commonwealth Government bonds which matches the expected term of the liabilities as the discount rate in the measurement of the LSL liability. The appropriate yield on long-term Commonwealth Government bonds remained at 3.5% as per the previous financial year.

The maintenance of the bond yield, which is used at the rate to discount future LSL cash flows, results in no change in the reported LSL liability. The net financial effect of the change in the current financial year is no change in the LSL liability and no change in the employee benefit expense. The impact on the future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by Mercer Consulting (Australia) Pty Ltd reduced the salary inflation rate from 3% for 2013-14 and 4% p.a. thereafter, to 3% for 2014-15 and 4% thereafter. As a result, there was a net reduction in the LSL liability of \$388 000 for the current financial year.

<b>31. Provisions</b>		2014	2013
Current:	Note	\$'000	\$'000
Insurance	31.1	11 748	14 699
Provision for workers compensation	31.2	485	457
Total current provisions		<u>12 233</u>	<u>15 156</u>
Non-current:			
Insurance	31.1	76 547	71 360
Provision for workers compensation	31.2	1 245	1 122
Total non-current provisions		<u>77 792</u>	<u>72 482</u>
Total provisions		<u>90 025</u>	<u>87 638</u>

**31.1 Reconciliation of insurance**

	Medical malpractice	Public liability	Property	Total
	\$'000	\$'000	\$'000	\$'000
<b>2014</b>				
Carrying amount at 1 July	83 483	584	1 992	86 059
Increase to provision due to new claims	2 301	364	1 473	4 138
Reduction due to payments	(8 829)	(610)	(1 660)	(11 009)
Net revision of estimates	8 491	1 104	(398)	9 197
Carrying amount at 30 June	<u>85 446</u>	<u>1 442</u>	<u>1 407</u>	<u>88 295</u>
<b>2013</b>				
Carrying amount at 1 July	94 859	941	970	96 770
Increase to provision due to new claims	2 184	535	2 075	4 794
Reduction due to payments	(12 677)	(238)	(1 268)	(14 183)
Net revision of estimates	(883)	(654)	215	(1 322)
Carrying amount at 30 June	<u>83 483</u>	<u>584</u>	<u>1 992</u>	<u>86 059</u>

**31.2 Reconciliation of workers compensation**

	2014	2013
	\$'000	\$'000
Carrying amount at 1 July	1 579	1 254
Additional provisions recognised	602	758
Payments/other sacrifices of future economic benefits	(451)	(433)
Carrying amount at 30 June	<u>1 730</u>	<u>1 579</u>

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by Taylor Fry Consulting Actuaries.

**32. Other liabilities**

	2014	2013
	\$'000	\$'000
Current:		
Unclaimed monies	295	295
Unearned revenue	82	413
Unapplied donations - Charitable Gifts Board	283	-
Other	5	-
Total current other liabilities	<u>665</u>	<u>708</u>

	2014	2013
<b>32. Other liabilities (continued)</b>		
Non-current:	\$'000	\$'000
Unearned revenue	69	78
Total non-current other liabilities	69	78
Total other liabilities	734	786
<b>33. Equity</b>		
Contributed capital	1 459 657	1 360 587
Revaluation surplus	32 098	32 098
Retained earnings	(1 359 910)	(1 298 520)
Total equity	131 845	94 165

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

This accords with the Department's policy on the revaluation of property, plant and equipment, as discussed in note 2.15.

**34. Financial instruments/Financial risk management**

**(a) Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

	Note	2014		2013	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents:					
Cash and cash equivalents	21,38	176 080	176 080	212 009	212 009
Receivables					
Receivables <sup>(1)(2)</sup>	22	126 038	126 038	91 740	91 740
Total financial assets		302 118	302 118	303 749	303 749
<b>Financial liabilities at cost</b>					
Payables <sup>(1)</sup>	28	158 519	158 519	187 313	187 313
Borrowings and interest bearing liabilities	29	17 694	17 694	19 561	19 561
Non-interest bearing liabilities	32	734	734	786	786
Total financial liabilities at cost		176 947	176 947	207 660	207 660

<sup>(1)</sup> Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (eg Commonwealth taxes, audit fees payable to the Auditor-General's Department etc). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

<sup>(2)</sup> Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 22 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

**(b) Fair value**

The Department does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 22 and 28).
- Borrowings are initially recognised at fair value, plus any transaction cost directly attributable to the borrowings, then subsequently held at amortised cost. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant (refer note 29).

(c) **Credit risk**

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department. The carrying amount of financial assets as detailed in note 34(a) represents the Department's maximum exposure to credit risk.

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Department does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 22 for information on the allowance for impairment in relation to receivables.

(d) **Ageing analysis of financial assets**

The following table discloses the ageing of financial assets, past due, including impaired assets past due.

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2014</b>				
Not impaired:				
Receivables	115	226	273	614
Total	115	226	273	614
Impaired:				
Receivables	14	27	265	306
Total	14	27	265	306
<b>2013</b>				
Not impaired:				
Receivables	32	274	719	1 025
Total	32	274	719	1 025
Impaired:				
Receivables	-	-	6	6
Total	-	-	6	6

The amount of receivables disclosed above, excludes statutory receivables such as GST input tax credit recoverable. Receivables also excludes prepayments as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

(e) **Maturity analysis of financial assets and liabilities**

	Carrying amount \$'000	Contractual maturities		
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>2014</b>				
Financial assets:				
Cash and cash equivalents	176 080	176 080	-	-
Receivables	126 038	107 098	18 940	-
Total financial assets	302 118	283 178	18 940	-
Financial liabilities:				
Payables	158 519	127 194	31 325	-
Borrowings	17 694	2 253	15 441	-
Other financial liabilities	734	734	-	-
Total financial liabilities	176 947	130 181	46 766	-
<b>2013</b>				
Financial assets:				
Cash and cash equivalents	212 009	212 009	-	-
Receivables	91 740	69 860	21 880	-
Total financial assets	303 749	281 869	21 880	-

**(e) Maturity analysis of financial assets and liabilities (continued)**

	Carrying amount \$'000	Contractual maturities		
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>2013</b>				
Financial liabilities:				
Payables	187 313	158 721	28 592	-
Borrowings	19 561	1 867	11 724	5 970
Finance lease liability	786	786	-	-
Total financial liabilities	<u>207 660</u>	<u>161 374</u>	<u>40 316</u>	<u>5 970</u>

Maturity analysis of receivables and payables excludes statutory receivables and payables such as GST receivables and payables.

**(f) Liquidity risk**

Liquidity risk arises where the Department is unable to meet its financial obligations as they are due to be settled. The continued existence of the Department is dependent on State Government policy and on continued funding from DTF for the Department's administration and program delivery. The Department settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Department's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

**(g) Market risk**

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through interest bearing liabilities. Any exposure to foreign currency risks is managed by SAFA.

**(h) Sensitivity disclosure analysis**

A sensitivity analysis has not been undertaken for the interest rate risk of the Department as it has been determined that the possible impact on comprehensive income or total equity from fluctuations in interest rates is immaterial.

**35. Unrecognised contractual commitments****35.1 Operating lease commitments**

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

	2014 \$'000	2013 \$'000
Not later than one year	10 908	12 681
Later than one year but not later than five years	37 090	40 407
Later than five years	20 326	30 103
Total operating lease commitments (including GST)	<u>68 324</u>	<u>83 191</u>

The Department has a number of lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominately paid in advance. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee. Contingent rental payments are determined using a set rate. In most cases this is either CPI or current market rate.

**35.2 Expenditure commitments****Capital commitments**

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

	2014 \$'000	2013 \$'000
Not later than one year	8 758	27 586
Total capital commitments (including GST)	<u>8 758</u>	<u>27 586</u>

The Department's capital commitments are for plant and equipment ordered but not received.



*Expenditure commitments - remuneration*

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

	2014 \$'000	2013 \$'000
Not later than one year	43 715	44 343
Later than one year but not later than five years	30 238	38 477
Total commitments	<u>73 953</u>	<u>82 820</u>

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

*Other commitments*

Other expenditure contracted for at the reporting date but are not recognised as liabilities, are payable as follows:

	2014 \$'000	2013 \$'000
Not later than one year	10 653	40 710
Later than one year but not later than five years	11 721	227 813
Later than five years	-	19 529
Total other commitments	<u>22 374</u>	<u>288 052</u>

The significant reduction in other commitments is because of the administrative transition of the new Royal Adelaide Hospital project from the Department to the Central Adelaide Local Health Network Incorporated.

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 2014 has not been quantified.

**36. Transferred functions***Transferred in*  
**2013-14**

- Health Portfolio Executive approved a portfolio-wide organisational restructure and a new SA Biomedical Engineering (SA BME) organisation structure was approved within the Department. A consolidated state-wide biomedical engineering service was created to meet the SA MBE cost saving strategy and other efficiencies. The transition took place in two phases, the first being effective as at 7 October 2013 and the second as at 18 November 2013. All in-scope employees and their associated employee benefits transferred from the local health networks to the Department (refer note 1.3).
- Health Portfolio Executive approved on 2 October 2008 the establishment of a consolidated procurement, contracting and supply chain service. This service provides the foundation for delivering best practice procurement, contracting and supply chain management across SA Health. Effective 24 March 2014 inventory associated with the Country Health SA Local Health Network Incorporated and Central Adelaide Local Health Network Incorporated were transferred to the SA Distribution Centre division of the Department.

**2012-13**

- Health Portfolio Executive approved on 2 October 2008 the establishment of a consolidated procurement, contracting and supply chain service. This service provides the foundation for delivering best practice procurement, contracting and supply chain management across SA Health. Effective 1 July 2012 inventory associated with the SA Ambulance Service Inc and SA Dental were transferred to the SA Distribution Centre division of the Department.

	2014 \$'000	2013 \$'000
Assets and liabilities transferred to the Department were:		
Other assets	26	374
Total assets	<u>26</u>	<u>374</u>
Payables	160	-
Employee benefits expenses	2 670	-
Total liabilities	<u>2 830</u>	<u>-</u>
Total net assets transferred	<u>(2 804)</u>	<u>374</u>

**2012-13 (continued)**

Net assets assumed by the Department as a result of the administrative restructure are at the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to the transfer. The net assets transferred were treated as a contribution by the Government as owner.

***Transferred out***

**2012-13**

- As a result of the Public Sector (Reorganisation of Public Sector Operations) Notice 2012 approved by the Premier in The South Australian Government Gazette dated 8 November 2012, a staff member from the Assets Services Division was transferred to the Department of Planning, Transport and Infrastructure.

	2014	2013
	\$'000	\$'000
Assets and liabilities transferred from the Department were:		
Payables	-	2
Employee benefits expense	-	46
Total liabilities	<u>-</u>	<u>48</u>
Total net assets transferred	<u>-</u>	<u>(48)</u>

Net assets transferred by the Department as a result of the administrative restructures were at the carrying amount immediately prior to the transfer. The net assets transferred were treated as a distribution to the Government as owner.

**37. Contingent assets and liabilities**

The new Royal Adelaide Hospital contract includes a regime for the remediation of contamination of the hospital site. SA Health pays 80% of the cost of remediating any unknown contamination. The contractor has submitted a claim for remediation of unknown contamination made up of 24 components. One part of the claim (two components) for approximately \$1 million has been agreed at 50% of the claimed cost. Detailed information on the remaining 22 components is being progressively tabled and SA Health will make a decision on the contractor's entitlement to compensation when all information relating to the remaining components is submitted.

***Electronic Patient Administration System (EPAS)***

SA Health has, by letter submitted in accordance with the contract, initiated a claim against Allscripts for delay costs arising from the late delivery of the billing system module of the software. Letters have been exchanged and meetings held as part of the process to find a resolution to the issue. The parties envisage that formal dispute resolution will not be required, and are in discussions to find a mutually agreeable solution which will not impact the project and protect the interests of both.

***Non-quantifiable***

The Department is not aware of any contingent assets.

***Guarantees***

The Department has made no guarantees.

**38. Cash flow reconciliations**

	2014	2013
	\$'000	\$'000
Reconciliation of cash and cash equivalents at 30 June:		
Cash and cash equivalents as per Statement of Financial Position	176 080	212 009
Cash and cash equivalents as per Statement of Cash Flows	<u>176 080</u>	<u>212 009</u>

***Reconciliation of net cash provided by (used in) operating activities to net cost of providing services***

Net cash provided by (used in) operating activities	(112 257)	(223 106)
Revenues from/Payments to SA Government	(3 184 677)	(2 991 413)
Non-cash items:		
Depreciation and amortisation of non-current assets	(18 390)	(17 303)
Gain (Loss) on sale or disposal of non-current assets	(863)	(29 704)
Assets acquired at no cost or nominal consideration	9 126	5 677
Assets transferred	-	3 136
Movements in assets/liabilities:		
Receivables	36 190	(29 125)
Inventories	384	(4 153)
Employee benefits	886	(752)
Payables and provisions	26 286	88 332
Other liabilities	52	590
Net cost of providing services	<u>(3 243 263)</u>	<u>(3 197 821)</u>

**39. Transactions with SA Government**

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature:

	Note	SA Government		Non-SA Government		Total	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Expenses</b>							
Supplies and services:	7						
Administration		497	1 728	1 595	1 130	2 092	2 858
Advertising		6	32	1 486	3 056	1 492	3 088
Communication		1 685	1 515	8 935	11 256	10 620	12 771
Computing		12 592	5 239	53 397	66 207	65 989	71 446
Contractors		220	4 181	7 230	16 417	7 450	20 598
Contractors - agency staff		6 996	5 866	11 261	20 672	18 257	26 538
Consultants		-	-	3 593	2 896	3 593	2 896
Contract of services		-	-	100 749	94 416	100 749	94 416
Cost of goods sold		87	-	54 278	51 555	54 365	51 555
Drug supplies		27	-	689	7 086	716	7 086
Electricity, gas and fuel		25	-	37	7	62	7
Fee-for-service		290	3	742	370	1 032	373
Finance lease contingent rentals		-	-	17	6	17	6
Food supplies		23	92	42	44	65	136
Health surveys		-	-	253	282	253	282
Housekeeping		1	-	104	35	105	35
Insurance		24 049	24 960	11 178	-	35 227	24 960
Interstate patient transfers		-	-	29 819	8 613	29 819	8 613
Legal		1 629	1 117	308	716	1 937	1 833
Medical, surgical and laboratory supplies		47	18	285	107	332	125
Minor equipment		(146)	38	8 070	5 015	7 924	5 053
Motor vehicle expenses		255	569	1 049	682	1 304	1 251
Occupancy rent and rates		12 954	14 419	2 611	2 340	15 565	16 759
Patient transport		-	-	8	-	8	-
Payments to SSSA		30 132	29 780	-	-	30 132	29 780
Periodicals, journals and publications		1	-	134	80	135	80
Postage		3	7	1 638	1 674	1 641	1 681
Printing and stationery		119	1 399	2 070	1 857	2 189	3 256
Rental expense on operating lease		163	15	231	1 463	394	1 478
Repairs and maintenance		1 090	251	1 048	549	2 138	800
Security		367	338	721	735	1 088	1 073
Staff training and development		679	125	3 563	3 140	4 242	3 265
Staff travel expenses		57	44	2 125	1 773	2 182	1 817
Other supplies and services		811	1 530	4 170	2 718	4 981	4 248
<b>Total supplies and services</b>		<b>94 659</b>	<b>93 266</b>	<b>313 436</b>	<b>306 897</b>	<b>408 095</b>	<b>400 163</b>
Grants and subsidies:	9						
Recurrent funding to incorporated health services		3 755 140	3 569 925	-	-	3 755 140	3 569 925
Capital funding to incorporated health services		217 854	312 456	-	-	217 854	312 456
Subsidies		-	238	571	1 497	571	1 735
Funding to not-for-profit organisations		-	-	27 488	31 062	27 488	31 062
Other		5 348	13 360	2 913	2 425	8 261	15 785
<b>Total grants and subsidies</b>		<b>3 978 342</b>	<b>3 895 979</b>	<b>30 972</b>	<b>34 984</b>	<b>4 009 314</b>	<b>3 930 963</b>
Borrowing costs:	10						
Interest on borrowings		1 700	1 849	-	-	1 700	1 849
Other finance charges		31	19	-	-	31	19
<b>Total borrowing costs</b>		<b>1 731</b>	<b>1 868</b>	<b>-</b>	<b>-</b>	<b>1 731</b>	<b>1 868</b>

**39. Transactions with SA Government (continued)**

Expenses (continued)	Note	SA Government		Non-SA Government		Total	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Other expenses:	11						
Bad and doubtful debts		-	-	300	13	300	13
Donated assets expense		-	-	24 333	23 848	24 333	23 848
Bank fees and charges		-	-	10	32	10	32
Write-off of inventory		-	-	10 222	-	10 222	-
Other (excluding audit fees)		604	1 126	2 679	1 522	3 283	2 648
Total other expenses		604	1 126	375 544	25 415	38 148	26 541
Auditor's remuneration:	12						
Auditor fees - auditing financial statements		690	648	-	-	690	648
Audit fees - other services		-	-	-	118	-	118
Total auditor's remuneration		690	648	-	118	690	766
Total expenses		4 076 026	3 992 887	381 952	367 414	4 457 978	4 360 301
<b>Income</b>							
Revenues from fees and charges:	13						
Business services		-	-	734	1 013	734	1 013
Fines, fees and penalties		5	1	1 315	867	1 320	868
Insurance recoveries		30 433	27 070	438	3 208	30 871	30 278
Interstate patient transfers		-	-	59 252	28 196	59 252	28 196
Private practice fees		1 852	4 348	104	66	1 956	4 414
Recoveries		147 404	129 867	5 472	2 543	152 876	132 410
Sale of goods - medical supplies		54 306	51 391	2	54	54 308	51 445
Other user charges and fees		159	374	743	2 688	902	3 062
Total revenues from fees and charges		234 159	213 051	68 060	38 635	302 219	251 686
Grants and contributions:	14						
Commonwealth grants and donations		-	-	1 090 412	1 119 598	1 090 412	1 119 598
Community Development Fund		6 600	7 000	-	-	6 600	7 000
Capital contributions		322	200	-	-	322	200
Other grants and contributions from SA Government agencies		1 146	2 187	-	-	1 146	2 187
Private sector capital contributions		-	-	-	769	-	769
Private sector grants and contributions		-	-	3 960	6 039	3 960	6 039
Total grants and contributions		8 068	9 387	1 094 372	1 126 406	1 102 440	1 135 793
Interest revenue:	15						
Interest on loan		1 905	2 116	-	-	1 905	2 116
Bank interest		-	-	3 702	2 324	3 702	2 324
Other		8	-	-	-	8	-
Total interest revenue		1 913	2 116	3 702	2 324	5 615	4 440
Resources received free of charge:	16						
Land and improvements		9 126	3 136	-	-	9 126	3 136
Inventory		-	-	14 763	5 677	14 763	5 677
Total resources received free of charge		9 126	3 136	14 763	5 677	23 889	8 813

## 39. Transactions with SA Government (continued)

	Note	SA Government		Non-SA Government		Total	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Income (continued)</b>							
Other income:	18						
Commissions revenue		-	-	21	17	21	17
SA Health and Medical Research Fund		2 199	2 651	-	-	2 199	2 651
Insured drug supplies - recoveries		-	-	5 968	-	5 968	-
Intellectual property sales		-	-	-	1 921	-	1 921
Training revenue		-	2	72	2	72	4
Other		1 168	2 465	1 051	1 038	2 219	3 503
Total other income		3 367	5 118	7 112	2 978	10 479	8 096
Revenues from							
SA Government:	19						
Contingency funds from DTF		112 422	149 854	-	-	112 422	149 854
TVSP recovery funds from DTF		3 492	8 117	-	-	3 492	8 117
Appropriations from Consolidated account pursuant to the <i>Appropriation Act</i>		2 992 157	2 684 744	-	-	2 922 157	2 684 744
Commonwealth grants received via DTF		148 945	148 698	-	-	148 945	148 698
Total revenues from SA Government		3 187 016	2 991 413	-	-	3 187 016	2 991 413
Total income		3 443 649	3 224 221	1 188 009	1 176 020	4 631 658	4 400 241
<b>Financial assets</b>							
Receivables:	22						
Workers compensation provision recoverable		-	-	20	2	20	2
Interstate patient transfers		-	-	97 296	51 422	97 296	51 422
Interest income receivable		1	-	-	-	1	-
Loans		21 858	24 346	-	-	21 858	24 346
Prepayments		-	-	8 757	9 035	8 757	9 035
Debtors		146	2 201	1 588	8 723	1 734	10 924
Allowance for doubtful debts		-	-	(306)	(6)	(306)	(6)
Sundry receivables and accrued revenue		1 061	646	4 394	4 408	5 455	5 054
GST recoverable from the ATO		-	-	7 787	5 635	7 787	5 635
Total financial assets		23 066	27 193	119 536	79 219	142 602	106 412
<b>Financial liabilities</b>							
Payables:	28						
Creditors and accrued expenses		26 223	65 613	27 373	50 189	53 596	115 802
Paid Parental Leave Scheme payable		4	2	16	12	20	14
Health service workers compensation		40 934	37 359	-	-	40 934	37 359
Interstate patient transfers		-	-	64 619	34 800	64 619	34 800
Employment on-costs		1 437	1 338	3 634	3 441	5 071	4 779
Total payables		68 598	104 312	95 642	88 442	164 240	192 754
Borrowings:	29						
Loans		17 694	19 561	-	-	17 694	19 561
Total borrowings		17 694	19 561	-	-	17 694	19 561
Other liabilities:	32						
Unclaimed monies		-	-	295	295	295	295
Unearned revenue		79	88	72	403	151	491
Unapplied donations - Charitable Gifts Board		-	-	283	-	283	-
Other		-	-	5	-	5	-
Total other liabilities		79	88	655	698	734	786
Total financial liabilities		86 371	123 961	96 297	89 140	182 668	213 101

**40. Remuneration of board and committee members**

***Department for Health and Ageing Risk Management and Audit Committee***

Steve Archer (resigned 09.12.13)	Ross Haslam	David Swan
Allen Bolaffi (resigned 09.12.13)	Villis Marshall (appointed 19.2.14)	Graham Walters
Colin Dunsford (Chair)	Jenny Richter (resigned 9.12.13)	Jamin Woolcock (resigned 09.12.13)
Robyn Pak-Poy (resigned 10.12.13)		

***Ministerial Advisory Board on Ageing***

Margaret Anderson (Chair)	Anne Gale	Janice Rigney
Andrew Beer	Laurence Lewis	Graham Stratheam
Maggie Beer	Patricia Mickan	Dana Vukovich
Kenneth Coventry	Sinead O'Brien	

***Health Performance Council***

Dr Michael Beckoff	Anne Dunn (Chair)	Mary Patetsos
Richard Callaghan	Barbara Hartwig	Prof David Roder
James Dellit	Prof Lisa Jackson-Pulver	Dr Diane Wickett
Dr Stephen Duckett		

***Safety and Quality Consumer and Community Advisory Committee***

Barry Apsey	Debra Kay	Annette McGrath
Sidique Bah	Dennis Floyd	Amanda Mitchell
Trevor Bower (Chair)	Anne Johnson	Debbie Sparkes
Yvonne Buza	Chris Jones	Tamara Stewart-Jones
Miriam Cocking	Vivien Hope	Jan Wallent
Michael Cousins	Megan Leydon	Lynda Whiteway

***South Australian Council for Safety and Quality in Health Care***

Dr David Ben-Tovim	Prof Villis Marshall (Chair)	Philip Robinson
Trevor Bower	Stephanie Miller	Dr David Rosenthal
Andrew Champion	Kathryn Nagle	Judith Smith
Raelene Fuller	Vanessa Owen	Stephen Walker

***South Australian Medicines Advisory Committee***

Dr Chris Beare	Assoc Prof Catherine Hill	Jenny Pink
E Prof Felix Bochner	Grant Kardachi	Dr David Rosenthal
Julie Brown	Dr John Maddison	E Prof Lloyd Sansom AO (Chair)
Naomi Burgess	Richard Marotti	Dr Sepehr Shakib
Stuart Conboy	Helen Mikolaj	Ashley Symonds
Assoc Prof Chris Doecke	Steve Morris	Prof Nigel Stocks
Vaughn Eaton	Kathy Nagle	Sean Turner
Eliana Della Flora	Sinead O'Brien	Peter Tyliss
E Prof Andrew Gilbert	Dr Chris Pearson	Dr Morgyn Warner
Dr Stephen Hedger	Prof Paddy Phillips	

***Clinical Senate***

Valerie Aylesbury	Assoc Prof Susan Hillier	Dr Lawrie Palmer
Prof Philip Aylward	Assoc Prof Geoff Hughes	Dr David Panter
Dr Peter Anastassiadis	Dr Simon Jenkins	Prof Paddy Phillips
Kym Bannister	Dr Sue Johanson	Dr Elaine Pretorius
Peter Bardy	Prof Dorothy Keefe	Jenny Richter
Heather Baron	Stav Kondopoulos	Dianne Rogowski
Dr Mike Beckoff	Prof Justin La Brooy	Dr Cathy Sanders
Prof Justin Beilby	Monica Lawrence	Barbie Sawyer
Dr Taryn Bessen	Meg Lewis	Prof Dinesh Selva
Dr Tim Burrough	Dr Sharon Liberali	Dr Sepehr Shakib
Mike Carroll	Prof Guy L Ludbrook	Prof John Slavotinek
Tracy Carroll	Prof Guy Maddern	Assoc Prof Brian Smith
Dr Andrew Champion	Margot Mains	Dr Jorg Strobel
Dr Peter Chapman	Michele McKinnon	David Swan
Prof Derek Chew	Dr Jenny Menz	Kate Swetenham
Aaron Chia	Dr Hendrika Meyer	Dr Michael Taylor
Dr Nigel Chipperfield	Gail Mondy	Olivia Thompson
Dr Stephen Christley	David Morris	Catherine Turnbull

***Clinical Senate (continued)***

Luke Christofis  
 Prof Maria Crotty  
 Cate Curry  
 Lydia Dennett  
 Prof Jodie Dodd  
 Assoc Prof Chris Doecke  
 Dr Christine Drummond  
 Dr Oliver Frank  
 Dr Robert Fraser  
 Maree Gerahty

Steve Morris  
 Dr Sharon Morton  
 Robert Morton  
 Belinda Moyes  
 Dr Elizabeth Murphy  
 David Nielsen  
 Sinead O'Brien (Chair)  
 Dr Gerry O'Callaghan  
 Dr Kym Osborn

Julie Turner  
 Dr Robert van den Berg  
 Dr Nicholas Vlachoulis  
 Dr Lucie Walters  
 Dr Gavin Wheaton  
 Assoc Prof Craig Whitehead  
 Peter Del Fante  
 Chris Clohesy  
 Dr Robert Padbury

***Clinical Networks - Cancer***

Dr Jacqui Adams  
 Tracey Doherty  
 Dr Oliver Frank  
 Prof Grantley Gill  
 Allan Hayward  
 Prof Dorothy Keefe (Chair)  
 Dr Peter Robinson

Julie Marker  
 Jim McMenemy  
 Amanda Mitchell  
 Steve Morris  
 Dr Rahul Mukherjee  
 Don Piro

Dr Sid Selva  
 Kate Swetenham  
 Dr Heather Tapp  
 Prof Bik To  
 Prof Brenda Wilson  
 Kristin Linke

***Clinical Networks - Renal***

Assoc Prof Kym Bannister (Chair)  
 Dr Jeff Barbara  
 Mathew Cervelli  
 Toby Coats  
 Glenice Coulthard  
 Assoc Prof Chris Doecke  
 Amy Foote

Kellianne Fraser  
 Mary Frost  
 John Griffiths  
 Dr Paul Henning  
 Rajiv Juneja  
 Assoc Prof Stephen McDonald

Dr George Passaris  
 Jennifer Roadnight  
 Prof Graeme Russ  
 Mary Sladek  
 Jan Van der Juegd  
 Tiffany Whittington

***Clinical Networks - Cardiology***

Dr Margaret Arstall  
 Carolyn Astley  
 Jayme Bennetts  
 Rachel Bishop  
 Alex Brown  
 Prof Derek Chew (Chair)

Robyn Clark  
 Lauren Lawlor-Smith  
 Prof Stephen Nicholls  
 Matthew Turner  
 Dr Amanda Rischbieth  
 Deb Rowett

Prof Prash Sanders  
 Peter Steele  
 Phil Tideman  
 Gavin Wheaton  
 Chris Zeitz

***Clinical Networks - Maternal and Neonatal***

Jacqueline Ah Kit  
 Julie Bernardo  
 Judy Coffey  
 Prof Jodie Dodd (Chair)  
 Jane Every  
 Rosalie Grivell  
 Meredith Hobbs

Dr Sue Kennedy-Andrews  
 Helen Kildare  
 Dr Richard MacKinnon  
 Dr Geoff Matthews  
 Ruth Marshall-Rogers  
 Julie Pratt

Dr Andy McPhee  
 Dr Peter Rischbieth  
 Marion Rix  
 Prof Jeffery Robinson  
 Jolie Thomas  
 Dr Colin Weatherill

***Clinical Networks - Child Health***

Alex Centofanti  
 Sarah Bamford  
 Maeve Downs  
 Dr Julian Grant  
 Rochelle Hay  
 Dr Deepa Jeyaseelan  
 Dr Jon Jureidini  
 Rizwan Latif

John Lynch  
 Pauline McEntree  
 Dr Josie Nozza  
 Yvonne Parry  
 Dr Michael Rice  
 Dr Cathy Sanders  
 Michael Smiley

Nina Sivertsen  
 Nicola Spurrier  
 Dr Nigel Stewart  
 Dr Felix Tan  
 Dr Gavin Wheaton (Chair)  
 Bronya Wingrove  
 Sharon Worby Hogben

***Clinical Networks - Mental Health***

Jackie Amos  
 Nada AscERIC  
 Mike Beckoff  
 Jenni Beven  
 Andrew Champion  
 Ian James

Justin Hughes  
 Grace McDonald  
 Dennis Liu  
 Janne McMahan  
 Allan Nelson

Graeme Sanders  
 Heather Nowak  
 Leslie Stephan  
 Dr Jorg Strobel  
 Christine Walsh

***Clinical Networks - Rehabilitation***

Dr Zoe Adey-Wakeling  
Philip Cornish  
Vickie Castle  
Prof Maria Crotty  
John Forward  
Jane Grey  
Sharon Harris

Leeanne Head  
Vicki Hume  
Meredith Jolly  
Dr Venugopal Kochiyil  
Ruth Marshall  
Carlie Mathers

Maria Paul (Chair)  
Justin Prendergast  
Nigel Quadros  
Assoc Prof Ray Russo  
Marianne Spizzo  
Natalie Thackray

***Clinical Network - Older People***

Chris Bollen  
Helen Brauer  
Rajiv Chand  
Kathryn Cunningham  
David Curren  
Dr Jeff Faunt  
Amy Foote

Alan Graham  
Dianne Halliday  
Dr John Maddison  
Cameron Robertson  
Justin Prendergast  
Dr Robert Prowse  
Helen Smith

Kate Swaffer  
Dr Stephan Van Eeden  
Assoc Prof Renuka Visvanathan  
Jeanette Walters  
Assoc Prof Craig Whitehead (Chair)  
Joy Whitehorn  
Sharon McLeenan

***Clinical Network - Palliative Care***

Caroline Amato  
Michael Briffa  
Alastair Bonnin  
Meg Brassil  
Lauren Cortis  
Sara Fleming  
Karen Glaetzer  
Tiiu Kannussaar

Sarah Lawton  
Dr Bill Lees  
Di Moncrieff  
Chris Moy  
Dr Lawrie Palmer  
Lynette Pugh  
Karen Puvogel  
Clare Shuttleworth

Adrienne Stoddart  
Kate Swetenham (Chair)  
Josephine To  
Tracey Watters  
Rebecca Whittaker  
Lauren Woodford  
Helen Broadbent

***Clinical Network - Stroke***

Peter Anastassiadis  
Matt Barrett  
Dr Chris Bollen  
Dr Trevor Burchall  
Lizzie Dodd  
Kendall Goldsmith

Dr Hugh Gratham  
Susan Hillier  
Jim Jannes (Chair)  
Tim Kleinig  
Simon Koblar  
Simon Lane

Dr Andrew Lee  
Julie Luker  
Annette Mcgrath  
Cathrin Parsch  
Tracey Paterson  
Marc Agzarian

***Controlled Substances Advisory Council***

Lyn Banner  
Julie Bernardo  
Penelope Briscoe  
Simone Cormack (Chair)  
Matthew Cox  
Susan Elborough  
Judy Gillett-Ferguson  
Matthew Goode  
Peter Harvey

Briony Kennewell  
Samantha Mead  
Stephen Morris  
David Ng  
Julia Nicholls  
Thomas Osborn  
Ben Painter  
Christopher Reynolds

Mark Reeves  
E Prof Lloyd Sanson AO  
Timothy Semple  
David Simon  
Judith Smith  
Caroline Ward  
Jason White  
Linda Williams

***Quality Use of Medicines SA Working Group***

E Prof Felix Bochner  
Kaye Barratt  
Naomi Burgess  
Eliana Della flora  
Chris Daebeler  
Susan Emerson  
Alka Garg

E Prof Andrew Gilbert (Chair)  
Catherine Hughes  
Kirsty Scarborough  
Stephanie Miller  
Karen Macolino  
Steve Morris  
Jenny Pink

Anne Price  
Debra Rowett  
Dr Cathy Sanders  
Judy Smith  
Paul Tait  
Justin Turner  
Dr Helena Williams

***Health in SA Advisory Board***

Mark Butcher (Chair)  
Raymond Spencer

Shane Solomon  
Julie White

Tay Joo Soon  
Sir William Castell



**40. Remuneration of board and committee members (continued)**

The number of members whose remuneration received or receivable falls within the following bands:	2014	2013
	Number	Number
\$0	311	282
\$1 - \$9 999	43	53
\$10 000 - \$19 999	14	11
\$20 000 - \$29 999	5	4
Total	373	350

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$421 000 (\$372 000).

In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

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

**41. Events after balance date**

The Department is not aware of any material events occurring between the end of the reporting period and when the financial statements were authorised.

**42. Schedules of administered funds**

The following incomes, expenses, assets and liabilities were administered but not controlled by the Department and have not been included in the financial statements. In accordance with APF II, APS 3.11, these items are regarded as insignificant to the Department's overall performance and are disclosed in the following schedules.

*Schedule of Administered Expenses and Income  
for the year ended 30 June 2014*

	Complaints Commissioner		SA Medical Boards		HCDSMC	
	2014	2013	2014	2013	2014	2013
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses	98	-	-	334	531	664
Supplies and services	-	-	60	-	397	513
Grants and subsidies	-	-	-	-	17 162	15 843
Depreciation and amortisation	-	-	-	-	1	1
<b>Total administered expenses</b>	<b>98</b>	<b>-</b>	<b>60</b>	<b>334</b>	<b>18 091</b>	<b>17 021</b>
<b>Income:</b>						
Revenues from SA Government	98	-	-	-	-	-
Grants and contributions	-	-	-	-	16 662	19 138
Revenues from fees and charges	-	-	9	-	6	22
Interest	-	-	-	-	404	636
<b>Total administered income</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>17 072</b>	<b>19 796</b>
<b>Net result</b>	<b>98</b>	<b>-</b>	<b>(51)</b>	<b>(334)</b>	<b>(1 019)</b>	<b>2 775</b>

	Minister's salary		Total	
	2014	2013	2014	2013
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses	290	263	919	1 261
Supplies and services	-	-	457	513
Grants and subsidies	-	-	17 162	15 843
Depreciation and amortisation	-	-	1	1
<b>Total administered expenses</b>	<b>290</b>	<b>263</b>	<b>18 539</b>	<b>17 618</b>
<b>Income:</b>				
Revenues from SA Government	290	263	388	263
Grants and contributions	-	-	16 662	19 138
Revenues from fees and charges	-	-	15	22
Interest	-	-	404	636
<b>Total administered income</b>	<b>290</b>	<b>263</b>	<b>17 469</b>	<b>20 059</b>
<b>Net result</b>	<b>-</b>	<b>-</b>	<b>(1 070)</b>	<b>2 441</b>

**Schedule of Administered Assets and Liabilities  
as at 30 June 2014**

	Complaints Commissioner		SA Medical Boards		HCDSMC	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Administered current assets:</b>						
Cash and cash equivalents	(98)	-	242	293	12 440	12 434
Receivables	98	-	-	-	206	4 628
<b>Total administered current assets</b>	-	-	242	293	12 646	17 062
<b>Administered non-current assets:</b>						
Property, plant and equipment	-	-	-	-	1	2
<b>Total administered non-current assets</b>	-	-	-	-	1	2
<b>Total administered assets</b>	-	-	242	293	12 647	17 064
<b>Administered current liabilities:</b>						
Payables	-	-	-	-	36	3 300
Employee benefits	-	-	-	-	34	39
<b>Total administered current liabilities</b>	-	-	-	-	70	3 339
<b>Administered non-current liabilities:</b>						
Payables	-	-	-	-	2	11
Employee benefits	-	-	-	-	37	157
<b>Total administered non-current liabilities</b>	-	-	-	-	39	168
<b>Total administered liabilities</b>	-	-	-	-	109	3 507
<b>Net administered assets (liabilities)</b>	-	-	242	293	12 538	13 557

	Minister's salary		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Administered current assets:</b>				
Cash and cash equivalents	(24)	(23)	12 560	12 704
Receivables	24	23	328	4 651
<b>Total administered current assets</b>	-	-	12 888	17 355
<b>Administered non-current assets:</b>				
Property, plant and equipment	-	-	1	2
<b>Total administered non-current assets</b>	-	-	1	2
<b>Total administered assets</b>	-	-	12 889	17 357
<b>Administered current liabilities:</b>				
Payables	-	-	36	3 300
Employee benefits	-	-	34	39
<b>Total administered current liabilities</b>	-	-	70	3 339
<b>Administered non-current liabilities:</b>				
Payables	-	-	2	11
Employee benefits	-	-	37	157
<b>Total administered non-current liabilities</b>	-	-	39	168
<b>Total administered liabilities</b>	-	-	109	3 507
<b>Net administered assets (liabilities)</b>	-	-	12 780	13 850

**Schedule of Administered Changes in Equity  
for the year ended 30 June 2014**

	Complaints Commissioner		SA Medical Boards		HCDSMC	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	-	-	291	625	13 557	10 782
Prior year adjustment	-	-	2	-	1 175	-
Net income (expenses) recognised directly in equity	-	-	293	625	14 732	10 782
Net result	-	-	(51)	(334)	(1 019)	2 775
<b>Balance at 30 June</b>	-	-	242	291	13 713	13 557

	Minister's salary		Total	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	-	-	13 848	11 407
Prior year adjustment	-	-	1 177	-
Net income (expenses) recognised directly in equity	-	-	15 025	11 407
Net result	-	-	(1 070)	2 441
<b>Balance at 30 June</b>	-	-	13 955	13 848

**Schedule of Administered Cash Flows  
for the year ended 30 June 2014**

	Complaints Commissioner		SA Medical Boards		HCDSMC	
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities:</b>						
Cash inflows:						
Receipts from SA Government	-	-	-	-	18 637	14 615
Fees and charges	-	-	9	-	6	82
Interest revenue	-	-	-	-	404	502
<b>Total cash inflows</b>	-	-	9	-	19 047	15 199
Cash outflows:						
Employee benefit payments	(98)	-	-	(262)	(668)	(669)
Grants and subsidies	-	-	-	(627)	(17 976)	(18 023)
Supplies and services	-	-	(60)	(108)	(397)	(7)
<b>Total cash outflows</b>	(98)	-	(60)	(997)	(19 041)	(18 699)
<b>Net cash inflows (outflows) from operating activities</b>	(98)	-	(51)	(997)	6	(3 500)
<b>Net increase (decrease) in cash held</b>	(98)	-	(51)	(997)	6	(3 500)
<b>Cash and cash equivalents at 1 July</b>	-	-	293	1 290	12 434	15 934
<b>Cash and cash equivalents at 30 June</b>	(98)	-	242	293	12 440	12 434

	Minister's salary		Total	
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities:</b>				
Cash inflows:				
Receipts from SA Government	289	273	18 926	14 888
Fees and charges	-	-	15	82
Interest revenue	-	-	404	502
<b>Total cash inflows</b>	289	273	19 345	15 472
Cash outflows:				
Employee benefit payments	(290)	(263)	(1 056)	(1 194)
Grants and subsidies	-	-	(17 976)	(18 650)
Goods and services	-	-	(457)	(115)
<b>Total cash outflows</b>	(290)	(263)	(19 489)	(19 959)
<b>Net cash inflows (outflows) from operating activities</b>	(1)	10	(144)	(4 487)
<b>Net increase (decrease) in cash held</b>	(1)	10	(144)	(4 487)
<b>Cash and cash equivalents at 1 July</b>	(23)	(33)	12 704	17 191
<b>Cash and cash equivalents at 30 June</b>	(24)	(23)	12 560	12 704

***Administered expenses and administered cash outflows***

The Department makes various transfer payments to eligible beneficiaries in the capacity of an agent responsible for the administration of the transfer process. Amounts relating to these transfer payments are not controlled by the Department, since they are made on behalf of government in accordance with government policy. These transfers are disclosed as administered expenses and administered cash outflows.

***Administered income and administered cash inflows***

The Department collects various revenues and grants on behalf of the Government. The amounts are not controlled by the Department and are not recognised by the Department. These amounts are disclosed as administered revenues and administered cash inflows.

***Administered assets and liabilities***

The Department manages various assets and liabilities on behalf of the Government. The amounts are not controlled by the Department and are not recognised by the Department. These amounts are disclosed as administered assets and liabilities.

***Administered contingent assets and liabilities***

The Department has no administered contingent assets and liabilities.

## Incorporated hospitals and health services

### Introduction

The incorporated hospitals and health services (the health services) are body corporates established pursuant to the *Health Care Act 2008*.

The health services are responsible to the Minister for Health and the Chief Executive of the Department for Health and Ageing.

During 2013-14, the health services comprised:

- Central Adelaide Local Health Network Incorporated (CALHN)  
The principal units within CALHN were Royal Adelaide Hospital, Queen Elizabeth Hospital, Hampstead Rehabilitation Centre, GP Plus Health Care Centres and primary, subacute and mental health services located in the local area. CALHN also includes state-wide clinical support services covering pharmacy, medical imaging and pathology.
- Southern Adelaide Local Health Network Incorporated (SALHN)  
The principal units within SALHN were Flinders Medical Centre, Repatriation General Hospital, Noarlunga Hospital, GP Plus Health Care Centres and primary, subacute and mental health services located in the local area and drug and alcohol services.
- Northern Adelaide Local Health Network Incorporated (NALHN)  
The principal units within NALHN were Lyell McEwin Hospital, Modbury Hospital, GP Plus Health Care Centres and primary, subacute and mental health services located in the local area.
- Country Health SA Local Health Network Incorporated (CHSALHN)  
CHSALHN provided a network of hospitals and health services located throughout regional South Australia.
- Women's and Children's Health Network Incorporated (WCHN)  
The principal unit within WCHN was the Women's and Children's Hospital.
- SA Ambulance Service Inc (SAAS).

The incorporated hospitals are charged with establishing, providing, maintaining and enhancing hospital, medical and allied health services in their local area.

SAAS is the principal provider of emergency ambulance services in South Australia.

### Audit mandate and coverage

#### Audit authority

#### Audit of the financial reports

Sections 36(2) and 55(2) of the *Health Care Act 2008* provide for the Auditor-General to audit the accounts of the health services for each financial year.

### **Assessment of controls**

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

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

### **Scope of the audit**

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

Financial services for the health services are provided through a mix of:

- central services provided by the Department for Health and Ageing (the Department) through an integrated finance service model
- finance services located within the health services
- services provided by SSSA.

Health services continue to operate many legacy systems concurrent with the Department progressing the implementation of the Oracle Corporate System (OCS).

Consequently, the audit included review of new and legacy systems and completing audit work at the Department's central services, at individual health units and at SSSA.

Audit findings across health services fall into the following categories:

- common findings reflecting central services and/or systems
- matters for individual health services
- SSSA matters.

Three Chartered Accounting firms assisted the Auditor-General in carrying out the audits of health services.

During 2013-14, specific areas of audit attention included:

- payroll
- revenue (patient and sundry) and accounts receivable
- expenditure and accounts payable
- cash, bank and investment accounts
- inventory
- property, plant and equipment
- compliance with TIs 2 and 28
- grants management
- Enterprise Patient Administration System (EPAS) implementation (SALHN, CHSALHN).

Review of the financial management compliance program, fixed asset acquisitions and capitalisation of work in progress was addressed through the audit of the Department.

SSSA processes payroll and expenditure transactions on behalf of the health services pursuant to service level determinations (SLDs). The audit included reviewing and evaluating procedures and controls performed by SSSA on behalf of the health services.

#### **Audit committee and internal audit**

Each health service operated an audit committee and an internal audit function throughout the 2013-14 financial year.

Audit considered the activities of internal audit in order to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures.

#### **Audit findings and comments**

##### **Auditors' report and control assessment**

The Auditor's Report on the financial report and the assessment of controls is stated later in separate sections for each health service under the heading financial reports and controls assessment.

##### **Communication of audit matters**

Matters arising during the course of the 2013-14 audits of health services were detailed in management letters to the Chief Executive of the Department and copied to the Chief Executive Officers of the individual health services. SSSA matters were reported to the Executive Director, Government Services Group, DPC.

The legacy systems that the Department, SSSA and the health services operate give rise to some of the control weaknesses. As a result, some control weaknesses may not be completely addressed until these systems are replaced by OCS. Notwithstanding, Audit considers that the Department and each health service needs to ensure risks arising from the control weaknesses are managed or mitigated.

Audit findings and responses are set out as follows:

- common findings - CALHN, SALHN, NALHN
- matters for individual health services
- SSSA.

#### **Common findings - CALHN, SALHN, NALHN**

##### ***SLD with SSSA***

The local health networks (LHNs) have SLDs with SSSA for processing payroll and accounts payable. Audit review found that the SLDs were not reviewed annually as required and some were last updated in 2008. Further, service summary and operating level responsibility documents were not updated to reflect changes in systems, organisational structure and responsibilities.

The Department responded that, together with SSSA, it was undertaking a review to standardise the SLD and operating level responsibility that will replace the current documents with a single SA Health version.

This matter is further commented on later under 'Shared Service SA audit findings'.

## **Payroll**

### *Review of payroll information by LHNs*

The audit considered the LHNs' processes to detect errors in employee classification and allowances and to identify terminated or invalid employees. Audit found that LHN business unit managers or team leaders did not review payroll information to certify the validity of the employees paid, the employees' classification levels or their long-term allowances.

In response, NALHN indicated it will reinforce the use of the CHRIS staff establishment process across the organisation, noting local managers have access to the Oracle Business Intelligence tool.

CALHN and SALHN both indicated that the processes in place were considered acceptable and there were no plans to consider implementing more robust bona fide systems. Audit will follow up these matters in 2014-15.

### *Review of employee time worked*

Audit reviewed the LHNs' processes to ensure payments are only made for actual hours worked. The review found there were no checks performed at the LHN sites or at SSSA to verify that manual timesheets were approved by an appropriate person prior to payments being processed.

In response the LHNs indicated action to ensure all officers who authorise manual timesheets print their name and title on the timesheet, including a suggestion that managers stamp their details when approving timesheets.

## **Expenditure**

The following issues were identified:

- many policy and procedure documents remain out of date or did not exist
- some payments for stock and/or non-stock reorders were processed without any financial approval/authority.

The Department responded that its Procurement Supply Chain Management (PSCM) team has developed a number of across-health procurement related policies, procedures and supporting documents which address the requirements of the procure to pay process (including purchasing and invoice management processes). It also stated that LHNs would review existing local policies and procedures to ensure currency and alignment with departmental policy requirements.

The Requisition, Purchase Order and Invoice Management Policy Directive for sites yet to transition to the OCS and Basware was updated to more clearly articulate the requirement for approvers of hardcopy requisitions to print their full name, position title and delegation level when approving requisitions.

All LHN sites will transition to the One Procurement Solution (OPS) where the pathway for appropriate approvals, in line with delegations, will be incorporated. The Department responded that in transitioned sites, approval details were transparent and auditable.

Regarding financial approval/authority for reorders, the Department responded that reordering of stock for inventory is exercised by officers with the appropriate delegation in line with the Department's authorisation framework. Audit will follow up this matter in 2014-15.



### ***TI 11 creditor account payment performance***

TI 11 requires payment of undisputed invoices within 30 days of the date an invoice is received. Monthly reporting to the Minister for Health discloses that significant numbers of invoices are not paid within the 30 day requirements prescribed by TI 11.

This matter is more fully discussed earlier under the heading 'Audit findings and comments' for the Department.

### ***Patient revenue***

The audit of patient revenue identified weaknesses in controls for completeness and accuracy of patient billing.

The Department accepted the findings and advised action taken or proposed to address the matters raised.

The audit also found that user access to revenue systems was not reviewed in 2013-14.

The Department responded that a procedure for the regular review of user access has been developed and reviews of revenue system access have commenced.

### ***Private practice***

Private practice revenues are billed on behalf of salaried medical officers and subsequently distributed to the LHNs, the Department and salaried medical officers according to private practice agreements.

Audit considered whether salaried medical officers' private practice activities were completely and accurately receipted. Audit found there was no specific process to ensure that all fees for the provision of private practice services outside of LHNs are transferred to LHNs as required under terms of private practice agreements.

The Department has responded that an annual statutory declaration process for doctors will be implemented in 2014-15 to address this risk.

Audit also considered whether private practice revenue was apportioned correctly between the LHN, the Department and salaried medical officers. Audit found that there were no controls to ensure the consultants were set up completely and accurately in the private practice cash disbursement system.

The Department accepted the findings and advised it would complete a review of the set-up of consultants in the disbursement system by end of March 2015.

### ***Online banking***

During 2013-14, the Department implemented the CommBiz online banking system. The review of online banking controls found opportunities to improve the use of system functionality within CommBiz. In particular Audit recommended the use of the dual authorisation function for system administrator applications and daily payment cap limits. Audit follow-up revealed that the dual authorisation function was subsequently implemented.

The Department indicated that it would not be implementing the daily cap limits as it considered that existing preventative and detective controls were adequate. Audit will follow up this matter in 2014-15.

The audit of controls implemented to ensure that user access to LHNs online banking systems remains valid and appropriate found:

- there were no procedures requiring the regular review of user access to online banking systems
- reviews of users with access to CommBiz have not been performed since the system was implemented in August 2013
- reports (ie payroll reports detailing terminated employees/employees on extended leave/employee changed positions) to assist in maintaining the appropriateness and validity of user access to online banking systems are not provided to system administrators.

The Department responded that formal procedures would be established once CommBiz was fully implemented in all LHNs.

The Department advised that the restrictions already in place to physically obtain access to CommBiz were effective in ensuring only appropriate personnel had access.

### ***Pharmacy inventory***

Last year's audit of the health services included LHN pharmacy inventory management. Audit findings and recommendations on the iPharmacy system and inventory management were raised in 2012-13 management letters at the time of preparation of last year's Report.

The 2012-13 management letters highlighted a number of areas of concern requiring improvement in controls at the LHN pharmacies. The main areas and audit recommended actions were as follows:

- user access to the iPharmacy system – formalise the process for granting access to the iPharmacy system; institute periodic reviews of iPharmacy user access profiles; limit access to reflect user roles; and document policies and procedures to support administering and managing iPharmacy
- inventory stocktaking – complete stocktakes in accordance with directives of the pharmacy stocktaking procedure; review daily and weekly stocktake reports including investigating reasons for stocktake discrepancies; and evidence the review of daily and weekly stocktake reports
- stock record adjustments – implement independent review and approval of stock record adjustments
- iPharmacy to general ledger reconciliation – identify and resolve discrepancies; reconciliations are completed and independently reviewed
- pharmacy access – establish appropriate procedures for reviewing after hours access
- segregation of duties – those responsible for performing inventory stocktakes are independent of custody of the inventory and the ability to amend records
- purchase order delegations – require authorisation of payments by an officer with delegated payment authorisation in accordance with TI 8; authorisation limits reflect the operational duties of purchasing officers; and develop, document and implement procedures to ensure authorisations occur
- policies and procedures – implement regular and timely review of inventory policies and procedures; and ensure policies and procedures are appropriately communicated and disseminated to staff.

Audit also requested copies of pharmacy security risk reviews performed in 2013.

In 2013-14 SA Pharmacy initiated an independent review of its own activities. The objective was to assess SA Pharmacy's financial control environment over its stocktaking processes, inventory management and procurement activities to adequately manage the associated risks and mitigate the Auditor-General's findings. The deliverables included an inventory management policy that is site flexible, and an implementation plan to transition sites to the recommended stocktaking method. The reviewer compared SA Pharmacy's inventory management and procurement practices to better business practice.

The reviewer reported in March 2014 (SA Pharmacy Stock Management Review), confirming last year's audit findings and that many of the control issues identified in 2012-13 remained relevant for a large part of 2013-14. The review identified additional areas for control improvement including:

- review of expiring stock
- setting minimum and maximum inventory levels within iPharmacy
- update of pricing information in iPharmacy.

More particularly the work performed enabled the reviewer to:

- identify process improvements for the implementation of new or updated internal controls including policy, procedures, and templates
- gain an understanding of the audit recommendations and determine improvements required to address the audit findings.

In summary the reviewer made detailed findings on the following:

- lack of segregation of duties
- lack of management of user access profiles
- inappropriate purchase order process
- formalising delegations of authority and standardising of position titles
- lack of policy and procedures
- inefficient uploading of inventory prices into iPharmacy
- inconsistent thresholds for discrepancies on stock counts
- lack of methodology for setting inventory levels
- lack of review of expiring stock
- manual data input into iPharmacy.

The reviewer also reported on the following good practices being exercised:

- All sites ensure that once stocktakes commence, bins are locked down to ensure that stock cannot be dispensed during the process.
- SA Pharmacy sites ensure that staff are aware when a stocktake is being conducted and what area is being counted.
- SA Pharmacy is following the guidelines prescribed by the Controlled Substances Regulation 2011.

The Department also provided Audit with copies of security risk reviews. The security risk reviews found physical and electronic security measures were functional, however opportunities existed for theft of cash and pharmaceuticals. The reports included recommended security measures designed to effectively minimise risk by reducing the probability of theft and fraud and reducing the size of consequential losses.

The reports included recommendations to:

- strengthen physical and electronic security over patient information and drugs of addiction
- protect pharmacy staff
- control, store and audit drugs of addiction
- restrict pharmacy access
- detect unauthorised entry more effectively
- provide effective processes to reduce the occurrence of fraud
- provide effective mechanisms to assist in the investigation of theft and fraud
- promote a security culture within the agency.

Audit reviews in 2013-14 noted that the recommendations arising from the 2012-13 audit and the 2014 independent review were being considered and implemented by SA Pharmacy.

Some additional matters were referred to LHNs.

#### ***Commonwealth Pharmaceutical Benefits Scheme subsidy revenue***

The Pharmaceutical Benefits Scheme (PBS) is a Commonwealth Government funded initiative to subsidise the cost of medicine for most medical conditions as dispensed by pharmacists. For certain types of hospital patients (outpatients, day patients), LHNs have the ability to claim subsidies for the purchase of such drugs.

The audit considered what controls LHNs have implemented to ensure the completeness of the subsidy received. Audit found the PBS on-line detailed claim report, used to reconcile claims, contains errors that result in the report not matching the payment advice received from Medicare. A comprehensive reconciliation of PBS subsidy claims to amounts received from Medicare is currently not possible and an LHN cannot be certain that it has received its entitled PBS subsidy.

Audit recommended that LHNs address the reporting issues associated with the PBS on-line detailed claim report to enable a comprehensive reconciliation of PBS subsidy claims to amount received from Medicare.

The Department advised that PBS reconciliation and reporting issues have been reported to the vendor and indicated that the matter would be addressed by an upgraded version of iPharmacy. This is expected to be addressed by February 2015.

#### ***Fixed assets***

The audit of fixed assets identified:

- policy and procedure documents did not exist for designated project governance and fixed asset reconciliation processes
- reviews of repairs and maintenance and minor equipment expense accounts to ensure items have been correctly expensed rather than capitalised were not always performed monthly.

The Department's response to these matters is reported earlier under the Department for Health and Ageing.

## **Matters for individual health services**

### ***Central Adelaide Local Health Network Incorporated***

#### ***Expenditure***

The audit of expenditure identified the following:

- On many occasions officers approving expenditure were not aware of the value of the transaction. This resulted in reduced accountability and the potential for approval outside of delegated authority. The Department responded that its new policy directive of July 2014 required requisitions to include units of measure and price.
- CALHN could not provide documents evidencing payment authorisation for a number of transactions. The Department responded that it had followed up these transactions and that from November 2014 OPS would maintain records of transaction approval.
- Contracts with agency nurse providers expired during 2013. New arrangements were not finalised during 2013-14 and formal extensions did not cover the complete intervening period. Audit considers that periods without a formal instrument of agreement can impact on CALHN's and the Department's ability to manage contractual obligations and conditions, including price. Delays in formalising new arrangements may also create uncertainty, impacting the service provider's ability to budget and allocate resources effectively. The Department responded that the PSCM team is in the final stages of processing the agency nursing tender. In the event of a delay, it conveyed that appropriate contract management/procurement processes would occur.
- There were instances where purchase orders were created subsequent to the receipt of the goods and supplier invoice, therefore circumventing controls designed to ensure the validity of payments. The Department responded that its new policy directive of July 2014 required the issue of a purchase order prior to ordering goods. The policy outlines a limited number of exemptions where retrospective purchase orders may be issued.

#### ***Payroll***

The audit of payroll identified:

- nurse managers at each site are required to confirm the accuracy and approve fortnightly time records for each employee on the ProAct roster system. Audit found instances where unapproved timesheet data was forwarded to SSSA for processing into the payroll system. The Department responded that at the earliest opportunity Audit's recommendation to authorise ProAct records of time worked would be implemented and the requirement would be documented within its procedures
- review of changes to employee pay classifications on the ProAct system found that improvements are necessary to ensure that changes are only made by delegated officers and that they are independently reviewed. The Department responded that it would develop appropriate procedures that ensure adequate controls to verify classification changes prior to submitting to SSSA for processing
- instances where unapproved timesheets were processed for payment. The Department responded that timesheets would be reviewed to ensure they are approved by a delegate as per its delegations of authority.

### ***Inventory***

The audit of inventory identified that CALHN did not comprehensively reconcile inventory system records to the general ledger. Audit considers that adjustments to inventory records without comprehensive reconciliation may prevent timely detection and actioning of financial reporting errors and invalid or fraudulent transactions.

The Department acknowledged Audit's recommendation to complete comprehensive reconciliations and indicated that the introduction of OPS would address these concerns.

### ***Plant and equipment stocktake***

Audit's review of CALHN's stocktake of plant and equipment found that the existence of many items on the fixed asset register were not confirmed. The Department responded with its intention to address these concerns.

### ***TI 2 – lost, stolen and other irregularities in property register***

TI 2 requires the chief executive to maintain a register of individual instances where public property with a value in excess of \$10 000 has been lost or stolen or other irregularities have occurred. The chief executive is required to:

- ensure the individual instances are reviewed
- review the register at least on an annual basis
- review any proposed action plan.

The audit found that CALHN maintained a register but it had not been updated to reflect property identified as lost or stolen or other irregularities from the annual fixed stocktake.

The Department's response advised that it will include on the register all instances of property lost, stolen and/or simply unidentifiable by business units as reported to the Fixed Asset team.

### ***Southern Adelaide Local Health Network Incorporated***

#### ***Payroll***

Audit found there were no policies or procedures covering the use, access controls and/or the approval of time in ProAct, the system used to record time worked by nurses and other staff.

The Department responded that, following the completion of an initiative to consolidate ProAct databases, appropriate procedures to govern user administration, authorisation and review would be developed. In relation to the approval of time recorded in ProAct, timesheet verification tools have been implemented at SALHN sites to be in effect for the 2014-15 year.

#### ***Expenditure***

The main findings from the review of the accounts payable processing control environment were:

- there was no review of access to the Homer accounts payable system during 2013-14, as was the case in 2012-13
- there is no assurance that authorisations are checked for non-stock orders as positions titles are not always provided on requisitions and requisitions are not always complete.

The Department's response indicated business processes have been reviewed to ensure eHealth systems staff are notified of all relevant changes to staff which affect Homer accounts payable access requirements. Specific matters raised through the audit process will be further reviewed.

In relation to non-stock orders PSCM team staff currently confirm unknown signatures through telephone calls, with a revised Requisition, Purchase Order and Invoice Management Policy Directive coming into effect from July 2014. Further, the implementation of OCS will only support approval by staff with the appropriate delegation.

#### ***Patient billing***

The audit of patient billing identified the following:

- there was no review of access to the Homer revenue system during 2013-14, as was the case in 2012-13
- missing patient election forms are a known occurrence and may result in a potential loss of revenue to SALHN.

The Department responded that a procedure for the regular review of Homer revenue system access has now been developed and that user access reviews have now been conducted for all SALHN sites.

The Department responded that a clear process has been communicated to enable patient election forms to be signed on a regular basis. They also advised that Patient Election Officers will monitor any missing forms and complete the approval process.

#### ***Enterprise patient administration system (EPAS)***

As part of the overall audit of the Department, Audit reviewed the implementation of EPAS within SALHN at the Noarlunga Health Service and the Repatriation General Hospital during 2013-14.

As a result of work performed, Audit noted EPAS functionality issues which impacted SALHN revenue recognition during 2013-14. In particular Audit noted:

- patient billing was unable to be performed for a period during the year for patients who had attended the Noarlunga Health Service Emergency Department
- there were issues requiring staff to manually correct EPAS billing details for patients who had had a continuous stay of longer than 35 days
- there were delays in billing some patients as a result of data entry errors in the hospital clinics and insufficient system validation controls which were not identified at the time of the original data entry.

Audit was advised by Hospital Revenue Services staff that the specific EPAS billing issues that have occurred for SALHN during 2013-14 have been, or are in the process of being, addressed through manual intervention by Department staff.

Audit was also advised the identified EPAS functionality issues are being addressed by the EPAS project team as part of a stabilisation program.

#### ***Fixed assets***

There were a number of weaknesses identified in the stocktake processes at SALHN.

SALHN responded that a new maintenance management system is being implemented within SALHN and that the transition to this new system is designed to address specific matters raised by the audit regarding the completeness of asset records and to improve future stocktake processes.

***Northern Adelaide Local Health Network Incorporated***

***Payroll***

The review of payroll transactions and internal controls found the ProAct file forwarded to SSSA for processing included timesheets that had not been approved. In addition, there is no control to ensure all ProAct employee timesheets are approved by the employee's manager/supervisor.

In response the Department advised that NALHN is of the view that appropriate mechanisms for timesheet approval exist by way of roster managers finalising rosters prior to the processing of electronic files.

***Expenditure (Modbury Hospital)***

The main findings from the review of Modbury Hospital's accounts payable processing control environment were:

- Basware user access reports provided quarterly by SSSA were not reviewed to ensure system access levels for employees were valid and consistent with job responsibilities
- NALHN did not monitor the actions of special and super delegates
- transactions processed by SSSA that bypass electronic approval controls in Basware were not reviewed to ensure validity.

In response to the findings, the Department advised that work is progressing on the establishment of an authorised officer framework within SA Health that will identify the appropriate line managers to review and authorise reports provided by SSSA.

***Expenditure (Lyell McEwin Hospital)***

The main findings from the review of Lyell McEwin Hospital's accounts payable processing control environment were:

- the senior buyers do not certify (sign-off) purchase requisitions forms to evidence the check performed for appropriate purchasing authority
- user access reviews of purchasing and accounts payable systems were not performed in 2013-14.

The Department's response advised that NALHN sites have transitioned to the OPS (Oracle) where purchase requisitions are converted into purchase orders, eliminating the need for manual verification.

In response to the issue of user access reviews, the Department advised that regular audits of OPS user access are to be undertaken.

***Private practice***

A review of internal controls supporting private practice found evidence supporting the independent review of private practice invoice raising is not maintained.



The Department's response acknowledged the finding and advised that billing practices at NALHN will be reviewed with a review to incorporating an appropriate independent review of a sample of the billing batch register to provide additional assurance.

***TI 2 – lost, stolen and other irregularities in property register***

TI 2 requires the chief executive to maintain a register of individual instances where public property with a value in excess of \$10 000 has been lost or stolen or other irregularities have occurred. The chief executive is required to:

- ensure the individual instances are reviewed
- review the register at least on an annual basis
- review any proposed action plan.

The audit found that NALHN maintained a register but it had not been updated to reflect property identified as lost or stolen or other irregularities from the annual fixed stocktake.

The Department's response advised that it will include on the register all instances of property, lost, stolen and/or simply unidentifiable by business units as reported to the Fixed Asset team.

***Women's and Children's Health Network Incorporated***

***Expenditure***

The audit of expenditure identified:

- there was no control in place to match goods or services received to the corresponding supplier invoice and/or purchase order.
- there was no system in place that provided for SSSA to verify the delegated authority of personnel approving non-purchase order invoices from WCHN.

The Department responded:

- the process of matching goods and services received to the corresponding supplier invoice and/or purchase order will be documented and independently reviewed
- WCHN is transitioning onto the Basware system during 2014-15 which will mitigate the risk of payment of unauthorised invoices. Staff will be reminded of the requirement for invoices to be appropriately approved using a person and title stamp.

***Payroll***

The audit of payroll identified:

- approved data update forms for the nursing group are directly sent to the Human Resources Admin Hub (the HR Hub) for processing. In contrast with non-nursing staff, these forms are not subject to independent review by human resources personnel prior to processing by the HR Hub.
- for a sample of data update forms selected for testing, instances were noted where the employee or corresponding line manager did not sign the data update form.

The Department responded:

- the current level of risk for checking human resources forms was considered moderate and is acceptable to management. A checking mechanism in the form of a checklist will be implemented and used prior to sending to the Hub for processing

- staff would be notified and further education provided through presentations, emphasising the requirement to ensure all sections of the Change of Condition Form are appropriately completed. WCHN internal audit will review the forms from the HR Hub during the year to monitor compliance.

***Country Health SA Local Health Network Incorporated***

The audit identified areas of control weakness and opportunities to improve existing controls. A number of the matters concerned segregation of duties and access arrangements.

While some matters were raised previously, Audit also found that a number of the matters raised in 2012-13, particularly for property, plant and equipment, were satisfactorily addressed. For some audit findings, the Department acknowledged Audit's recommendations, noting however the limitations of legacy systems and that some were not operationally feasible given the generally small number of staff located at smaller business units.

The main findings are provided below.

***Cash and financial assets***

The audit of cash and financial assets identified:

- CHSALHN had addressed a number of matters previously raised. Issues remained, however, with the operation of various bank accounts, their interaction with the general ledgers and manual intervention posting of miscellaneous receipts in what should be a highly automated process. A key underlying cause of the issues was the continued use of legacy accounting systems and banking arrangements
- a number of access control matters for cash and investment accounts and an ATM machine.

The Department responded:

- legacy bank account and legacy system rationalisation is a fundamental and integral part of a number of strategies already underway in the Department. The OPS project is progressing to an approved plan between the Department and SSSA to move accounts payable processing to a single payables platform (Basware), a single general ledger solution (Oracle) and a single bank solution. A banking migration strategy has been underway for some time and has already taken opportunities to rationalise a significant number of legacy bank accounts
- advising access controls that CHSALHN considered addressed the audit matters for cash and investment accounts and the ATM machine.

***Grant management***

The audit of grant management identified:

- CHSALHN should implement policies and procedures to assist in the management of grant revenue and expense
- a need to define and document responsibilities for monitoring outstanding deliverables and issue of grant revenue invoices.

The Department responded:

- it will implement policies, procedures and standard processes for grant revenue and expense to enable effective reconciliation, monitoring and control over grants, their obligations and reporting requirements

- it will define and document responsibilities and standard processes for monitoring outstanding deliverables and issue of grant revenue invoices to address risks to receiving grant revenues and cash flow issues.

**Expenditure**

The audit of expenditure identified:

- CHSALHN should review staff access to the EFT files to restrict access as appropriate
- a range of improvements needed for policies and procedures, segregation of duties, user access, updating accounts payable policy, vendor masterfile maintenance and payments to doctors.

The Department responded:

- access to the EFT payment files had been restricted to staff as deemed appropriate. Folder access was managed by ICT and reviewed every six months to ensure only appropriate access to this file
- advising action taken or proposed to address the range of other issues raised.

**Revenue**

The audit of revenue identified:

- CHSALHN should define, document, communicate and monitor policies and procedures related to patient, aged care resident and sundry invoicing processes
- a range of improvements needed for segregation of duties, compensable patient invoicing, clinical coding review, manual aged care resident invoicing process, aged care residential fees, sundry debtors fees charged, completeness and accuracy of sundry billing, and delegations for approval of invoice request forms.

The Department responded:

- regarding policies and procedures:
  - patient invoicing: Hospital Revenue Services, in partnership with CHSALHN, will be implementing a centralised model for patient invoicing to ensure standardisation of practices and processes, and development of relevant procedures, during 2014-15
  - aged care resident processes: CHSALHN is implementing a country residential aged care software solution during 2014-15, which includes residential billing. Invoicing processes will be documented as part of the system implementation during 2014-15
  - sundry invoicing: This was completed. CHSALHN Executive issued advice on in December 2013 of the process for raising invoices to SSSA, following the transition of sundry invoice processing to SSSA during 2013. Relevant supporting instructions were published on Oracle Assist.
  - Hospital Revenue Services, in partnership with CHSALHN, would continue to develop and communicate the appropriate invoicing policies and procedures
- advising action taken or proposed to address the range of other issues raised.

**EPAS implementation (Port Augusta Hospital)**

The audit of EPAS identified the Department should investigate completeness of accident and emergency patient billing, delays in clinical coding, completeness of patient invoicing, long stay nursing home patient invoicing and outstanding issues in the EPAS job register.

The Department responded it was aware of the audit issues and remediation action was included within the scope of the EPAS program's stabilisation work and/or actions to mitigate the issues such as the delays experienced in clinical coding.

**Property, plant and equipment**

The audit identified CHSALHN should develop guidelines for appropriate controls and practices for the security of property, plant and equipment and communicate guidelines to sites. CHSALHN should also assign responsibility for monitoring the physical security of assets to appropriate persons at business unit level.

The Department responded it will ensure guidelines for appropriate controls and practices for the security of assets are developed and communicated, with responsibility for monitoring of fixed assets assigned to appropriate staff.

**Inventory**

The audit identified CHSALHN should consider system access segregation of duties requiring independent staff to change price and quantity of purchase orders in the system and document procedures to ensure approval for manual stock usage is appropriately monitored and reviewed.

The Department responded system restrictions to legacy working systems cannot be implemented. The Health Systems Support Managers will provide documented procedures and reiterate the requirements to staff.

**Shared Services SA audit findings**

The review and evaluation of procedures and controls performed by SSSA on behalf of LHNs identified areas where controls could be improved. The main matters raised and responses are detailed below.

**SLD with Shared Services SA**

The LHNs have SLDs with SSSA for processing payroll and accounts payable. Audit review found that the SLDs were not reviewed annually as required and were last updated as early as 2008. Further, service summary and operating level responsibility documents were not updated to reflect changes in systems, organisational structure and responsibilities.

In response SSSA advised Payroll Services has provided the Department with revised payroll and HRMS service level documents for consultation and feedback. Consultation meetings were scheduled for the October/November 2014 period. The issue is due for completion by March 2015.

For accounts payable SLDs, SSSA responded that all LHN sites will migrate to the new standard SLD in line with the timeframes for migration to the OPS.

## **Payroll**

The findings from the review of payroll processing at SSSA related to the following matters.

- Changes made by SSSA payroll data input officers to the authorised ProAct file (nurse time worked data) were not subject to independent review for accuracy and validity.
- Timesheets were not verified as approved prior to payments being processed. Audit recommended SSSA and the Department liaise to establish a process that ensures all timesheets are appropriately authorised prior to payments being made. This process should be documented in the service summary and operating level responsibilities to ensure responsibilities are agreed and documented.
- During 2013-14 significant overpayments were paid to a medical officer at CALHN (approximately \$339 000) and to a medical officer at SALHN (approximately \$470 000). The overpayments were identified by the medical officers who repaid the amounts. SSSA advised that the overpayments were not detected as the incorrect data was entered into the system after the payrun process reports were generated and checked. It was noted that this control was not currently supported by a system control (ie system lockout/preventative control).

SSSA responded that:

- it will work with the Department to resolve the ProAct file issue and, if any ongoing adjustments are required to the ProAct file, SSSA will implement these adjustments in collaboration with the Department. The issue is due for completion by end of June 2015
- it will work with the Department to determine the best process to resolve the timesheet authorisation issue. The issue is due for completion by end of March 2015.
- for the overpayments, as a part of the standardisation of payrun processes, a lock-out process by Frontier Software to the access of the payroll system was implemented within the Health Payroll teams. To ensure no additional data is input whilst the output reports are being checked by the Payrun Officer, an email is sent to all CHRIS 5 users to inform them of temporary denied access until the payrun is completed. From September 2014 all the payrun teams will be centralised which will allow further standardisation and system controls to be implemented.

## **Expenditure**

The following outlines the findings from the review of accounts payable processing at SSSA.

- SSSA pays invoices without further authorisation where the invoice and purchase order dollar value on the system are within a tolerance. Tolerances vary across each legacy system. Audit recommended SSSA and the LHNs establish and document a policy which governs the matching of invoices to purchase orders.
- Audit found instances where inappropriately approved invoices were processed for payment. In other instances SSSA officers could not confirm the approving officer of a sample of invoices processed for payment. Audit recommended that SSSA only process invoices for payment where they are authorised in accordance with LHN financial delegations. There was a need to develop, document and implement procedures to ensure authorisations occur.

- Payments could be processed without a goods received note being recorded in the Royal Adelaide Hospital FIMS legacy system.

Audit understands that implementing OPS/Basware accounts payable processing will result in invoice payment authorisation being applied and enforced electronically. The implementation of Basware will also address the issue of accounts payable officers checking for appropriate payment authority.

SSSA responded:

- it will work with the Department to agree on a standard procedure to be followed by all Department sites on OPS for matching invoices to purchase orders. All LHN sites, as part of the migration to OPS, will adopt the new standard SLD
- staff involved in processing Royal Adelaide Hospital FIMS invoices have undertaken additional training in the authorisation checking procedure and use of the Online Delegation tool. The Royal Adelaide Hospital is scheduled to migrate to the OPS as part of the Group 3 transition in November 2014. As such the above process will be replaced by the standard SSSA invoice processing procedure
- that payments can only be processed where a valid purchase order number is linked to a valid goods received note.

## **Financial reports and controls assessment**

In respect of the financial reports for the health services, unmodified IARs have been issued for the six health services.

The following provides for the six health services the relevant extract from the IAR, the control assessment opinion and salient financial information and commentary

### **Central Adelaide Local Health Network Incorporated**

#### **Auditor's report on the financial report**

In my opinion, the financial report gives a true and fair view of the financial position of the Central Adelaide Local Health Network Incorporated and its controlled entities as at 30 June 2014, their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

#### **Assessment of controls**

In my opinion, the controls exercised by the Central Adelaide Local Health Network Incorporated in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for all matters outlined previously under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Central Adelaide Local Health Network Incorporated have been conducted properly and in accordance with law.

## Interpretation and analysis of financial report

### Highlights of the financial report

	2014		2013	
	Consolidated \$'million	Parent \$'million	Consolidated \$'million	Parent \$'million
<b>Expenses:</b>				
Staff benefit expenses	1 260	1 255	1 181	1 176
Supplies and services	611	609	559	557
Depreciation and amortisation	63	62	61	61
Other expenses	53	52	61	61
<b>Total expenses</b>	<b>1 987</b>	<b>1 978</b>	<b>1 862</b>	<b>1 855</b>
<b>Income:</b>				
Revenue from fees and services	274	267	270	264
Grants and contributions	94	94	84	85
Other income	32	30	26	25
<b>Total income</b>	<b>400</b>	<b>391</b>	<b>380</b>	<b>374</b>
<b>Net cost of providing services</b>	<b>1 587</b>	<b>1 587</b>	<b>1 482</b>	<b>1 481</b>
Revenues from SA Government	1 544	1 544	1 472	1 472
<b>Total revenues from SA Government</b>	<b>1 544</b>	<b>1 544</b>	<b>1 472</b>	<b>1 472</b>
<b>Net result</b>	<b>(43)</b>	<b>(43)</b>	<b>(10)</b>	<b>(9)</b>
Other comprehensive income	(4)	(5)	(18)	(18)
<b>Total comprehensive result for the year</b>	<b>(47)</b>	<b>(48)</b>	<b>(28)</b>	<b>(27)</b>
<b>Assets:</b>				
Current assets	230	220	228	220
Non-current assets	880	874	915	907
<b>Total assets</b>	<b>1 110</b>	<b>1 094</b>	<b>1 143</b>	<b>1 127</b>
<b>Liabilities:</b>				
Current liabilities	250	249	253	251
Non-current liabilities	231	231	215	215
<b>Total liabilities</b>	<b>481</b>	<b>480</b>	<b>468</b>	<b>466</b>
<b>Net assets</b>	<b>629</b>	<b>614</b>	<b>675</b>	<b>661</b>

### Statement of Comprehensive Income

#### Expenses

During 2013-14 total expenses increased by \$125 million to \$2 billion (7%). This was due mainly to a \$79 million (7%) increase in staff related expenses together with a \$52 million (9%) increase in supplies and services expenses.

#### Staff benefit expenses

Staff benefit expenses, \$1.26 billion represent 63% of CALHN's total expenses. Contributing to the 7% increase in staff related expenses were wage rises associated with enterprise agreements. This included the new Salaried Medical Officers Enterprise Agreement which provided a 9% increase from April 2013 and an additional 3% increase from April 2014, which came into effect in 2013-14.

During 2013-14 TVSPs of \$11 million (\$12 million) were paid to 97 (125) staff.

The number of staff whose remuneration received/receivable exceeded \$141 500 (base executive level) totalled 1032, comprising 905 medical, 71 non-medical, 38 nursing and 18 executive staff. Total remuneration for these staff was \$280 million.

*Supplies and services expense*

Supplies and services expenses increased by \$52 million (9%) to \$611 million. Significant components of supplies and services expenses were:

- contractor agency staff which increased by \$9 million (15%) to \$65 million. Contractor agency staff expenses includes \$32 million (\$26 million) for staff employed at other SA Health entities including nursing and medical officers at other LHNs and administrative staff at the Department
- drug supplies which increased by \$10 million (12%) to \$95 million
- medical surgical and laboratory supplies, which increased by \$4 million (3%) to \$153 million.

*Other expenses*

Other expenses decreased by \$8 million (13%) to \$53 million. Significant components of other expenses were:

- utilities and infrastructure work associated with the new Royal Adelaide Hospital of \$14 million (\$11 million)
- functions transferred to other entities, \$3 million (\$24 million), reflecting research units transferred to the South Australian Health and Medical Research Institute, the University of South Australia and the University of Adelaide
- surplus property assets transferred to the Department, \$7 million
- assets written off of \$3 million.

**Revenues**

Recurrent funding received from the SA Government increased by \$114 million (8%) to \$1.5 billion. Capital funding received from the SA Government decreased by \$46 million (42%) to \$64 million. These revenues are received from the Department.

Commonwealth grants and contributions received directly by CALHN increased by \$17 million to \$76 million due mainly to an increase of \$21 million in the PBS Commonwealth subsidy reflecting the full year effect of changed funding arrangements.

**Statement of Financial Position**

Current assets include \$143 million (\$135 million) cash and cash equivalents. As at 30 June 2014, CALHN had a working capital deficiency (excess of current liabilities over current assets) of \$20 million (deficiency of \$25 million).

**Property, plant and equipment**

Property, plant and equipment represents 76% of total assets. The carrying value of property, plant and equipment decreased \$41 million to \$848 million due mainly to:

- depreciation and amortisation expense of \$61 million
- a transfer of surplus assets to the Department of \$7 million and asset write-offs of \$3 million.



These items were partly offset by:

- \$36 million expenditure on capital works in progress, including costs associated with the redevelopment of James Nash House and the new Royal Adelaide Hospital
- other asset additions of \$6 million.

The new Royal Adelaide Hospital project is discussed in Part A of this Report.

## Southern Adelaide Local Health Network Incorporated

### Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Southern Adelaide Local Health Network Incorporated as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### Assessment of controls

In my opinion, the controls exercised by the Southern Adelaide Local Health Network Incorporated in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for all matters outlined previously under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Southern Adelaide Local Health Network Incorporated have been conducted properly and in accordance with law.

### Interpretation and analysis of financial report

#### Highlights of the financial report

	2014 \$'million	2013 \$'million
<b>Expenses:</b>		
Staff benefit expenses	684	630
Supplies and services	273	270
Depreciation and amortisation	30	30
Other expenses	15	14
<b>Total expenses</b>	<u>1 002</u>	<u>944</u>
<b>Income:</b>		
Revenue from fees and charges	75	71
Grants and contributions	32	25
Other income	9	10
<b>Total income</b>	<u>116</u>	<u>106</u>
<b>Net cost of providing services</b>	<u>886</u>	<u>838</u>
Revenues from SA Government	870	814
<b>Total revenues from SA Government</b>	<u>870</u>	<u>814</u>
<b>Net result</b>	<u>(16)</u>	<u>(24)</u>
Other comprehensive income	(1)	1
<b>Total comprehensive result for the year</b>	<u>(17)</u>	<u>(23)</u>

	2014 \$'million	2013 \$'million
<b>Assets:</b>		
Current assets	51	40
Non-current assets	622	636
<b>Total assets</b>	<b>673</b>	<b>676</b>
<b>Liabilities:</b>		
Current liabilities	123	114
Non-current liabilities	121	117
<b>Total liabilities</b>	<b>244</b>	<b>231</b>
<b>Net assets</b>	<b>429</b>	<b>445</b>

### Statement of Comprehensive Income

#### Expenses

During 2013-14 total expenses increased by \$58 million to \$1 billion (6%). This was due mainly to a \$54 million (9%) increase in staff related expenses.

#### Staff benefit expenses

Staff benefit expenses of \$684 million represent 68% of SALHN's total expenses. Contributing to the 9% increase in staff related expenses were wage rises associated with enterprise agreements. This included the new Salaried Medical Officers Enterprise Agreement which provided a 9% increase from April 2013 and an additional 3% increase from April 2014, which came into effect in 2013-14.

During 2013-14 TVSPs of \$7.6 million (\$4.5 million) were paid to 58 (42) staff.

The number of staff whose remuneration received/receivable exceeded the base executive level (\$141 500) totalled 563, comprising 518 medical, 26 nursing, 13 non-medical and six executive staff. Total remuneration for these staff was \$152 million.

#### Supplies and services expense

Supplies and services expenses remained consistent in 2013-14. Significant components of supplies and services were:

- medical surgical and laboratory expenses which decreased by \$3 million (4%) to \$70.6 million
- drug supplies which increased \$3.8 million (11%) to \$39.9 million
- fee-for-service which decreased by \$4.5 million (14%) to \$27 million
- contractors - agency staff which decreased by \$1 million (3%) to \$25 million.

#### Revenues

SALHN is dependent to a large extent on revenue from the South Australian and Commonwealth Governments.

Revenues from SA Government increased \$56 million (7%) to \$870 million. These revenues are received from the Department and include transfers for capital projects of \$21 million. The main project for 2013-14 was the health and ageing teaching and research facility at the Repatriation General Hospital.

Commonwealth grants and contributions received directly to SALHN increased by \$7.1 million (39%) to \$25.4 million due mainly to a \$7.5 million increase in the PBS Commonwealth subsidy. This reflects the full year effect of changed funding arrangements during 2012-13.

### Statement of Financial Position

Current assets include \$18.3 million (\$7.6 million) cash and cash equivalents.

As at 30 June 2014 SALHN had a working capital deficiency (excess of current liabilities over current assets of \$72.2 million (deficiency of \$73.8 million).

### Property, plant and equipment

Property, plant and equipment represents 91% of SALHN's total assets. The carrying value of property, plant and equipment decreased by \$13.7 million to \$615 million. This decrease is due mainly to:

- \$30.3 million of depreciation and amortisation expense
- the transfer of \$2.4 million of surplus assets to the Department
- \$21 million of expenditure on additions, which includes costs associated with the health and ageing teaching and research facility at the Repatriation General Hospital
- \$1 million of asset write-offs and \$1 million for revaluation adjustments.

## Northern Adelaide Local Health Network Incorporated

### Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Northern Adelaide Local Health Network Incorporated as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### Assessment of controls

In my opinion, the controls exercised by the Northern Adelaide Local Health Network Incorporated in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for all matters outlined previously under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Northern Adelaide Local Health Network Incorporated have been conducted properly and in accordance with law.

### Interpretation and analysis of financial report

#### Highlights of the financial report

	2014 \$'million	2013 \$'million
<b>Expenses:</b>		
Staff benefit expenses	300	261
Supplies and services	148	141
Depreciation and amortisation expense	22	18
Other expenses	3	2
<b>Total expenses</b>	<u>473</u>	<u>422</u>

	2014 \$'million	2013 \$'million
<b>Income:</b>		
Revenue from fees and charges	26	24
Grants and contributions	12	9
Other income	4	3
<b>Total income</b>	<b>42</b>	<b>36</b>
<b>Net cost of providing services</b>	<b>431</b>	<b>386</b>
Revenues from SA Government	433	452
<b>Total revenues from SA Government</b>	<b>433</b>	<b>452</b>
<b>Net result</b>	<b>2</b>	<b>66</b>
Other comprehensive income	(12)	(1)
<b>Total comprehensive result for the year</b>	<b>(10)</b>	<b>65</b>
<b>Assets:</b>		
Current assets	20	20
Non-current assets	403	403
<b>Total assets</b>	<b>423</b>	<b>423</b>
<b>Liabilities:</b>		
Current liabilities	48	44
Non-current liabilities	42	36
<b>Total liabilities</b>	<b>90</b>	<b>80</b>
<b>Net assets</b>	<b>333</b>	<b>343</b>

### Statement of Comprehensive Income

#### Expenses

During 2013-14 total expenses increased by \$51 million to \$473 million (12%). This was due mainly to a \$39 million (15%) increase in staff related expenses, together with a \$7 million (5%) increase in supplies and services expenses.

#### Staff benefit expenses

Staff benefit expenses, \$300 million, represents 63% of NALHN's total expenses. Contributing to the 15% increase in staff related expenses were wage rises associated with enterprise agreements. This included the new Salaried Medical Officers Enterprise Agreement which provided a 9% increase from April 2013 and an additional 3% increase from April 2014, which came into effect in 2013-14. In addition there was a 7% increase in FTE numbers.

The number of staff whose remuneration received/receivable exceeded \$141 500 (base executive level) totalled 264, comprising 253 medical, four executive, four nursing and three non-medical staff. Total remuneration of these staff was \$73 million.

#### Supplies and services expense

Supplies and services expenses increased by \$7 million (5%) to \$148 million. Significant components of supplies and services were:

- medical, surgical and laboratory supplies - \$39 million

- drug supplies - \$18 million
- contractors - agency staff - \$15 million.

*Depreciation and amortisation expenses*

Depreciation and amortisation expense increased by \$4 million (22%) reflecting increased depreciation charges associated with major redevelopment projects that were capitalised in 2013-14.

**Revenues**

*Revenues from SA Government*

NALHN is principally funded through the provision of recurrent and capital funding from the Department. In 2013-14, NALHN received recurrent funding of \$393 million and capital funding of \$40 million.

Revenues from the SA Government decreased by \$19 million due to decreased capital funding of \$49 million as a result of major redevelopment projects being undertaken in 2012-13 compared to 2013-14.

Recurrent funding increased by \$30 million.

*Grants and contributions*

Commonwealth grants and contributions received directly to NALHN increased by \$3 million to \$11 million due to increase in the PBS Commonwealth subsidy reflecting the full year effect of changed funding arrangements.

**Statement of Financial Position**

Current assets include \$15 million (\$10 million) of cash and cash equivalents.

As at 30 June 2014, NALHN had a working capital deficiency (excess of current liabilities over current assets of \$27.8 million) (deficiency of \$24.2 million).

Property, plant and equipment assets represent 95% of total assets.

The carrying value of property, plant and equipment decreased by \$1 million to \$400 million. The major movements in property, plant and equipment during 2013-14 were asset additions (\$34 million), depreciation (\$22 million), revaluation adjustment (\$12 million) and asset write-offs (\$1 million).

**Country Health SA Local Health Network Incorporated**

**Auditor's report on the financial report**

In my opinion, the financial report gives a true and fair view of the financial position of the Country Health SA Local Health Network Incorporated and its controlled entities as at 30 June 2014, their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

## Assessment of controls

In my opinion, the controls exercised by the Country Health SA Local Health Network Incorporated in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for all the matters as outlined previously under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Country Health SA Local Health Network Incorporated have been conducted properly and in accordance with law.

## Interpretation and analysis of financial report

### Highlights of the financial report

	2014		2013	
	Consolidated \$'million	Parent \$'million	Consolidated \$'million	Parent \$'million
<b>Expenses:</b>				
Staff benefit expenses	492	492	469	469
Supplies and services	284	284	278	278
Depreciation and amortisation	27	16	24	14
Other expenses	36	75	33	35
<b>Total expenses</b>	<b>839</b>	<b>867</b>	<b>804</b>	<b>796</b>
<b>Income:</b>				
Revenue from fees and services	81	81	78	78
Grants and contributions	125	126	117	117
Other income	5	4	8	6
<b>Total income</b>	<b>211</b>	<b>211</b>	<b>203</b>	<b>201</b>
<b>Net cost of providing services</b>	<b>628</b>	<b>656</b>	<b>601</b>	<b>595</b>
Revenues from SA Government	639	639	705	706
<b>Total revenues from SA Government</b>	<b>639</b>	<b>639</b>	<b>705</b>	<b>706</b>
<b>Net result</b>	<b>11</b>	<b>(17)</b>	<b>104</b>	<b>111</b>
Other comprehensive income	(1)	(1)	(1)	(1)
<b>Total comprehensive result for the year</b>	<b>10</b>	<b>(18)</b>	<b>103</b>	<b>110</b>
<b>Assets:</b>				
Current assets	148	136	177	164
Non-current assets	801	427	758	430
<b>Total assets</b>	<b>949</b>	<b>563</b>	<b>935</b>	<b>594</b>
<b>Liabilities:</b>				
Current liabilities	150	150	146	146
Non-current liabilities	113	113	113	113
<b>Total liabilities</b>	<b>263</b>	<b>263</b>	<b>259</b>	<b>259</b>
<b>Net assets</b>	<b>686</b>	<b>300</b>	<b>676</b>	<b>335</b>

### Statement of Comprehensive Income – Consolidated

#### Expenses

During 2013-14 total expenses increased by \$35 million to \$839 million (4%). This was due mainly to a \$23 million (5%) increase in staff related expenses.

*Staff benefit expenses*

Staff benefit expenses, \$492 million, represent 59% of CHSALHN's total expenses. The number of staff whose remuneration received/receivable exceeded \$141 500 (base executive level) totalled 82 (73), comprising 49 medical, 17 nursing, 13 executive and three non-medical staff. Total remuneration for these staff was \$23 million.

*Supplies and services expense*

Supplies and services expenses increased by \$6 million (2%) to \$284 million. Significant components of supplies and services were:

- fee-for-service - \$76 million
- medical, surgical and laboratory supplies - \$36 million
- contractors - agency staff - \$32 million
- patient transport - \$15 million
- drug supplies - \$12 million.

**Revenues**

*Revenues from SA Government*

CHSALHN is principally funded through the provision of recurrent and capital funding from the Department. In 2013-14, CHSALHN received recurrent funding of \$557 million and capital funding of \$76 million.

Revenues from the SA Government decreased by \$66 million (9%) to \$639 million due mainly to decreases in recurrent funding of \$55 million and capital funding of \$7 million.

**Statement of Financial Position**

Current assets include \$60.3 million (\$114.6 million) cash.

At 30 June 2014, CHSALHN had a working capital deficiency (excess of current liabilities over current assets) of \$1.2 million (surplus of \$30.7 million).

CHSALHN's financial position is dominated by non-current property, plant and equipment assets representing 83% of total assets.

The carrying value of property, plant and equipment increased by \$43 million to \$790 million. The major movements in property, plant and equipment during 2013-14 were asset additions of \$74 million offset by depreciation expense of \$27 million.

**Women's and Children's Health Network Incorporated**

**Auditor's report on the financial report**

In my opinion, the financial report gives a true and fair view of the financial position of the Women's and Children's Health Network Incorporated as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

## Assessment of controls

In my opinion, the controls exercised by the Women's and Children's Health Network Incorporated in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for all the matters outlined previously under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Women's and Children's Health Network Incorporated have been conducted properly and in accordance with law.

## Interpretation and analysis of financial report

### Highlights of the financial report

	2014 \$'million	2013 \$'million
<b>Expenses:</b>		
Staff benefit expenses	308	291
Supplies and services	105	100
Depreciation and amortisation expense	8	10
Other expenses	3	8
<b>Total expenses</b>	<u>424</u>	<u>409</u>
<b>Income:</b>		
Revenue from fees and charges	36	37
Grants and contributions	9	11
Other income	6	5
<b>Total income</b>	<u>51</u>	<u>53</u>
<b>Net cost of providing services</b>	<u>373</u>	<u>356</u>
Revenues from SA Government	361	325
<b>Total revenues from SA Government</b>	<u>361</u>	<u>325</u>
<b>Net result</b>	<u>(12)</u>	<u>(31)</u>
Other comprehensive income	(7)	(1)
<b>Total comprehensive result for the year</b>	<u>(19)</u>	<u>(32)</u>
<b>Assets:</b>		
Current assets	16	15
Non-current assets	266	277
<b>Total assets</b>	<u>282</u>	<u>292</u>
<b>Liabilities:</b>		
Current liabilities	51	45
Non-current liabilities	51	48
<b>Total liabilities</b>	<u>102</u>	<u>93</u>
<b>Net assets</b>	<u>180</u>	<u>199</u>

### Statement of Comprehensive Income

#### Expenses

During 2013-14 total expenses increased by \$15 million to \$424 million (4%). This was due mainly to a \$17 million (6%) increase in staff related expenses.



#### *Staff benefit expenses*

Staff benefit expenses, \$308 million, represent 73% of WCHN's total expenses. The number of staff whose remuneration received/receivable exceeded \$141 500 (base executive level) totalled 227 (193), comprising 206 medical, nine non-medical, seven executive and five nursing staff. Total remuneration for these staff was \$61 million.

#### *Supplies and services expense*

Supplies and services expenses increased by \$5 million (5%) to \$105 million. Significant components of supplies and services were:

- medical, surgical and laboratory supplies - \$22 million
- drug supplies - \$10 million
- contractors - agency staff - \$10 million.

#### **Revenues**

##### *Revenues from SA Government*

WCHN is principally funded through the provision of recurrent and capital funding from the Department. In 2013-14, WCHN received recurrent funding of \$355 million and capital funding of \$5 million.

Revenues from the SA Government increased by \$36 million (11%) to \$361 million due to increases in recurrent funding of \$34 million and capital funding of \$2 million, offset by reduced TVSP funding.

#### **Statement of Financial Position**

Current assets include \$7.5 million (\$2.4 million) cash. At 30 June 2014, WCHN had a working capital deficiency (excess of current liabilities over current assets) of \$35 million (deficiency of \$30 million).

WCHN's financial position is dominated by non-current property, plant and equipment assets representing 88% of total assets.

The carrying value of property, plant and equipment decreased by \$12 million to \$248 million. The major movements in property, plant and equipment during 2013-14 were depreciation expense of \$9 million and impairment and valuation decrements of \$7 million, offset by additions of \$4 million.

#### **SA Ambulance Service Inc**

##### **Auditor's report on the financial report**

In my opinion, the financial report gives a true and fair view of the financial position of the SA Ambulance Service Inc as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

##### **Assessment of controls**

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

## Interpretation and analysis of financial report

### Highlights of the financial report

	2014 \$'million	2013 \$'million
<b>Expenses:</b>		
Staff benefit expenses	150	145
Supplies and services	63	61
Depreciation and amortisation expense	9	8
Other expenses	15	17
<b>Total expenses</b>	<b>237</b>	<b>231</b>
<b>Income:</b>		
Revenue from fees and charges	107	104
Grants and contributions	-	1
Other income	3	5
<b>Total income</b>	<b>110</b>	<b>110</b>
<b>Net cost of providing services</b>	<b>127</b>	<b>121</b>
Revenues from SA Government	126	132
<b>Total revenues from SA Government</b>	<b>126</b>	<b>132</b>
<b>Net result</b>	<b>(1)</b>	<b>11</b>
Other comprehensive income	5	27
<b>Total comprehensive result for the year</b>	<b>4</b>	<b>38</b>
<b>Assets:</b>		
Current assets	32	29
Non-current assets	80	77
<b>Total assets</b>	<b>112</b>	<b>106</b>
<b>Liabilities:</b>		
Current liabilities	44	41
Non-current liabilities	41	42
<b>Total liabilities</b>	<b>85</b>	<b>83</b>
<b>Net assets</b>	<b>27</b>	<b>23</b>

### Statement of Comprehensive Income

#### Expenses

During 2013-14 total expenses increased by \$6 million to \$237 million (3%). This was due mainly to a \$5 million (3%) increase in staff related expenses.

#### Staff benefit expenses

Staff benefit expenses, \$150 million, represent 63% of SAAS's total expenses.

The number of staff whose remuneration received/receivable exceeded \$141 500 (base executive level) totalled 263 (342) comprising 258 operational, four executive and one non-medical staff. The significant decrease in the number of staff is mainly due to an enterprise bargaining back-payment that was processed in 2012-13.

*Supplies and services expense*

Supplies and services expenses increased by \$2 million (3%) to \$63 million. Significant components of supplies and services were:

- contractors - agency staff - \$16 million
- patient transport - \$12 million
- motor vehicles - \$4 million
- medical, surgical and laboratory supplies - \$4 million.

**Revenues**

*Revenues from SA Government*

SAAS is principally funded through the provision of recurrent and capital funding from the Department. In 2013-14, SAAS received recurrent funding of \$114 million and capital funding of \$12 million.

Revenues from the SA Government decreased by \$7 million (5%) to \$126 million due to decreased recurrent funding of \$8 million and increased capital funding of \$1 million.

**Statement of Financial Position**

Current assets include \$14 million (\$8 million) cash.

At 30 June 2014, SAAS had a working capital deficiency (excess of current liabilities over current assets) of \$12.3 million (deficiency of \$12.2 million).

SAAS's financial position is dominated by non-current property, plant and equipment assets representing 65% of total assets.

The carrying value of property, plant and equipment increased by \$4 million to \$73 million. The major movements in property, plant and equipment during 2013-14 were additions of \$12 million, offset by depreciation of \$8 million.

## Health sector staffing and patient activity data – unaudited

The following staffing and patient activity information was provided by the Department in response to Audit request and is unaudited.

### Health sector staffing statistics

The following table details the staffing levels as at 30 June in the health sector, excluding staff of the Department and SAAS, over the past three years. It is important to know that this data is unaudited.

#### Health sector FTE mix (unaudited)

	2014 Number	2013 Number	2012 Number
Staff categories:			
Nurses	12 609	12 591	12 395
Medical staff	3 028	2 933	2 810
Scientific and technical	1 165	1 154	1 153
Administrative and clerical	4 232	4 211	4 253
Allied health, hotel and other staff	6 623	6 795	6 872
Total staff	27 657	27 684	27 483
Increase (Decrease)	(27)	201	451
Percentage increase (decrease)	(0.1%)	0.7%	1.7%

### Department staffing statistics

The following table details the staffing levels of the Department as at 30 June over the past three years.

#### Department for Health and Ageing FTE (unaudited)

	2014 Number	2013 Number	2012 Number
Total staff	2 175	2 018	1 985

The increase in the Department's FTEs is mainly attributable to the SA Biomedical Engineering staff consolidation from the health regions to the Department for Health and Ageing and the implementation of the EPAS.

### SA Ambulance Service Inc staffing statistics

The following table details the staffing levels of the SAAS as at 30 June over the past three years.

#### SA Ambulance Service Inc FTE (unaudited)

	2014 Number	2013 Number	2012 Number
Total staff	1 213	1 221	1 168

**Hospital activity statistics**

The tables below indicate the trends over past years in respect of inpatient activity (unweighted), length of hospital stay, and casualty and outpatient activity (unweighted). The data in the tables below has been sourced from the reporting systems of the Department and has not been audited.

**Inpatient activity (unaudited)**

	2014 Number	2013 Number	2012 Number
Metropolitan hospitals:			
Overnight stay	168 776	170 665	167 022
Same day	142 039	140 868	141 081
Total	<u>310 815</u>	<u>311 553</u>	<u>308 103</u>
Country hospitals:			
Overnight stay	51 256	51 900	51 922
Same day	52 722	50 381	47 290
Total	<u>103 978</u>	<u>102 281</u>	<u>99 212</u>

**Average length of overnight hospital stay (unaudited)**

	2014 Days	2013 Days	2012 Days
Metropolitan hospitals	6.3	6.6	6.9
Country hospitals	<u>4.7</u>	<u>6.1</u>	<u>6.6</u>

**Outpatient activity (unaudited)**

	2014 Number	2013 Number	2012 Number
Metropolitan hospitals:			
Emergency Department attendances	382 823	375 704	361 162
Outpatient occasions of service	<u>1 068 455</u>	<u>1 080 257</u>	<u>1 062 472</u>
Country hospitals:			
Emergency Department attendances	170 784	171 251	175 953
Outpatient occasions of service	<u>140 656</u>	<u>131 195</u>	<u>135 972</u>



## Part B

### Acronyms used in this Report

#### Australian Accounting Standards - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 9	Financial Instruments
AASB 10	Consolidated Financial Statements
AASB 11	Joint Arrangements
AASB 12	Disclosure of Interests in Other Entities
AASB 13	Fair Value Measurement
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements (NFP)
AASB 127	Separate Financial Statements (FP)
AASB 128	Investments in Associates (NFP)
AASB 128	Investments in Associates and Joint Ventures (FP)
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation of Standards
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads

## **Australian Accounting Standards – AASB (continued)**

<b>Reference</b>	<b>Title</b>
AASB 1052	Disaggregated Disclosures
AASB 1053	Application of Tiers of Australian Accounting Standards
AASB 1054	Australian Additional Disclosures
AASB 1055	Budgetary Reporting
AASB 1056	Superannuation Entities

## **Australian Interpretations**

<b>Reference</b>	<b>Title</b>
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 21	Levies
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1055	Accounting for Road Earthworks

## **Australian Accounting Standards - AAS**

<b>Reference</b>	<b>Title</b>
AAS 25	Financial Reporting by Superannuation Plans

## **Treasurer's Instructions – TIs**

<b>Reference</b>	<b>Title</b>
TI 1	Interpretation and Application
TI 2	Financial Management
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 7	Corporate Governance
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditors' Accounts
TI 12	Government Purchase Cards and Stored Value Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff



## Treasurer's Instructions – TIs (continued)

Reference	Title
TI 14	Ex Gratia Payments
TI 15	Grant Funding
TI 17	Evaluation of and Approvals to Proceed with Public Sector Initiatives
TI 19	Financial Reporting
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Taxation Policies
TI 28	Financial Management Compliance Program

## Accounting Policy Framework - APF

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

## Legislation

Reference	Title
ITAA	<i>Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997</i>
NRMA	<i>Natural Resources Management Act 2004</i>
PCA	<i>Public Corporations Act 1993</i>
PFAA	<i>Public Finance and Audit Act 1987</i>
PSA	<i>Public Sector Act 2009</i>
WRCA	<i>Workers Rehabilitation and Compensation Act 1986</i>

## Acronyms

Reference	Title
AASs	Australian Accounting Standards <sup>1</sup>
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System

<sup>1</sup> 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board that are in force in relation to the reporting period to which the financial report relates.

**Acronyms (continued)**

<b>Reference</b>	<b>Title</b>
CPE	Computer processing environment
CPI	Consumer price index
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
EFT	Electronic funds transfer
FBT	Fringe benefits tax
GST	Goods and services tax
ICT	Information and communications technology ( <i>except in heading in write-up. In full for indexing purposes</i> )
LSL	Long service leave
SAFA	South Australian Government Financing Authority
SERL	Skills and experience retention leave
Service SA	Government Services Group - Service SA
SSSA	Government Services Group - Shared Services SA
TI	Treasurer's Instruction
TVSP	Targeted voluntary separation package

# Part B

## General index

### A

- Adelaide Convention Centre Corporation, 3
  - Assessment of controls, 4
  - Auditor's report on the financial report, 3
  - Redevelopment of the Adelaide Convention Centre, 6
- Adelaide Desalination Plant
  - South Australian Water Corporation, 1962
- Adelaide Entertainments Corporation, 25
  - Assessment of controls, 26
  - Auditor's report on the financial report, 26
  - Procurement processes for the contracting of major capital works, 26
  - Qualified Opinion – Assessment of controls, 26
- Adelaide Festival Centre Trust, 50
  - Assessment of controls, 51
  - Auditor's report on the financial report, 51
  - ICT and control, 51
  - Internal auditing requirements, 51
  - Qualified Opinion – Assessment of controls, 51
- Adelaide Festival Corporation, 76
  - Assessment of controls, 77
  - Auditor's report on the financial report, 77
  - Cash handling, 77
  - Financial authorisations, 77
  - Qualified Opinion – Assessment of controls, 77
- Adelaide Oval
  - Adelaide Oval SMA Limited, 95
  - Planning, Transport and Infrastructure, Department of, 1286
- Adelaide Oval SMA Limited, 95
  - \$18 million funding deed, 99
  - Adelaide Oval, 95
  - Auditor's report on the financial report, 97
  - Schedule of Funds held in Trust, 100
- AOSMA. *see* Adelaide Oval SMA Limited
- Art Gallery Board, 117
  - Assessment of controls, 118
  - Auditor's report on the financial report, 117
  - Cash, 124
  - Governance, 119
  - Heritage collections, 121
  - Legal compliance, 118
  - Payroll, 123
  - Qualified Opinion – Assessment of controls, 118
  - Revenue, 123
  - Shared Services SA – Financial systems and transaction processing environments, 124
- Assessment of controls
  - Adelaide Convention Centre Corporation, 4
  - Adelaide Entertainments Corporation, 26
  - Adelaide Festival Centre Trust, 51
  - Adelaide Festival Corporation, 77
  - Assessment of controls (*continued*)
    - Art Gallery Board, 118
    - Attorney-General's Department, 153
    - Auditor-General's Department, 263
    - Central Adelaide Local Health Network Incorporated, 832
    - Communities and Social Inclusion, Department for, 281
    - Correctional Services, Department for, 346
    - Country Health SA Local Health Network Incorporated, 840
    - Courts Administration Authority, 385
    - Defence SA, 428
    - Education and Child Development, Department for, 456
    - Electoral Commission of South Australia, 531
    - Environment Protection Authority, 556
    - Environment, Water and Natural Resources, Department of, 592
    - Flinders University of South Australia, 655
    - Further Education, Employment, Science and Technology, Department of, 714
    - Health and Ageing, Department for, 759
    - Health Services Charitable Gifts Board, 850
    - HomeStart Finance, 877
    - Independent Commissioner Against Corruption, 928
    - Judges' Pensions Scheme, 950
    - Legal Services Commission, 962
    - Libraries Board of South Australia, 1043
    - Local Government Finance Authority of South Australia, 1072
    - Lotteries Commission of South Australia, 1092
    - Manufacturing, Innovation, Trade, Resources and Energy, Department for, 1126
    - Motor Accident Commission, 1175
    - Museum Board, 1208
    - Northern Adelaide Local Health Network Incorporated, 837
    - Office of the National Rail Safety Regulator, 1238
    - Parliamentary Superannuation Scheme, 1256
    - Planning, Transport and Infrastructure, Department of, 1271
    - Police Superannuation Scheme, 1360
    - Premier and Cabinet, Department of the, 1377
    - Primary Industries and Regions, Department of, 1440
    - Public Trustee, 237
    - SA Ambulance Service Inc, 843
    - South Australia Police, 1520
    - South Australian Country Fire Service, 1571
    - South Australian Fire and Emergency Services Commission, 1602
    - South Australian Government Financing Authority, 1652
    - South Australian Housing Trust, 1695
    - South Australian Metropolitan Fire Service, 1745
    - South Australian Motor Sport Board, 1777
    - South Australian State Emergency Service, 1802

Assessment of controls (*continued*)

South Australian Superannuation Board, 1829  
South Australian Tourism Commission, 1915  
South Australian Water Corporation, 1943  
Southern Adelaide Local Health Network  
Incorporated, 835  
Superannuation Funds Management Corporation of  
South Australia, 2001  
TAFE SA, 2038  
Treasury and Finance, Department of, 2074  
University of Adelaide, 2137  
University of South Australia, 2207  
Urban Renewal Authority, 2258  
Women's and Children's Health Network  
Incorporated, 842  
WorkCover Corporation of South Australia, 2311

Attorney-General's Department, 152  
Assessment of controls, 153  
Auditor's report on the financial report, 153  
Bank account access, 156  
Consumer and Business Services, 157  
Crown Solicitor's Office, 159  
Expenditure controls, 155  
Fines Enforcement and Recovery Unit, 161, 171  
Independent Gaming Corporation Limited, 173  
ICT and control, 163  
    Fines management system, 163  
    Forensic laboratory information management  
    system project, 164  
    Lawmaster practice management system IT  
    controls, 163  
Payroll controls, 155  
Public Trustee, 236  
Qualified Opinion – Assessment of controls, 153  
Residential Tenancies Fund, 158, 171  
Shared Services SA – Financial systems and  
transaction processing environments, 162  
Shared Services SA findings, 162  
South Australian Government Radio Network  
assets, 157  
Treasurer's Instructions 2 and 28, 153  
Victims of Crime Fund, 170

Auditor's report on the financial report  
Adelaide Convention Centre Corporation, 3  
Adelaide Entertainments Corporation, 26  
Adelaide Festival Centre Trust, 51  
Adelaide Festival Corporation, 77  
Adelaide Oval SMA Limited, 97  
Art Gallery Board, 117  
Attorney-General's Department, 153  
Auditor-General's Department, 263  
Central Adelaide Local Health Network  
Incorporated, 832  
Communities and Social Inclusion, Department  
for, 281  
Correctional Services, Department for, 346  
Country Health SA Local Health Network  
Incorporated, 839  
Courts Administration Authority, 385  
Defence SA, 428  
Education and Child Development, Department  
for, 456  
Electoral Commission of South Australia, 531

Auditor's report on the financial report (*continued*)

Environment Protection Authority, 556  
Flinders University of South Australia, 655  
Further Education, Employment, Science and  
Technology, Department of, 714  
Health and Ageing, Department for, 759  
Health Services Charitable Gifts Board, 850  
HomeStart Finance, 877  
Independent Commissioner Against Corruption, 928  
Judges' Pensions Scheme, 950  
Legal Services Commission, 962  
Legislature, The  
    House of Assembly, 989  
    Joint Parliamentary Service, 989  
    Legislative Council, 989  
Libraries Board of South Australia, 1042  
Local Government Finance Authority of South  
Australia, 1072  
Lotteries Commission of South Australia, 1092  
Manufacturing, Innovation, Trade, Resources and  
Energy, Department for, 1126  
Motor Accident Commission, 1175  
Museum Board, 1207  
Northern Adelaide Local Health Network  
Incorporated, 837  
Office of the National Rail Safety Regulator, 1238  
Parliamentary Superannuation Scheme, 1256  
Planning, Transport and Infrastructure, Department  
of, 1271  
Police Superannuation Scheme, 1360  
Premier and Cabinet, Department of the, 1377  
Primary Industries and Regions, Department of, 1440  
Public Trustee, 237  
SA Ambulance Service Inc, 843  
South Australia Police, 1520  
South Australian Ambulance Service Superannuation  
Scheme, 1840  
South Australian Country Fire Service, 1571  
South Australian Fire and Emergency Services  
Commission, 1602  
South Australian Government Financing  
Authority, 1652  
South Australian Housing Trust, 1695  
South Australian Metropolitan Fire Service, 1745  
South Australian Motor Sport Board, 1776  
South Australian State Emergency Service, 1802  
South Australian Superannuation Board, 1829  
South Australian Superannuation Scheme, 1855  
South Australian Tourism Commission, 1914  
South Australian Water Corporation, 1943  
Southern Adelaide Local Health Network  
Incorporated, 835  
Southern State Superannuation Scheme, 1878  
Super SA Retirement Investment Fund, 1896  
Superannuation Funds Management Corporation of  
South Australia, 2001  
TAFE SA, 2038  
Treasury and Finance, Department of, 2073  
University of Adelaide, 2137  
University of South Australia, 2206  
Urban Renewal Authority, 2258  
Women's and Children's Health Network  
Incorporated, 841  
WorkCover Corporation of South Australia, 2311

Auditor-General's Department, 263  
Assessment of controls, 263  
Auditor's report on the financial report, 263

## C

Central Adelaide Local Health Network Incorporated  
Assessment of controls, 832  
Auditor's report on the financial report, 832  
Commonwealth Pharmaceutical Benefits Scheme  
subsidy revenue, 822  
Expenditure, 818, 823  
Fixed assets, 822  
Health and Ageing, Department for, 756, 815,  
823, 832  
Inventory, 824  
Online banking, 819  
Patient revenue, 819  
Payroll, 818, 823  
Pharmacy inventory, 820  
Plant and equipment stocktake, 824  
Private practice, 819  
Qualified Opinion – Assessment of controls, 832  
Service level determination with Shared  
Services SA, 817  
Shared Services SA audit findings, 830  
Treasurer's Instruction 2 – Lost, stolen and other  
irregularities in property register, 824  
Communities and Social Inclusion, Department for, 280  
Assessment of controls, 281  
Auditor's report on the financial report, 281  
Brokerage expenditure, 282  
Client trust funds, 283  
Concessions, 281  
ICT and control, 284  
Other audit findings, 285  
Qualified Opinion – Assessment of controls, 281  
Shared Services SA – Financial systems and  
transaction processing environments, 286  
Treasurer's Instructions 2 and 28, 284  
Community Emergency Services Fund  
South Australian Fire and Emergency Services  
Commission, 1601  
Consumer and Business Services  
Attorney-General's Department, 157  
Correctional Services, Department for, 345  
Assessment of controls, 346  
Auditor's report on the financial report, 346  
Expenditure, 347  
Payroll, 346  
Qualified Opinion – Assessment of controls, 346  
Risk management framework, 346  
Shared Services SA – Financial systems and  
transaction processing environments, 348  
Country Health SA Local Health Network Incorporated  
Assessment of controls, 840  
Auditor's report on the financial report, 839  
Cash and financial assets, 828  
Enterprise Patient Administration Systems  
implementation (Port Augusta Hospital), 830  
Expenditure, 829

Country Health SA Local Health Network  
Incorporated (*continued*)  
Grant management, 828  
Health and Ageing, Department for, 756, 815,  
828, 839  
Inventory, 830  
Property, plant and equipment, 830  
Qualified Opinion – Assessment of controls, 840  
Revenue, 829  
Shared Services SA audit findings, 830  
Courts Administration Authority, 384  
Accounts payable, 385  
Assessment of controls, 385  
Auditor's report on the financial report, 385  
Fines and court fees, 389  
Payment of jury and witness fees, 386  
Payroll, 385  
Qualified Opinion – Assessment of controls, 385  
Victims of Crime levy, 389  
Crown Solicitor's Office  
Attorney-General's Department, 159

## D

Defence SA, 427  
Assessment of controls, 428  
Auditor's report on the financial report, 428  
Shared Services SA – Financial systems and  
transaction processing environments, 428  
Department for Communities and Social Inclusion. *see*  
Communities and Social Inclusion, Department for  
Department for Correctional Services. *see* Correctional  
Services, Department for  
Department for Education and Child Development. *see*  
Education and Child Development, Department for  
Department for Health and Ageing. *see* Health and  
Ageing, Department for  
Department for Manufacturing, Innovation, Trade,  
Resources and Energy. *see* Manufacturing, Innovation,  
Trade, Resources and Energy, Department for  
Department of Environment, Water and Natural  
Resources. *see* Environment, Water and Natural  
Resources, Department of  
Department of Further Education, Employment, Science  
and Technology. *see* Further Education, Employment,  
Science and Technology, Department of  
Department of Planning, Transport and Infrastructure. *see*  
Planning, Transport and Infrastructure, Department of  
Department of Primary Industries and Regions. *see*  
Primary Industries and Regions, Department of  
Department of State Development. *see* State  
Development, Department of  
Department of the Premier and Cabinet. *see* Premier and  
Cabinet, Department of the  
Department of Treasury and Finance. *see* Treasury and  
Finance, Department of

## E

- Education and Child Development, Department for, 455
  - Accounts payable, 461
  - Assessment of controls, 456
  - Auditor's report on the financial report, 456
  - Families SA expenditure, 464
  - General ledger processing, 466
  - ICT and control, 467
  - Payroll, 457
    - CHRIS payroll, 457
    - Valeo payroll, 458
  - Proposal to modify State funding arrangements to non-government schools, 456
  - Purchase cards, 462
  - Qualified Opinion – Assessment of controls, 456
  - School maintenance, 463
  - Shared Services SA – Financial systems and transaction processing environments, 466
  - Staffing, 472
  - Student enrolments, 473
- Electoral Commission of South Australia, 530
  - Assessment of controls, 531
  - Auditor's report on the financial report, 531
- Environment Protection Authority, 555
  - Assessment of controls, 556
  - Auditor's report on the financial report, 556
  - Environment Protection Fund, 555
  - ICT and control, 557
  - Licence Administration Modernisation Project, 561
  - Licence compliance, 556
  - Payroll bona fide register, 557
  - Purchase cards, 557
  - Qualified Opinion – Assessment of controls, 556
  - Shared Services SA – Financial systems and transaction processing environments, 558
  - Transfer of solid waste levies to the Waste to Resources Fund, 561
- Environment Protection Fund
  - Environment Protection Authority, 555
- Environment, Water and Natural Resources, Department of, 590
  - 2013-14 Independent Auditor's Report – Crown land, 591
  - Administered grant programs, 597
  - Assessment of controls, 592
  - Cash, 592
  - Coorong, Lower Lakes and Murray Mouth projects, 597
  - Murray Futures, 599
  - Murray-Darling Basin Authority, 598
  - Natural Resource Management Boards and Fund, 597
  - Payroll, 592
  - Property, plant and equipment, 594
  - Purchase cards, 592
  - Qualified Opinion – Assessment of controls, 592
  - Qualified Opinion – Financial report, 591
  - Revenue – Follow-up of outstanding debtors, 593
  - Save the River Murray Fund, 598
  - Shared Services SA – Financial systems and transaction processing environments, 594
  - Tenancies and billing system, 593

## F

- Fines Enforcement and Recovery Unit
  - Attorney-General's Department, 161, 171
- Flinders University of South Australia, 654
  - Approval of tuition fee waivers, 655
  - Assessment of controls, 655
  - Auditor's report on the financial report, 655
  - Cyclical declarations of conflicts of interest, 655
  - Gifts and benefits register, 655
  - ICT and control, 656
  - Leave recording (professional staff), 656
  - Property, plant and equipment accounting, 656
  - Qualified Opinion – Assessment of controls, 655
  - South Australian Health and Medical Research Institute, 665
  - Timesheets (professional staff), 656
- Funds SA. *see* Superannuation Funds Management Corporation of South Australia
- Further Education, Employment, Science and Technology, Department of, 713
  - Assessment of controls, 714
  - Auditor's report on the financial report, 714
  - Expenditure, 717
  - Formation of the Department of State Development, 721
  - Payroll, 716
  - Qualified Opinion – Assessment of controls, 714
  - Shared Services SA – Financial systems and transaction processing environments, 717
  - Skills for All, 714, 721

## H

- Health and Ageing, Department for, 756
  - Accounts payable, 762
  - Accounts receivable, 763
  - Assessment of controls, 759
  - Auditor's report on the financial report, 759
  - Capital funding to health services, 767
  - Central Adelaide Local Health Network Incorporated, 756, 815, 823, 832
  - Country Health SA Local Health Network Incorporated, 756, 815, 828, 839
  - Department staffing statistics, 846
  - Fixed assets, 764
  - Funding to not-for-profit organisations, 767
  - General ledger, 764
  - Health sector challenges, 757
    - Financial reporting, 758
    - Governance and financial control, 758
    - Information technology and system change, 757
    - National health reforms, 757
    - The new Royal Adelaide Hospital project, 758
  - Health sector staffing statistics, 846
  - Hospital activity statistics, 847
  - Implementation of Treasurer's Instruction 2 and 28, 760
  - Incorporated hospitals and health services, 815
  - ICT and control, 765
    - Enterprise Patient Administration Systems, 765
    - Oracle Corporate System, 765

Health and Ageing, Department for (*continued*)

- Internal audit review of medical consultant allowances, 760
- Northern Adelaide Local Health Network Incorporated, 756, 815, 826, 837
- Payroll, 761
- Qualified Opinion – Assessment of controls, 759
- Recurrent funding to health services, 767
- SA Ambulance Service Inc, 756, 815, 843
- SA Ambulance Service Inc staffing statistics, 846
- Shared Services SA – CHRIS payroll control environment, 762
- South Australian Health and Medical Research Institute, 768
- Southern Adelaide Local Health Network Incorporated, 756, 815, 824, 835
- Special purpose funds, 764
- Treasurer's Instruction 11 creditor account payment performance, 763
- Women's and Children's Health Network Incorporated, 756, 815, 827, 841

Health Services Charitable Gifts Board, 849

- Assessment of controls, 850
- Auditor's report on the financial report, 850
- South Australian Health and Medical Research Institute, 851

HomeStart Finance, 876

- Assessment of controls, 877
- Auditor's report on the financial report, 877
- Bad and impaired loans expense, 880
- Borrowing limit, 887
- Breakthrough loans, 881
- Customer loans repaid, 886
- Distributions to government, 885
- Dividend payout ratio, 887
- Financial risks, 882
- General reserve for credit losses, 883
- HomeStart operating parameters, 887
- Investments, 884
- Loan quality, 883
- Loans and advances, 880
- Performance targets, 887
- Provisions for impairment, 882

I

Independent Commissioner Against Corruption, 927

- Assessment of controls, 928
- Auditor's report on the financial report, 928
- Office for Public Integrity, 927
- Shared Services SA – Financial systems and transaction processing environments, 928

Independent Gaming Corporation Limited

- Attorney-General's Department, 173

ICT and control

- Adelaide Festival Centre Trust, 51
- Attorney-General's Department, 163
- Communities and Social Inclusion, Department for, 284
- Education and Child Development, Department for, 467
- Environment Protection Authority, 557
- Flinders University of South Australia, 656

ICT and control (*continued*)

- Health and Ageing, Department for, 765
- Legal Services Commission, 963
- Planning, Transport and Infrastructure, Department of, 1284
- Premier and Cabinet, Department of the, 1383
- South Australia Police, 1526
- South Australian Housing Trust, 1700
- South Australian Water Corporation, 1947
- Treasury and Finance, Department of, 2079
- University of Adelaide, 2141
- University of South Australia, 2209
- WorkCover Corporation of South Australia, 2317

J

Judges' Pensions Scheme, 949

- Assessment of controls, 950
- Auditor's report on the financial report, 950
- Contributions by employers, 951
- Pensioners, 951

L

Legal Services Commission, 961

- Assessment of controls, 962
- Auditor's report on the financial report, 962
- Expenditure and accounts payable, 963
- ICT and control, 963
- Payroll, 963
- Private practitioner expenditure, 962
- Qualified Opinion – Assessment of controls, 962

Legislature, The

- House of Assembly
  - Auditor's report on the financial report, 989
- Joint Parliamentary Service
  - Auditor's report on the financial report, 989
- Legislative Council
  - Auditor's report on the financial report, 989
- Qualified Opinion – Financial report
  - Joint Parliamentary Service
    - Disclaimer of Opinion, 989

LGFA. *see* Local Government Finance Authority of South Australia

Libraries Board of South Australia, 1042

- Assessment of controls, 1043
- Auditor's report on the financial report, 1042
- Shared Services SA – Financial systems and transaction processing environments, 1043

Lifetime Support Authority of South Australia

- Motor Accident Commission, 1174

Local Government Finance Authority of South Australia, 1071

- Assessment of controls, 1072
- Asset quality, 1075
- Auditor's report on the financial report, 1072
- Information technology review, 1072
- Liabilities of the Authority, 1075
- Guarantee by the Treasurer, 1071

Lotteries Commission of South Australia, 1090  
Assessment of controls, 1092  
Auditor's report on the financial report, 1092  
Distributions to government, 1096  
Expenditure, 1092  
Qualified Opinion – Assessment of controls, 1092  
TattsTech system, 1091

## M

Manufacturing, Innovation, Trade, Resources and Energy, Department for, 1125  
Assessment of controls, 1126  
Auditor's report on the financial report, 1126  
Expenditure, 1126  
Payroll, 1127  
Qualified Opinion – Assessment of controls, 1126  
Revenue, 1127  
Shared Services SA – Financial systems and transaction processing environments, 1128

Motor Accident Commission, 1173  
Assessment of controls, 1175  
Auditor's report on the financial report, 1175  
Future impact of the 2014-15 State Budget, 1174  
Investment result, 1177  
Investments, 1179  
Lifetime Support Authority of South Australia, 1174  
Outstanding claims, 1179  
Scheme reform, 1173  
Shared Services SA – Financial systems and transaction processing environments, 1175  
Solvency level, 1181  
Third party insurance premiums, 1183  
Total comprehensive result, 1178  
Underwriting result, 1176

Murray-Darling Basin Authority  
Environment, Water and Natural Resources, Department of, 598

Museum Board, 1207  
Assessment of controls, 1208  
Auditor's report on the financial report, 1207  
Cash, 1210  
Governance, 1208  
Heritage collections, 1210  
Legal compliance, 1208  
Qualified Opinion – Assessment of controls, 1208  
Shared Services SA – Financial systems and transaction processing environments, 1211

## N

Northern Adelaide Local Health Network Incorporated  
Assessment of controls, 837  
Auditor's report on the financial report, 837  
Commonwealth Pharmaceutical Benefits Scheme subsidy revenue, 822  
Expenditure, 818  
Expenditure (Lyell McEwin Hospital), 826  
Expenditure (Modbury Hospital), 826  
Fixed assets, 822  
Health and Ageing, Department for, 756, 815, 826, 837  
Online banking, 819

Northern Adelaide Local Health Network Incorporated  
(continued)  
Patient revenue, 819  
Payroll, 818, 826  
Pharmacy inventory, 820  
Private practice, 819, 826  
Qualified Opinion – Assessment of controls, 837  
Service level determination with Shared Services SA, 817  
Shared Services SA audit findings, 830  
Treasurer's Instruction 2 – Lost, stolen and other irregularities in property register, 827

## O

Office for Public Integrity  
Independent Commissioner Against Corruption, 927

Office for Recreation and Sport  
Planning, Transport and Infrastructure, Department of, 1275

Office of the National Rail Safety Regulator, 1237  
Assessment of controls, 1238  
Auditor's report on the financial report, 1238  
Expenditure – Banking restrictions, 1238  
Revenue – Industry annual accreditation fees, 1238  
Revenue – Waiver of late payment fees, 1239

## P

Parliamentary Superannuation Scheme, 1255  
Assessment of controls, 1256  
Auditor's report on the financial report, 1256  
Contributions by employees, 1257  
Pensioners, 1257

Planning, Transport and Infrastructure, Department of, 1270  
Accounts payable, 1273  
Adelaide Oval redevelopment, 1286  
Assessment of controls, 1271  
Auditor's report on the financial report, 1271  
Bank account reconciliations, 1279  
Building management  
Commercial and residential properties, 1282  
Facilities management, 1282  
Project services, 1280  
Bus contract payments, 1277  
Capital works in progress, 1291  
Commonwealth certificates, 1283  
Fixed assets, 1280  
Gawler Line Modernisation project, 1286  
ICT and control, 1284  
Facilities Management Information System IT controls, 1286  
Land Services Business Reform program developments, 1285  
Metrocard system review, 1284  
Management of machinery of government transitional arrangements, 1284  
Management of purchase cards, 1274  
Metrocard revenue, 1278  
Network assets, 1290  
Office for Recreation and Sport – Grant expenditure, 1275



Planning, Transport and Infrastructure, Department of (*continued*)  
 Payroll, 1276  
 Qualified Opinion – Assessment of controls, 1271  
 Revenue and accounts receivable, 1278  
 Risk management, 1272  
 Shared Services SA – Financial systems and transaction processing environments, 1273  
 Police Superannuation Scheme, 1359  
   Assessment of controls, 1360  
   Auditor’s report on the financial report, 1360  
   Contributions by members, 1364  
   Liability for accrued benefits, 1363  
   Pensioners, 1364  
 Port Adelaide Waterfront Redevelopment  
   Urban Renewal Authority, 2270  
 Premier and Cabinet, Department of the, 1376  
   Assessment of controls, 1377  
   Auditor’s report on the financial report, 1377  
   Changes in organisational arrangements, 1376  
   Corporate, 1377  
   ICT and control, 1383  
   Qualified Opinion – Assessment of controls, 1377  
   SafeWork SA, 1378  
   Service SA, 1378  
   Shared Services SA  
     Accounts payable control environments, 1379  
     CommBiz banking environment, 1381  
     Financial systems and transaction processing environments, 1379  
     Payroll control environments, 1380  
     Whole-of-government strategic contracts, 1382  
 Primary Industries and Regions, Department of, 1439  
   Assessment of controls, 1440  
   Auditor’s report on the financial report, 1440  
   Corporate governance, 1444  
   Expenditure, 1440  
   Financial accounting, 1443  
   Fisheries licensing revenue, 1442  
   Grants and advances revenue  
     Rural Solutions SA, 1443  
     SARDI, 1444  
   Payroll, 1441  
   Qualified Opinion – Assessment of controls, 1440  
   Shared Services SA – Financial systems and transaction processing environments, 1445  
 Public Trustee, 236  
   Assessment of controls, 237  
   Auditor’s report on the financial report, 237  
   Common fund financial statements, 241  
   Common fund operations, 237  
   Implementation of TIs 2 and 28, 238  
   Qualified Opinion – Assessment of controls, 237  
   Shared Services SA – CHRIS payroll control environment, 238  
   Trust operations, 237

## Q

Qualified Opinion – Assessment of controls  
   Adelaide Entertainments Corporation, 26  
   Adelaide Festival Centre Trust, 51  
   Adelaide Festival Corporation, 77

Qualified Opinion – Assessment of controls (*continued*)  
   Art Gallery Board, 118  
   Attorney-General’s Department, 153  
   Central Adelaide Local Health Network Incorporated, 832  
   Communities and Social Inclusion, Department for, 281  
   Correctional Services, Department for, 346  
   Country Health SA Local Health Network Incorporated, 840  
   Courts Administration Authority, 385  
   Education and Child Development, Department for, 456  
   Environment Protection Authority, 556  
   Environment, Water and Natural Resources, Department of, 592  
   Flinders University of South Australia, 655  
   Further Education, Employment, Science and Technology, Department of, 714  
   Health and Ageing, Department for, 759  
   Legal Services Commission, 962  
   Lotteries Commission of South Australia, 1092  
   Manufacturing, Innovation, Trade, Resources and Energy, Department for, 1126  
   Museum Board, 1208  
   Northern Adelaide Local Health Network Incorporated, 837  
   Planning, Transport and Infrastructure, Department of, 1271  
   Premier and Cabinet, Department of the, 1377  
   Primary Industries and Regions, Department of, 1440  
   Public Trustee, 237  
   South Australia Police, 1520  
   South Australian Country Fire Service, 1571  
   South Australian Fire and Emergency Services Commission, 1602  
   South Australian Housing Trust, 1695  
   South Australian Metropolitan Fire Service, 1745  
   South Australian State Emergency Service, 1802  
   South Australian Superannuation Board, 1829  
   South Australian Water Corporation, 1943  
   Southern Adelaide Local Health Network Incorporated, 835  
   TAFE SA, 2038  
   Treasury and Finance, Department of, 2074  
   University of Adelaide, 2137  
   University of South Australia, 2207  
   Urban Renewal Authority, 2258  
   Women’s and Children’s Health Network Incorporated, 842  
   WorkCover Corporation of South Australia, 2311  
 Qualified Opinion – Financial report  
   Disclaimer of Opinion – Legislature, The Joint Parliamentary Service, 989  
   Environment, Water and Natural Resources, Department of, 591  
   South Australian Motor Sport Board, 1777  
   University of South Australia, 2206

## R

Renewal SA. *see* Urban Renewal Authority  
 Residential Tenancies Fund  
   Attorney-General’s Department, 158, 171

## S

- SA Ambulance Service Inc
  - Assessment of controls, 843
  - Auditor's report on the financial report, 843
  - Health and Ageing, Department for, 756, 815, 843
  - Shared Services SA audit findings, 830
- SAFA. *see* South Australian Government Financing Authority
- SAHMRI. *see* South Australian Health and Medical Research Institute
- Save the River Murray Fund
  - Environment, Water and Natural Resources, Department of, 598
- Shared Services SA
  - Art Gallery Board, 124
  - Attorney-General's Department, 162
  - Central Adelaide Local Health Network
    - Incorporated, 830
  - Communities and Social Inclusion, Department for, 286
  - Correctional Services, Department for, 348
  - Country Health SA Local Health Network
    - Incorporated, 830
  - Defence SA, 428
  - Education and Child Development, Department for 466
  - Environment Protection Authority, 558
  - Environment, Water and Natural Resources, Department of, 594
  - Further Education, Employment, Science and Technology, Department of, 717
  - Health and Ageing, Department for, 762
  - Independent Commissioner Against Corruption, 928
  - Libraries Board of South Australia, 1043
  - Manufacturing, Innovation, Trade, Resources and Energy, Department for, 1128
  - Motor Accident Commission, 1175
  - Museum Board, 1211
  - Northern Adelaide Local Health Network
    - Incorporated, 830
  - Planning, Transport and Infrastructure, Department of, 1273
  - Premier and Cabinet, Department of the, 1379, 1380, 1381, 1382
  - Primary Industries and Regions, Department of, 1445
  - Public Trustee, 238
  - SA Ambulance Service Inc, 830
  - South Australia Police, 1525
  - South Australian Fire and Emergency Services Commission, 1606
  - South Australian Housing Trust, 1700
  - South Australian Tourism Commission, 1915
  - Southern Adelaide Local Health Network
    - Incorporated, 830
  - TAFE SA, 2042
  - Treasury and Finance, Department of, 2079
  - Women's and Children's Health Network
    - Incorporated, 830
- South Australia Police, 1519
  - Assessment of controls, 1520
  - Auditor's report on the financial report, 1520
  - Expenditure, 1522
- South Australia Police (*continued*)
  - Expiation fees, 1530
  - Expiation revenue, 1520
  - Firearms Branch review, 1523
  - ICT and control, 1526
  - Payroll, 1522
  - Procurement/Contract management, 1521
  - Qualified Opinion – Assessment of controls, 1520
  - Revenue, 1522
  - Road safety camera review, 1524
  - Shared Services SA – Financial systems and transaction processing environments, 1525
  - Victims of Crime levy, 1530
  - Workers compensation, 1522
- South Australian Ambulance Service Superannuation Scheme, 1840
  - Auditor's report on the financial report, 1840
  - Liability for accrued benefits, 1841
  - Members, 1842
  - South Australian Superannuation Board, 1828
- South Australian Country Fire Service, 1570
  - Assessment of controls, 1571
  - Auditor's report on the financial report, 1571
  - Qualified Opinion – Assessment of controls, 1571
- South Australian Fire and Emergency Services Commission, 1601
  - Assessment of controls, 1602
  - Auditor's report on the financial report, 1602
  - Banking arrangements and reporting, 1605
  - Business continuity planning, 1603
  - Community Emergency Services Fund, 1601
  - Financial management compliance programs, 1603
  - Other audit findings, 1605
  - Purchasing policy and recordkeeping, 1604
  - Qualified Opinion – Assessment of controls, 1602
  - Shared Services SA – Financial systems and transaction processing environments, 1606
  - South Australian Country Fire Service, 1570
  - South Australian Metropolitan Fire Service, 1744
  - South Australian State Emergency Service, 1801
- South Australian Forestry Corporation, 1650
  - Status of the financial report, 1650
- South Australian Government Financing Authority, 1651
  - Assessment of controls, 1652
  - Audit and Risk Management Committee, 1654
  - Auditor's report on the financial report, 1652
  - Business risk management, 1657
  - Catastrophe reinsurance program, 1660
  - Compliance testing and independent review, 1653
  - Compliance with TIs 2 and 28, 1653
  - Fleet operations – Contract management arrangements, 1652
  - Policies and procedures, 1653
  - Risk and fraud management, 1653
  - SAFA Advisory Board, 1651
- South Australian Health and Medical Research Institute
  - Flinders University of South Australia, 665
  - Health and Ageing, Department for, 768
  - Health Services Charitable Gifts Board, 851
  - University of Adelaide, 2150
  - University of South Australia, 2217

- South Australian Housing Trust, 1694
  - Assessment of controls, 1695
  - Auditor's report on the financial report, 1695
  - Council rates, 1698
  - Financial management compliance program, 1700
  - ICT and control, 1700
  - Interest bearing liabilities, 1707
  - Maintenance, 1697
  - Multi-trade contractor – Procurement and contract management, 1696
  - Payroll, 1699
  - Qualified Opinion – Assessment of controls, 1695
  - Rent, 1695
  - Shared Services SA – Financial systems and transaction processing environments, 1700
  - Unexpended grant funding commitments, 1706
  - Water rates, 1698
- South Australian Metropolitan Fire Service, 1744
  - Assessment of controls, 1745
  - Auditor's report on the financial report, 1745
  - Qualified Opinion – Assessment of controls, 1745
- South Australian Motor Sport Board, 1775
  - Assessment of controls, 1777
  - Auditor's report on the financial report, 1776
  - Clipsal 500 Adelaide, 1775
  - Qualified Opinion – Financial report, 1777
- South Australian State Emergency Service, 1801
  - Assessment of controls, 1802
  - Auditor's report on the financial report, 1802
  - Qualified Opinion – Assessment of controls, 1802
- South Australian Superannuation Board, 1828
  - Assessment of controls, 1829
  - Auditor's report on the financial report, 1829
  - Qualified Opinion – Assessment of controls, 1829
  - Service provision arrangements, 1828
  - South Australian Ambulance Service Superannuation Scheme, 1828
  - South Australian Superannuation Scheme, 1828
  - Southern State Superannuation Scheme, 1828
  - Super SA Retirement Investment Fund, 1828
- South Australian Superannuation Scheme, 1855
  - Auditor's report on the financial report, 1855
  - Benefits paid, 1859
  - Contributions by members, 1860
  - Funding of benefit payments, 1859
  - Pensioners, 1860
  - South Australian Superannuation Board, 1828
  - Statement of Financial Position, 1858
- South Australian Tourism Commission, 1914
  - Assessment of controls, 1915
  - Auditor's report on the financial report, 1914
  - Shared Services SA – Financial systems and transaction processing environments, 1915
- South Australian Water Corporation, 1942
  - Adelaide Desalination Plant, 1962
  - Adelaide Desalination Plant contract management, 1946
  - Adelaide Services Alliance contract, 1943
  - Assessment of controls, 1943
  - Asset value accounting matters, 1961
  - Auditor's report on the financial report, 1943
  - Community service obligations, 1952
- South Australian Water Corporation (*continued*)
  - Contributions to the State Government, 1957
  - Expenditure, 1946
  - ICT and control, 1947
  - North South Interconnection System project, 1962
  - Payroll, 1946
  - Performance statement, 1956
  - Procurement practice and management, 1947
  - Qualified Opinion – Assessment of controls, 1943
  - Revenue, 1946
  - Transfer of debt from Department of Treasury and Finance, 1963
  - Wastewater and water rates and charges, 1951, 1958
  - Water industry legislation, 1958
- Southern Adelaide Local Health Network Incorporated
  - Assessment of controls, 835
  - Auditor's report on the financial report, 835
  - Commonwealth Pharmaceutical Benefits Scheme subsidy revenue, 822
  - Enterprise patient administration system, 825
  - Expenditure, 818, 824
  - Fixed assets, 822, 825
  - Health and Ageing, Department for, 756, 815, 824, 835
  - Online banking, 819
  - Patient billing, 825
  - Patient revenue, 819
  - Payroll, 818, 824
  - Pharmacy inventory, 820
  - Private practice, 819
  - Qualified Opinion – Assessment of controls, 835
  - Service level determination with Shared Services SA, 817
  - Shared Services SA audit findings, 830
- Southern State Superannuation Scheme, 1878
  - Auditor's report on the financial report, 1878
  - Contribution revenue, 1880
  - Membership statistics, 1880
  - South Australian Superannuation Board, 1828
  - Triple S Scheme, 1878
- State Development, Department of
  - Further Education, Employment, Science and Technology, Department of, 721
- Status of the financial report
  - South Australian Forestry Corporation, 1650
- Super SA Retirement Investment Fund, 1896
  - Auditor's report on the financial report, 1896
  - Benefits paid, 1899
  - Contribution revenue, 1898
  - South Australian Superannuation Board, 1828
- Superannuation Funds Management Corporation of South Australia, 1999
  - Assessment of controls, 2001
  - Asset allocation, 2002
  - Auditor's report on the financial report, 2001
  - Funds SA investment return, 2004
  - Funds under management, 1999, 2002
  - Income from investments, 2003
  - Investment expenses, 2005
  - Net income earned from investment activities, 2004
  - Restrictions on operations, 1999

## T

- TAFE SA, 2037
  - Assessment of controls, 2038
  - Auditor's report on the financial report, 2038
  - CommBiz limits, 2038
  - Expenditure, 2038
  - Payroll/Human resource management, 2039
  - Policies and procedures, 2038
  - Qualified Opinion – Assessment of controls, 2038
  - Shared Services SA – Financial systems and transaction processing environments, 2042
  - Skills for All revenue, 2040
  - Student Information System, 2040
  - Student revenue, 2040
- The Flinders University of South Australia. *see* Flinders University of South Australia
- Third party insurance premiums
  - Motor Accident Commission, 1183
- Treasury and Finance, Department of, 2072
  - Assessment of controls, 2074
  - Auditor's report on the financial report, 2073
  - Commonwealth funding arrangements, 2082
  - Government Accounting, Reporting and Procurement Branch, 2077
  - ICT and control, 2079
  - Members of Parliament global allowance, 2078
  - Qualified Opinion – Assessment of controls, 2074
  - RevenueSA – First home and housing construction grant schemes, 2075
  - RevenueSA – RISTEC project, 2074
  - Shared Services SA – Financial systems and transaction processing environments, 2079
- Triple S Scheme
  - Southern State Superannuation Scheme, 1878

## U

- University of Adelaide, 2136
  - Assessment of controls, 2137
  - Auditor's report on the financial report, 2137
  - Expenditure, 2139
  - Governance, 2137
  - ICT and control, 2141
  - Investments, 2140
  - Payroll, 2139
  - Procurement, 2138
  - Property, plant and equipment, 2140
  - Qualified Opinion – Assessment of controls, 2137
  - South Australian Health and Medical Research Institute, 2150
  - Student fees, 2141
- University of South Australia, 2205
  - Assessment of controls, 2207
  - Auditor's report on the financial report, 2206
  - Expenditure, 2209
  - General ledger, 2209
  - Grant funding, 2207
  - ICT and control, 2209
  - Payroll, 2208

## University of South Australia (*continued*)

- Qualified Opinion – Assessment of controls, 2207
- Qualified Opinion – Financial report, 2206
- Revenue, 2207
- South Australian Health and Medical Research Institute, 2217
- Urban Renewal Authority, 2257
  - Assessment of controls, 2258
  - Auditor's report on the financial report, 2258
  - Board of Management vacancies, 2259
  - Borrowings, 2268
  - Bowden Urban Village, 2272
  - Contract management, 2259
  - Establishment of the Urban Renewal Authority, 2268
  - Expenditure, 2260
  - Finalisation and approval of the ownership framework, 2258
  - Gillman site transaction, 2262
  - Inventory, 2261
  - Payroll, 2261
  - Playford Alive project, 2271
  - Port Adelaide Renewal project, 2271
  - Port Adelaide Waterfront Redevelopment, 2270
  - Qualified Opinion – Assessment of controls, 2258
  - Sales and property income, 2261
  - Tonsley Park project, 2272
  - Woodville West project, 2273

## V

- Victims of Crime Fund
  - Attorney-General's Department, 170
- Victims of Crime levy
  - Courts Administration Authority, 389

## W

- Women's and Children's Health Network Incorporated
  - Assessment of controls, 842
  - Auditor's report on the financial report, 841
  - Expenditure, 827
  - Health and Ageing, Department for, 756, 815, 827, 841
  - Payroll, 827
  - Qualified Opinion – Assessment of controls, 842
  - Shared Services SA audit findings, 830
- WorkCover Corporation of South Australia, 2309
  - Assessment of controls, 2311
  - Auditor's report on the financial report, 2311
  - ICT and control, 2317
  - Inherent uncertainty – Outstanding claims liability and funding ratio, 2311
  - Investment profits, 2322
  - Investments, 2324
  - Legislative changes, 2309
  - Outstanding claims – Compensation Fund, 2323
  - Premiums, 2312
  - Proposed legislative change, 2310
  - Qualified Opinion – Assessment of controls, 2311
  - Underwriting result, 2319
  - Workers compensation monitoring controls, 2312
  - Workers compensation system controls, 2314