



Government  
of South Australia

Report  
of the  
Auditor-General  
Annual Report  
for the  
year ended 30 June 2012

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Second Session, Fifty-Second Parliament

Part B: Agency audit reports  
Volume 2

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Treasurer's Financial Statements (Statements A-L)



## 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.

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# Courts Administration Authority

## Functional responsibility

### Establishment

The Courts Administration Authority (the Authority) was established pursuant to the *Courts Administration Act 1993*. The Authority is constituted of the State Courts Administration Council (SCAC), the State Courts Administrator and other staff of the SCAC.

### Functions

The function of the Authority, which is independent of the control of Executive Government, is to provide courts with the administrative facilities and services necessary for the proper administration of justice.

For more information about the Authority's objectives and priorities refer note 1 to the financial statements.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

Section 31(1)(b) of the PFAA and section 27 of the *Courts Administration Act 1993* provide for the Auditor-General to audit the accounts of the Authority 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 Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

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

### Scope of the audit

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

During 2011-12, areas of review included:

- payroll
- revenue and receipting
- fines policy
- expenditure
- financial accounting
- corporate governance
- financial management compliance program
- trust accounts
- ICT management

## Audit findings and comments

### Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Courts Administration Authority as at 30 June 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

## **Assessment of controls**

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

## **Communication of audit matters**

Matters arising during the course of the audit were detailed in a management letter to the State Courts Administrator. The main matters raised with the State Courts Administrator and the responses are detailed below.

### ***Information and Communications Technology and Control***

#### *Change management*

Audit reviewed aspects of change management practice applying to systems of the Authority. It was noted that many system changes are initiated through external parties' support arrangements with the Authority. Also Audit was advised at the time of audit that systems change management was an area under review.

Sample testing by Audit of system changes identified instances where:

- the change request template form was either not completed or was only partially completed
- call report checklists within the call collection logging system (Infra Enterprise system) were either not prepared or were incomplete
- user acceptance test script checklists to acknowledge appropriate action has occurred were either not completed or unsigned.

Audit recommended the Authority address these matters within their review exercise to ensure strong security controls and complete documentation are established and maintained.

The Authority responded that it is developing a continuous quality improvement review to fully implement best practice change control. This will include a focus on the completion of documentation. It also advised of specific measures being undertaken to improve change control, including:

- broadening the skill sets of current staff to ensure segregation of duties can occur
- reducing the number of differing technical environments, where possible
- improving testing competencies and processes.

#### *Function user access for the Fines Management (FATE) and Criminal Case Management (CCMS) systems*

The granting of function user access within the FATE and CCMS application systems is approved by the user's supervisor to enable staff (users) to perform their roles and responsibilities.

An audit sample of users with access to these application systems found a lack of documentation to support the granting and approval of specific function user access. Further, there is no ongoing periodical review of function user access at business units/ registries to ensure that allocated access is current and appropriate. This includes no review to ensure segregation of duties is maintained for function user access granted to users.



Audit recommended the Authority develop and circulate a template function user access form to be used whenever specific function user access is approved and granted within the FATE and CCMS systems. Audit also recommended that business units/registries managers perform regular function user access reviews using reports generated by IT detailing the functions accessible by each user.

In response, the Authority advised a review of current system access for the FATE and CCMS systems will be undertaken.

#### *Currency of system security documentation*

Audit reviewed a sample of documents on the Authority's intranet to determine whether reference documents, available to staff to assist in their day to day duties, are kept current. Audit found that reference documents are not always up-to-date. Audit was advised that a number of key documents are currently being updated and some of these documents have been in a draft status for some months. Also, existing documentation is not yet aligned with the Government's current mandated Information Security Management Framework (ISMF).

Audit recommended the Authority:

- ensure system security, operational and financial documentation is updated and endorsed by senior management
- implement a policy to review key document manuals on a regular basis which includes maintaining evidence of review performance
- ensure IT security documentation is aligned with the Government's mandated ISMF.

In response, the Authority advised that a project to review compliance with the ISMF has been approved for the 2012-13 year. In addition, a review of current documentation will be undertaken.

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

### **Highlights of the financial report**

	2012 \$'million	2011 \$'million
<b>Expenses</b>		
Employee benefits expenses	53	50
Supplies and services	34	34
Other expenses	10	10
<b>Total expenses</b>	<b>97</b>	<b>94</b>
<b>Income</b>		
Revenues from fees and charges	6	6
Other revenues	3	1
<b>Total income</b>	<b>9</b>	<b>7</b>
<b>Net cost of providing services</b>	<b>88</b>	<b>87</b>
<b>Revenues from SA Government</b>	<b>87</b>	<b>87</b>
<b>Net result</b>	<b>(1)</b>	<b>-</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>18</b>
<b>Total comprehensive result</b>	<b>(1)</b>	<b>18</b>

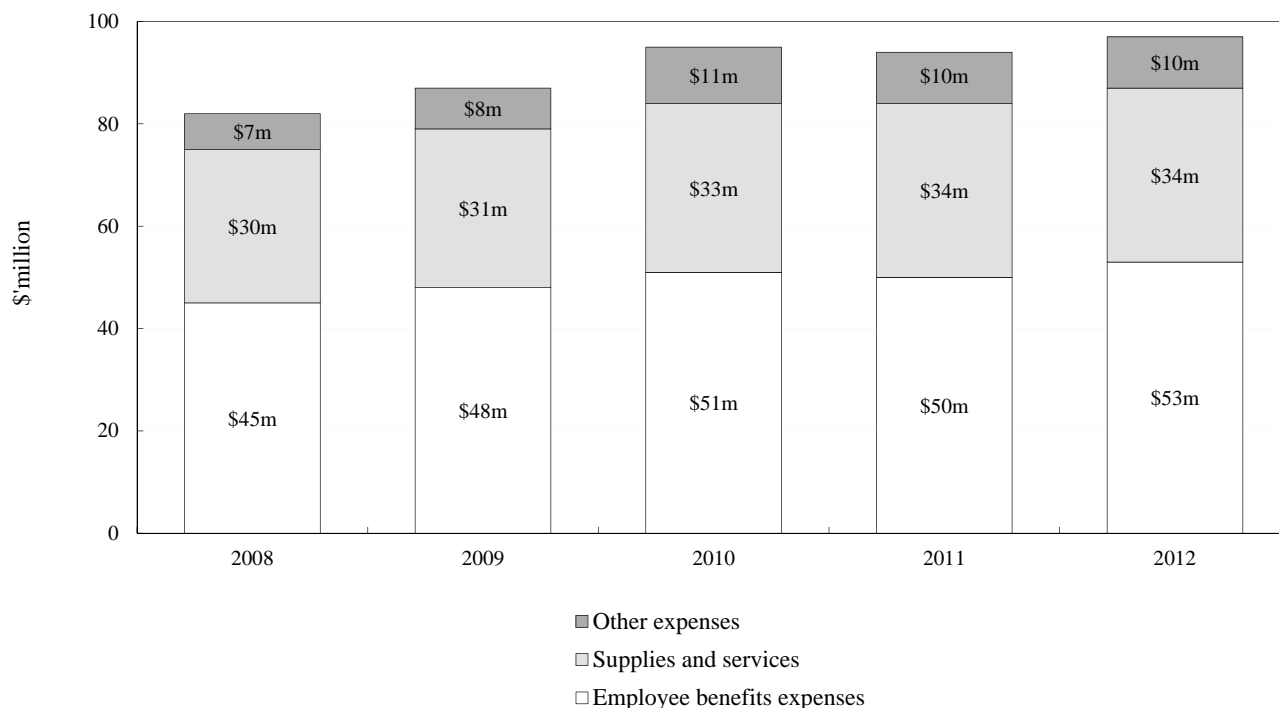
	2012 \$'million	2011 \$'million
<b>Net cash provided by (used in) operating activities</b>	6	9
<b>Assets</b>		
Current assets	34	33
Non-current assets	217	220
<b>Total assets</b>	251	253
<b>Liabilities</b>		
Current liabilities	10	11
Non-current liabilities	27	27
<b>Total liabilities</b>	37	38
<b>Total equity</b>	214	215

### Statement of Comprehensive Income

The Authority's expenses reflect the costs incurred in performing its statutory responsibilities including the collection of administered income such as fines and court fees on behalf of the Government. This income is directly credited to the Consolidated Account and is reported under administered income.

### Expenses

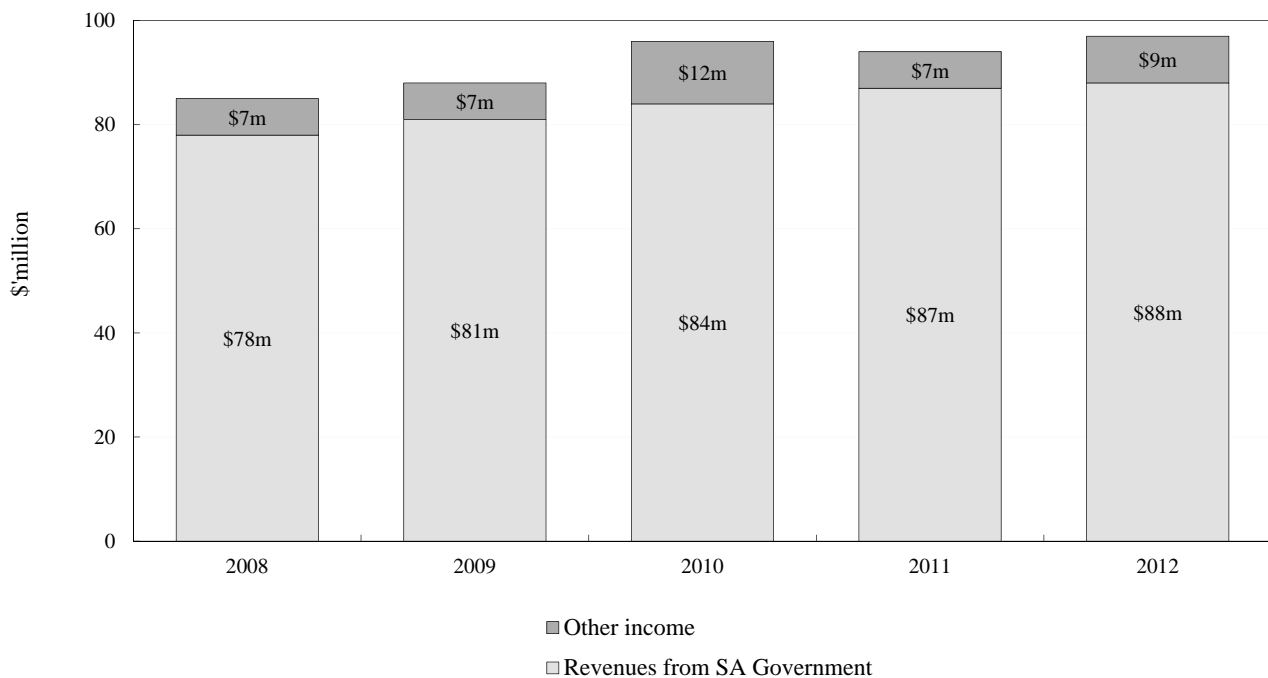
The following chart shows a structural analysis of the main expense items for the five years to 2012.



Employee benefits expenses are the major expense category for the Authority accounting for 55% (53%) of total expenses. Supplies and services account for 35% (36%) of total expenses and include \$13 million (\$12 million) in accommodation and service expenses and \$5 million (\$4 million) in computing and communications expenses. The above chart shows an increase in employee benefits expenses of \$3 million for 2011-12. This increase is mainly due to the impact of the decrease in discount rate (reflecting long-term Commonwealth Government bonds rates) applied in the LSL liability revaluation as at 30 June 2012. Refer note 25 to the financial statements.

## Income

The following chart shows a structural analysis of the main income items for the five years to 2012.



Revenues from SA Government are the major source of funding for the Authority accounting for 91% (93%) of total income. Other income has increased primarily due to \$1.4 million of once-off assets received free of charge in 2011-12.

### Statement of Financial Position

Non-current assets mainly comprise land and buildings totalling \$186 million (\$189 million), which accounts for 86% (86%) of non-current assets.

Current assets mainly comprise cash and cash equivalents totalling \$33 million (\$31 million), which accounts for 97% (94%) of current assets.

### Statement of Cash Flows

Included in cash at 30 June 2012 are deposits with the Treasurer including \$29 million (\$25 million) held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use and can only be used in accordance with the Under Treasurer's approval.

### Interpretation and analysis of the financial report for administered activities

	2012 \$'million	2011 \$'million
<b>Expenses</b>		
Judicial benefits expenses	41	37
Victims of Crime payments	21	16
Payments to Consolidated Account	60	60
Other expenses	1	1
<b>Total expenses</b>	<b>123</b>	<b>114</b>

	2012 \$'million	2011 \$'million
<b>Income</b>		
Revenues from SA Government	41	37
Fines	31	32
Court fees	28	27
Victims of Crime levies	21	16
Other income	2	2
<b>Total income</b>	<b>123</b>	<b>114</b>
<b>Net and total comprehensive result</b>	<b>-</b>	<b>-</b>
<b>Net cash provided by (used in) operating activities</b>	<b>(5)</b>	<b>4</b>
<b>Assets</b>		
Current assets	10	12
<b>Total assets</b>	<b>10</b>	<b>12</b>
<b>Liabilities</b>		
Current liabilities	8	12
Non-current liabilities	10	8
<b>Total liabilities</b>	<b>18</b>	<b>20</b>
<b>Total equity</b>	<b>(8)</b>	<b>(8)</b>

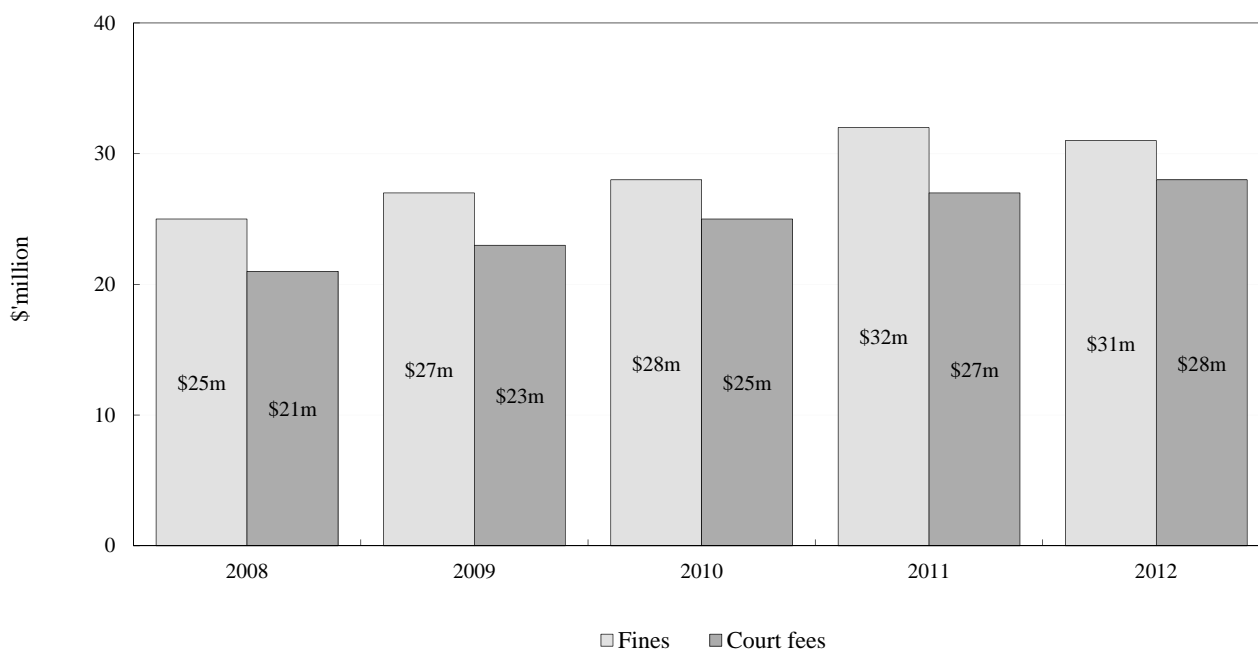
**Statement of Administered Comprehensive Income**

**Income**

*Fines and court fees*

Fines and court fees are raised and collected by the Authority on behalf of, and paid directly to, the Consolidated Account.

The following chart shows a structural analysis of income from fines and court fees for the five years to 2012.



*Victims of Crime levy*

The Authority collects monies associated with the *Victims of Crime Act 2001*, which provides for payment of compensation to persons who suffer injury as a result of criminal acts and recovery of monies from offenders.

The Authority collects the monies and remits them to a special interest bearing deposit account managed by the Attorney-General's Department.

During 2011-12 Victims of Crime levy receipts increased by \$5 million to \$21 million (an increase of 31%) due to a doubling of the levy rate from 1 January 2011, providing for a full year impact in 2011-12.

**Expenses**

Revenues from the SA Government are received by the Authority to fund the payment of employment expenses of the judiciary. During 2011-12 revenues of \$41 million were received from the SA Government to pay the recurrent expenditure associated with the judiciary.

Payments to the Consolidated Account totalling \$60 million comprise fines and court fees, transcript fees and other income offset by other administered expenses.

**Further commentary on operations****Fines, fees and levies**

The Authority, through the Fines Payment Unit (FPU), is responsible for managing the recovery of debts associated with criminal monetary penalties that relate to:

- court fees and fines
- Victims of Crime levies
- overdue and current expiation fees
- third party suitor amounts such as local government overdue rates and parking fines.

The FPU operates from registries in the city and country and has a Fines Payment Call Centre. The FPU also manages a range of external payment options such as Australia Post, Centrelink, direct debit and BPAY in addition to a web-based payment facility.

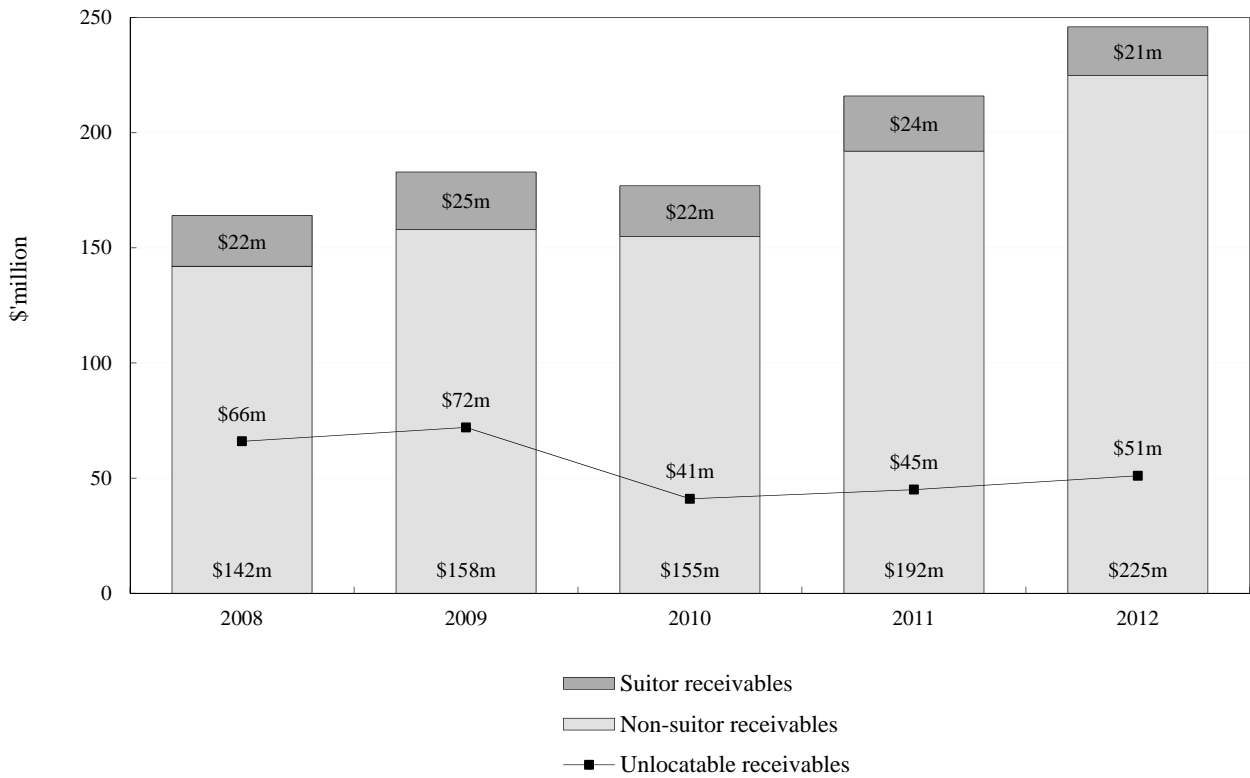
These receivables are not recorded in the Statement of Administered Financial Position as there is significant uncertainty as to the amount that will be collected. Instead, revenues are recorded in the Statement of Administered Income and Expenses when monies are received.

At 30 June 2012, the FPU recorded approximately \$225 million (\$192 million) in receivables for fines and other payments and approximately \$21 million (\$24 million) in receivables for suitor related debts. Of the total amount referred to the Authority for management and collection, the FPU has determined that some debtors are unlocatable and the amounts are unlikely to be collected. These debtors are still being pursued and as at 30 June 2012 amounted to \$51 million (\$45 million). Unlocatable debts have increased by \$6 million in 2012 as no amounts were written off during the year.

The Authority must seek Treasury approval to write off any unlocatable and long outstanding debt that meets the criteria under the approved fines policy once it has been determined it is not likely to be collected. In 2011-12, no debt was written off as the Authority is pursuing unlocatable debtors through a private sector debt collector (Dun & Bradstreet).

During the year, the Authority contracted Dun & Bradstreet to locate debtors who have long outstanding fines and penalties which have so far proven unrecoverable. Debt collection was planned to commence in January 2012 but due to unanticipated complexities, including system changes, the debt recovery measure did not commence until the 2012-13 financial year.

The following chart shows the amounts receivable and the value of those that are unlocatable for the five years to 2012.



## Statement of Comprehensive Income for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Expenses:</b>			
Employee benefits expenses	5	53 386	50 049
Supplies and services	6	34 222	33 922
Depreciation and amortisation expenses	7	7 570	8 871
Borrowing costs	8	987	1 046
Net loss from disposal of non-current assets	11	36	4
Other expenses	9	1 143	174
<b>Total expenses</b>		97 344	94 066
<b>Income:</b>			
Revenues from fees and charges	14	6 165	5 970
Sale of goods and services	13	753	823
Grants and transfers	12	590	452
Resources received free of charge	15	1 424	18
<b>Total income</b>		8 932	7 263
<b>Net cost of providing services</b>		88 412	86 803
<b>Revenues from SA Government:</b>			
Revenues from SA Government	16	87 636	86 891
<b>Net result</b>		(776)	88
<b>Other comprehensive income:</b>			
Changes in property, plant and equipment revaluation surplus		-	18 300
<b>Total comprehensive result</b>		(776)	18 388

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

**Statement of Financial Position  
as at 30 June 2012**

	Note	2012 \$'000	2011 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	17	32 746	30 926
Receivables	18	1 426	1 460
		<u>34 172</u>	<u>32 386</u>
Non-current assets classified as held for sale	19	30	80
<b>Total current assets</b>		<u>34 202</u>	<u>32 466</u>
<b>Non-current assets:</b>			
Property, plant and equipment	20	215 676	219 894
Intangible assets	22	791	133
Other non-current assets	23	44	45
<b>Total non-current assets</b>		<u>216 511</u>	<u>220 072</u>
<b>Total assets</b>		<u>250 713</u>	<u>252 538</u>
<b>Current liabilities:</b>			
Payables	24	3 293	5 032
Financial liabilities	28	1 150	1 087
Employee benefits	25	4 666	4 116
Provisions	26	437	475
Other current liabilities	27	343	399
<b>Total current liabilities</b>		<u>9 889</u>	<u>11 109</u>
<b>Non-current liabilities:</b>			
Payables	24	831	676
Financial liabilities	28	15 849	16 999
Employee benefits	25	8 817	7 517
Provisions	26	1 542	1 676
<b>Total non-current liabilities</b>		<u>27 039</u>	<u>26 868</u>
<b>Total liabilities</b>		<u>36 928</u>	<u>37 977</u>
<b>Net assets</b>		<u>213 785</u>	<u>214 561</u>
<b>Equity:</b>			
Contributed capital		3 140	3 140
Retained earnings		84 742	85 518
Revaluation surplus		125 903	125 903
<b>Total equity</b>		<u>213 785</u>	<u>214 561</u>
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	28		
Contingent assets and liabilities	29		



## Statement of Changes in Equity for the year ended 30 June 2012

		Contributed capital \$'000	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010	Note	3 140	107 603	85 430	196 173
Net result for 2010-11		-	-	88	88
Gain on revaluation of land and buildings	21	-	12 970	-	12 970
Gain on revaluation of library collection	21	-	5 330	-	5 330
Total comprehensive result for 2010-11		-	18 300	88	18 388
Balance at 30 June 2011		3 140	125 903	85 518	214 561
Net result for 2011-12		-	-	(776)	(776)
Total comprehensive result for 2011-12		-	-	(776)	(776)
<b>Balance at 30 June 2012</b>		<b>3 140</b>	<b>125 903</b>	<b>84 742</b>	<b>213 785</b>

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

## Statement of Cash Flows for the year ended 30 June 2012

		2012	2011
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
<b>Cash flows from operating activities:</b>	Note		
Cash outflows:			
Employee benefits payments		(51 176)	(50 927)
Payments for supplies and services		(40 373)	(36 350)
Payments for Paid Parental Leave Scheme		(93)	-
Borrowing costs		(987)	(1 046)
Other payments		(540)	(588)
<b>Cash used in operations</b>		<u>(93 169)</u>	<u>(88 911)</u>
Cash inflows:			
Grants and transfers		590	452
Fees and charges		7 008	7 330
GST recovered from the ATO		3 440	3 378
Receipts for Paid Parental Leave Scheme		97	-
<b>Cash generated from operations</b>		<u>11 135</u>	<u>11 160</u>
Cash flows from SA Government:			
Receipts from SA Government		87 636	86 891
<b>Cash generated from SA Government</b>		<u>87 636</u>	<u>86 891</u>
<b>Net cash provided by (used in) operating activities</b>	31	<u>5 602</u>	<u>9 140</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of intangibles		(137)	(28)
Purchase of property, plant and equipment		(2 558)	(3 816)
<b>Cash used in investing activities</b>		<u>(2 695)</u>	<u>(3 844)</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(2 695)</u>	<u>(3 844)</u>
<b>Cash flows from financing activities:</b>			
Cash outflows:			
Repayment of finance lease		(1 087)	(1 028)
<b>Cash used in financing activities</b>		<u>(1 087)</u>	<u>(1 028)</u>
<b>Net cash provided by (used in) financing activities</b>		<u>(1 087)</u>	<u>(1 028)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>1 820</u>	<u>4 268</u>
<b>Cash and cash equivalents at 1 July</b>		<u>30 926</u>	<u>26 658</u>
<b>Cash and cash equivalents at 30 June</b>	17	<u>32 746</u>	<u>30 926</u>

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2012

	(Activities - refer note 4)		2	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>				
Employee benefits expenses	44 154	41 860	2 582	2 434
Supplies and services	28 178	27 963	719	694
Depreciation and amortisation expenses	6 946	8 314	47	48
Borrowing costs	980	1 039	-	-
Net loss from the disposal of non-current assets	36	4	-	-
Other expenses	1 010	174	23	-
<b>Total expenses</b>	<b>81 304</b>	<b>79 354</b>	<b>3 371</b>	<b>3 176</b>
<b>Income:</b>				
Revenues from fees and charges	1 039	912	-	-
Sales of goods and services	728	794	-	-
Grants and transfers	590	452	-	-
Resources received free of charge	1 424	18	-	-
<b>Total income</b>	<b>3 781</b>	<b>2 176</b>	<b>-</b>	<b>-</b>
<b>Net cost of providing services</b>	<b>77 523</b>	<b>77 178</b>	<b>3 371</b>	<b>3 176</b>
<b>Revenues from SA Government:</b>				
Revenues from SA Government	71 707	71 555	3 743	3 757
<b>Net result</b>	<b>(5 816)</b>	<b>(5 623)</b>	<b>372</b>	<b>581</b>

	(Activities - refer note 4)		3		Total	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefits expenses	6 650	5 755	53 386	50 049	53 386	50 049
Supplies and services	5 325	5 265	34 222	33 922	34 222	33 922
Depreciation and amortisation expenses	577	509	7 570	8 871	7 570	8 871
Borrowing costs	7	7	987	1 046	987	1 046
Net loss from the disposal of non-current assets	-	-	36	4	36	4
Other expenses	110	-	1 143	174	1 143	174
<b>Total expenses</b>	<b>12 669</b>	<b>11 536</b>	<b>97 344</b>	<b>94 066</b>	<b>97 344</b>	<b>94 066</b>
<b>Income:</b>						
Revenues from fees and charges	5 126	5 058	6 165	5 970	6 165	5 970
Sales of goods and services	25	29	753	823	753	823
Grants and transfers	-	-	590	452	590	452
Resources received free of charge	-	-	1 424	18	1 424	18
<b>Total income</b>	<b>5 151</b>	<b>5 087</b>	<b>8 932</b>	<b>7 263</b>	<b>8 932</b>	<b>7 263</b>
<b>Net cost of providing services</b>	<b>7 518</b>	<b>6 449</b>	<b>88 412</b>	<b>86 803</b>	<b>88 412</b>	<b>86 803</b>
<b>Revenues from SA Government:</b>						
Net revenues from SA Government	12 186	11 579	87 636	86 891	87 636	86 891
<b>Net result</b>	<b>4 668</b>	<b>5 130</b>	<b>(776)</b>	<b>88</b>	<b>(776)</b>	<b>88</b>

## Disaggregated Disclosures – Assets and Liabilities as at 30 June 2012

(Activities - refer note 4)	1		2		3	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Assets:</b>						
Cash and cash equivalents	-	-	-	-	-	-
Receivables	1 379	1 409	-	-	47	51
Non-current assets classified as held for sale	26	74	1	3	3	3
Property, plant and equipment	188 081	193 494	8 660	8 876	18 935	17 524
Intangible assets	690	117	32	5	69	11
Other non-current assets	38	40	2	2	4	3
<b>Total assets</b>	<b>190 214</b>	<b>195 134</b>	<b>8 695</b>	<b>8 886</b>	<b>19 058</b>	<b>17 592</b>
<b>Liabilities:</b>						
Payables	3 397	4 705	86	117	641	886
Financial liabilities	16 887	17 967	-	-	112	119
Employee benefits	11 152	9 730	652	566	1 679	1 337
Provisions	1 749	2 151	40	-	190	-
Other liabilities	332	385	-	-	11	14
<b>Total liabilities</b>	<b>33 517</b>	<b>34 938</b>	<b>778</b>	<b>683</b>	<b>2 633</b>	<b>2 356</b>

(Activities - refer note 4)	General/ Not attributable		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Assets:</b>				
Cash and cash equivalents	32 746	30 926	32 746	30 926
Receivables	-	-	1 426	1 460
Non-current assets classified as held for sale	-	-	30	80
Property, plant and equipment	-	-	215 676	219 894
Intangible assets	-	-	791	133
Other non-current assets	-	-	44	45
<b>Total assets</b>	<b>32 746</b>	<b>30 926</b>	<b>250 713</b>	<b>252 538</b>
<b>Liabilities:</b>				
Payables	-	-	4 124	5 708
Financial liabilities	-	-	16 999	18 086
Employee benefits	-	-	13 483	11 633
Provisions	-	-	1 979	2 151
Other liabilities	-	-	343	399
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>36 928</b>	<b>37 977</b>

### Notes to and forming part of the financial statements

#### 1. Objectives of the Courts Administration Authority (the Authority)

The Authority operates within the *Courts Administration Act 1993*. It is overseen by the State Courts Administration Council and is independent of the Government.

Its principal objective is to provide quality administration to the judiciary and to ensure an effective and accessible courts system.

**1. Objectives of the Courts Administration Authority (the Authority) (continued)**

The major priorities of the Authority and the State Courts Administration Council are to:

- provide administrative support to the courts of this State
- increase the community's understanding of the operations of the courts and provide new avenues for community comment on the operations of the courts and their registries
- improve court facilities
- foster an environment in which judicial officers, staff and volunteers can contribute to improved performance of the courts system
- keep up to date with technological developments and apply those that are appropriate to improve the performance of the courts system
- cooperate with other parts of the justice system to improve access to justice and the overall performance of the justice system.

**2. Summary of significant accounting policies**

**(a) Statement of compliance**

The 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 ended 30 June 2012 (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 judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures that have been included in these financial statements:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
  - (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
  - (d) board/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.

**(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 2012 and the comparative information presented.

**(c) Reporting entity**

The Authority was established by the *Courts Administration Act 1993* as a statutory authority independent of Executive Government. The State Courts Administration Council (governing body), the State Courts Administrator and staff of the Council are collectively referred to as the Authority.

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

**(d) Comparative information**

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

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

**(e) Rounding**

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

**(f) Taxation**

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

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

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

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

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

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

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

There were no events occurring after balance date.

**(h) Income**

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

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

The following are specific recognition criteria:

*Fees and charges*

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

The Authority performs activities on behalf of the Government and other government agencies and reports these in the administered financial statements. Fines income from infringements issued to offenders, court fees and Victim of Crime levies are recognised at the time cash is received due to the uncertainty of amounts to be collected. Transcript fees are recognised upon delivery of the service. Recovery from other SA Government agencies for witness fees paid is included in other income when the witness fee expense is paid.

*Sale of goods and services*

Revenues from sales of goods and services are derived from the provision of goods and recouping of services to other SA Government agencies and to the public.

*Contributions received (grants and transfers)*

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

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

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

The majority of contributions received by the Authority have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

*Resources received free of charge*

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

*Revenues from SA Government*

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

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

**(i) Expenses**

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

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

The following are specific recognition criteria:

*Employee benefits expenses*

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

*Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Authority to the superannuation plan in respect of current services of current staff. 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, non-current assets held for sale and works of art are not depreciated. The Authority does not depreciate the works of art because it believes that works of art do not diminish in value over time.

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

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings and improvements	10-56
Building under finance lease	Life of lease
Leasehold improvements	Life of lease
Computing and office furniture equipment	3-25
Library collections	5-25
Intangibles	3-7

*Borrowing costs*

All borrowing costs are recognised as expenses.

*Disposal of non-current assets*

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

Losses on disposal of equipment are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time.

*Payments to SA Government*

Payments to the SA Government include taxation revenues and expiation fees received on behalf of the Government and paid directly to the Consolidated Account.

The Authority makes payments pursuant to the *Remuneration Act 1990* to members of the judiciary and receives reimbursement for these and other expenses paid on behalf of other agencies. It is dependent on support from the Crown to meet accruing judicial entitlement obligations recognised in the financial statements.

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

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

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

**(k) Assets**

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



*Cash and cash equivalents*

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above. Cash is measured at nominal value.

*Receivables*

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

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

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

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

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

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

*Non-current assets*

- *Acquisition and recognition*

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

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

All non-current tangible assets with a value equal to or in excess of \$5000 are capitalised. Items of property, plant and equipment and infrastructure costing less than \$5000 are immediately expensed to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

- *Revaluation of non-current assets*

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

Every three years, the Authority revalues its land and buildings and improvements with the exception of the Authority's finance lease relating to the Sir Samuel Way building. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value (refer note 20).

Land is valued at market evidence. Buildings and improvements are valued at current replacement cost less accumulated depreciation. Library collection is valued at market buying price.

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

- *Revaluation of non-current assets (continued)*  
Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

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 revaluation surplus.

#### *Intangible assets*

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

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

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$5000.

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

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

#### **(l) *Liabilities***

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

##### *Payables*

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

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the 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, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

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

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

*Financial liabilities*

The Authority measures financial liabilities at historical cost.

*Leases*

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

The Authority has entered into finance leases and operating leases.

- *Finance leases*

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

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

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

- *Operating leases - the Authority as lessee*

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

Courts premises in four country centres are provided by a Public Private Partnership arrangement between the State and Plenary Justice Pty Ltd. It is accounted for as an operating lease. As the arrangement is for a 25 year period from 2005 the Authority has a substantial future commitment for servicing costs but has no right to obtain ownership.

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

- *Operating lease - the Authority as lessor*

The Authority leases commercial spaces to external parties through operating leases. Income derived from these leases is recognised as rental recovery income in the Statement of Comprehensive Income in the period in which it is earned.

*Employee benefits*

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

- *Wages, salaries, annual leave and sick leave*

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

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

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

- *LSL*

An actuarial assessment of LSL liability undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using a shorthand method was not materially different from the liability measured using a present value of expected future payments.

Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012 (refer note 25).

This calculation is consistent with the Authority's experience of employee retention and leave taken.

*Provisions*

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

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2012 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

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

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

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

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

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

***Changes in accounting policy***

The Authority did not voluntarily change any of its accounting policies during 2011-12.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Authority for the period ended 30 June 2012. The Authority has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Authority.

**4. Activities of the Authority**

In achieving its objectives, the Authority provides a range of services classified into the following activities:

***Activity 1: Court and Tribunal Case Resolution Services***

The resolution of criminal, civil, appellate, coronial and probate matters in the State’s courts and tribunals.

***Activity 2: Alternative Dispute Resolution Services***

Services for resolving disputes between citizens, and disputes between citizens and the State; as well as the education, training, information and advice processes, which aim to prevent disputes.

***Activity 3: Penalty Management Services***

The management of penalties arising from court orders, the enforcement of court orders as well as the recovery of debts, and the administration and execution of warrants.

The disaggregated disclosures schedules present expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2011 and 30 June 2012.

**5. Employee benefits expenses**

	2012	2011
	\$'000	\$'000
Salaries and wages	38 969	37 423
LSL	3 102	1 859
Annual leave	3 895	3 752
Employment on-costs - superannuation	4 750	4 502
Employment on-costs - payroll tax	2 521	2 372
Board and committee fees	53	43
Workers compensation	20	16
Other employee related expenses	76	82
Total employee benefits expenses	53 386	50 049

<b>Remuneration of employees</b>	2012	2011
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
\$134 000 - \$143 999	2	1
\$154 000 - \$163 999	-	1
\$164 000 - \$173 999	2	1
\$174 000 - \$183 999	-	2
\$184 000 - \$193 999	1	1
\$194 000 - \$203 999	1	1
\$204 000 - \$213 999	-	1
\$214 000 - \$223 999	1	-
\$224 000 - \$233 999	-	2
\$274 000 - \$283 999	1	1
<b>Total</b>	<b>8</b>	<b>11</b>

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 \$1.5 million (\$2.2 million).

<b>6. Supplies and services</b>	2012	2011
	\$'000	\$'000
Accommodation and services	12 810	12 375
Circuit and travel expenses	1 331	1 488
Computing and communications	4 903	4 435
Consultancy, contractors and temp staff	2 033	2 079
Court expenses	1 763	1 781
Operating leases	264	298
Staff development and training	609	713
Equipment purchases and repairs	299	339
Coronial charges	3 511	3 383
Jurors' expenses	2 035	2 432
Sheriff's officer payments	1 094	1 140
Other administration expenses	3 570	3 459
<b>Total supplies and services</b>	<b>34 222</b>	<b>33 922</b>

Supplies and services provided by entities within the SA Government:

Accommodation and services	10 355	10 050
Computing and communications	2 248	2 215
Consultancy, contractors and temp staff	112	227
Coronial charges	3 203	3 161
Court expenses	801	975
Operating leases	243	240
Other administration expenses	441	476
<b>Total supplies and services - SA Government entities</b>	<b>17 403</b>	<b>17 344</b>

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2012		2011	
	Number	\$'000	Number	\$'000
Below \$10 000	4	15	5	15
\$10 000 - \$50 000	2	40	4	146
Above \$50 000	1	60	1	154
<b>Total paid/payable to consultants engaged</b>	<b>7</b>	<b>115</b>	<b>10</b>	<b>315</b>

<b>7. Depreciation and amortisation expenses</b>	2012	2011
Depreciation:	\$'000	\$'000
Buildings and improvements	3 477	3 840
Computing and office furniture and equipment	1 073	1 114
Library collections	1 277	2 257
<b>Total depreciation</b>	<b>5 827</b>	<b>7 211</b>

<b>7. Depreciation and amortisation expenses</b>	2012	2011
Amortisation:	\$'000	\$'000
Leasehold improvements	854	775
Building under finance lease	829	830
Intangibles	60	55
Total amortisation	<u>1 743</u>	<u>1 660</u>
Total depreciation and amortisation expenses	<u>7 570</u>	<u>8 871</u>

The decrease in depreciation expense for library collections from 2010-11 is due to repopulation of asset value to category of longer useful life as a result of the revaluation at 30 June 2011.

#### *Revision in accounting estimates*

During the year, the Authority reassessed the useful lives of certain equipment, resulting in a decrease in the estimated useful life. This has resulted in a increase of depreciation \$27 000 of the asset in the year 2012 relative to the amount that would have been expensed based on the previous estimate of the useful life. The higher depreciation expense will also be reflected in future years.

<b>8. Borrowing costs</b>	2012	2011
Finance lease provided by entities within the SA Government:	\$'000	\$'000
Interest expense on financial lease liability	987	1 046
Total borrowing costs	<u>987</u>	<u>1 046</u>

The Authority occupies the Sir Samuel Way building under a 40 year non-cancellable finance lease which expires in 2023.

The nominal interest rate on the lease was at 5.63% (5.61%).

The Authority is responsible for all maintenance costs and paid a contingent rental of \$3.924 million (\$3.714 million) which will increase each year by the amount obtained by applying the rate of CPI increase in the previous year to the combined total of the previous year's rental and finance lease repayments.

<b>9. Other expenses</b>		2012	2011
	Note	\$'000	\$'000
Workers compensation revaluation		368	(149)
Doubtful debts		(1)	1
Assets held for sale written down		50	-
Audit fees		242	197
Contributions		484	125
Total other expenses		<u>1 143</u>	<u>174</u>
Other expenses paid/payable to entities within the SA Government:			
Audit fees	10	127	197
Intra-government contribution		484	125
Total other expenses - SA Government entities		<u>611</u>	<u>322</u>

<b>10. Auditor's remuneration</b>		2012	2011
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements		127	112
Total audit fees		<u>127</u>	<u>112</u>

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

<b>11. Net loss from the disposal of non-current assets</b>		2012	2011
Proceeds from disposal of assets		-	-
Carrying value of assets disposed		36	4
Total loss from the disposal of non-current assets		<u>36</u>	<u>4</u>

<b>12. Grants and transfers</b>		2012	2011
Grants and transfers received/receivable from entities within the SA Government:			
Court Assessment Referral Drug Scheme (CARDS)		406	396
Industrial Court - Sheriff's officer services		57	56
Other		85	-
Total grants and transfers - SA Government entities		<u>548</u>	<u>452</u>

<b>12. Grants and transfers (continued)</b>	2012	2011
Grants and transfers received/receivable from entities external to the SA Government:	\$'000	\$'000
From National Judiciary Council	42	-
Total grants and transfers - non-SA Government entities	42	-
Total grants and transfers	590	452
<b>13. Sale of goods and services</b>		
Sale of electronic information	304	304
Services	203	282
Rent recoveries	246	237
Total sales of goods and services	753	823
Sale of goods and services to entities within the SA Government:		
Sale of electronic information	8	7
Services	14	20
Rent recoveries	49	47
Total sales of goods and services - SA Government entities	71	74
<b>14. Revenues from fees and charges</b>		
Regulatory fees received/receivable from entities external to the SA Government:		
Licence disqualification and reminder fees	3 247	3 248
Sheriff's officer fees	2 014	1 930
Other regulatory fees	904	792
Total revenues from fees and charges	6 165	5 970
<b>15. Resources received free of charge</b>		
Resources received/receivable from entities within the SA Government:		
Intangible asset	596	-
Equipment	828	-
Total resources received free of charge from entities within the SA Government	1 424	-
Resources received/receivable from entities external to the SA Government:		
Works of art	-	18
Total resources received free of charge	1 424	18
The Authority has received improvement in software and video conferencing equipment from another agency during 2012 at nil consideration and contribution from the Law Society towards the purchase of a painting during 2011 (refer notes 20 and 22).		
<b>16. Revenues from (Payments to) SA Government</b>	2012	2011
Revenues from SA Government:	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	87 636	86 891
Total revenues from SA Government	87 636	86 891
<b>17. Cash and cash equivalents</b>		
Deposits with the Treasurer	32 711	30 893
Cash on hand	35	33
Total cash and cash equivalents	32 746	30 926

**Deposits with the Treasurer**

Include \$28.93 million (\$25.17 million) held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, ie funds can only be used in accordance with the Under Treasurer's approval.

**Interest rate risk**

Cash on hand and deposits with the Treasurer are non-interest bearing. The carrying value of cash and cash equivalents represents fair value.

<b>18. Receivables</b>	2012	2011
Current:	\$'000	\$'000
Receivables	285	278
Allowance for doubtful debts*	-	-
Accrued revenue	64	46
GST input tax recoverable	630	664
Prepayments	447	472
Total receivables expected to be recovered within 12 months	<u>1 426</u>	<u>1 460</u>
Receivables from SA Government entities:		
Receivables	156	137
Accrued revenue	-	7
Total receivables from SA Government entities	<u>156</u>	<u>144</u>

\* There is no movement in the allowance for doubtful debts during 2012 and 2011.

**Interest rate credit risk**

Receivables are raised at the time service is provided only where it is probable that the revenue will be received. The Authority can not be certain of receiving items such as reminder fees and Sheriff's officer fees until the payment is made. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest-bearing and the carrying amounts approximate fair value. There is no concentration of credit risk.

- (a) Maturity analysis of receivables - refer note 32.  
 (b) Categorisation of financial instruments and risk exposure information - refer note 32.

<b>19. Non-current assets classified as held for sale</b>	2012	2011
	\$'000	\$'000
Land	30	80
Total non-current assets classified as held for sale	<u>30</u>	<u>80</u>

As a result of construction or leasing of newly constructed court buildings in regional centres, one piece of land has been declared surplus during 2010 and has been revalued down to current fair value during 2012 in the course of its disposal anticipated in the next financial year.

<b>20. Property, plant and equipment</b>	2012	2011
Land and buildings:	\$'000	\$'000
Land at fair value	48 672	48 672
Buildings and improvements at fair value	140 821	140 560
Accumulated depreciation at 30 June	(3 477)	-
Total land and buildings	<u>186 016</u>	<u>189 232</u>
Assets under finance lease:		
Buildings and improvements at net present value	33 191	33 191
Accumulated amortisation at 30 June	(24 063)	(23 234)
Total assets under finance lease	<u>9 128</u>	<u>9 957</u>
Leasehold improvements:		
Leasehold improvements at cost (deemed fair value)	7 492	7 492
Accumulated amortisation at 30 June	(3 018)	(2 164)
Total leasehold improvements	<u>4 474</u>	<u>5 328</u>
Computing and office furniture and equipment:		
Plant and equipment at cost (deemed fair value)	8 337	7 091
Accumulated depreciation at 30 June	(4 505)	(3 950)
Total plant and equipment	<u>3 832</u>	<u>3 141</u>
Capital work in progress:		
Capital work in progress	91	-
Total capital work in progress	<u>91</u>	<u>-</u>



**20. Property, plant and equipment (continued)**

	2012	2011
Other:	\$'000	\$'000
Library collections at fair value	13 305	12 129
Accumulated depreciation at 30 June	(1 277)	-
Works of art and collections at fair value	107	107
Total other plant and equipment	12 135	12 236
Total property, plant and equipment	215 676	219 894

*Valuation of land and buildings*

During 2008-09, land, buildings and improvements were revalued to fair values as at 30 June 2009 by an independent valuer, Liquid Pacific Pty Ltd. The valuer arrived at fair value based on recent transactions for similar land and buildings in the area taking into account zoning and restricted use.

A desktop review of land, buildings and improvements in the country areas and full valuation of buildings in the metropolitan areas was undertaken by an independent valuer, Southwick Goodyear Pty Ltd, as at 30 June 2011.

The valuer arrived at fair value of land based on commercial site sales market evidence and fair value of buildings based on the new replacement costs of existing design and modern equivalent building materials and services. The movement from the last revaluation appraisal has been reflected in the financial statements in 2011.

*Valuation of library collection*

The valuation of library collections was performed by Valcorp Australia Pty Ltd as at 30 June 2011. The independent valuer arrived at fair value based on the market buying price of the collection.

*Impairment*

There were no indications of material impairment of property, plant and equipment assets at 30 June 2012.

*Resources received free of charge*

During 2012, the Authority received the video conferencing equipment from another SA Government agency (refer note 15). During 2011, the Law Society contributed to the purchase of a painting to the Authority.

**21. Reconciliation of non-current assets**

The following table shows the movement of non-current assets during 2011-12.

	Land	Buildings & improvements	Building under finance lease	Buildings - leasehold improvements	Total land & buildings
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2012</b>					
Carrying amount at 1 July	48 672	140 560	9 957	5 328	204 517
Additions	-	261	-	-	261
Disposals	-	-	-	-	-
Asset received free of charge	-	-	-	-	-
Depreciation and amortisation	-	(3 477)	(829)	(854)	(5 160)
Carrying amount at 30 June	48 672	137 344	9 128	4 474	199 618
	Computing and office furniture & equipment	Library collections	Works of art & collections	Capital work in progress	Total property plant & equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	3 141	12 129	107	-	219 894
Additions	972	1 176	-	91	2 500
Disposals	(36)	-	-	-	(36)
Asset received free of charge	828	-	-	-	828
Depreciation and amortisation	(1 073)	(1 277)	-	-	(7 510)
Carrying amount at 30 June	3 832	12 028	107	91	215 676

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

	In-house developed computer software \$'000	Other computer software and licence \$'000	Total intangible assets \$'000
2012			
Carrying amount at 1 July	-	133	133
Additions	-	122	122
Asset received free of charge	596	-	596
Depreciation and amortisation	-	(60)	(60)
Carrying amount at 30 June	596	195	791

	Land \$'000	Buildings & imprvmnts \$'000	Building under finance lease \$'000	Buildings - leasehold imprvmnts \$'000	Total land & buildings \$'000
2011					
Carrying amount at 1 July	46 554	133 262	10 787	3 960	194 563
Additions	-	286	-	496	782
Disposals	-	-	-	-	-
Transfers	-	-	-	1 647	1 647
Revaluation	2 118	10 852	-	-	12 970
Asset received free of charge	-	-	-	-	-
Depreciation and amortisation	-	(3 840)	(830)	(775)	(5 445)
Carrying amount at 30 June	48 672	140 560	9 957	5 328	204 517

	Computing and office furniture & equipment \$'000	Library collections \$'000	Works of art & collections \$'000	Capital work in progress \$'000	Total property plant & equipment \$'000
Carrying amount at 1 July	3 247	7 943	70	904	206 727
Additions	1 021	1 113	19	743	3 678
Disposals	(5)	-	-	-	(5)
Transfers	(8)	-	-	(1 647)	(8)
Revaluation	-	5 330	-	-	18 300
Asset received free of charge	-	-	18	-	18
Depreciation and amortisation	(1 114)	(2 257)	-	-	(8 816)
Carrying amount at 30 June	3 141	12 129	107	-	219 894

	In-house developed computer software \$'000	Other computer software and licence \$'000	Total intangible assets \$'000
Carrying amount at 1 July	-	152	152
Additions	-	28	28
Transfers	-	8	8
Depreciation and amortisation	-	(55)	(55)
Carrying amount at 30 June	-	133	133

**22. Intangible assets**

	2012 \$'000	2011 \$'000
Computer software:		
Internally developed computer software	8 284	7 688
Accumulated amortisation	(7 688)	(7 688)
Other computer software and licences	648	570
Accumulated amortisation	(453)	(437)
Total computer software and licences	791	133

During 2012, the Authority received improved internally developed computer software from another SA Government agency to account for a change in legislation (refer note 15).

The Authority has no contractual commitments for the acquisition of intangible assets.

**Impairment**

There were no indications of impairment on intangible assets at 30 June 2012.

<b>23. Other non-current assets</b>	2012	2011
	\$'000	\$'000
Prepayments	44	45
Total other non-current assets	44	45
<b>24. Payables</b>		
Current:		
Creditors	54	1 102
Accrued expenses	2 483	3 165
Accrued capital expenditure	162	235
Employment on-costs	590	530
Paid Parental Leave Scheme payable	4	-
Total current payables	3 293	5 032
Non-current:		
Employment on-costs	831	676
Total non-current payables	831	676
Total payables	4 124	5 708
Payables to SA Government entities:		
Creditors	-	271
Accrued expenses	1 401	2 005
Employment on-costs	703	605
Total payables to SA Government entities	2 104	2 881

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has changed from the 2011 rate (35%) to 40% and the average factor for the calculation of employer superannuation cost on-cost has remained at the 2011 rate of 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 and employee benefits expenses of \$58 000. The impact on future years is impractical to estimate. Refer note 25.

**Interest rate and credit risk**

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

<b>25. Employee benefits</b>	2012	2011
	\$'000	\$'000
Current:		
LSL	2 085	1 600
Annual leave	2 581	2 516
Total current employee benefits	4 666	4 116
Non-current:		
Annual leave	207	275
LSL	8 610	7 242
Total non-current employee benefits	8 817	7 517
Total employee benefits	13 483	11 633

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 2011 (5.25%) to 2012 (3%). This significant decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant 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 \$1.836 million and on-costs of \$170 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

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>26. Provisions</b>	2012	2011
Current:	\$'000	\$'000
Provision for workers compensation	437	475
Total current provisions	<u>437</u>	<u>475</u>
Non-current:		
Provision for workers compensation	1 542	1 676
Total non-current provisions	<u>1 542</u>	<u>1 676</u>
Total provisions	<u>1 979</u>	<u>2 151</u>
Carrying amount at 1 July	2 151	2 888
Reductions arising from payments/other sacrifice of future economic benefits	(717)	(488)
Reductions resulting from re-measurement or settlement without cost	(51)	(824)
Additional provisions recognised	596	575
Carrying amount at 30 June	<u>1 979</u>	<u>2 151</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>27. Other liabilities</b>	2012	2011
Current:	\$'000	\$'000
Unearned revenue	204	281
Unclaimed money	139	118
Total other liabilities	<u>343</u>	<u>399</u>
Other liabilities to SA Government entities:		
Unearned revenue	49	56
Total other liabilities to SA Government entities	<u>49</u>	<u>56</u>

<b>28. Unrecognised contractual commitments</b>		
Capital commitments		
Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:		
Within one year	-	1 172
Total capital commitments	<u>-</u>	<u>1 172</u>

At 30 June 2011, the Authority's capital commitments are for the purchase of library collections.

**Remuneration commitments**

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

	2012	2011
	\$'000	\$'000
Within one year	1 420	1 522
Later than one year but not longer than five years	2 660	1 570
Total remuneration commitments	<u>4 080</u>	<u>3 092</u>

Amounts disclosed include commitments arising from executive and other contracts for non-executives. The Authority does not offer fixed-term remuneration contracts greater than five years.

**Other commitments**

Commitments in relation to a Public Private Partnership arrangement for regional court premises and other operating expenses not recognised as liabilities in the financial report, are payable as follows:

	2012	2011
	\$'000	\$'000
Within one year	2 315	2 040
Later than one year but not longer than five years	8 971	8 705
Later than five years	35 732	37 935
Total other commitments	<u>47 018</u>	<u>48 680</u>

**Operating lease commitments as lessee**

Commitments in relation to equipment and accommodation operating leases contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2012 \$'000	2011 \$'000
Within one year	1 112	1 715
Later than one year but not longer than five years	957	1 297
Total operating lease commitments - all non-cancellable	<u>2 069</u>	<u>3 012</u>

**Operating lease commitments as lessor**

Commitments in relation to accommodation operating leases contracted for at the reporting date but not recognised as receivable in the financial report, are receivable as follows:

Within one year	116	205
Later than one year but not longer than five years	386	416
Later than five years	113	211
Total operating lease commitments - all non-cancellable	<u>615</u>	<u>832</u>

**Finance lease commitments**

Future minimum lease payments under finance lease of the Sir Samuel Way Building, expiring in 2023, together with the present value of net minimum lease payments are as follows:

Payable no later than one year	6 108	5 998
Payable later than one year but not longer than five years	24 434	23 994
Payable later than five years	36 650	41 988
Total minimum lease payments	<u>67 192</u>	<u>71 980</u>
Future finance charges and contingent rentals	<u>(50 193)</u>	<u>(53 894)</u>
Total finance lease commitments - non-cancellable	<u>16 999</u>	<u>18 086</u>

Present value of finance leases payable as follows:

Within one year	1 150	1 087
Later than one year but not longer than five years	5 301	5 013
Later than five years	10 548	11 986
Total present value of minimum lease payments	<u>16 999</u>	<u>18 086</u>

Included in the financial statements as:

Current financial liabilities	1 150	1 087
Non-current financial liabilities	15 849	16 999
Total present value of minimum lease payments	<u>16 999</u>	<u>18 086</u>

The weighted average interest rate implicit in the leases is 5.63% (5.61%).

**29. Contingent assets and liabilities**

The Authority has no material contingent assets or liabilities as at 30 June 2012 (\$0).

**30. Remuneration of board and committee members**

Members of the board and committees during the 2012 financial year were:

**Administrative and Disciplinary Division of the District Court**

Mr Adrian Jackson (appointed 8 September 2011)	Mr Darryl Watson Ms Julia Hanna (appointed 8 September 2011)	Ms Florina D'Sylvia (appointed 8 September 2011)
Ms Jean Hutchinson	Mr David Kelly (appointed 8 September 2011)	Ms Christine Bindon (appointed 8 September 2011)
Ms Janina Gipslis	Mr Abdulghani Usman (appointed 8 September 2011)	Mr Christopher Shinnars (appointed 8 September 2011)
Ms Polly Sumner-Dodd		
Ms Lyn English		

**Medical Professional Conduct Tribunal <sup>(1)</sup>**

Ms Aileen Connon	Mr Graham West
Mr David Blaikie	

**30. Remuneration of board and committee members (continued)**

***Industry/Consumer Assessor Panel***

Mr Henry Pohl Ms Jean Hutchinson  
Ms Elaine Attwood

***Training Centre Review Board***

Mr John Eaton Ms Branka King  
Mr David Branson Mr Darryn Keneally

***Equal Opportunity Tribunal***

Mr David Shetliffe Mr Hau Yapp  
Ms Elizabeth Bachmann Ms Helena Jasinski  
Mr Richard Altman

<sup>(1)</sup> The Medical Professional Conduct Tribunal ceased to operate due to the repeal of the Act on 12 August 2010. Payments for the board members during 2012 were for review of old matters.

The number of members whose remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
\$0 - \$9 999	26	23
Total	26	23

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 these benefits. The total remuneration received/receivable by members was \$51 000 (\$41 000).

In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

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

**31. Cash flow reconciliation**

	2012 \$'000	2011 \$'000
Reconciliation of cash and cash equivalents at 30 June:		
Cash and cash equivalents disclosed in the Statement of Financial Position	32 746	30 926
Balance as per the Statement of Cash Flows	32 746	30 926

***Reconciliation of net cash provided by (used in) operating activities to net cost of providing services***

Net cash provided by (used in) operating activities	5 602	9 140
Revenues from SA Government	(87 636)	(86 891)
Non-cash items:		
Depreciation/Amortisation	(7 570)	(8 871)
Loss from disposal of assets	(36)	(4)
Resources received free of charge	1 424	18
Doubtful debts	-	1
Impairment loss on asset held for sale	(50)	-
Movements in assets/liabilities:		
Receivables	(9)	(51)
Other assets	(26)	263
Employee benefits	(1 850)	657
Payables	1 511	(1 603)
Provisions	172	737
Other liabilities	56	(199)
Net cost of providing services	(88 412)	(86 803)

**32. Financial instruments/Financial risk management**

**(a) Categorisation of financial instruments**

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

<b>(a) Categorisation of financial instruments (continued)</b>		2012	2011
		Carrying	Carrying
		amount	amount
		\$'000	\$'000
Financial assets:	Note		
Cash and cash equivalents	17	32 746	30 926
Loans and receivables:			
Receivables <sup>(1)(2)</sup>	18	349	324
Total financial assets at cost		33 095	31 250
Financial liabilities:			
Financial liabilities at cost:			
Payables <sup>(1)</sup>	24	2 536	4 090
Financial liabilities	28	16 999	18 086
Total financial liabilities at cost		19 535	22 176

(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 receivable/payables, tax equivalents, commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 18 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.

#### *Fair value*

The Authority does not recognise any financial assets or financial liabilities at fair value (refer notes 2, 17, 18, 24, 28 and 31).

#### **(b) Credit risk**

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

The carrying amount of financial assets as detailed in note 32(a) represents the Authority's maximum exposure to credit risk.

The Authority has no significant concentration of credit risk. The Authority has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Authority does not engage in any hedging activity.

Allowance for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. The Authority's financial assets are mainly cash and receivables which do not require any collateral as security. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 18 for information on the allowance for impairment in relation to receivables.

#### **(c) Ageing analysis of receivables**

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

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2012</b>				
Not impaired:				
Receivables <sup>(1)</sup>	4	-	4	8
Total	4	-	4	8
<b>2011</b>				
Not impaired:				
Receivables <sup>(1)</sup>	14	-	3	17
Total	14	-	3	17

(c) **Ageing analysis of receivables (continued)**

<sup>(1)</sup> Receivable amounts disclosed here exclude amounts relating to statutory receivables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/ payables etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. They are carried at cost.

(d) **Maturity analysis**

The financial assets and liabilities of the Authority are all current with maturity within the next 12 months, except finance lease liabilities (refer note 28 for the split of maturity by band of years) and employee on-costs which are not practical to split the maturity by band of years.

(e) **Liquidity risk**

Liquidity risk arises where the Authority is unable to meet its financial obligations as they are due to be settled. The Authority is funded principally from appropriations by the SA Government. The Authority works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The continued existence of the Authority is dependent on State Government policy and on continuing appropriations by Parliament for the Authority's administration and programs. The Authority settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Authority's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in note 32(a) represent the Authority's maximum exposure to financial liabilities.

(f) **Market risk**

Market risk for the Authority is primarily through interest rate risk. Exposure to interest rate risk may arise through its borrowings from the Superannuation Funds Management Corporation of South Australia. There is no exposure to foreign currency or other price risk.

(g) **Sensitivity disclosure analysis**

A sensitivity analysis has not been undertaken for the interest rate risk of the Authority as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rate is immaterial.



**Statement of Administered Comprehensive Income  
for the year ended 30 June 2012**

	Note	2012 \$'000	2011 \$'000
<b>Expenses:</b>			
Judicial benefits expenses	A4	41 050	37 333
Victims of Crime payments		20 867	15 864
Payments to Consolidated Account		60 531	59 813
Other expenses		721	922
<b>Total expenses</b>		<b>123 169</b>	<b>113 932</b>
<b>Income:</b>			
Revenues from SA Government		41 050	37 333
Fines		31 075	31 906
Court fees		27 922	26 548
Victims of Crime levies		20 867	15 864
Transcript fees		1 571	1 458
Other income		684	823
<b>Total income</b>		<b>123 169</b>	<b>113 932</b>
<b>Net and total comprehensive result</b>		<b>-</b>	<b>-</b>

**Statement of Administered Financial Position  
as at 30 June 2012**

	Note	2012 \$'000	2011 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	A5	1 505	6 609
Receivables	A6	8 776	4 954
<b>Total current assets</b>		<b>10 281</b>	<b>11 563</b>
<b>Current liabilities:</b>			
Payables	A7	4 951	8 425
Judicial benefits	A8	3 295	2 892
Other current liabilities	A9	83	73
<b>Total current liabilities</b>		<b>8 329</b>	<b>11 390</b>
<b>Non-current liabilities:</b>			
Payables	A7	1 349	1 036
Judicial benefits	A8	8 571	7 105
<b>Total non-current liabilities</b>		<b>9 920</b>	<b>8 141</b>
<b>Total liabilities</b>		<b>18 249</b>	<b>19 531</b>
<b>Net assets</b>		<b>(7 968)</b>	<b>(7 968)</b>
<b>Equity:</b>			
Accumulated deficit		(7 968)	(7 968)
<b>Total administered equity</b>		<b>(7 968)</b>	<b>(7 968)</b>

**Statement of Administered Changes in Equity  
for the year ended 30 June 2012**

	Retained earnings \$'000
Balance at 30 June 2010	(7 968)
Net result for 2010-11	-
Total comprehensive result for the year 2010-11	-
Balance at 30 June 2011	(7 968)
Net result for 2011-12	-
Total comprehensive result for the year 2011-12	-
<b>Balance at 30 June 2012</b>	<b>(7 968)</b>

**Statement of Administered Cash Flows  
for the year ended 30 June 2012**

		2012 Inflows (Outflows) \$'000	2011 Inflows (Outflows) \$'000
<b>Cash flows from operating activities:</b>	Note		
Cash outflows:			
Judicial benefits		(39 348)	(36 453)
Payments to Consolidated Account		(63 638)	(59 600)
Victims of Crime payments		(20 828)	(15 245)
Other payments		(659)	(831)
<b>Cash provided by (used in) operations</b>		<b>(124 473)</b>	<b>(112 129)</b>
Cash inflows:			
Receipts from SA Government		37 180	39 416
Fines		30 980	31 752
Court fees		27 914	26 548
Victims of Crime receipts		20 867	15 864
Transcript fees		1 543	1 458
GST recovered from the ATO		93	71
Other receipts		792	895
<b>Cash generated from operations</b>		<b>119 369</b>	<b>116 004</b>
<b>Net cash provided by (used in) operating activities</b>	A10	<b>(5 104)</b>	<b>3 875</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(5 104)</b>	<b>3 875</b>
<b>Cash and cash equivalents at 1 July</b>		<b>6 609</b>	<b>2 734</b>
<b>Cash and cash equivalents at 30 June</b>	A5	<b>1 505</b>	<b>6 609</b>

**Schedule of Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2012**

(Activities - refer note A3)	1		2		3	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Expenses:</b>						
Judicial benefits expenses	41 050	37 333	-	-	-	-
Victims of Crime payments	-	-	-	-	20 867	15 864
Payments to Consolidated Account	17 861	15 289	-	-	42 670	44 524
Other expenses	684	830	-	-	37	92
<b>Total expenses</b>	<b>59 595</b>	<b>53 452</b>	<b>-</b>	<b>-</b>	<b>63 574</b>	<b>60 480</b>
<b>Income:</b>						
Revenues from SA Government	41 050	37 333	-	-	-	-
Fines	-	-	-	-	31 075	31 906
Court fees	16 290	13 838	-	-	11 632	12 710
Victims of Crime levies	-	-	-	-	20 867	15 864
Transcript fees	1 571	1 458	-	-	-	-
Other income	684	823	-	-	-	-
<b>Total income</b>	<b>59 595</b>	<b>53 452</b>	<b>-</b>	<b>-</b>	<b>63 574</b>	<b>60 480</b>
<b>Total comprehensive result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(Activities - refer note A3)	General/ Not attributable		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Expenses:</b>				
Judicial benefits expenses	-	-	41 050	37 333
Victims of Crime payments	-	-	20 867	15 864
Payments to Consolidated Account	-	-	60 531	59 813
Other expenses	-	-	721	922
<b>Total expenses</b>	<b>-</b>	<b>-</b>	<b>123 169</b>	<b>113 932</b>
<b>Income:</b>				
Revenues from SA Government	-	-	41 050	37 333
Fines	-	-	31 075	31 906
Court fees	-	-	27 922	26 548
Victims of Crime levies	-	-	20 867	15 864
Transcript fees	-	-	1 571	1 458
Other income	-	-	684	823
<b>Total income</b>	<b>-</b>	<b>-</b>	<b>123 169</b>	<b>113 932</b>
<b>Total comprehensive result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Notes to and forming part of the administered financial statements**

**A1. Objectives of the Courts Administration Authority (the Authority)**

The objectives of the Authority outlined in note 1 for operating items apply equally to the administered financial statements

**A2. Summary of significant accounting policies**

The policies of the Authority outlined in note 2 for operating items apply equally to the administered financial statements.

**A3. Activities of the Authority**

The activities the Authority administers are mainly comprised of the following transactions:

- Fines – the Authority receives revenue from infringements issued to offenders committing offences under various acts and regulations. This revenue is directly credited to the DTF Consolidated Account.
- Court fees – the Authority processes revenue from fees charged under regulations to various Acts. Examples of these fees include lodgement fees in the various jurisdictions, enforcement fees imposed on outstanding matters and sale of evidence/transcript. This revenue is directly credited to the DTF Consolidated Account.
- Judicial expenses – the Authority makes payments pursuant to the *Remuneration Act 1990* for the judiciary. These expenses include judicial salaries and associated on-costs (superannuation and payroll tax), judicial vehicle expenses and related FBT.
- Victims of Crime levy – the Authority collects Victims of Crime levies pursuant to the requirements of the *Victims of Crime Act 2001*. Monies collected are paid into the Victims of Crime Fund operated by the Attorney-General’s Department.

The activities used by the Authority for budgeting and reporting purposes are classified as follows:

**Activity 1: Court and Tribunal Case Resolution Services**

The resolution of criminal, civil, appellate, coronial and probate matters in the State’s courts and tribunals.

**Activity 2: Alternative Dispute Resolution Services**

Services for resolving disputes between citizens, and disputes between citizens and the State; as well as the education, training, information and advice processes, which aim to prevent disputes. No administered activity under this activity – controlled only activity.

**Activity 3: Penalty Management Services**

The management of penalties arising from court orders, the enforcement of court orders as well as the recovery of debts, and the administration and execution of warrants.

The Authority does not track assets and liabilities at the administered activity level and therefore figures cannot be reliably measured.

**A4. Judicial benefits expenses**

	2012	2011
	\$'000	\$'000
Salaries and wages	24 644	23 417
LSL	3 828	2 225
Annual leave	2 163	2 152
Employment on-costs - superannuation	6 302	5 627
Employment on-costs - payroll tax	1 922	1 749
Other judicial related expenses	2 191	2 163
Total judicial benefits expenses	41 050	37 333

**Remuneration of judiciary**

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

	2012	2011
	Number	Number
\$184 000 - \$193 999	2	3
\$194 000 - \$203 999	3	1
\$214 000 - \$223 999	1	1
\$224 000 - \$233 999	1	1
\$234 000 - \$243 999	1	1
\$254 000 - \$263 999	-	1
\$274 000 - \$283 999	-	2
\$284 000 - \$293 999	1	-
\$294 000 - \$303 999	6	5

**Remuneration of judiciary (continued)**

	2012 Number	2011 Number
\$304 000 - \$313 999	9	11
\$314 000 - \$323 999	9	8
\$324 000 - \$333 999	4	4
\$334 000 - \$343 999	3	8
\$344 000 - \$353 999	3	3
\$354 000 - \$363 999	2	1
\$364 000 - \$373 999	1	-
\$384 000 - \$393 999	-	1
\$394 000 - \$403 999	-	1
\$404 000 - \$413 999	1	-
\$414 000 - \$423 999	1	-
\$434 000 - \$443 999	1	-
\$444 000 - \$453 999	1	4
\$454 000 - \$463 999	14	19
\$464 000 - \$473 999	13	3
\$474 000 - \$483 999	2	-
\$504 000 - \$513 999	1	4
\$514 000 - \$523 999	7	8
\$524 000 - \$533 999	3	-
\$584 000 - \$593 999	-	1
\$614 000 - \$623 999	1	-
\$804 000 - \$813 999	1	-
Total	92	91

The table includes all judicial officers who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of judicial officers reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice and fringe benefits and any FBT paid/payable in respect of those benefits. The total remuneration received by these judicial officers for the year was \$36.3 million (\$34.6 million).

<b>A5. Administered cash and cash equivalents</b>	2012	2011
	\$'000	\$'000
Deposits with the Treasurer	1 505	6 609
<b>A6. Administered receivables</b>		
Current:		
Debtors	734	643
Allowance for doubtful debts	(126)	(93)
Accrued revenue	8 149	4 288
GST input tax recoverable	19	21
Prepayment	-	95
Total administered receivables expected to be recovered within 12 months	8 776	4 954
Receivables from SA Government entities:		
Debtors	130	160
Accrued revenue	8 141	4 288
Total administered receivables from SA Government entities	8 271	4 448
Movements in the allowance for doubtful debts:		
Carrying amount at 1 July	93	32
Amounts written off	-	(6)
Increase in the allowance	33	67
Carrying amount at 30 June	126	93
<b>A7. Administered payables</b>		
Current:		
Creditors and accrued expenses	4 301	7 840
Judicial benefits on-costs	650	585
Total current payables	4 951	8 425

<b>A7. Administered payables (continued)</b>	2012	2011
Non-current:	\$'000	\$'000
Judicial benefits on-costs	1 349	1 036
Total administered payables	<u>6 300</u>	<u>9 461</u>
Payables to SA Government entities:		
Creditors	-	189
Accrued expenses	4 071	7 153
Judicial benefits on-costs	654	548
Total administered payables to SA Government entities	<u>4 725</u>	<u>7 890</u>

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has changed from the 2011 rate 35% to 40% which is 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 and judicial benefits expenses of \$132 000. The impact on future years is impractical to estimate. Refer note A8.

<b>A8. Judicial benefits</b>	2012	2011
Current:	\$'000	\$'000
LSL	1 984	1 489
Annual leave	1 311	1 403
Total current judicial benefits	<u>3 295</u>	<u>2 892</u>
Non-current:		
Annual leave	381	364
LSL	8 190	6 741
Total non-current judicial benefits	<u>8 571</u>	<u>7 105</u>
Total judicial benefits	<u>11 866</u>	<u>9 997</u>

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 2011 (5.25%) to 2012 (3%). This significant decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant 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 \$1.8 million and on-costs of \$283 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

<b>A9. Other liabilities</b>	2012	2011
Current:	\$'000	\$'000
Unclaimed money	83	73
Total other liabilities	<u>83</u>	<u>73</u>

<b>A10. Administered cash flow reconciliation</b>		
Reconciliation of cash and cash equivalents at 30 June:		
Cash and cash equivalents disclosed in the Statement of Administered Financial Position	1 505	6 609
Balance as per the Statement of Administered Cash Flows	<u>1 505</u>	<u>6 609</u>

***Reconciliation of net cash provided by (used in) administered activities to total comprehensive result***

Net cash provided by (used in) operating activities	(5 104)	3 875
Non-cash item:		
Doubtful debts and bad debts expenses	(37)	(92)
Movements in administered assets/liabilities:		
Receivables	3 859	(1 945)
Judicial entitlements	(1 869)	(546)
Payables	3 151	(1 292)
Total comprehensive result from administered activities	<u>-</u>	<u>-</u>

**T1. Trust monies**

The Authority holds monies pending the outcome of court decisions. These monies are excluded from the financial statements as the Authority cannot use them for the achievement of its objectives. The following is a summary of the transactions in the jurisdictions' trust accounts.

<b><i>Supreme Court Suitor Account</i></b>	2012	2011	2010
	\$'000	\$'000	\$'000
Balance at 1 July	35 004	38 795	21 798
Receipts	10 286	9 673	29 629
	45 290	48 468	51 427
Payments	(6 901)	(13 464)	(12 632)
Balance at 30 June	38 389	35 004	38 795
<b><i>District Court Suitor Account</i></b>			
Balance at 1 July	2 701	2 697	2 832
Receipts	2 051	6 019	4 740
	4 752	8 716	7 572
Payments	(1 928)	(6 015)	(4 875)
Balance at 30 June	2 824	2 701	2 697
<b><i>Sheriff's Office Trust Account</i></b>			
Balance at 1 July	286	88	87
Receipts	1 414	991	1 623
	1 700	1 079	1 710
Payments	(1 298)	(793)	(1 622)
Balance at 30 June	402	286	88
<b><i>Magistrates' Court Suitor Account</i></b>			
Balance at 1 July	3 615	4 803	4 630
Receipts	18 105	14 447	15 086
	21 720	19 250	19 716
Payments	(16 725)	(15 635)	(14 913)
Balance at 30 June	4 995	3 615	4 803

Specific receipts for impounding fees from change of legislation have been incorrectly included in the Sheriff's Office Trust Account. The receipts for 2011 and 2010 have been restated by \$461 000 and \$562 000 respectively and the balances at 1 July 2009 for \$341 000 have been corrected from the Sheriff's Office Trust Account to the Magistrates' Court Suitor Account.

# Defence SA

## Functional responsibility

### Establishment

Defence SA is an administrative unit established pursuant to the PSA, and is responsible to the Premier as Minister for State Development and the Treasurer as 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.

On 1 March 2012, the Defence SA property and asset management and program delivery functions were transferred to the Urban Renewal Authority (URA). For further explanation of the nature of this administrative restructure, refer to 'Interpretation and analysis of the financial report' and to note 29 to the financial statements.

### Functions

The functions of Defence SA are to:

- facilitate the development and growth of a sustainable defence industry in South Australia in accordance with South Australia's Strategic Plan objectives
- advise and deliver strategies and policies required to deliver defence industry growth in South Australia
- deliver the SA Government commitments in support of defence industry growth in South Australia
- maximise the defence presence, including personnel and facilities, in South Australia.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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 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 2011-12, specific areas of audit attention included:

- policies and procedures
- cash
- expenditure processing
- payroll review – bona fides and leave return reports
- income
- processing and review of general ledger transactions
- reconciliations between the general ledger and subsidiary systems
- contract management
- self-assessment against the financial management compliance program
- the transfer of functions and related financial account balances to the URA.

## 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 2012, 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 except for the matters raised in relation to the SSSA control environments as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of Defence SA have been conducted properly and in accordance with law.

### Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to Defence SA's Chief Executive Officer. The notable matters raised with Defence SA are summarised below.

#### *Cash*

The audit of the Defence SA bank reconciliation identified areas for improvement in follow-up of long outstanding cheques, the documentation covering bank reconciliation performance and procedural documentation which specifies the responsibilities of officers engaged in the preparation of the reconciliation.

#### *Contract management*

The review of contract expenditure by Defence SA identified an instance of a service contract that was not renewed on a timely basis. The importance of timely renewal of contracts/arrangements was communicated to Defence SA.

Defence SA responded to the audit findings and advised implementation of measures that effectively address the matters raised.

**Shared Services SA – e-Procurement and electronic payment control environments**

The audit review of Defence SA's expenditure processes considered the e-Procurement and electronic payment systems' control environments operated by SSSA.

Review of these systems and environments in previous years identified significant key control weaknesses. While SSSA progressively implemented significant remedial action over these deficiencies during 2011-12, SSSA only anticipates completion of planned actions by December 2012.

As a result, the systems and control environments could not be considered robust during 2011-12.

This matter is further discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report.

**Interpretation and analysis of the financial report**

**Highlights of the financial report**

	2012 \$'million	2011 \$'million
<b>Expenses</b>		
Employee benefits expenses	5	5
Supplies and services	9	12
Depreciation and amortisation	8	8
Grants and subsidies	3	2
Loss on revaluation of non-current assets	5	-
<b>Total expenses</b>	<b>30</b>	<b>27</b>
<b>Income</b>		
Revenues from fees and charges	3	3
Grants	2	-
Techport Australia recoveries	-	1
Property revenues	4	5
Other income	-	1
<b>Total income</b>	<b>9</b>	<b>10</b>
<b>Net cost of providing services</b>	<b>(21)</b>	<b>(17)</b>
<b>Revenues from (Payments to) SA Government</b>		
Revenues from SA Government	21	32
Revenues from the URA associated with the transfer of assets	185	-
Payments to SA Government	(14)	(6)
<b>Net result</b>	<b>171</b>	<b>9</b>
<b>Other comprehensive income</b>		
Reduction in land revaluation surplus	(6)	-
<b>Total comprehensive result</b>	<b>165</b>	<b>9</b>

	2012 \$'million	2011 \$'million
<b>Assets</b>		
Current assets	17	32
Non-current assets	260	439
<b>Total assets</b>	<b>277</b>	<b>471</b>
<b>Liabilities</b>		
Current liabilities	3	5
<b>Total liabilities</b>	<b>3</b>	<b>5</b>
<b>Total equity</b>	<b>274</b>	<b>466</b>

### Statement of Comprehensive Income

#### *Income*

Property revenue decreased as rental incomes were received from Technology Park until February 2012 when responsibility for Technology Park transferred to the URA.

The \$2 million increase in grant revenues relates to funding received to meet the State's commitment to support the Air Warfare Destroyer project by reimbursing eligible costs incurred by the shipbuilder in attracting and maintaining its workforce. The commitment arises from the State's agreement with the Commonwealth.

Defence SA received \$185 million from the URA in connection with the transfer of land and building assets effective 1 March 2012. This money was subsequently repaid to the Consolidated Account as an equity contribution repayment.

#### *Expenses*

Supplies and services decreased by \$3 million reflecting the decreased operational costs incurred in operating Technology Park, as the responsibility for Technology Park transferred to the URA effective 1 March 2012. There was also a decrease in promotion and events expenditure as less events were attended by Defence SA during 2011-12.

Grants and subsidies increased by \$2 million reflecting the amount payable to the shipbuilder to meet the State's commitments in support of the Air Warfare Destroyer project to reimburse eligible claimed costs incurred by the shipbuilder as discussed above.

Defence SA recognised a loss on revaluation of non-current assets of \$5 million as a result of the revaluation of land and buildings performed as at February 2012 before the transfer of the land and building assets to the URA.

### Statement of Financial Position

Defence SA's main assets are land (\$19 million) and the Techport Australia harbour and port facilities (\$232 million). During 2011-12 Defence SA transferred \$178 million of land and buildings to the URA with effect from 1 March 2012. These assets were associated with the transferred property and asset management and program delivery functions.

Defence SA received a capital contribution of \$4.5 million which was recognised directly in equity and repaid \$185 million following the transfer of land and buildings to the URA that had been initially funded from contributed capital.

Projects completed during the year totalled \$24 million and were transferred from capital works in progress to land, buildings and harbour and port facilities.

### Statement of Cash Flows

The following table summarises the net cash flows for 2012 and 2011.

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

Operating cash flows increased due to receipts from the URA associated with the transfer of assets effective 1 March 2012.

The reduction in expenditure on Defence SA projects and land purchases following the completion of the Common User Facility and other land development projects is reflected in the reduction in cash used in investing activities.

The cash used in financing activities reflects the capital contributions repaid to the SA Government as a result of money received for the transfer of assets to the URA.

### Further commentary on operations

#### Transferred functions

As a consequence of the Public Sector (Reorganisation of Public Operations) Notice 2012 and the Administrative Arrangements (Transfer of Land to Urban Renewal Authority) Proclamation 2012, both dated 1 March 2012, the property and asset management and program delivery functions of Defence SA were transferred to the URA effective from 1 March 2012. The land and buildings associated with the transfer of functions were:

- Northern Lefevre Peninsula land associated with a masterplan which identified the long-term infrastructure requirements to support a sustainable industrial precinct and the operation of Techport Australia. The masterplan provided for the consolidation of government-owned land holdings to develop sustainable industrial precincts and appropriate open space and buffers from established residential areas
- Osborne North Industrial Precinct which was developed to provide serviced allotments for sale to defence and other industries. Geotechnical site preparation work commenced in January 2009 and detailed planning and design of infrastructure upgrades (water, gas, sewer, electricity and roads) was undertaken during 2009-10
- Technology Park
- Secure Electronic Common User Facility which was established at Technology Park to provide a multi-level, common use environment for the defence community in the integration of complex defence systems. The facility provides office and laboratory space to support advanced engineering and research activities including modelling and simulation.

## Statement of Comprehensive Income for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Expenses:</b>			
Employee benefits expenses	5	5 208	5 264
Supplies and services	6	8 439	11 577
Depreciation and amortisation	7	7 803	7 867
Grants and subsidies	8	2 649	1 909
Other expenses	9	269	692
Loss on revaluation of non-current assets	21	5 383	-
<b>Total expenses</b>		<u>29 751</u>	<u>27 309</u>
<b>Income:</b>			
Revenues from fees and charges	11	3 244	2 959
Grants	12	2 061	275
Net gain on disposal of non-current assets	13	56	198
Techport Australia recoveries	14	257	1 361
Property revenues	15	3 450	5 346
Other income	16	227	400
<b>Total income</b>		<u>9 295</u>	<u>10 539</u>
<b>Net cost of providing services</b>	31	<u>(20 456)</u>	<u>(16 770)</u>
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	17	21 156	31 890
Revenues from the Urban Renewal Authority associated with the transfer of assets	2(d),17	184 668	-
Payments to SA Government	17	(13 760)	(6 345)
<b>Net result</b>		<u>171 608</u>	<u>8 775</u>
<b>Other comprehensive income:</b>			
Reduction in land revaluation surplus	20,21	(6 224)	-
<b>Total comprehensive result</b>		<u>165 384</u>	<u>8 775</u>

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

## Statement of Financial Position as at 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Current assets:</b>			
Cash	18	14 333	22 059
Receivables	19	2 441	1 300
		16 774	23 359
Land and buildings classified as held for sale	20	-	9 016
<b>Total current assets</b>		16 774	32 375
<b>Non-current assets:</b>			
Land	21	18 841	157 358
Buildings and improvements, plant and equipment	21	7 159	28 052
Harbour and port facilities	21	231 907	236 265
Capital works in progress	22	2 533	17 676
<b>Total non-current assets</b>		260 440	439 351
<b>Total assets</b>		277 214	471 726
<b>Current liabilities:</b>			
Payables	23	2 619	4 345
Employee benefits	24	569	625
Other current liabilities	25	21	21
<b>Total current liabilities</b>		3 209	4 991
<b>Non-current liabilities:</b>			
Other non-current liabilities	25	62	83
<b>Total non-current liabilities</b>		62	83
<b>Total liabilities</b>		3 271	5 074
<b>Net assets</b>		273 943	466 652
<b>Equity:</b>			
Contributed capital	26	101 823	282 080
Retained earnings	26	172 120	159 762
Revaluation surplus	26	-	24 810
<b>Total equity</b>		273 943	466 652
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	27		
Contingent assets and liabilities	28		

## Statement of Changes in Equity for the year ended 30 June 2012

	Note	Contributed capital \$'000	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010		285 147	24 929	134 465	444 541
Error correction <sup>(1)</sup>		(16 403)	-	16 403	-
Restated balance as at 30 June 2010		268 744	24 929	150 868	444 541
Net result for 2010-11		-	-	8 775	8 775
Total comprehensive result for 2010-11		-	-	8 775	8 775
Transactions with SA Government as owner:					
Equity contribution received		15 291	-	-	15 291
Equity contribution repaid		(1 955)	-	-	(1 955)
Revaluation surplus transferred to retained earnings on disposal of non-current asset		-	(119)	119	-
Balance at 30 June 2011		282 080	24 810	159 762	466 652
Net result for 2011-12		-	-	171 608	171 608
Reduction in land revaluation surplus		-	(6 224)	-	(6 224)
Total comprehensive result for 2011-12		-	(6 224)	171 608	165 384
Transactions with SA Government as owner:					
Equity contribution received	26	4 476	-	-	4 476
Net assets transferred as a result of an administrative restructure	2(d),29	-	-	(177 836)	(177 836)
Equity contribution repaid	2(d),26	(184 733)	-	-	(184 733)
Revaluation surplus transferred to retained earnings on disposal of non-current asset		-	(18 586)	18 586	-
<b>Balance at 30 June 2012</b>		<b>101 823</b>	<b>-</b>	<b>172 120</b>	<b>273 943</b>

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

<sup>(1)</sup> The 2009-10 financial statements incorrectly classified \$16.403 million of appropriation from Consolidated Account as an equity contribution (contributed capital) whereas the correct treatment was as operating revenue from SA Government.

## Statement of Cash Flows for the year ended 30 June 2012

		2012	2011
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		(5124)	(5 344)
Payments for supplies and services		(9 261)	(10 999)
Payment of grants and subsidies		(1 165)	(1 909)
GST paid to the ATO and suppliers		(2 658)	(4 881)
<b>Cash used in operations</b>		<u>(18 208)</u>	<u>(23 133)</u>
Cash inflows:			
Grants		521	275
Fees and charges		2 991	2 744
Techport Australia recoveries		256	1 361
Property revenues		3 658	5 227
GST recovered from the ATO and customers		2 830	4 461
Deposits on sale of land		-	(15)
Other receipts		179	508
<b>Cash generated from operations</b>		<u>10 435</u>	<u>14 561</u>
Cash flows from SA Government:			
Receipts from SA Government		21 156	31 890
Receipts from the Urban Renewal Authority associated with the transfer of assets		184 668	-
Payments to SA Government		(13 760)	(6 345)
<b>Cash generated from SA Government</b>		<u>192 064</u>	<u>25 545</u>
<b>Net cash provided by (used in) operating activities</b>	31	<u>184 291</u>	<u>16 973</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Payments for property, plant and equipment		(757)	(631)
Payments for capital work in progress		(11 243)	(18 859)
<b>Cash used in investing activities</b>		<u>(12 000)</u>	<u>(19 490)</u>
Cash inflows:			
Proceeds from sale of land and buildings		240	2 257
<b>Cash generated from investing activities</b>		<u>240</u>	<u>2 257</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(11 760)</u>	<u>(17 233)</u>
<b>Cash flows from financing activities:</b>			
Cash outflows:			
Capital contributions repaid to government		(184 733)	(1 955)
<b>Cash used in financing activities</b>		<u>(184 733)</u>	<u>(1 955)</u>
Cash inflows:			
Capital contributions from SA Government		4 476	15 291
<b>Cash generated from financing activities</b>		<u>4 476</u>	<u>15 291</u>
<b>Net cash provided by (used in) financing activities</b>		<u>(180 257)</u>	<u>13 336</u>
<b>Net increase (decrease) in cash</b>		<u>(7 726)</u>	<u>13 076</u>
<b>Cash at 1 July</b>		<u>22 059</u>	<u>8 983</u>
<b>Cash at 30 June</b>	18,31	<u>14 333</u>	<u>22 059</u>



## Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2012

	(Activities - refer note 4)	1		2		Total ongoing Defence SA activities	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Expenses:</b>							
Employee benefits expenses		3 449	3 331	1 083	864	4 532	4 195
Supplies and services		2 676	3 685	2 876	2 786	5 552	6 471
Depreciation and amortisation		119	119	7 021	6 802	7 140	6 921
Grants and subsidies		2 649	1 909	-	-	2 649	1 909
Other expenses		41	43	-	-	41	43
Loss on revaluation of non-current assets		-	-	493	-	493	-
<b>Total expenses</b>		<b>8 934</b>	<b>9 087</b>	<b>11 473</b>	<b>10 452</b>	<b>20 407</b>	<b>19 539</b>
<b>Income:</b>							
Revenues from fees and charges		-	-	3 025	2 664	3 025	2 664
Grants		1 540	-	506	275	2 046	275
Net gain from disposal of non-current assets		-	-	1	-	1	-
Techport Australia recoveries		-	-	257	1 361	257	1 361
Property revenues		-	-	-	-	-	-
Other income		140	198	-	1	140	199
<b>Total income</b>		<b>1 680</b>	<b>198</b>	<b>3 789</b>	<b>4 301</b>	<b>5 469</b>	<b>4 499</b>
<b>Net cost of providing services</b>		<b>(7 254)</b>	<b>(8 889)</b>	<b>(7 684)</b>	<b>(6 151)</b>	<b>(14 938)</b>	<b>(15 040)</b>
<b>Revenues from (Payments to)</b>							
<b>SA Government:</b>							
Revenues from SA Government		21 156	31 890	-	-	21 156	31 890
Revenues from the Urban Renewal Authority associated with the transfer of assets		184 668	-	-	-	184 668	-
Payments to SA Government		(13 760)	(6 345)	-	-	(13 760)	(6 345)
<b>Net result</b>		<b>184 810</b>	<b>16 656</b>	<b>(7 684)</b>	<b>(6 151)</b>	<b>177 126</b>	<b>(10 505)</b>

	(Activities - refer note 4)	3 <sup>(1)</sup>		Total all activities	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Expenses:</b>					
Employee benefits expenses		676	1 069	5 208	5 264
Supplies and services		2 887	5 106	8 439	11 577
Depreciation and amortisation		663	946	7 803	7 867
Grants and subsidies		-	-	2 649	1 909
Other expenses		228	649	269	692
Loss on revaluation of non-current assets		4 890	-	5 383	-
<b>Total expenses</b>		<b>9 344</b>	<b>7 770</b>	<b>29 751</b>	<b>27 309</b>
<b>Income:</b>					
Revenues from fees and charges		219	295	3 244	2 959
Grants		15	-	2 061	275
Net gain from disposal of non-current assets		55	198	56	198
Techport Australia recoveries		-	-	257	1 361
Property revenues		3 450	5 346	3 450	5 346
Other income		87	201	227	400
<b>Total income</b>		<b>3 826</b>	<b>6 040</b>	<b>9 295</b>	<b>10 539</b>
<b>Net cost of providing services</b>		<b>(5 518)</b>	<b>(1 730)</b>	<b>(20 456)</b>	<b>(16 770)</b>
<b>Revenues from (Payments to)</b>					
<b>SA Government:</b>					
Revenues from SA Government <sup>(1)</sup>		-	-	21 156	31 890
Revenues from the Urban Renewal Authority associated with the transfer of assets		-	-	184 668	-
Payments to SA Government		-	-	(13 760)	(6 345)
<b>Net result</b>		<b>(5 518)</b>	<b>(1 730)</b>	<b>171 608</b>	<b>8 775</b>

During 2011-12 Defence SA amended its activity structure to reflect the transfer of assets and operations to the Urban Renewal Authority effective 1 March 2012.

The 2010-11 comparatives have been restated as follows:

- Defence Industry Development includes the former Workforce Development activity.
- The former Defence Precincts activity has been divided between the ongoing Techport Australia activity and Other Defence Precincts activities which have been transferred to the Urban Renewal Authority.

<sup>(1)</sup> The 2012 actual result relates to the period 1 July 2011 to 29 February 2012. The 2011 comparative relates to the full financial year.

## Disaggregated Disclosures – Assets and Liabilities as at 30 June 2012

	(Activities - refer note 4)	1		2		Total ongoing Defence SA activities	
		2012	2011	2012	2011	2012	2011
<b>Assets:</b>		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash		14 333	22 059	-	-	14 333	22 059
Receivables		1 921	163	520	146	2 441	309
Land and buildings held for sale		-	-	-	-	-	-
Land		-	-	18 841	712	18 841	712
Buildings and improvements, plant and equipment		446	564	6 713	7 365	7 159	7 929
Harbour and port facilities		-	-	231 907	236 265	231 907	236 265
Capital works in progress		-	-	2 533	362	2 533	362
<b>Total assets</b>		<b>16 700</b>	<b>22 786</b>	<b>260 514</b>	<b>244 850</b>	<b>277 214</b>	<b>267 636</b>
<b>Liabilities:</b>							
Payables		2 075	937	544	675	2 619	1 612
Employee benefits		569	625	-	-	569	625
Other liabilities		83	104	-	-	83	104
<b>Total liabilities</b>		<b>2 727</b>	<b>1 666</b>	<b>544</b>	<b>675</b>	<b>3 271</b>	<b>2 341</b>
<b>Net assets</b>		<b>13 973</b>	<b>21 120</b>	<b>259 970</b>	<b>244 175</b>	<b>273 943</b>	<b>265 295</b>

	(Activities - refer note 4)	3		Total all activities	
		2012	2011	2012	2011
<b>Assets:</b>		\$'000	\$'000	\$'000	\$'000
Cash		-	-	14 333	22 059
Receivables		-	991	2 441	1 300
Land and buildings held for sale		-	9 016	-	9 016
Land		-	156 646	18 841	157 358
Buildings and improvements, plant and equipment		-	20 123	7 159	28 052
Harbour and port facilities		-	-	231 907	236 265
Capital works in progress		-	17 314	2 533	17 676
<b>Total assets</b>		<b>-</b>	<b>204 090</b>	<b>277 214</b>	<b>471 726</b>
<b>Liabilities:</b>					
Payables		-	2 733	2 619	4 345
Employee benefits		-	-	569	625
Other liabilities		-	-	83	104
<b>Total liabilities</b>		<b>-</b>	<b>2 733</b>	<b>3 271</b>	<b>5 074</b>
<b>Net assets</b>		<b>-</b>	<b>201 357</b>	<b>273 943</b>	<b>466 652</b>

During 2011-12 Defence SA amended its activity structure to reflect the transfer of assets and operations to the Urban Renewal Authority effective 1 March 2012.

The 2010-11 comparatives have been restated as follows:

- Defence Industry Development includes the former Workforce Development activity.
- The former Defence Precincts activity has been divided between the ongoing Techport Australia activity and Other Defence Precincts activities which have been transferred to the Urban Renewal Authority.

## Notes to and forming part of the financial statements

### 1. Objectives of Defence SA

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

To achieve this mission, the agency is focused on delivering the Government of South Australia's commitments to the Air Warfare Destroyer project, as well as capturing further defence 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 a number of partners to deliver results for industry in the areas of workforce development and innovation.

On 1 March 2012 Defence SA transferred specified staff and assets associated with the Other Defence Precincts activity to the Urban Renewal Authority (refer note 2(d)).

### 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 2012. These are outlined in note 3.

#### (b) *Basis of preparation*

The preparation of the financial statements requires:

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

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

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

**(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 2012 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) Transferred functions**

The Public Sector (Reorganisation of Public Sector Operations) Notice 2012 and the Administrative Arrangements (Transfer of Land to Urban Renewal Authority) Proclamation 2012 (both dated 1 March 2012) declared that specified staff and assets of Defence SA were transferred to the Urban Renewal Authority, effective 1 March 2012.

The assets were transferred to the Urban Renewal Authority for nil consideration. Subsequent to the transfer, the Treasurer approved an arrangement whereby the Urban Renewal Authority paid on 22 June 2012 \$184.668 million to Defence SA. In line with AASs (AASB 101 paragraphs 81(a) and 87), and APF II, APS 3.2, this payment is recognised as income within the Statement of Comprehensive Income of Defence SA.

To complete the arrangement the Treasurer also approved for Defence SA to repay equity of \$184.668 million contributed by the State towards the purchase and development of these assets.

As specified in APF II, the transfer of assets and repayment of equity contribution are considered transactions with the SA Government as owner and are recognised directly in the Statement of Changes in Equity and further disclosed in notes 17, 26 and 29.

**(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) Project overheads**

Defence SA adopts a full cost approach to the costing of its capital works. This method entails the allocation of a proportionate share of project specific overheads to all activities based upon a regime of cost drivers in accordance with AASB 116.

**(h) 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. Defence SA is only liable for land tax on properties for which a contract for sale is held as at 30 June annually.

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

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

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

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

**(h) Taxation (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 payable to, or recoverable from, the ATO the commitments and contingencies are disclosed on a gross basis.

**(i) 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.

**(j) Income**

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

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

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

The following are specific recognition criteria:

*Fees and charges*

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

*Revenues from SA Government*

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

*Net gain on disposal of non-current assets*

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

*Property revenues*

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

*Other income*

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

**(k) Expenses**

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

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

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

The following are specific recognition criteria:

*Employee 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	40
Leasehold improvements	Life of lease
Plant and equipment	4-15
Furniture and fittings	3-10

*Grants and subsidies*

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

*Payments to SA Government*

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy and net profit on sale of non-current assets. These funds are paid directly to the Consolidated Account.

**(l) 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.

**(m) Assets**

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

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

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

*Cash*

Cash in the Statement of Financial Position 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 will be written off when identified.

*Capital works in progress*

During the period work continued on the development of infrastructure to support the Air Warfare Destroyer construction program in accordance with the Infrastructure Assistance Agreement and other defence and industrial developments.

Defence SA engages in projects that include land acquisition, infrastructure development and ultimate disposal through sale or various leasing arrangements.

The accounting policy of capitalisation of project overheads attributable to capital works is disclosed in note 2(g).

Defence SA accounts for expenses associated with all capital projects as work in progress until the assets are installed and ready for use. On completion the assets are recognised in accordance with non-current asset acquisition and recognition (refer below).

*Non-current assets held for sale*

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

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

*Non-current asset acquisition and recognition*

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets (excluding harbour and port facilities which are considered specialised assets) are subsequently measured at fair value less accumulated depreciation.

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

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

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

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

*Revaluation of non-current assets*

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

Every three years Defence SA revalues its land and buildings. However if at any time, management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last revaluation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value. Defence SA's land, buildings and associated plant and equipment were last revalued in the year ended 30 June 2012. This is only two years since the last revaluation and was undertaken outside of the three year cycle in preparation for the transfer of assets to the Urban Renewal Authority (refer note 29).

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.

**(n) Liabilities**

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

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

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

*Payables*

Payables include creditors, accrued expenses, GST payable, 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, ie 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 to outstanding liabilities for salaries and wages, LSL and annual leave.

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



*Leases*

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

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

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

*Employee benefits*

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

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

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

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

- *LSL*  
The majority of Defence SA employees were recruited from outside the SA Government and are employed on contracts with less than five years to expiry. The LSL liability accrual has been calculated based on those staff that will attain an LSL entitlement during their current contract term.

The unconditional portion of the LSL provision is classified as current as Defence SA does not have any unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of LSL relates to an unconditional legal entitlement to payment arising after seven years of service.

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

*Provisions*

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

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.

- (o) *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.
- (p) *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.

**(p) Insurance (continued)**

Defence SA has arranged, with input from SAICORP, project specific professional indemnity, contractors, all risk and legal liability insurance policies applicable to the design and construction of the Common User Facility (CUF) at Techport Australia.

**(q) 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.

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**

Defence SA did not voluntarily change any of its accounting policies during 2011-12. AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by Defence SA for the period ending 30 June 2012. Defence SA has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of Defence SA.

**4. Activities of Defence SA**

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

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

**Activity 1: Defence Industry Development**

This activity incorporates delivery of strategy and policy, which in conjunction with the Defence SA Advisory Board provides leadership across government on all defence-related matters.

It also includes targeted business development opportunities and the agency's administrative, financial and other operational services.

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

**Activity 2: Techport Australia**

This activity seeks to deliver the State's shipbuilding infrastructure commitment to the Air Warfare Destroyer project and to reinforce Techport Australia as Australia's premier naval industry hub.

**Activity 3: Other Defence Precincts**

This activity incorporated Defence SA's development and project delivery business areas, including activities relating to Technology Park Adelaide and the Northern Lefevre Peninsula Masterplan. This activity was transferred to the Urban Renewal Authority effective 1 March 2012.

The disaggregated disclosures schedules present expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2011 and 30 June 2012. These schedules also present this information attributable to activities transferred to the Urban Renewal Authority effective 1 March 2012 (refer note 2(d)).

**5. Employee benefits expenses**

	Note	2012 \$'000	2011 \$'000
Salaries and wages		4 105	4 242
LSL		73	219
Annual leave		326	363
Employment on-costs - superannuation		409	405
Employment on-costs - other		252	265
Advisory Board and committee fees	30	332	248
Other employee related expenses		106	83
Total employee benefits expenses		<u>5 603</u>	<u>5 825</u>

<b>5. Employee benefits expenses (continued)</b>	2012	2011
	\$'000	\$'000
Charged to capital projects	(395)	(561)
Total employee benefits expenses as per Statement of Comprehensive Income	5 208	5 264

<b>Remuneration of employees</b>	2012	2011
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
\$134 000 - \$143 999	-	1
\$144 000 - \$153 999	2	2
\$154 000 - \$163 999	2	4
\$164 000 - \$173 999	3	2
\$184 000 - \$193 999	1	1
\$194 000 - \$203 999	-	1
\$204 000 - \$213 999	1	1
\$214 000 - \$223 999	1	-
\$224 000 - \$233 999	-	1
\$244 000 - \$253 999	1	1
\$534 000 - \$543 999	1	1
Total	12	15

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 \$2.533 million (\$3.031 million).

In 2011-12 the payroll cycle resulted in 26 fortnightly payments to employees compared to the 27 fortnightly payments in 2010-11.

<b>6. Supplies and services</b>	2012	2011
Supplies and services provided by entities within the SA Government:	\$'000	\$'000
Accommodation and service costs	298	290
Legal fees to Crown Solicitor's Office	117	133
Provision of corporate services under service level agreements	427	394
Insurance	112	117
Security services	466	598
Provision of contract services by Department of Planning, Transport and Infrastructure	30	407
Other expenses	187	145
Total supplies and services - SA Government entities	1 637	2 084
Supplies and services provided by entities external to the SA Government:		
Contractors	1 588	2 646
Consultants (refer below)	149	135
Legal fees	77	91
Staff development and recruitment	205	360
Travel and related expenses	259	349
Promotion and events	872	1 725
Property	1 856	2 754
Security services	173	21
Electricity	430	199
Gas and gas equipment	110	-
Minor plant and equipment	415	364
Other expenses	668	849
Total supplies and services - non-SA Government entities	6 802	9 493
Total supplies and services	8 439	11 577

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

<b>Consultants</b>		2012		2011	
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:		Number	\$'000	Number	\$'000
Between \$10 000 and \$50 000		2	46	2	55
Above \$50 000		1	103	1	80
Total paid/payable to the consultants engaged		3	149	3	135
<b>7. Depreciation and amortisation expense</b>				2012	2011
Depreciation:	Note			\$'000	\$'000
Buildings and improvements				866	1 124
Plant and equipment				99	77
Harbour and port facilities				6 726	6 554
Total depreciation				7 691	7 755
Amortisation:					
Leasehold improvements				112	112
Total amortisation				112	112
Total depreciation and amortisation				7 803	7 867
<b>8. Grants and subsidies</b>					
Grants and subsidies paid/payable to entities within the SA Government:					
Other				-	24
Total grants and subsidies - SA Government entities				-	24
Grants and subsidies paid/payable to entities external to the SA Government:					
Defence Teaming Centre				455	475
ASC AWD Shipbuilder Pty Ltd				2 163	1 391
Other				31	19
Total grants and subsidies - non-SA Government entities				2 649	1 885
Total grants and subsidies				2 649	1 909
<b>9. Other expenses</b>					
Other expenses paid/payable to entities within the SA Government:					
Audit fees	10			35	43
Land tax, local government rates in lieu and Emergency Services levy				14	25
Other				5	-
Total other expenses - SA Government entities				54	68
Other expenses paid/payable to entities external to the SA Government:					
Bad debts and allowances for doubtful debts	19			(7)	20
Transfer from capital works in progress	22			222	604
Total other expenses - non-SA Government entities				215	624
Total other expenses				269	692
<b>10. Auditor's remuneration</b>					
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements					
Total audit fees				35	43
<b>Other services</b>					
No other services were provided by the Auditor-General's Department.					
<b>11. Revenues from fees and charges</b>					
Fees and charges received/receivable from entities external to the SA Government:					
CUF priority access fee				2 573	2 484
Techport Australia other fees				452	180
Technology Park Conference Centre income				219	295
Total fees and charges - non-SA Government entities				3 244	2 959

<b>12. Grants</b>	2012	2011
Grants received/receivable from entities within the SA Government:	\$'000	\$'000
ASC AWD Shipbuilder Pty Ltd	1 540	-
Other	15	-
Total grants - SA Government entities	1 555	-
Grants received/receivable from entities external to the SA Government:		
ASC AWD Shipbuilder Pty Ltd contribution to CUF electrical augmentation	-	275
ASC AWD Shipbuilder Pty Ltd contribution to trestle modifications	499	-
Other	7	-
Total grants - non-SA Government entities	506	275
Total grants	2 061	275
<b>13. Net gain on disposal of non-current assets</b>		
Proceeds from disposal of land and buildings	240	2 257
Net book value of land and buildings disposed	(185)	(2 059)
Proceeds from disposal of plant and equipment	1	-
Total net gain on disposal of non-current assets	56	198
<b>14. Techport Australia recoveries</b>		
Techport Australia recoveries received/receivable from entities external to the SA Government:		
Other Techport Australia recoveries	257	1 361
Total Techport Australia recoveries - non-SA Government entities	257	1 361
Total Techport Australia recoveries	257	1 361
<b>15. Property revenues</b>		
Property revenues received/receivable from entities external to the SA Government:		
Rental income and recoveries <sup>(1)</sup>	3 450	5 346
Total property revenues	3 450	5 346
<sup>(1)</sup> All income generating properties were transferred to the Urban Renewal Authority effective 1 March 2012 (refer note 29).		
<b>16. Other income</b>		
Other income received/receivable from entities within the SA Government:		
Transfers received - Department of Further Education, Employment, Science and Technology	91	81
Total other income - SA Government entities	91	81
Other income received/receivable from entities external to the SA Government:		
Other recoveries	136	319
Total other income - non-SA Government entities	136	319
Total other income	227	400
<b>17. Revenues from (Payments to) SA Government</b>		
Revenues from SA Government:		
Appropriation from Consolidated Account pursuant to the <i>Appropriation Act</i> <sup>(1)</sup>	21 142	31 874
Transfers received - DTF contingencies	14	16
Revenues from Urban Renewal Authority associated with the transfer of assets (refer note 2(d))	184 668	-
Total revenues from SA Government	205 824	31 890
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	(13 585)	(6 042)
Other payments to the Consolidated Account <sup>(1)</sup>	(175)	(303)
Total payments to SA Government	(13 760)	(6 345)

Appropriations from Consolidated Account were \$21.156 million (\$31.89 million) for operational funding.

<sup>(1)</sup> This amount represents the net gain on disposal of non-current assets adjusted for revaluations.

<b>18. Cash</b>	2012	2011
	\$'000	\$'000
Deposits with the Treasurer	7 890	17 791
Deposits with the Treasurer - Accrual Appropriation Excess Funds Account <sup>(1)</sup>	6 443	4 268
Total cash	<u>14 333</u>	<u>22 059</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>	2012	2011
	\$'000	\$'000
Current:		
Receivables and accrued income	2 173	543
Allowance for doubtful debts	(13)	(20)
Prepayments	72	117
GST input tax recoverable	209	660
Total current receivables	<u>2 441</u>	<u>1 300</u>
Receivables from entities within the SA Government:		
Receivables and accrued income	1 650	-
Prepayments	1	-
Total receivables from entities within the SA Government	<u>1 651</u>	<u>-</u>
Receivables from entities external to the SA Government:		
Receivables and accrued income	523	543
Allowance for doubtful debts	(13)	(20)
Prepayments	71	117
GST input tax recoverable	209	660
Total receivables from entities external to the SA Government	<u>790</u>	<u>1 300</u>
Total current receivables	<u>2 441</u>	<u>1 300</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.

	2012	2011
	\$'000	\$'000
Movement in allowance for doubtful debts (impairment loss):		
Carrying amount at 1 July	20	10
Increase in allowance	7	20
Amounts written off	-	(10)
Amounts recovered during the year	(14)	-
Carrying amount at 30 June	<u>13</u>	<u>20</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.

20. Land and buildings classified as held for sale	Note	2012 \$'000	2011 \$'000
Carrying amount at 1 July		9 016	11 341
Disposals (sales)		-	(2 059)
Land held for sale reclassified as non-current asset		(154)	(3 179)
Additions		-	2 913
Revaluations <sup>(1)</sup>		248	-
Transferred to Urban Renewal Authority	29	(9 110)	-
Land and buildings classified as held for sale at 30 June		-	9 016

<sup>(1)</sup> Recognised in other comprehensive income for the year ending 30 June 2012.

The value of assets classified as held for sale as at 30 June 2011 represents Lefevre Peninsula and Technology Park assets identified for sale and likely to be settled within 12 months. The value recorded represents the acquisition and development costs and any revaluation adjustments of the assets.

21. Property, plant and equipment		2012 \$'000	2011 \$'000
Land:			
Land only holdings for fair value		18 150	148 356
Site and land at cost		691	9 002
Total land		18 841	157 358
Buildings and improvements:			
Buildings at fair value <sup>(1)</sup>		6 358	28 315
Accumulated depreciation at 30 June		(318)	(1 724)
Total buildings		6 040	26 591
Leasehold improvements:			
Leasehold improvements at cost		866	866
Accumulated amortisation at 30 June		(429)	(317)
Total leasehold improvements		437	549
Plant and equipment:			
Plant and equipment at cost (deemed fair value)		943	1 089
Accumulated depreciation at 30 June		(261)	(177)
Total plant and equipment		682	912
Total buildings and improvements, plant and equipment		7 159	28 052
Harbour and port facilities:			
Harbour and port facilities at cost (deemed fair value)		248 437	246 068
Accumulated depreciation at 30 June		(16 530)	(9 803)
Total harbour and port facilities		231 907	236 265
Total property, plant and equipment		275 445	433 696
Total accumulated depreciation/amortisation at 30 June		(17 538)	(12 021)
Total property, plant and equipment		257 907	421 675

#### **Valuation of land and buildings**

The valuation of land and buildings was performed by Savills (SA) Pty Ltd, an independent valuer, as at 29 February 2012. The valuer arrived at fair value 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> The value of buildings within the Techport Australia CUF which is a specialised asset are recorded at cost (\$2.931 million) and have not been revalued.

#### **Impairment**

There were no indications of impairment of infrastructure, property, plant and equipment as at 30 June 2012.

**Reconciliation of property, plant and equipment**

The following table shows the movement of property, plant and equipment during 2011-12:

	Land	Buildings	Leasehold imprvmnts	Plant and equipment	Harbour and port facilities	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2012</b>						
Carrying amount at 1 July	157 358	26 591	549	912	236 265	421 675
Acquisitions	21 504	904	-	-	2 368	24 776
Assets reclassified to assets held for sale	154	-	-	-	-	154
Disposals	(185)	-	-	-	-	(185)
Transferred to Urban Renewal Authority	(151 505)	(17 261)	-	(89)	-	(168 855)
Revaluation decrement <sup>(1)</sup>	(8 485)	(3 328)	-	(42)	-	(11 855)
Depreciation/Amortisation	-	(866)	(112)	(99)	(6 726)	(7 803)
Carrying amount at 30 June	18 841	6 040	437	682	231 907	257 907

(1) \$6.472 million applied as a reduction in revaluation surplus and \$5.383 million recognised as a loss on revaluation as no revaluation surplus existed for site land, buildings and plant and equipment asset classes.

	Land	Buildings	Leasehold imprvmnts	Plant and equipment	Harbour and port facilities	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2011</b>						
Carrying amount at 1 July	132 210	21 172	661	550	237 038	391 631
Acquisitions	34 164	6 543	-	439	5 781	46 927
Assets reclassified to assets held for sale	(9 016)	-	-	-	-	(9 016)
Disposals	-	-	-	-	-	-
Revaluation increment	-	-	-	-	-	-
Depreciation/Amortisation <sup>(2)</sup>	-	(1 124)	(112)	(77)	(6 554)	(7 867)
Carrying amount at 30 June	157 358	26 591	549	912	236 265	421 675

(2) Net movement in depreciation after adjusting for accumulated depreciation in assets disposed of and assets transferred to held for sale during the year.

**22. Capital works in progress**

	2012	2011
	\$'000	\$'000
The balance of capital works in progress as at 30 June	2 533	17 676

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 2011-12:

	Imprvmnts to freehold land	Harbour and port facilities	Buildings	Total capital works in progress
	\$'000	\$'000	\$'000	\$'000
<b>2012</b>				
Carrying amount at 1 July	17 179	259	238	17 676
Acquisitions	4 547	3 999	550	9 096
Reclassified as property, plant and equipment	(21 504)	(1 725)	(788)	(24 017)
Capital works in progress expensed during the period <sup>(1)</sup>	(222)	-	-	(222)
Carrying amount at 30 June	-	2 533	-	2 533
<b>2011</b>				
Carrying amount at 1 July	27 620	2 647	4 239	34 506
Acquisitions	15 047	5 066	678	20 791
Reclassified as property, plant and equipment	(24 884)	(7 454)	(4 679)	(37 017)
Capital works in progress expensed during the period <sup>(1)</sup>	(604)	-	-	(604)
Carrying amount at 30 June	17 179	259	238	17 676

(1) Project design and planning works previously carried as capital works in progress were expensed.



<b>23. Payables</b>		2012	2011
Current:		\$'000	\$'000
Creditors and accrued expenses		2 478	4 192
Employment on-costs		102	111
GST payable		39	42
Total current payables		<u>2 619</u>	<u>4 345</u>
Government/Non-government payables:			
Payables to SA Government entities:			
Creditors and accrued expenses		231	248
Employment on-costs		31	32
Total payables to other SA Government entities		<u>262</u>	<u>280</u>
Payables to non-SA Government entities:			
Creditors and accrued expenses		2 247	3 944
Employment on-costs		71	79
GST payable		39	42
Total payables to non-SA Government entities		<u>2357</u>	<u>4 065</u>
Total payables		<u>2 619</u>	<u>4 345</u>

**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 32.  
(b) Categorisation of financial instruments and risk exposure information - refer note 32.

<b>24. Employee benefits</b>		2012	2011
(a) <b>Current employee benefits</b>	Note	\$'000	\$'000
Annual leave		195	305
LSL		374	320
Total current employee benefits		<u>569</u>	<u>625</u>
Total employee benefits		<u>569</u>	<u>625</u>
(b) <b>Employee benefits and related on-costs</b>			
Accrued salaries and wages, annual leave and LSL:			
On-costs included in payables	23	102	111
Provision for employee benefits	24(a)	569	625
Total accrued salaries and wages, annual leave and LSL		<u>671</u>	<u>736</u>

<b>25. Other liabilities</b>			
Current other liabilities:			
Lease incentive		21	21
Total current other liabilities		<u>21</u>	<u>21</u>
Non-current other liabilities:			
Lease incentive		62	83
Total non-current other liabilities		<u>62</u>	<u>83</u>
Total other liabilities		<u>83</u>	<u>104</u>

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.

<b>26. Equity</b>			
Contributed capital <sup>(1)</sup>		101 823	282 080
Retained earnings		172 120	159 762
Revaluation surplus <sup>(2)</sup>		-	24 810
Total equity		<u>273 943</u>	<u>466 652</u>

**26. Equity (continued)**

(1) Contributed capital received represents equity contribution from the SA Government under the *Appropriation Act* to fund the investing activities of Defence SA for assets owned by Defence SA.

(2) 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. Relevant amounts are transferred to retained earnings when an asset is derecognised.

The cumulative income or expense recognised in other comprehensive income (via the revaluation surplus) relating to non-current assets transferred during the year ending 30 June 2012 was \$4.52 million (\$0).

<b>27. Unrecognised contractual commitments</b>	2012	2011
<i>Capital commitments</i>	\$'000	\$'000
Capital expenditure contracted for, as at the reporting date but not recognised as liabilities in the financial statements, are payable as follows:		
Within one year	2 103	7 368
Total capital commitments	<u>2 103</u>	<u>7 368</u>

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

***Operating commitments***

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

Within one year	2 070	1 323
Later than one year but not longer than five years	4 785	2 599
Later than five years	2 092	2 724
Total operating commitments	<u>8 947</u>	<u>6 646</u>

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

***Remuneration commitments***

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

Within one year	3 023	4 148
Later than one year but not longer than five years	3 921	4 309
Total remuneration commitments	<u>6 944</u>	<u>8 457</u>

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

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

Contingent liabilities to which a value can be assigned	6 000	7 540
Total	<u>6 000</u>	<u>7 540</u>

***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 Air Warfare Destroyer (AWD) project and development of Techport Australia as Australia's premier naval industry hub. Stage One development includes the AWD Alliance's AWD Systems Centre, Raytheon Australia's SA Engineering Centre, and supporting commercial and retail accommodation.

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

***AWD project - workforce assistance***

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

**Contingent liabilities to which no value can be assigned****AWD project - CUF**

The State has entered into an agreement with the Commonwealth for the construction of a CUF at Osborne to support ASC AWD Shipbuilder Pty Ltd in the construction of three 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.

**29. Transferred functions**

Under the Public Sector (Reorganisation of Public Sector Operations) Notice 2012 and the Administrative Arrangements (Transfer of Land to Urban Renewal Authority) Proclamation 2012, the property and asset management and program delivery functions of Defence SA were transferred to the Urban Renewal Authority effective from 1 March 2012 (refer note 2(d)).

The following assets and liabilities were transferred to the Urban Renewal Authority:

	\$'000
Property, plant and equipment and non-current assets held for sale	177 965
Total assets	<u>177 965</u>
Payables	17
Employee benefits	112
Total liabilities	<u>129</u>
Net assets transferred	<u>177 836</u>

Net assets transferred by Defence SA as a result of the administrative restructure were at the carrying amount after revaluation completed on 29 February 2012 (refer note 2(m)). The net assets were treated as a distribution to the Government as owner.

**30. Remuneration of Advisory Board and committee members and related party disclosure**

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

GEN P Cosgrove, AC, MC	B Laughton
Hon J Weatherill, MP* (appointed 21 October 2011)	Dr I Chessell
Hon J Snelling, MP* (appointed 21 October 2011)	RADM T Ruting, AM, CSC, RANR
Hon M Rann, MP* (resigned 20 October 2011)	Dr J White
Hon K Foley, MP* (resigned 20 October 2011)	P Johnson, MBE (appointed 1 July 2011)
LTGEN P Leahy, AC	VADM R Crane (appointed 1 September 2011)
AIRMSHL L Fisher, AO	A Fletcher**

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

P Robertson (independent member)	C McSporrان** (independent member/chair)
B Laughton (independent member)	T Brumfield** (resigned 29 February 2012)
A Blaskett** (independent member)	R Barnett** (appointed 1 March 2012)

The number of members whose remuneration received or receivable falls within the following bands is:	2012	2011
	Number	Number
\$1 - \$9 999	1	1
\$30 000 - \$39 999	8	6
\$60 000 - \$69 999	-	1
\$70 000 - \$79 999	1	-
Total	<u>10</u>	<u>8</u>

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 due and receivable, by board and committee members was \$332 000 (\$248 000), plus Defence SA compulsory superannuation contributions of \$30 000 (\$22 000). Other expenses of Advisory Board members were \$135 000 (\$143 000).

\* The Hon J Weatherill, MP, the Hon J Snelling, MP, the Hon M Rann, MP and the Hon K Foley, MP did not receive any remuneration for board/committee duties during the period.

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

**30. 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.

**31. Cash flow reconciliation**

	Note	2012 \$'000	2011 \$'000
Reconciliation of cash at 30 June:			
Cash disclosed in the Statement of Financial Position		14 333	22 059
Balance as per the Statement of Cash Flows		<u>14 333</u>	<u>22 059</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		184 291	16 973
Revenues from SA Government	17	(21 156)	(31 890)
Revenues from Urban Renewal Authority associated with the transfer of assets	17	(184 668)	-
Payments to SA Government	17	13 760	6 345
Non-cash items:			
Depreciation and amortisation expense of non-current assets	7	(7 803)	(7 867)
Gain on sale of non-current assets	13	56	198
Non-current assets accrual in payables		(2 146)	1 930
Other expenses - transfer from capital works in progress	9	(222)	(604)
Net liabilities transferred to Urban Renewal Authority	29	(129)	-
Revaluation decrement expensed		(5 383)	-
Movements in assets/liabilities:			
Receivables	19	1 141	334
Payables	23	1 726	(2 263)
Employee benefits	24	56	53
Other liabilities	25	21	21
Net cost of providing services		<u>(20 456)</u>	<u>(16 770)</u>

**32. 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	2012 Carrying amount \$'000	2011 Carrying amount \$'000
<b>Financial assets</b>			
Cash	18,31	14 333	22 059
Receivables (at cost) <sup>(1)(2)</sup>	19	2 160	640
<b>Financial liabilities</b>			
Payables (at cost) <sup>(1)</sup>	23	2 367	3 951

(1) Receivable and payable amounts disclosed here exclude amounts relating to GST receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. AASB 132 defines contracts as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on-costs which are determined via reference to the employee benefit liability to which they relate.

(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 notes 2, 18, 19, 23, 25 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.

**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>2012</b>				
Not impaired:				
Receivables*	88	-	2	90
Impaired:				
Receivables*	-	-	12	12
<b>2011</b>				
Not impaired:				
Receivables*	2	1	1	4
Impaired:				
Receivables*	7	7	6	20

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

**Maturity analysis of financial assets and liabilities**

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

**Liquidity risk**

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

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

**Market risk**

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

**Sensitivity analysis disclosure**

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

**33. 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.

### Transfer of employees and functions

On 8 December 2011 a proclamation under the Public Sector (Reorganisation of Public Sector Operations) Notice 2011 transferred employees of the operational unit known as Families SA from the Department for Communities and Social Inclusion (DCSI) to the Department. The proclamation came into operation on 1 January 2012.

To facilitate the aforementioned arrangements, service level agreements were entered into between the Department and DCSI to continue to record Families SA activities in the DCSI general ledger until 30 June 2012.

The Department's financial statements recognise Families SA assets and liabilities transferred on 1 January 2012 and the Families SA financial transactions from that date.

### Functions

The Department's main functions are:

- 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 2011-12 specific areas of audit attention included:

- revenue
- expenditure and accounts payable
- employee housing subsidies
- maintenance of school buildings
- capital works
- payroll
- grants to non-government schools
- Families SA expenditure, including carer subsidies and alternative care payments.

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

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

### **Audit findings and comments**

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

In my opinion, the financial report gives a true and fair view of the financial position of the Department for Education and Child Development as at 30 June 2012, 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 revenue, payroll, accounts payable, school maintenance, employee housing subsidies, family day care, state grants to non-SA Government schools, Families SA carer payments, Families SA alternative care 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 Chief Executive of the Department and the Acting Executive Director, Government Services Group, DPC for matters relating to SSSA. Major matters raised with the Department and SSSA and the related responses are detailed below.

## **School audit arrangements**

The current school audit program was established in 2004. The Department and Audit have worked collaboratively to ensure school audit arrangements meet the respective needs of the Department and Audit. The program captures all government schools and covers both the audit of the annual school financial statements and review of internal controls.

The program has supported the Department in implementing financial controls over schools' financial accounting functions and to reflect schools' financial accounts in the Department's financial statements. At the same time the arrangements have provided Audit with assurance which has been considered in forming the audit opinions on the Department's consolidated financial statements and its control environment.

The 2010-11 State Budget included a budget initiative to revise the approach to the audit of public schools, with projected savings of \$1.1 million over the two years 2012-13 and 2013-14. The budget initiative reported that the saving would be achieved by removing the need to undertake annual external audits of school financial statements. The initiative would also be supported by proposed strengthened internal control and compliance frameworks and a rolling sample of school audits.

In response to the proposed changes to school audit arrangements Audit expressed the view to the Department that it was important the proposed revised approach should:

- not dilute the effectiveness of the audit of school financial statements and adequacy of the control environment
- not have the unintended consequences of diluting the audit process as a preventive control creating an exposure to fraud or financial maladministration
- adequately address current limitations of IT systems which prevent central review of school transaction data.

During 2011-12 Audit further communicated to the Department on this matter. Audit informed the Department that there was not sufficient evidence that the current school system and internal control environment and compliance framework had been strengthened sufficiently to support the revised school audit arrangements. Audit also noted findings arising from external school audits, internal audits and an independent review of the Department's internal control environment that provided evidence of weaknesses in internal control and that schools do not always comply with mandated policies and controls.

Furthermore Audit noted that there have been ongoing discussions in the public domain regarding increasing school authority and the Commonwealth Government had issued its Empowering Local Schools policy and had committed \$480.5 million over seven years to implement the Empowering Local Schools initiative across all jurisdictions. The proposed changes to school audit arrangements had not considered the possible effect of this reform agenda on school audit arrangements.

Audit concluded that auditing a sample of schools would diminish the prevention and detection role of the audit process, and thereby further weaken the internal control environment.

Audit recommended the Department delay implementing new school audit arrangements until:

- systems and related procedures are in place to enable central monitoring and reporting of school controls and transaction data



- the Department has demonstrated, with appropriate evidence, that the school internal control environment and compliance framework has been strengthened
- there is clarity and appropriate consideration given to the potential changes arising from the Commonwealth Government initiative to empower schools to make decisions at a local level.

In response the Department advised the system changes being considered would need some time to plan and implement due to the significant changes in systems, processes and resources schools currently used. The Department also recognised that the internal control environment required further enhancement to provide the level of assurance required to support the revised school audit arrangements.

The Department advised it would delay the implementation of the revised approach for two years to allow the Department to move to an optimal control environment, implement actions to address the longer term audit recommendations and obtain clarity on wider reform issues such as school governance arrangements.

Consequently school financial audits will continue to be conducted by contractors while work on the school audit reform project continues to develop a revised audit approach for implementation for the 2014 school year.

## **Revenue**

### ***Recharge for Teaching Practicum Program***

The Department pays teachers an allowance for supervising university students undertaking the Teaching Practicum Program and seeks to recover the cost of the allowances and related on-costs from universities. No formal agreement was in place documenting the terms and conditions of this arrangement.

The allowance arises from the Teachers (DECS) Award. An increase in the allowance was granted by the Industrial Relations Commission of South Australia in March 2006. The universities disputed the increase on the basis they were not involved in the enterprise bargaining proceedings before the Industrial Relations Commission of South Australia.

The 2009-10 audit noted that the universities had either not paid any charges raised by the Department since March 2006 or have paid amounts calculated using rates which reflect the Department's pre-March 2006 costs.

Audit also noted that the Department was negotiating with the universities to establish formal arrangements and settle outstanding amounts. A draft agreement was prepared in 2008, covering the period 1 January 2009 to 31 December 2011, but was not executed as at 2 June 2010. Amounts unpaid by the three universities totalled \$3.1 million as at 2 June 2010.

In 2011-12 Audit noted:

- the agreement with the University of South Australia was executed on 12 September 2011
- agreements with the University of Adelaide and The Flinders University of South Australia were not executed
- amounts unpaid by the universities totalled \$689 000 as at 31 May 2012

- tertiary providers paid rates stipulated in the deeds notwithstanding that some of the agreements were prepared but not executed.

In response the Department advised that it will continue to work with University of Adelaide and The Flinders University of South Australia to finalise the matter.

***Accounts receivable policies and procedures***

Previous audits revealed that the Recoveries Team's policies and procedures for second level debtor management tasks were in draft format.

In 2010-11 the Department advised that documentation of procedures was put on hold until a new debt recovery system was implemented.

The 2011-12 audit noted that the new debt recovery system was implemented but documentation of procedures was not finalised.

The Department advised that documentation of procedures is planned to be completed by 30 November 2012.

***Unallocated receipts***

TI 2 requires chief executives to ensure that all receipts are promptly recognised and allocated against the correct accounts receivable (where applicable).

The 'Finance Services – Accounts Receivable' service summary and accompanying operating level responsibilities documents state:

- SSSA are to review and minimise unallocated receipts as part of end of month processing
- SSSA are to report to the Department on unallocated receipts and action taken within five working days of month end as part of end of month reporting
- the Department are to liaise with SSSA to resolve underpayments, overpayments and unmatched payments.

Audit review of the unallocated receipts reconciliation indicated a balance of \$1.7 million as at 31 May 2012, including 154 unallocated receipt transactions totalling around \$136 000 that were received prior to 1 July 2011.

In response the Department advised it has, together with SSSA, investigated the unallocated receipts and a large proportion of the receipts have been resolved. It also has negotiated with SSSA to maintain the unallocated receipts at an acceptable level.

SSSA advised they depend on the Department providing appropriate general ledger code for unallocated receipts and they have commenced regular meetings with the Department to review unallocated receipts and work to clear unallocated receipts.

***Authority to raise invoices/credit notes***

The audit considered whether requests by departmental staff to SSSA to raise invoices/credit notes are authorised.

It concluded that the Department and SSSA do not check that invoice/credit note requests are authorised and identified instances where request forms processed were not properly authorised.

In response the Department advised it will negotiate with SSSA to ensure no request form is processed without first being checked and signed by the Department's Account Client Services Unit, who will ensure that all request forms are authorised by an officer with appropriate financial delegation.

***SSSA procedures***

Responsibility for invoice raising, processing receipts, first level debtor management, customer masterfile maintenance and end of month processing transferred to SSSA from July 2008.

Audit reviews since the transfer of responsibility to SSSA have noted:

- SSSA were using the Department's Accounts Receivable Procedure Manual and that this did not record procedures performed by SSSA
- inconsistencies between the Accounts Receivable Procedure Manual and the SSSA Credit Management Procedures for External Customers.

In 2010-11 SSSA advised it was continuing to review and document all procedures relating to the Department, including items identified by Audit.

The 2011-12 audit revealed no evidence procedures were reviewed or updated for Audit matters identified in previous years.

In response SSSA advised a project is currently under consideration to address the audit findings in relation to procedural documentation. SSSA will address procedures that transitioned with agency services, as well as services which transitioned without any documented procedures. The proposed project will consider how best to address, review and update current documentation within the service delivery line of business.

***Debtor management***

The 'Finance Services – Accounts Receivable' service summary and the accompanying operating level responsibilities documents state:

- SSSA are to conduct first level debtor management tasks, including follow-up of overdue invoices within 10 working days after month end
- the Department's Recoveries Team are to conduct second level and continuing debtor management tasks.

The 2011-12 audit revealed the outstanding debtors balance as at 31 May 2012 was \$22.1 million, with 24% or \$5.3 million of outstanding debtors greater than 120 days.

Audit was advised by SSSA the first level debtor management tasks were not performed consistently during 2011-12.

The Department's Recoveries Team advised the second level and continuing debtor management tasks were not performed effectively during 2011-12, as outstanding debts were not referred by SSSA to the Recoveries Team for follow-up.

This matter was communicated to SSSA which advised it is currently reviewing debtor management activities and implementing processes to ensure regular follow-up of outstanding debts in accordance with operating level responsibilities document requirements.

**Review of changes to customer masterfile**

A Customer Maintenance Audit Report, listing all new vendors and amendments to the customer masterfile, is automatically generated from the accounts receivable system each week.

The 2011-12 audit revealed:

- the SSSA procedure regarding review of masterfile changes per the Customer Maintenance Audit Report was being documented at the time of the audit
- there was no evidence that a sample of masterfile changes recorded in Customer Maintenance Audit Reports were agreed to source documents.

In response SSSA advised the Quality Assurance Leader will undertake sample testing each month of customer masterfile changes to obtain assurance changes are appropriately authorised.

**Payroll**

**Authenticating input forms**

In prior years Audit identified that pay clerks did not ensure that payroll input forms were approved by an officer with delegated authority and recommended that the Department:

- establish controls to authenticate the identity of officers approving changes to employees' payroll and leave files
- consider implementing electronic forms and approvals.

Review of controls in place following the transition to SSSA concluded that pay clerks continue to process payroll input forms without authenticating the identity of the officer approving changes to employee payroll and leave files.

While the implementation of the Vacancy, Separation and Placement system in 2008-09 has partly addressed concerns over the validity of new appointments, higher duties and increases in time worked, SSSA pay clerks continue to process claims, allowances and leave applications without checking approval.

In 2009-10 Audit noted the Department was developing a web based portal system to provide a facility for online submission of leave, claim and allowance applications and electronic authorisation by a site manager.

In 2010-11 the Department advised funding was approved for the Employment Information Kiosk (EIK) and Temporary Relief Teacher (TRT) claim lodgement portal and EIK and TRT claims lodgement portal were both expected to be implemented in mid-2012. The implementation of the employee leave workflow solution was not expected until the end of the 2012 calendar year due to the complexity in designing and implementing a system for managing leave approvals.

In 2011-12 audit noted:

- EIK was partially implemented for corporate, TRT and regional staff and implementation for all staff is planned by February 2013
- the TRT claims lodgement portal was implemented in Term 2 of 2012 with almost 96% of all TRT claims submitted by schools for the pay period ending 7 June 2012 processed via the TRT claims lodgement portal

- the specifications for the system for the management of leave applications and claims was documented, however an implementation date was yet to be determined.

In response the Department advised in 2012-13 it will continue to develop and implement new systems, including implementing EIK to all remaining staff, online leave applications and online claim payments.

#### ***Outstanding bona fide reports***

Department site managers are required to review and certify the completeness and accuracy of fortnightly bona fide reports 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 leave within their sites. In addition, quarterly reports are provided to the Director, School and Preschool Improvement for follow-up of outstanding BFCs with regional directors, school principals and preschool directors.

In 2010-11 Audit noted:

- 12% of BFCs due in 2010-11 were outstanding as at 3 June 2011
- follow-up of outstanding BFCs only occurs for six specified pay periods that represent the Department's assessment of the dates at which errors are most likely to occur.

The 2011-12 audit noted 11% of BFCs due in 2011-12 were outstanding as at 3 July 2012.

Audit also found the Department continued to follow-up outstanding BFCs for the six targeted pay periods.

Whilst Audit understands the specified pay periods represent the Department's assessment of the dates at which errors are most likely to occur, implementation of this policy means that the Department monitors compliance for approximately only 23% of all BFCs issued.

The statistics for certification of BFCs by site managers supports a view that the review of BFCs is inconsistent between pay periods and non-compliance with approved procedures is high. This in turn supports a view that limited reliance may be placed on the review of BFCs to identify errors in payroll processing.

Audit recommended that the Department implement a follow-up procedure for all pay periods.

In response the Department advised it recently implemented an alert system for school principals, preschool directors and managers to remind them of tasks awaiting action every time they log into the BFC system. While the Department places more emphasis on the six 'key' pay periods throughout the year, escalation emails and reminder emails cover all pay periods and it is the Department's expectation that all BFCs will be certified.

#### ***Outstanding monthly leave returns***

Worksite managers are required to review and certify the completeness and accuracy of monthly leave returns (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. Quarterly reports are provided to the Director, School and Preschool Improvement for follow-up of outstanding MLRs with site managers.

The 2011-12 audit revealed that 12% of MLRs due in 2011-12 as at 3 July 2012 were outstanding. This is consistent with 2010-11 where Audit noted that 12% of MLRs due in 2010-11 as at 3 June 2011 were outstanding. 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 it recently implemented an alert system for school principals, preschool directors and managers to remind them of tasks awaiting action every time they log into the MLR system. The Department expects all MLRs will be certified.

#### **Accounts payable**

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

#### ***Shared Services SA – e-Procurement and electronic payment control environments***

The audit review of the Department's expenditure processes considered the e-Procurement and electronic payment systems' control environments operated by SSSA.

Review of these systems and environments in previous years identified significant key control weaknesses. While SSSA progressively implemented significant remedial action over these deficiencies during 2011-12, SSSA only anticipates completion of planned actions by December 2012.

As a result, the systems and control environments could not be considered robust during 2011-12.

This matter is further discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report.

#### ***Review of Basware users and financial delegations***

The Basware purchase management and invoice processing applications are part of the common e-Procurement systems implemented by SSSA during 2010-11.

The Department forwards request forms to SSSA to create/update users and financial delegations in Basware and SSSA provide monthly and quarterly reports to the Department detailing all Basware users and all users with financial delegations. The reports enable the Department to check Basware users listed are valid and financial delegations are correct.

The 2011-12 audit noted the Department receives the Basware reports online and does not print off the reports and evidence could not be sighted that the reports were reviewed for completeness and accuracy.

In response the Department advised it was investigating the development of reports from the payroll system that will assist in reviewing Basware users and their financial delegations on a quarterly basis.

#### **School maintenance**

##### ***Development and documentation of a service level agreement (SLA) with the Department of Planning, Transport and Infrastructure (DPTI)***

DPTI provides the Department with facilities management services pursuant to an SLA between the former Department of Education, Training and Employment and the former Department for Administrative and Information Services. The SLA does not detail the specific tasks, roles and responsibilities of both the Department (including school sites) and DPTI.

Across government facilities management arrangements (AGFMA) have been under review since 2009-10 and the Department, in association with DPTI, have placed the development and implementation of an updated SLA on hold.

In 2011-12 Audit requested an update regarding the AGFMA review and action by the Department to implement an updated SLA with DPTI.

In response the Department advised it has recommenced discussions with DPTI to further develop the SLA. The SLA is expected to be finalised by June 2013.

##### ***Certification of school maintenance charges (metropolitan sites)***

Breakdown maintenance on schools is performed by various trades under contract with 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 expects 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 2011-12 audit revealed maintenance charges automatically paid by the facilities managers remain high. Details over the last three 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
31 May 2011	23.56	51	23.77	49
30 June 2012	25.48	45	30.97	55

The table shows an increasing trend in automatic payments in the last two years suggesting action taken by the Department has not achieved planned outcomes. The size of the increase in 2011-12 was also of concern.

Audit noted that action taken by the Department during 2011-12 was limited to a term-by-term reminder to sites and verbal reminders during school cluster meetings of site finance officers and business managers.

In response the Department advised its view that the risk of a contractor/facility manager charging an incorrect fee without detection is low.

The Department further advised that quarterly DPTI internal audit reviews of fees charged to the Department identified minimal instances of incorrect maintenance charges. The Department has requested DPTI to continue to provide quarterly internal audit reports so that the Department is assured maintenance charges are being charged in accordance with agreed contract rates.

Notwithstanding, the Department advised it will continue to remind:

- sites each term of the requirement to approve FAMIS charges
- finance officers and business managers the FAMIS approval process at district and regional hub meetings.

**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 2011-12 audit of a sample of schools revealed that, consistent with the outcome of previous audits, schools did not maintain warranty log registers despite the Department’s term-by-term reminders.

In response the Department advised it would continue term-by-term reminders to school sites to encourage maintenance of warranty log registers.

**Employee housing subsidies**

DPTI provides approved Department employees with subsidised government housing in regional South Australia. Determination of an employee’s eligibility for government housing is the Department’s responsibility. Each month DPTI invoices the Department for the rental subsidy provided to Department employees. The value of the subsidy is calculated as the difference between DPTI’s rent for each tenanted property and the value of rent charged to Department employees.



### ***Employee housing policy***

The 2009-10 audit noted the Department's Employee Accommodation Policy had not been reviewed since 1988 and a number of processes outlined in the policy were outdated, including eligibility criteria and allocation procedures for subsidised government housing.

Last year Audit noted that the Department had reviewed and updated the policy to address matters raised in 2009-10 and to reflect Cabinet's new policy position for subsidised government housing.

The 2011-12 audit noted the draft Employee Housing Policy was still not approved by the Chief Executive and was yet to be made available to Department staff.

In response the Department advised:

- the draft policy was provided to stakeholders, including Building Management Accommodation and Property Services in DPTI and the Australian Education Union, for comment/feedback and has now been finalised
- approval of the policy is currently being sought from the Executive Director, Human Resources and Workforce Development, prior to publication on the Department's website. It was anticipated this will be finalised in September 2012
- the policy will be reviewed bi-annually or earlier if the need arises.

### ***Eligibility of Department employees***

The draft Employee Housing Policy outlines the Department's eligibility criteria for subsidised government housing. The policy specifies that employees are ineligible for subsidised government housing if:

- they are not on active service and do not hold a substantive position in a given location
- they, their spouses or dependents own/purchase housing within a specified distance from their work location.

In 2009-10 Audit found the Department had not implemented procedures to check employee ongoing eligibility for subsidised government housing.

In response the Department reviewed inactive employees in March 2010 and employee property ownership in September 2010. The inactive employee review identified no issues. However, the property ownership review identified a number of employees were in the process of building their own houses.

The 2011-12 audit found:

- the Department did not follow-up the employees identified in 2010 as being in the process of building their own houses to confirm their ongoing eligibility for subsidised government housing. Audit noted one of these employees is still living in subsidised government housing
- the Department had not performed any further reviews of employee eligibility for subsidised government housing since the 2010 reviews
- the Department has not prepared a documented procedure which requires regular review and assessment of ongoing employee eligibility for subsidised government housing.

In response the Department advised:

- a procedure for the annual review of ongoing eligibility to subsidised government housing has been documented and is being implemented
- reviews of inactive employees and property ownership will occur at the end of every year
- it has requested a report from DPTI identifying all departmental employees in subsidised government housing for five years or more as at 30 June 2012. A confirmation process will be implemented for employees appearing on the report not assessed in September 2010
- it has requested a report from DPTI identifying all departmental employees making manual rental payments to enable identification, review and follow-up of the ongoing eligibility of employees who are not on active duty.

***Validity and accuracy of DPTI charges***

Each month DPTI charges the Department for the rental subsidy provided to departmental employees and a vacancy charge for all vacant housing held for use by departmental employees. Vacancy charges include charges for unoccupied government housing for the exclusive use of departmental employees (known as single agency housing).

At times DPTI also charges the Department private tenant charges. Private tenants are allocated to minimise vacancy/subsidy costs during periods of non-occupation by government employees. The Department is charged the cost rent, less what the private tenant is paying in rent.

The Department performs a verification process to ensure DPTI charges are correctly calculated.

The 2011-12 audit noted:

- the Department's procedure for verifying DPTI's employee housing costs only outlines verification of rental subsidy charges and does not cover verification of vacancy and private tenant charges
- the accuracy of vacancy and private tenant charges is not verified prior to payment
- the Subsidy Charges Estimation template worksheet used to verify rental subsidy charges contained incorrect formulas
- the number of vacant single agency housing properties could not be identified or the amount the Department had paid in 2011-12 for vacant single agency housing properties.

In response the Department advised:

- formulas in the Subsidy Charges Estimation Template worksheet were reviewed and corrected where necessary. Formulas will continue to be reviewed on an ongoing basis as part of the monthly invoice verification process
- it considers the issues identified by Audit regarding vacancy and private tenant charges and single agency housing as low risk. However, it will work with DPTI to determine a process which will enable vacancy and private tenant charges to be monitored and verified prior to payment

- DTF is managing the sale of excess government housing. As part of this initiative potential surplus housing across government, including single agency housing, will be identified and appropriate action taken to dispose of excess properties.

#### **Family day care**

##### ***Westpac Corporate Online user ID, password and token***

Family day care payments are processed electronically via Westpac Corporate Online. Payments must be authorised online by two officers and only three officers have access to Westpac Corporate Online. The names of authorising officers appear on Westpac banking reports.

The 2011-12 audit noted the name of an officer on Westpac banking reports at a time the officer was on leave.

Audit was informed that rather than arrange access to Westpac Corporate Online for the acting officer, the acting officer used the user ID, password and token of the officer on leave.

In response the Department advised an extra token was purchased and the Unit's banking procedures were updated to reflect the importance of not revealing or providing user ID and password information to others.

##### ***Reconciliations***

The review of the family day care control environment considered the reconciliation of the Harmony system (which supports management of the program) to the general ledger.

The 2011-12 audit noted:

- the monthly Harmony system to general ledger reconciliations were not always prepared timely and independently reviewed
- the monthly reconciliation of the money received from the Commonwealth Department of Education, Employment and Workplace Relations to the Child Care Benefits Paid Scheme were not always prepared timely and contained old reconciling items
- the monthly clearing account reconciliations were not always prepared timely.

The Department accepted that these reconciliations were not prepared in a timely manner and advised this will be monitored in the future.

#### **State grants to non-SA Government schools**

##### ***General ledger reconciliations***

The 2011-12 audit noted:

- reconciliations of the general ledger to the grants spreadsheet were not performed timely and not always independently reviewed
- the need for the general ledger to grants spreadsheet reconciliation to be performed on a year-to-date basis
- the results of the Department's review of school financial information received from non-government schools was not reported to the Minister.

In response the Department advised the Chief Executive of the Office of Non-Government Schools and Services accepted the audit findings and will implement processes to ensure the issues raised are addressed.

#### **Families SA**

On 1 January 2012 Families SA transferred from the Department for Communities and Social Inclusion (DCSI) to the Department for Education and Child Development (refer note 33 to the financial statements).

The following matters identified during the audit of Families SA cover the 12 month period ending 30 June 2012.

#### ***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 reviewed registered caregivers within the timeframes required by legislation and departmental policy.

In response Families SA advised its intention to track and follow-up instances where review had not occurred for more than 12 months. It also advised its intention to develop a more sophisticated management module within the Connected Client and Case Management system (C3MS).

The 2011-12 audit noted the annual review of 239 registered caregivers was behind schedule.

In response the Department advised the Carer Assessment and Registration Unit is currently undergoing process and procedure changes to ensure practice meets legislation and policy directives. As part of this change process a Carer Approval and Registration Manual is in development and nearing completion. The manual provides practice guides and procedures to all stakeholders regarding assessments and reviews and their associated timelines.

Resources were assigned to concentrate on finalising all outstanding reviews and approximately 25 reviews are being completed per week.

##### *Access to carer payment file*

The review of payments to carers noted the Justice Information System (JIS/CIS) generates a carer payment file which is emailed to SSSA for processing disbursements. The audit found access to the carer payment file is not restricted to officers involved in payment processing.

In response the Department advised from 1 July 2012 the processing of carer payment files was managed through C3MS. Access to carer payment data within C3MS is restricted to authorised officers.

##### *General ledger reconciliation*

In prior years Audit has noted there is no comprehensive reconciliation that ensures expenditure recorded in the carer subsidy payments module of JIS/CIS matches that recognised in the general ledger. In response Families SA advised it would develop, as part of the C3MS project, a more comprehensive reconciliation process.

The 2011-12 audit noted a more comprehensive reconciliation process has yet to be developed.

In response the Department advised from 1 July 2012 payments were made from C3MS through automated feeds through Masterpiece and are subject to the controls associated with all payments, including restricted access. The C3MS automated feeds will alleviate the need for manual journals, ensuring that the general ledger is updated at the time payments are made. In light of these changes, reconciliation processes will be reviewed.

#### *Segregation of duties*

Consistent with prior year findings, the audit found Families SA did not effectively segregate responsibility for processing carer data and review and authorisation responsibilities.

In response the Department advised the appointment of a senior business support officer in the Placement Services Unit from 1 October 2012 will ensure appropriate segregation of duties.

#### **Alternative care**

##### *Validity check of payments*

Families SA engages contractors to provide care to children who are in emergency accommodation and receives fortnightly invoices and carers' sheets detailing hours worked from the contractors.

Families SA relies on supervisors of case workers to confirm services reflected on contractor invoices were provided by the contractor and district office business managers confirming invoice rates to the agreed price schedule.

The 2011-12 audit of contractor payments and discussion with checking officers found the extent of review varies across district offices, including instances:

- where supervisors were not aware of checks performed by case workers to validate invoiced services
- where business managers performed a reasonableness check of invoices rather than ensuring rates matched the agreed price schedule.

In response the Department advised instructions will be reissued to all relevant staff reinforcing the need to thoroughly check all emergency care payments.

#### **General ledger processing**

##### ***Operating bank account reconciliations***

For a number of years Audit has noted SSSA's monthly reconciliation of the Department's operating bank account to the general ledger included reconciling items dating back to July 2004 and recommended SSSA, together with the Department, investigate and resolve these items.

Last year Audit noted that the Department investigated and cleared all reconciling items that arose prior to 31 January 2011.

The 2011-12 audit noted the June 2012 operating bank account reconciliation included:

- 52 reconciling items greater than one month old, with some dating back to February 2011

- outstanding cheques totalling around \$92 000, of which 99% were drawn between May 2002 and June 2005.

In response SSSA advised that, while unrepresented cheques relating to pre-transition to SSSA are the responsibility of the Department, it will liaise with the Department to clear the unrepresented cheques. In addition, SSSA and the Department are working together to review and clear old outstanding reconciling items.

The Department also confirmed it has liaised with SSSA on this matter throughout 2011-12 and has invested considerable time in resolving a number of outstanding reconciling items. The Department advised it will regularly monitor progress in resolving old outstanding reconciling items.

#### ***Salaries bank account reconciliations***

Audit has previously noted SSSA's monthly reconciliation of the Department's salaries bank account to the general ledger included a number of unrepresented cheques drawn pre-July 2005 and recommended SSSA Financial Services, together with the Department and SSSA Payroll Services, investigate and resolve these items.

The 2011-12 audit noted the June 2012 salaries bank account reconciliation included outstanding cheques totalling around \$21 000, of which 99% were drawn between December 2002 and June 2005.

In response SSSA advised all unrepresented cheques pre-31 December 2010 were transferred to the Department's unclaimed salaries in August 2012.

#### ***Unclaimed monies***

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 monies owed to departmental sites are internal debts which should not appear on an unclaimed monies listing.

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

In response SSSA advised it is developing an unclaimed monies process for all client agencies and it will work with the Department to ensure the timely processing and recording of unclaimed money.

#### ***Journal review and approval prior to processing***

Audit's review of arrangements for SSSA processing of journals noted the General Accounting service summary and accompanying operating level responsibilities documents do not require SSSA to check that journals have been appropriately approved prior to processing. The review also confirmed SSSA process journals submitted by the Department without checking whether they are appropriately approved.

The agreement with SSSA and the SSSA practice does not support the Department's journals policy, which provides that journals must be approved by project code managers.

The 2011-12 audit of a sample of journals processed concluded many journals:

- were not reviewed, approved or submitted by project code managers
- were incorrect and required reversing or adjustment.

In response the Department advised it will:

- change the current form used for journal processing so that its clearer that a project manager is required to endorse all journals
- investigate which departmental areas prepare manual journals and provide training on approved processes
- consider the implementation of a central monitoring process prior to journals being forwarded to SSSA for processing.

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

#### ***Connected Client and Case Management System (C3MS)***

The transfer of Families SA from DCSI to the Department included the transfer of administrative responsibility for the C3MS. This is a significant client case management system that commenced operation in a staged manner in July 2009. Total system cost at project closure in 2011-12 was about \$14.9 million.

In the early part of 2011-12 DCSI internal audit reviewed the C3MS. A report on the review was finalised in November 2011. Given the transfer of administrative responsibility of the system from DCSI to the Department, DCSI internal audit provided the report to the Department's Audit and Risk Unit to follow-up on the progression of certain findings and recommendations presented in the report.

The internal audit report highlighted a number of issues to be addressed including:

- governance of C3MS needed to be clarified
- user support arrangements needed to be more clearly defined and communicated
- periodic user access review had not been performed and there were a significant number of terminated employees who still had system access.

Following enquiry by Audit, the Department advised that its Audit and Risk Unit had undertaken a review to independently verify management actions taken on the findings and recommendations in the DCSI internal audit report. The Department also provided Audit with a post-completion report on the C3MS project that had been completed in November 2011.

Audit will follow-up on the actions taken by the Department in addressing the reports in the 2012-13 audit.

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

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

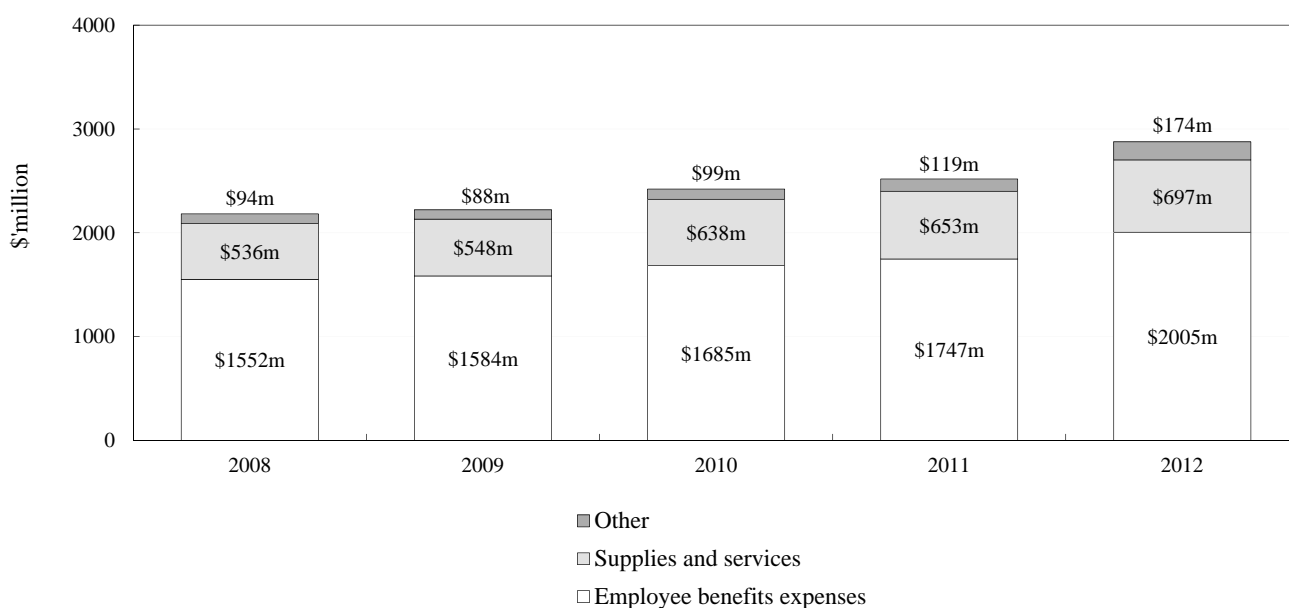
	2012 \$'million	2011 \$'million
<b>Expenses</b>		
Employee benefits expenses	2 005	1 747
Supplies and services	697	653
Other	174	119
<b>Total expenses</b>	<b>2 876</b>	<b>2 519</b>

	2012 \$'million	2011 \$'million
<b>Income</b>		
Commonwealth revenues	159	489
Student and other fees and charges	135	131
Other	92	119
<b>Total income</b>	<b>386</b>	<b>739</b>
<b>Net cost of providing services</b>	<b>2 490</b>	<b>1 780</b>
<b>Revenues from (Payments to) SA Government</b>		
Revenues from SA Government	2 479	2 199
Payments to SA Government	(29)	-
<b>Net result</b>	<b>(40)</b>	<b>419</b>
<b>Other comprehensive income</b>		
Changes in revaluation surplus	(1)	124
<b>Total comprehensive result</b>	<b>(41)</b>	<b>543</b>
<b>Net cash provided by (used in) operating activities</b>	<b>140</b>	<b>563</b>
<b>Assets</b>		
Current assets	783	771
Non-current assets	4 004	3 937
<b>Total assets</b>	<b>4 787</b>	<b>4 708</b>
<b>Liabilities</b>		
Current liabilities	344	333
Non-current liabilities	768	660
<b>Total liabilities</b>	<b>1 112</b>	<b>993</b>
<b>Total equity</b>	<b>3 675</b>	<b>3 715</b>

### Statement of Comprehensive Income

#### Expenses

A structural analysis of the main expense items for the Department for the five years to 2012 is shown in the following chart.

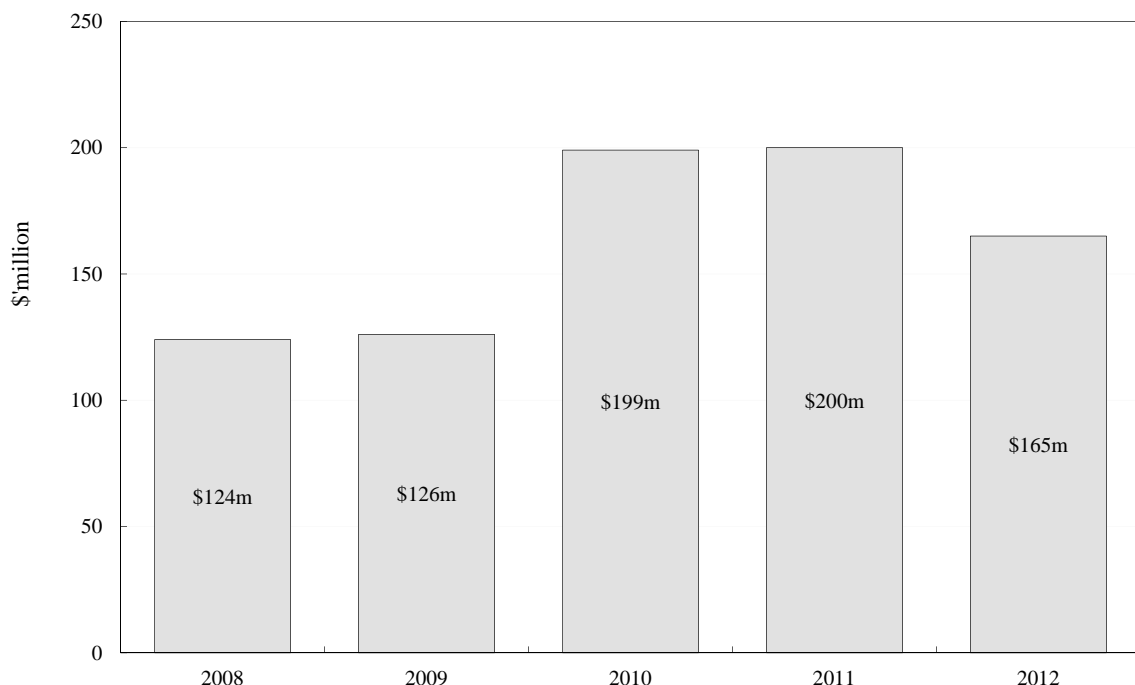




Total expenses increased by \$357 million (14%) to \$2.9 billion. This comprised:

- a \$258 million increase in employee benefits expenses, reflecting \$70 million in Families SA expenses (refer note 33 to the financial statements), enterprise bargaining increases during 2011-12 and full-time equivalent (FTE) increases
- a \$44 million increase in supplies and services, resulting mainly from \$54 million in Families SA costs (refer note 33 to the financial statements) offset by \$35 million decrease in minor works, maintenance and equipment expenditure
- a \$55 million increase in other expenses comprising:
  - a \$31 million increase in grants and subsidies, mainly relating to Families SA (refer note 33 to the financial statements)
  - a \$20 million increase in depreciation and amortisation expenses due mainly to increases in buildings and improvements and facilities under finance lease expenses
  - a \$14 million increase in borrowing costs reflecting the full year effect of Public Private Partnership finance lease interest costs
  - a \$10 million decrease in other expenses due mainly to a write-down of the allowance for doubtful debts.

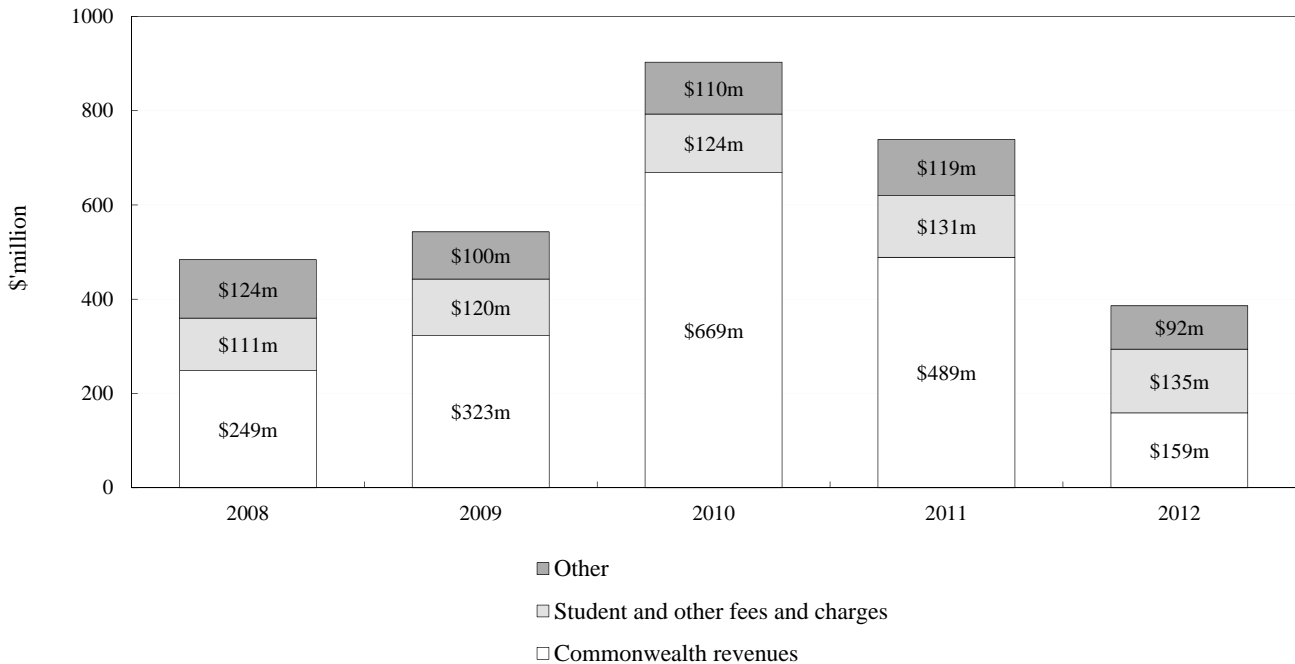
The following chart shows minor works, maintenance and equipment expenditure for the five years to 2012.



The high levels of expenditure in 2010 and 2011 reflect the Department's expenditure of funding received from the Commonwealth under the National Schools Pride Program.

**Income**

A structural analysis of the main income items for the Department for the five years to 2012 is shown in the following chart.



Total income decreased by \$353 million (48%) to \$386 million. This mainly comprised:

- a \$330 million (67%) decrease in Commonwealth revenue due mainly to a \$339 million decrease for the Building the Education Revolution (BER) economic stimulus package, a \$19 million decrease for the Digital Education Revolution Program, a \$25 million decrease in Trade Training Centre funding, offset by a \$16 million increase in the Community Making a Difference Program and \$9 million increase in Universal Preschool Access funding
- a \$27 million (23%) decrease in other income due mainly to a \$28 million decrease in other grants and contributions funding received, offset by a \$5 million increase in other revenues.

**Revenues from SA Government**

Revenues from the SA Government increased by \$280 million (13%) to \$2.479 billion principally to fund Families SA operations (refer note 33 to the financial statements) and increases in salaries and wages.

Payments to the SA Government in 2011-12 were \$29 million, representing the return of surplus cash pursuant to DTF’s cash alignment policy.

**Statement of Financial Position**

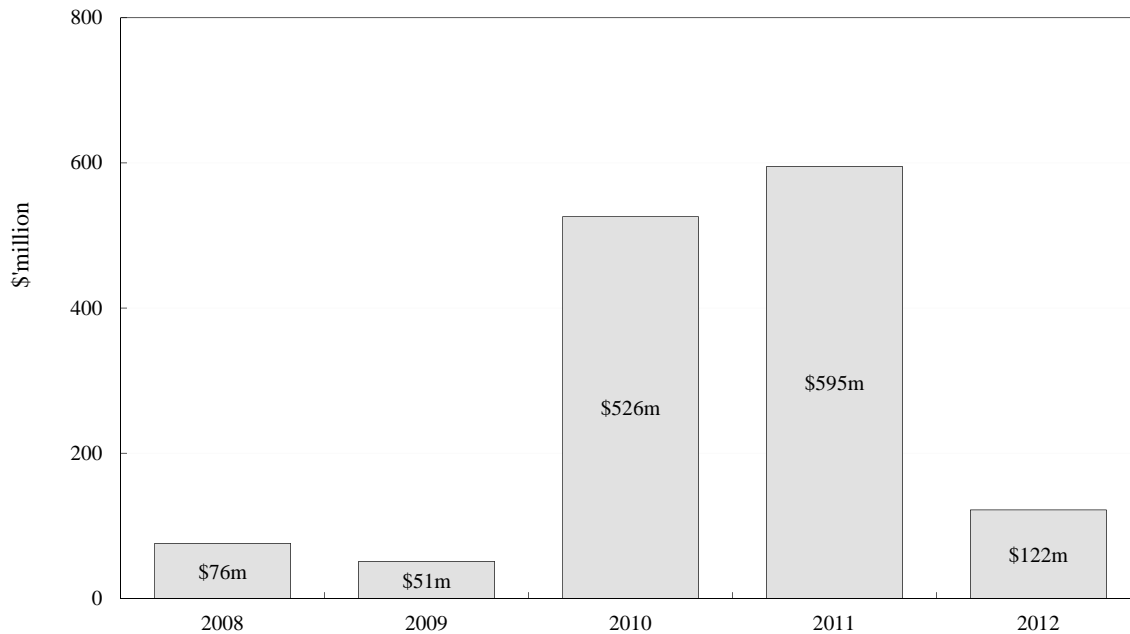
Cash and cash equivalents increased by \$5 million due mainly to increased cash held by schools in SA School Investment Fund accounts and school bank accounts, partly offset by a reduction in the Department’s deposits with the Treasurer.

Non-current assets increased by \$67 million to \$4.004 billion due mainly to:

- asset additions of \$128 million
- a \$48 million transfer of Families SA non-current assets (refer note 33 to the financial statements).

These increases are offset by annual depreciation and amortisation charges.

The following chart shows capital expenditure on land, buildings and construction works in progress (corporate department only) for the five years to 2012.



The \$473 million decrease in capital additions for 2012 is due mainly to a \$293 million decrease in capital works in progress expenditure due the winding down of the Commonwealth Government's BER economic stimulus package and the recognition in 2011 of buildings under finance lease of \$177 million.

As at 30 June 2012 the employee benefits and related on-cost liability of \$707 million (\$583 million) comprised 64% (59%) of total liabilities. Borrowings of \$176 million (\$177 million) relating to obligations under the finance lease for the schools facilities Public Private Partnership agreement comprise 16% of total liabilities. The liability of \$105 million (\$81 million) for unsettled workers compensation claims comprised a further 9% (8%) of total liabilities.

As at 30 June 2012 the Department employed the following full-time equivalent employees by category:

	2012 FTE	2011 FTE
<b>Department</b>		
<i>Education Act 1972</i>	14 055	13 946
Schools Services Officers Award	4 128	3 947
<i>Children's Services Act 1985</i>	1 147	1 034
PSA	2 773	1 227
Weekly paid	294	297
Other	279	263
<b>Total</b>	<b>22 676</b>	<b>20 714</b>
<b>Administered activities</b>		
PSA	10	11
<i>Education Act 1972</i>	4	6
<b>Total</b>	<b>14</b>	<b>17</b>

**Statement of Cash Flows**

The following table summarises the net cash flows for the four years to 2012.

	2012 \$'million	2011 \$'million	2010 \$'million	2009 \$'million
<b>Net cash flows</b>				
Operating	140	563	588	140
Investing	(135)	(444)	(487)	(44)
Change in cash	5	119	101	96
Cash at 30 June	707	702	583	482

The analysis of cash flows shows that the Department's cash position has grown over the four years principally reflecting the increase in revenue from the State Government.

**Administered items**

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

- grants to non-government schools of \$859 million (\$926 million)
- subsidies of \$15 million (\$14 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 (\$18 million).

Grants to non-government schools included \$162 million (\$155 million) in State grants. The grants were based principally on the average annual enrolment of the schools and the 'needs' of the schools and their students.

**Further commentary on operations****Student enrolments**

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

	2012 Number	2011 Number	2010 Number	2009 Number	2008 Number	2007 Number
FTE students in:						
Government schools	161 761	161 260	161 408	161 140	161 986	163 071
Non-government schools	93 338	92 430	91 435	89 114	88 618	86 871

**BER**

In February 2009 the Commonwealth and State Governments signed the 'National Partnership Agreement on the Nation Building and Jobs Plan: Building Prosperity for the Future and Supporting Jobs Now'.

This National Partnership Agreement (NPA) was aimed at providing nationwide economic stimulus in response to the global economic recession. The NPA involved the provision of funding for targeted capital purposes including the construction of new school facilities and refurbishment of existing schools. The schools component of the agreement is known as the BER.

The BER comprises the following three elements:

1. Primary schools for the 21st Century (P21)

All Australian primary schools, K-12 schools (primary school component) and special schools were eligible to apply for funding to support the construction of new buildings such as libraries and multipurpose halls, or the upgrade of existing facilities. For the three completed funding rounds, the Commonwealth has approved funding of \$824.2 million to South Australian schools for 720 projects.

As at 30 June 2012 the Department had received \$823.9 million in P21 funding and had spent \$817.2 million associated with P21 projects. At 30 June 2012, 14 projects were not complete.

2. Science and language centres for the 21st Century secondary schools (SLC)

Funding was provided to secondary schools for the construction of new science laboratories or language learning centres. Funding for SLC was approved through a one-off competitive grants process. The Commonwealth has approved funding of \$47.7 million to South Australian schools for 40 projects.

As at 30 June 2012 the Department had received \$47.7 million in SLC funding and had spent \$46.9 million associated with SLC projects. All SLC projects are complete.

3. National school pride (NSP)

All Australian schools were eligible to apply for funding for minor capital works and maintenance projects. For the two completed funding rounds, the Commonwealth approved 920 projects in South Australian schools with a total value of \$72.9 million.

As at 30 June 2012 the Department had received \$72.9 million in NSP funding and had transferred \$72.5 million to schools. All NSP projects are complete.

BER projects associated with the P21 and SLC elements were administered by the Department's corporate office and DPTI using existing project management arrangements. The majority of NSP projects were administered by schools.

As at 30 June 2012 the Department had received \$13.1 million in funding from the Commonwealth for administration of BER and had spent \$11 million, including \$8.9 million transferred to DPTI.

## Statement of Comprehensive Income for the year ended 30 June 2012

	Note	Consolidated		DECD	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Expenses:</b>					
Employee benefits expenses	5	2 005 488	1 746 723	1 977 468	1 718 743
Supplies and services	6	696 553	653 513	408 446	393 222
Grants and subsidies	7	49 111	18 582	253 965	267 747
Depreciation and amortisation expense	8	101 789	81 829	98 196	78 328
Borrowing costs	9	22 481	8 376	22 405	8 376
Other expenses	10	525	10 287	8 606	9 335
<b>Total expenses</b>		<b>2 875 947</b>	<b>2 519 310</b>	<b>2 769 086</b>	<b>2 475 751</b>
<b>Income:</b>					
Commonwealth revenues	11	159 059	489 065	159 059	489 065
Student and other fees and charges	12	135 212	131 257	20 503	20 946
Other grants and contributions	13	29 063	57 218	13 744	14 195
Interest revenues	14	12 925	16 564	9 552	13 143
Net gain from disposal of non-current assets	15	1 171	1 631	1 239	1 530
Other revenues	16	48 856	43 814	39 967	43 950
<b>Total income</b>		<b>386 286</b>	<b>739 549</b>	<b>244 064</b>	<b>582 829</b>
<b>Net cost of providing services</b>		<b>2 489 661</b>	<b>1 779 761</b>	<b>2 525 022</b>	<b>1 892 922</b>
<b>Revenues from (Payments to) SA Government:</b>					
Revenues from SA Government	17	2 479 243	2 198 583	2 479 243	2 198 583
Payments to SA Government	17	(29 519)	-	(29 519)	-
<b>Net result</b>		<b>(39 937)</b>	<b>418 822</b>	<b>(75 298)</b>	<b>305 661</b>
<b>Other comprehensive income:</b>					
Changes in revaluation surplus	23	(896)	123 643	(904)	123 635
<b>Total comprehensive result</b>		<b>(40 833)</b>	<b>542 465</b>	<b>(76 202)</b>	<b>429 296</b>

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

## Statement of Financial Position as at 30 June 2012

	Note	Consolidated		DECD	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Current assets:</b>					
Cash and cash equivalents	18	707 435	702 176	344 195	350 564
Receivables	19	52 305	48 663	52 507	67 592
Inventories	20	4 751	4 531	150	259
Other financial assets	21	1 651	1 002	-	-
Other current assets		41	146	-	-
		<u>766 183</u>	<u>756 518</u>	<u>396 852</u>	<u>418 415</u>
Non-current assets classified as held for sale	22	16 865	15 178	16 865	15 178
<b>Total current assets</b>		<u>783 048</u>	<u>771 696</u>	<u>413 717</u>	<u>433 593</u>
<b>Non-current assets:</b>					
Receivables	19	785	257	8 071	8 625
Other financial assets	21	35	439	-	-
Property, plant and equipment	23	3 974 632	3 913 869	3 956 111	3 899 886
Intangible assets	24	28 016	22 413	28 016	22 413
<b>Total non-current assets</b>		<u>4 003 468</u>	<u>3 936 978</u>	<u>3 992 198</u>	<u>3 930 924</u>
<b>Total assets</b>		<u>4 786 516</u>	<u>4 708 674</u>	<u>4 405 915</u>	<u>4 364 517</u>
<b>Current liabilities:</b>					
Payables	25	91 125	118 229	91 887	119 384
Borrowings	26	1 118	926	1 039	926
Employee benefits	27	202 484	169 160	201 261	168 314
Provisions	28	19 547	15 942	19 673	16 084
Other current liabilities	29	29 347	28 740	14 652	13 950
<b>Total current liabilities</b>		<u>343 621</u>	<u>332 997</u>	<u>328 512</u>	<u>318 658</u>
<b>Non-current liabilities:</b>					
Payables	25	37 744	28 753	37 744	28 732
Borrowings	26	175 419	175 987	175 272	175 987
Employee benefits	27	443 268	363 142	440 796	360 910
Provisions	28	88 097	68 090	88 097	68 090
Other non-current liabilities	29	23 749	24 252	23 034	23 476
<b>Total non-current liabilities</b>		<u>768 277</u>	<u>660 224</u>	<u>764 943</u>	<u>657 195</u>
<b>Total liabilities</b>		<u>1 111 898</u>	<u>993 221</u>	<u>1 093 455</u>	<u>975 853</u>
<b>Net assets</b>		<u>3 674 618</u>	<u>3 715 453</u>	<u>3 312 460</u>	<u>3 388 664</u>
<b>Equity:</b>					
Retained earnings	30	2 167 984	2 201 857	1 806 013	1 875 247
Revaluation surplus	30	1 506 634	1 513 596	1 506 447	1 513 417
<b>Total equity</b>		<u>3 674 618</u>	<u>3 715 453</u>	<u>3 312 460</u>	<u>3 388 664</u>
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 2012

		<b>Consolidated</b>		
		Revaluation surplus	Retained earnings	Total
		\$'000	\$'000	\$'000
	Note			
Balance at 30 June 2010		1 400 048	1 772 940	3 172 988
Net result for 2010-11		-	418 822	418 822
Changes on revaluation of property during 2010-11	23	123 643	-	123 643
Transfer revaluation surplus on disposal of property, plant and equipment		(10 095)	10 095	-
Total comprehensive result for 2010-11		113 548	428 917	542 465
Balance at 30 June 2011	30	1 513 596	2 201 857	3 715 453
Net result for 2011-12		-	(39 937)	(39 937)
Changes on revaluation of property during 2011-12	23	(896)	-	(896)
Transfer revaluation surplus on disposal of property, plant and equipment		(6 066)	6 066	-
Total comprehensive result for 2011-12		(6 962)	(33 871)	(40 833)
Transactions with SA Government as owner:				
Net assets received from an administrative restructure	33	-	(2)	(2)
<b>Balance at 30 June 2012</b>	<b>30</b>	<b>1 506 634</b>	<b>2 167 984</b>	<b>3 674 618</b>

		<b>DECD</b>		
		Revaluation surplus	Retained earnings	Total
		\$'000	\$'000	\$'000
	Note			
Balance at 30 June 2010		1 399 877	1 559 491	2 959 368
Net result for 2010-11		-	305 661	305 661
Changes on revaluation of property during 2010-11	23	123 635	-	123 635
Transfer revaluation surplus on disposal of property, plant and equipment		(10 095)	10 095	-
Total comprehensive result for 2010-11		113 540	315 756	429 296
Balance at 30 June 2011	30	1 513 417	1 875 247	3 388 664
Net result for 2011-12		-	(75 298)	(75 298)
Changes on revaluation of property during 2011-12	23	(904)	-	(904)
Transfer revaluation surplus on disposal of property, plant and equipment		(6 066)	6 066	-
Total comprehensive result for 2011-12		(6 970)	(69 232)	(76 202)
Transactions with SA Government as owner:				
Net assets received from an administrative restructure	33	-	(2)	(2)
<b>Balance at 30 June 2012</b>	<b>30</b>	<b>1 506 447</b>	<b>1 806 013</b>	<b>3 312 460</b>

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



## Statement of Cash Flows for the year ended 30 June 2012

	Note	Consolidated		DECD	
		2012 Inflows (Outflows) \$'000	2011 Inflows (Outflows) \$'000	2012 Inflows (Outflows) \$'000	2011 Inflows (Outflows) \$'000
<b>Cash flows from operating activities:</b>					
Cash outflows:					
Employee benefit payments		(1 904 240)	(1 734 005)	(1 881 097)	(1 706 246)
Payments for supplies and services		(793 099)	(728 547)	(461 742)	(440 373)
Payments of grants and subsidies		(51 881)	(13 439)	(253 094)	(268 340)
Interest paid		(21 149)	(5 002)	(18 375)	(5 002)
Other payments		(4 243)	(1 512)	(4 075)	(1 473)
<b>Cash used in operations</b>		<b>(2 774 612)</b>	<b>(2 482 505)</b>	<b>(2 618 383)</b>	<b>(2 421 434)</b>
Cash inflows:					
Receipts from Commonwealth		159 093	489 011	159 125	489 120
Student and other fees and charges		141 251	136 937	34 369	6 298
Other grants and contributions received		29 283	57 932	13 923	14 793
Interest received		13 085	16 859	10 009	13 436
GST recovered from the ATO		71 252	102 357	45 803	74 584
Other receipts		51 220	43 654	40 074	41 486
<b>Cash generated from operations</b>		<b>465 184</b>	<b>846 750</b>	<b>303 303</b>	<b>639 717</b>
Cash flows from SA Government:					
Receipts from SA Government		2 479 243	2 198 583	2 479 243	2 198 583
Payments to SA Government		(29 519)	-	(29 519)	-
<b>Cash generated from SA Government</b>		<b>2 449 724</b>	<b>2 198 583</b>	<b>2 449 724</b>	<b>2 198 583</b>
<b>Net cash provided by (used in) operating activities</b>	35	<b>140 296</b>	<b>562 828</b>	<b>134 644</b>	<b>416 866</b>
<b>Cash flows from investing activities:</b>					
Cash outflows:					
Purchase of property, plant and equipment		(147 686)	(446 355)	(150 834)	(441 304)
Purchase of investments		(649)	(1 320)	-	-
Loans advanced		-	-	(415)	(1 307)
<b>Cash used in investing activities</b>		<b>(148 335)</b>	<b>(447 675)</b>	<b>(151 249)</b>	<b>(442 611)</b>
Cash inflows:					
Proceeds from sale of property, plant and equipment		13 302	4 205	9 294	3 882
Proceeds from maturing term deposits		404	-	-	-
Receipt of loan repayments		1	-	1 574	916
<b>Cash generated from investing activities</b>		<b>13 707</b>	<b>4 205</b>	<b>10 868</b>	<b>4 798</b>
<b>Net cash provided by (used in) investing activities</b>		<b>(134 628)</b>	<b>(443 470)</b>	<b>(140 381)</b>	<b>(437 813)</b>
<b>Cash flows from financing activities:</b>					
Cash outflows:					
Repayment of finance leases		(888)	(146)	(887)	(146)
Repayments of borrowings		178	(6)	(46)	(6)
<b>Cash used in financing activities</b>		<b>(710)</b>	<b>(152)</b>	<b>(933)</b>	<b>(152)</b>
Cash inflows:					
Proceeds from restructuring activities		301	-	301	-
<b>Cash generated from financing activities</b>		<b>301</b>	<b>-</b>	<b>301</b>	<b>-</b>
<b>Net cash provided by (used in) financing activities</b>		<b>(409)</b>	<b>(152)</b>	<b>(632)</b>	<b>(152)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>5 259</b>	<b>119 206</b>	<b>(6 369)</b>	<b>(21 099)</b>
<b>Cash and cash equivalents at 1 July</b>		<b>702 176</b>	<b>582 970</b>	<b>350 564</b>	<b>371 663</b>
<b>Cash and cash equivalents at 30 June</b>	35	<b>707 435</b>	<b>702 176</b>	<b>344 195</b>	<b>350 564</b>

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2012

	Consolidated					
	1		2		3	
	2012	2011	2012	2011	2012	2011
(Activities - refer note 4)						
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefits expenses	145 208	127 218	431 374	379 744	1 359 156	1 239 761
Supplies and services	45 059	46 309	143 033	140 991	454 875	466 213
Grants and subsidies	6 253	5 209	2 280	2 320	9 005	11 053
Depreciation and amortisation expense	3 390	2 952	19 754	15 751	77 756	63 126
Borrowing costs	1 792	670	5 006	1 817	15 683	5 889
Other expenses	473	50	-	2 417	52	7 820
<b>Total expenses</b>	<b>202 175</b>	<b>182 408</b>	<b>601 447</b>	<b>543 040</b>	<b>1 916 527</b>	<b>1 793 862</b>
<b>Income:</b>						
Commonwealth revenues	57 985	39 372	18 949	94 855	81 250	354 838
Student and other fees and charges	2 553	2 988	31 584	29 734	101 024	98 535
Other grants and contributions	1 301	1 556	6 460	12 976	20 249	42 686
Interest revenues	457	567	2 991	3 734	9 477	12 263
Net gain from disposal of non-current assets	9	-	524	385	638	1 246
Other revenues	1 228	378	9 677	9 506	33 840	33 930
<b>Total income</b>	<b>63 533</b>	<b>44 861</b>	<b>70 185</b>	<b>151 190</b>	<b>246 478</b>	<b>543 498</b>
<b>Net cost of providing services</b>	<b>138 642</b>	<b>137 547</b>	<b>531 262</b>	<b>391 850</b>	<b>1 670 049</b>	<b>1 250 364</b>
<b>Revenues from (Payments to)</b>						
<b>SA Government:</b>						
Revenues from SA Government	143 467	168 194	520 788	467 638	1 666 193	1 562 751
Payments to SA Government	(1 817)	-	(6 597)	-	(21 105)	-
<b>Net result</b>	<b>3 008</b>	<b>30 647</b>	<b>(17 071)</b>	<b>75 788</b>	<b>(24 961)</b>	<b>312 387</b>

	4		Total	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
(Activities - refer note 4)				
<b>Expenses:</b>				
Employee benefits expenses	69 750	-	2 005 488	1 746 723
Supplies and services	53 586	-	696 553	653 513
Grants and subsidies	31 573	-	49 111	18 582
Depreciation and amortisation expense	889	-	101 789	81 829
Borrowing costs	-	-	22 481	8 376
Other expenses	-	-	525	10 287
<b>Total expenses</b>	<b>155 798</b>	<b>-</b>	<b>2 875 947</b>	<b>2 519 310</b>
<b>Income:</b>				
Commonwealth revenues	875	-	159 059	489 065
Student and other fees and charges	51	-	135 212	131 257
Other grants and contributions	1 053	-	29 063	57 218
Interest revenues	-	-	12 925	16 564
Net gain from disposal of non-current assets	-	-	1 171	1 631
Other revenues	4 111	-	48 856	43 814
<b>Total income</b>	<b>6 090</b>	<b>-</b>	<b>386 286</b>	<b>739 549</b>
<b>Net cost of providing services</b>	<b>149 708</b>	<b>-</b>	<b>2 489 661</b>	<b>1 779 761</b>
<b>Revenues from (Payments to)</b>				
<b>SA Government:</b>				
Revenues from SA Government	148 795	-	2 479 243	2 198 583
Payments to SA Government	-	-	(29 519)	-
<b>Net result</b>	<b>(913)</b>	<b>-</b>	<b>(39 937)</b>	<b>418 822</b>

**Disaggregated Disclosures - Expenses and Income  
for the year ended 30 June 2012 (continued)**

	DECD					
	1		2		3	
	2012	2011	2012	2011	2012	2011
	(Activities - refer note 4)					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefits expenses	145 208	127 218	424 593	373 148	1 337 917	1 218 377
Supplies and services	42 280	43 596	73 925	80 270	238 403	269 356
Grants and subsidies	16 597	15 185	42 217	44 530	163 578	208 032
Depreciation and amortisation expense	3 390	2 952	18 884	14 925	75 033	60 451
Borrowing costs	1 792	670	4 988	1 817	15 625	5 889
Other expenses	473	50	1 932	2 192	6 201	7 093
<b>Total expenses</b>	<b>209 740</b>	<b>189 671</b>	<b>566 539</b>	<b>516 882</b>	<b>1 836 757</b>	<b>1 769 198</b>
<b>Income:</b>						
Commonwealth revenues	57 985	39 372	18 949	94 855	81 250	354 838
Student and other fees and charges	2 553	2 988	3 825	3 730	14 074	14 228
Other grants and contributions	1 301	1 556	2 753	2 834	8 637	9 805
Interest revenues	457	567	2 175	2 928	6 920	9 648
Net gain from disposal of non-current assets	9	-	540	361	690	1 169
Other revenues	1 228	378	7 526	9 538	27 102	34 034
<b>Total income</b>	<b>63 533</b>	<b>44 861</b>	<b>35 768</b>	<b>114 246</b>	<b>138 673</b>	<b>423 722</b>
<b>Net cost of providing services</b>	<b>146 207</b>	<b>144 810</b>	<b>530 771</b>	<b>402 636</b>	<b>1 698 084</b>	<b>1 345 476</b>
<b>Revenues from (Payments to) SA Government:</b>						
Revenues from SA Government	143 467	168 194	520 788	467 638	1 666 193	1 562 751
Payments to SA Government	(1 817)	-	(6 597)	-	(21 105)	-
<b>Net result</b>	<b>(4 557)</b>	<b>23 384</b>	<b>(16 580)</b>	<b>65 002</b>	<b>(52 996)</b>	<b>217 275</b>
	(Activities - refer note 4)		4		Total	
			2012	2011	2012	2011
			\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefits expenses			69 750	-	1 977 468	1 718 743
Supplies and services			53 838	-	408 446	393 222
Grants and subsidies			31 573	-	253 965	267 747
Depreciation and amortisation expense			889	-	98 196	78 328
Borrowing costs			-	-	22 405	8 376
Other expenses			-	-	8 606	9 335
<b>Total expenses</b>			<b>156 050</b>	<b>-</b>	<b>2 769 086</b>	<b>2 475 751</b>
<b>Income:</b>						
Commonwealth revenues			875	-	159 059	489 065
Student and other fees and charges			51	-	20 503	20 946
Other grants and contributions			1 053	-	13 744	14 195
Interest revenues			-	-	9 552	13 143
Net gain from disposal of non-current assets			-	-	1 239	1 530
Other revenues			4 111	-	39 967	43 950
<b>Total income</b>			<b>6 090</b>	<b>-</b>	<b>244 064</b>	<b>582 829</b>
<b>Net cost of providing services</b>			<b>149 960</b>	<b>-</b>	<b>2 525 022</b>	<b>1 892 922</b>
<b>Revenues from (Payments to) SA Government:</b>						
Revenues from SA Government			148 795	-	2 479 243	2 198 583
Payments to SA Government			-	-	(29 519)	-
<b>Net result</b>			<b>(1 165)</b>	<b>-</b>	<b>(75 298)</b>	<b>305 661</b>

## Disaggregated Disclosures - Assets and Liabilities as at 30 June 2012

(Activities - refer note 4)	Consolidated					
	1		2		3	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	23 672	24 125	161 867	162 506	516 566	515 545
Receivables	2 581	414	11 242	11 677	37 785	36 829
Inventories	12	-	1 145	1 105	3 594	3 426
Other financial assets	-	-	408	352	1 278	1 089
Other assets	-	-	10	36	31	110
Non-current assets classified as held for sale	520	777	3 463	5 556	12 882	8 845
Property, plant and equipment	164 997	168 017	859 180	862 800	2 911 878	2 883 052
Intangible assets	1 729	1 793	4 811	4 990	15 070	15 630
<b>Total assets</b>	<b>193 511</b>	<b>195 126</b>	<b>1 042 126</b>	<b>1 049 022</b>	<b>3 499 084</b>	<b>3 464 526</b>
<b>Liabilities:</b>						
Payables	8 288	5 932	26 235	37 124	82 933	103 926
Borrowings	14 082	14 143	39 243	39 389	122 927	123 381
Employee benefits	46 270	31 770	136 849	118 001	431 178	382 531
Provisions	7 295	4 934	21 386	18 536	67 449	60 562
Other liabilities	1 892	1 154	9 039	11 960	42 165	39 878
<b>Total liabilities</b>	<b>77 827</b>	<b>57 933</b>	<b>232 752</b>	<b>225 010</b>	<b>746 652</b>	<b>710 278</b>
(Activities - refer note 4)			4		Total	
			2012	2011	2012	2011
<b>Assets:</b>			\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents			5 330	-	707 435	702 176
Receivables			1 482	-	53 090	48 920
Inventories			-	-	4 751	4 531
Other financial assets			-	-	1 686	1 441
Other assets			-	-	41	146
Non-current assets classified as held for sale			-	-	16 865	15 178
Property, plant and equipment			38 577	-	3 974 632	3 913 869
Intangible assets			6 406	-	28 016	22 413
<b>Total assets</b>			<b>51 795</b>	<b>-</b>	<b>4 786 516</b>	<b>4 708 674</b>
<b>Liabilities:</b>						
Payables			11 413	-	128 869	146 982
Borrowings			285	-	176 537	176 913
Employee benefits			31 455	-	645 752	532 302
Provisions			11 514	-	107 644	84 032
Other liabilities			-	-	53 096	52 992
<b>Total liabilities</b>			<b>54 667</b>	<b>-</b>	<b>1 111 898</b>	<b>993 221</b>

**Disaggregated Disclosures - Assets and Liabilities  
as at 30 June 2012 (continued)**

(Activities - refer note 4)	DECD					
	1		2		3	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	23 672	24 125	73 965	76 677	241 228	249 762
Receivables	2 581	414	13 055	18 339	43 460	57 464
Inventories	12	-	32	62	106	197
Non-current assets classified as held for sale	520	777	3 463	5 556	12 882	8 845
Property, plant and equipment	164 997	168 016	854 697	859 387	2 897 840	2 872 483
Intangible assets	1 729	1 793	4 811	4 990	15 070	15 630
<b>Total assets</b>	<b>193 511</b>	<b>195 125</b>	<b>950 023</b>	<b>965 011</b>	<b>3 210 586</b>	<b>3 204 381</b>
<b>Liabilities:</b>						
Payables	8 288	5 933	26 420	37 401	83 510	104 782
Borrowings	14 082	14 143	39 189	39 389	122 755	123 381
Employee benefits	46 270	31 770	135 955	117 249	428 377	380 205
Provisions	7 295	4 935	21 416	18 571	67 545	60 668
Other liabilities	1 892	1 154	5 309	8 160	30 485	28 112
<b>Total liabilities</b>	<b>77 827</b>	<b>57 935</b>	<b>228 289</b>	<b>220 770</b>	<b>732 672</b>	<b>697 148</b>
(Activities - refer note 4)						
			4		Total	
			2012	2011	2012	2011
<b>Assets:</b>			\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents			5 330	-	344 195	350 564
Receivables			1 482	-	60 578	76 217
Inventories			-	-	150	259
Non-current assets classified as held for sale			-	-	16 865	15 178
Property, plant and equipment			38 577	-	3 956 111	3 899 886
Intangible assets			6 406	-	28 016	22 413
<b>Total assets</b>			<b>51 795</b>	<b>-</b>	<b>4 405 915</b>	<b>4 364 517</b>
<b>Liabilities:</b>						
Payables			11 413	-	129 631	148 116
Borrowings			285	-	176 311	176 913
Employee benefits			31 455	-	642 057	529 224
Provisions			11 514	-	107 770	84 174
Other liabilities			-	-	37 686	37 426
<b>Total liabilities</b>			<b>54 667</b>	<b>-</b>	<b>1 093 455</b>	<b>975 853</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
- *Commissioner 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.

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 continues to be guided in our work by the existing strategic planning and practice documents. The current interim strategic planning environment guides the way forward. We value all of our well established evidence-based practices and also plan to develop innovative service design approaches. This will lead us to strategic planning that is focused on the best outcomes for all young South Australians.

#### **Key action areas**

##### *Strengthening families, safeguarding children*

Establishing strong and resilient partnerships with families that support wellbeing and development of children and young people.

##### *Working in and for communities*

Engaging with communities in the co-production of services and programs that improve outcomes for children, young people and families.

##### *Establishing a better service experience for all*

Embedding a 'no wrong door' approach to service delivery that is proactive and tailored to the needs of children and young people.

##### *Promoting and achieving high standards and outcomes*

Empowering local schools and communities to work in connected ways on evidence based innovative practices.

##### *Building an interdisciplinary departmental workforce*

Developing a workforce that is diverse in its skills and child-centred in its approach, with the leadership capability and expertise to service families by giving them access to a wide range of health, education and family support services.

## 2. Summary of significant accounting policies

### (a) *Statement of compliance*

The Department for Education and Child Development 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 TI's and APSs promulgated under the provision 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 2012. These are outlined in note 3.

### (b) *Basis of preparation*

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- that 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) employee TVSP information
  - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
  - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012 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.

(c) **Reporting entity (continued)**

The economic entity of the Department comprises:

- the corporate department including its operational units
- government schools (including school councils, canteens, out of school hours care and vacation care programs)
- government preschools (including children's centres, preschool councils and management committees).

The values in the Consolidated columns in the financial statements incorporate the activities of the corporate department, government schools and include expenses paid by the corporate department on behalf of government preschools (eg salaries and wages, salary related on-costs and utilities expenses) and major assets and liabilities recorded in the corporate department's financial systems (eg land and buildings, employee benefits). Funds separately generated or funds expended by government preschools which are recorded solely in their general ledgers are excluded from the Consolidated column as these are deemed immaterial.

As a consequence, the financial statements treat transactions recorded solely in government preschool's general ledgers as transactions with third parties. All material transactions between the corporate department and schools have been eliminated as required by AASs.

The values in the DECD columns in the financial statements incorporate the activities of the corporate department and include expenses paid by the corporate department on behalf of government schools and government preschools (eg salaries and wages, salary related on-costs and utilities expenses) and major assets and liabilities recorded in the corporate department's financial systems (eg land and buildings, employee benefits). Funds separately generated by government schools and government preschools and recorded solely in their general ledgers are excluded from the DECD columns, and as a consequence, the DECD columns in the financial statements treat transactions relating to these amounts as transactions with third parties.

Financial data was collected from government schools for the school year ended 31 December 2011 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.

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
- payments to the Department of Planning, Transport and Infrastructure for the purposes of student travel
- the State Government contribution to the operation of non-government schools, organisations and services to students with disabilities
- the Commonwealth Government contribution to the operation of non-government schools, organisations and services to students with disabilities.

*Minister's salary and allowances*

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

*Minister's borrowings*

The Minister for Education and Child Development borrowed funds from DTF. These funds were loaned to the Department and schools to undertake capital works projects. The last of the loans provided were settled during 2008-09 and the final loan repayment of funds borrowed from DTF was made in June 2011. Residual revenue and expense amounts have been recognised for the 2011-12 financial year.



**(d) Transferred functions**

The Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (dated 8 December 2011) declared that the operational unit known as Families SA (excluding the operational unit known as Youth Justice) was transferred from the Department for Communities and Social Inclusion to the Department for Education and Child Development, effective from 1 January 2012 (refer note 33).

Refer note 4, Activity 4 'Care and Protection' for the functions transferred from the Department for Communities and Social Inclusion.

**(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 provides information about conditions that existed as at 30 June.

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

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

The following are specific recognition criteria:

*Fees and charges*

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

*Contributions received*

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

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

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

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

*Resources received free of charge*

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

*Revenues from SA Government*

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

*Net gain on non-current assets*

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

Gains on disposal of land, buildings and 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 notes accompanying the financial statements disclose expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

*Employee benefit expenses*

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

*Superannuation*

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

*Depreciation and amortisation of non-current assets*

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

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

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

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

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

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

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings and improvements	4-170
Residential accommodation housing	10-50
Leasehold improvements	Life of lease
Buildings under finance lease	Life of lease
Buses/Motor vehicles	3-20
Computing, communication equipment, furniture and equipment	2-15
Intangible assets	3-30
Other assets	7-10

*Grants and subsidies*

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

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

*Resources provided free of charge*

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

*Borrowing costs*

All borrowing costs are recognised as expenses.

*Payments to SA Government*

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

**(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.

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

*Cash and cash equivalents*

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

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

Cash is measured at nominal value.

The SA Government introduced a policy in October 2003 with respect to aligning agency cash balances with appropriation and expenditure authority. During this financial year, the Department was required to transfer \$29.519 million to the Consolidated Account.

*Receivables*

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

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

Loan receivables are recorded at historic 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 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.

*Non-current assets*

Acquisition and recognition

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

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

All non-current tangible assets with a value equal to or in excess of \$5000 are capitalised.

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

Land

Land is valued at fair value as at 30 June 2012 (refer note 23 for further details).

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 the Department of Planning, Transport and Infrastructure. Replacement costs have been established by reference to quantity surveyors estimates and updated through the application of a relevant building index. The valuations for buildings are current as at 30 June 2011, paved areas are current as at 30 June 2011 and swimming pools are current as at 30 June 2012. The building data excludes landscaping, infrastructure, pergolas, playground equipment, sheds and some paving, fencing and leasehold improvements because they either cannot be reliably measured or no information is 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.

Leasehold improvements

Leasehold improvements are recorded at historical cost less accumulated amortisation.

Residential accommodation

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

Buses

Buses are recorded at current replacement cost as at 30 June 2012.

Plant and equipment

Items are recorded at historical cost less accumulated depreciation.

Revaluation of non-current assets

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

The Department revalues its land, buildings and improvements and bus fleet 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. 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. During the financial year, no impairments have been recognised.

**Intangible assets**

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

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

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

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

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

**(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.

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

**Payables**

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

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

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

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

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

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

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

*Borrowings/Financial liabilities*

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

*Leases*

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

The Department has entered into finance leases and operating leases.

*Finance leases*

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

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

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

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

*Operating leases*

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

*Employee benefits*

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

*Wages, salaries, annual leave and sick leave*

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

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

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

*LSL*

An actuarial assessment of LSL liability undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using a shorthand method was not materially different from the liability measured using a present value of expected future payments.

Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012 (refer note 27).

This calculation is consistent with the Department's experience of employee retention and leave taken.

*Country incentive leave*

Permanent teachers that commenced in designated country schools prior to the end of the 2002 school year are entitled to country incentive leave after completing six years of continuous service at that school pursuant to the South Australian Education Staff (Government Preschools and Schools) Arbitrated Enterprise Bargaining Award 2010. The liability is recognised when the qualifying criteria has been met, and is measured at substantive remuneration rates current at reporting date.

*Provisions*

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

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2012 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.

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.

**(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.

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 26, 29 and 31.



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

The Department did not voluntarily change any of its accounting policies during 2011-12.

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 2012. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

### 4. Activities of the Department

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

#### *Activity 1: Early Years Education and Care (Birth to Preschool)*

The Department is the Government of South Australia's provider of public early childhood services and schooling. The Department plans, administers, coordinates, monitors and supports early childhood services for children from birth to school age. It is also responsible for a range of government services including the regulation of child care, and provides leadership in relation to early year's curriculum, policy, programs and initiatives. Early childhood services are provided in a range of settings and locations around the state to support and improve the wellbeing and outcomes of children and their families.

#### *Activity 2: Education – Early Years Education (Reception-2)*

Provide education programs to children in government schools in the first three years of schooling (Reception, Year 1 and Year 2) for between 10 and 14 terms in these years. Curriculum is based on the South Australian Curriculum Standards and Accountability (SACSA) Framework with eight learning areas which are arts, design and technology, English, health and physical education, languages, mathematics, science, and society and environment. The Australian Curriculum will progressively replace the SACSA Framework, commencing with English, Mathematics, Science and History in 2012.

#### *Activity 3: Education – Primary and Secondary Education (3-12)*

The Department delivers high quality primary and secondary education across the State. The Department is responsible for the education of children and students under the compulsory education age across all areas of the curriculum and for preparing young people to be active and productive members of society. The Department involves parents and local communities in the education of children and students.

#### *Activity 4: Care and Protection*

This program encompasses family support and child safety responses to vulnerable families involved in the child protection system to address children's safety, risk and harm, and to build parents' capacity to safely care for their children. The Department provides alternative care services, case management and support to children and young people under the guardianship of the Minister.

The Department also offers services to support unaccompanied humanitarian minors of refugee background as well as adoption and post care services, a range of financial support services for clients involved in care and protection and post guardianship services, and services to Aboriginal children, young people, families and communities with the objective of strengthening capacity and reducing over representation of Aboriginal children and young people in our care and protection system.

The disaggregated disclosures schedules presents expenses, income, assets and liabilities attributable to each of the activities for the years ended 30 June 2011 and 30 June 2012.

### 5. Employee benefits expenses

	Consolidated		DECD	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Salaries and wages (including annual leave)	1 557 115	1 418 992	1 532 011	1 393 820
Employment on-costs - superannuation	171 998	154 967	169 771	152 787
Employment on-costs - payroll tax	90 815	80 162	90 815	80 162
LSL	137 265	71 163	136 678	70 615
Workers compensation	29 012	10 566	29 012	10 566
TVSPs	14 535	1 953	14 535	1 953
Country incentive leave	1 332	1 508	1 332	1 508
Board fees	210	35	210	35
Other employee related expenses	3 206	7 377	3 104	7 297
Total employee benefits expenses	2 005 488	1 746 723	1 977 468	1 718 743

<b>TVSPs</b>	Consolidated		DECD	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Amounts paid to the employees:				
TVSPs	15 688	800	15 688	800
Annual leave and LSL paid during the reporting period	4 279	261	4 279	261
	<u>19 967</u>	<u>1 061</u>	<u>19 967</u>	<u>1 061</u>
Recovery from DTF	15 789	583	15 789	583
Net cost to the Department	<u>4 178</u>	<u>478</u>	<u>4 178</u>	<u>478</u>

	Consolidated		DECD	
	2012 Number	2011 Number	2012 Number	2011 Number
Number of employees who received a TVSP during the reporting period	<u>111</u>	<u>5</u>	<u>111</u>	<u>5</u>

**Remuneration of employees**

	Consolidated			
	2012 Number of executives*	2012 Number of employees	2011 Number of executives*	2011 Number of employees
The number of employees whose remuneration received or receivable falls within the following bands:				
\$130 700 - \$133 999**	n/a	n/a	-	37
\$134 000 - \$143 999	2	104	2	86
\$144 000 - \$153 999	1	94	1	65
\$154 000 - \$163 999	6	43	3	26
\$164 000 - \$173 999	1	22	6	22
\$174 000 - \$183 999	3	20	7	16
\$184 000 - \$193 999	5	14	3	11
\$194 000 - \$203 999	3	9	3	4
\$204 000 - \$213 999	-	1	-	2
\$214 000 - \$223 999	3	4	3	4
\$224 000 - \$233 999	2	2	3	3
\$234 000 - \$243 999	4	4	-	-
\$244 000 - \$253 999	-	1	-	1
\$254 000 - \$263 999	-	-	1	1
\$264 000 - \$273 999	1	1	-	-
\$274 000 - \$283 999	-	-	-	1
\$284 000 - \$293 999	-	-	-	1
\$304 000 - \$313 999	-	-	1	1
\$324 000 - \$333 999	-	3	-	-
\$334 000 - \$343 999	1	1	1	1
\$344 000 - \$353 999	-	1	-	-
\$354 000 - \$363 999	1	1	-	-
\$364 000 - \$373 999	-	1	-	-
\$414 000 - \$423 999	-	-	1	2
Total	<u>33</u>	<u>326</u>	<u>35</u>	<u>284</u>

\* The number of executive officers disclosed above includes employees appointed to executive positions during the financial year or acting in an executive position at 30 June 2012 and 30 June 2011 respectively. The 33 executives for 2012 includes one employee transitioned from the Department for Communities and Social Inclusion, effective 1 January 2012, under machinery of government arrangements. The numbers of executive officers separately disclosed are also included in the number of employee totals for 2011 and 2012.

\*\* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2010-11.

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.

This number of employees disclosed above who received country incentive payments was 30 (39).

**Remuneration of employees (continued)**

There were 4 (1) employees who received an amount under the TVSP scheme that retired over the base executive remuneration level and an additional 26 (30) employees who did not receive an amount under the TVSP scheme that retired over the base executive remuneration level. These 30 (31) employees are included in the above employees numbers.

Remuneration received or due and receivable by the above employees was \$52.2 million (\$45.9 million), which is included in employee benefit expenses. Salary rates during 2011-12 increased by 4% for *Education Act 1972* employees and 2.5% for PSA employees effective the first pay period on or after 1 October 2011, and 2.5% for executives effective 1 July 2011 due to enterprise agreements.

**Remuneration of employees who transferred into the Department under machinery of government arrangements**

	2012	2012
The number of employees whose remuneration received or receivable falls within the following bands:	Number of executives	Number of employees
\$134 000 - \$143 999	-	8
\$144 000 - \$153 999	3	6
\$164 000 - \$173 999	1	1
\$174 000 - \$183 999	2	2
\$184 000 - \$193 999	1	1
\$234 000 - \$243 999	1	1
\$294 000 - \$303 999	1	1
Total	9	20

This disclosure above is representative of the employees remuneration for the full financial year.

One executive officer, included in the nine above transferring under machinery of government arrangements, is also included in the Departmental total for 2012 of 33 executive officers.

**6. Supplies and services**

	Consolidated		DECD	
Supplies and services provided by entities within the SA Government:	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Minor works and maintenance	76 504	75 889	77 823	77 240
Rentals and leases	21 646	17 588	21 670	17 718
Management fees, fees and charges	13 537	14 474	14 357	15 045
Utilities	13 335	10 043	13 339	10 050
SSSA charges	10 491	10 031	10 491	10 031
Vehicle and travelling expenses	8 724	6 842	9 146	7 064
Security	4 491	4 891	4 497	4 891
Insurance (including self-insurance)	3 897	3 938	4 298	4 167
Contractors and other outsourced services	2 398	3 047	6 089	6 481
Telecommunications	2 647	2 399	2 633	2 400
Legal	915	724	915	724
Computer communications	1 569	278	1 570	289
School card, client and other allowances	550	1	12 087	11 437
Other	3 832	921	5 204	2 515
Total supplies and services - SA Government entities	164 536	151 066	184 119	170 052

Supplies and services provided by entities external to the SA Government:

Minor works, maintenance and equipment	88 170	124 589	9 630	48 180
Printing, postage and consumables	76 430	75 178	4 468	4 425
Cleaning	34 840	33 254	4 306	3 760
Child care, school card, client and other allowances	68 430	28 744	68 430	28 744
Student learning materials	27 781	24 749	-	-
Vehicle and travelling expenses	26 693	24 122	24 415	22 023
Utilities	24 159	23 083	23 243	21 795
Contractors and other outsourced services	24 838	22 869	23 522	21 969
Bus contractors	20 779	18 545	20 779	18 545
Excursions and camps	18 561	18 351	-	-
Cost of goods sold	16 334	15 785	-	-

Supplies and services provided by entities external to the SA Government: (continued)	Consolidated		DECD	
	2012	2011	2012	2011
Computer communications	12 667	12 324	10 328	10 346
Telecommunications	14 203	12 081	12 490	10 898
Training and development	9 780	7 604	3 143	3 158
Rentals and leases	4 295	4 665	2 038	2 139
Copyright	4 186	3 630	4 180	3 617
Security	857	1 060	562	497
Other	59 014	51 814	12 793	23 074
Total supplies and services - non-SA Government entities	532 017	502 447	224 327	223 170
Total supplies and services	696 553	653 513	408 446	393 222

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		2011	
	2012		2011	
	Number	\$'000	Number	\$'000
Below \$10 000	2	8	3	18
Between \$10 000 and \$50 000	5	113	4	109
Above \$50 000	-	-	2	109
Total	7	121	9	236

**7. Grants and subsidies**

Grants and subsidies paid/payable to entities within the SA Government:	Consolidated		DECD	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Recurrent grants paid to schools and units	-	-	166 718	161 364
Capital grants paid to schools and units	-	-	38 136	87 801
Recurrent grants paid to preschools	4 168	4 681	4 168	4 681
Capital grants paid to preschools	31	6	31	6
Recurrent grants paid to other organisations	3 143	3 157	3 143	3 157
Capital grants paid to other organisations	32	-	32	-
Total grants and subsidies - SA Government entities	7 374	7 844	212 228	257 009

Grants and subsidies paid/payable to entities external to the SA Government:

Recurrent grants paid to other organisations	41 737	10 733	41 737	10 733
Capital grants paid to other organisations	-	5	-	5
Total grants and subsidies - non-SA Government entities	41 737	10 738	41 737	10 738
Total grants and subsidies	49 111	18 582	253 965	267 747

**8. Depreciation and amortisation expense**

Depreciation:

Buildings and improvements	88 268	73 167	88 254	73 149
Residential accommodation housing	254	-	254	-
Computing, communication, furniture and equipment	3 407	3 104	728	456
Buses and motor vehicles	1 673	1 703	1 197	1 198
Other	566	488	144	158
Total depreciation	94 168	78 462	90 575	74 961

Amortisation:

Leasehold improvements	2 116	1 474	2 116	1 474
Intangible assets	273	-	273	-
Facilities under finance lease	4 432	1 613	4 432	1 613
Service right for equipment	800	280	800	280
Total amortisation	7 621	3 367	7 621	3 367
Total depreciation and amortisation expense	101 789	81 829	98 196	78 328

9. <b>Borrowing costs</b>	Consolidated		DECD	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Interest paid/payable on borrowings	76	-	-	-
Finance least costs	22 405	8 376	22 405	8 376
Total borrowing costs	22 481	8 376	22 405	8 376

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

#### 10. **Other expenses**

Other expenses paid/payable to entities within the SA Government:

Auditor's remuneration - Auditor-General's Department*	570	521	570	521
Other expenses	2 329	-	2 329	-
Total other expenses - SA Government entities	2 899	521	2 899	521

Other expenses paid/payable to entities external to the SA Government:

Auditor's remuneration - school/preschool auditors	1 065	861	1 035	827
Allowance for doubtful debts and debt write-offs	(8 987)	355	(876)	(563)
Non-current assets written off	5 548	8 550	5 548	8 550
Total other expenses - non-SA Government entities	(2 374)	9 766	5 707	8 814
Total other expenses	525	10 287	8 606	9 335

\* Audit fees paid/payable to the Auditor-General's Department relate to the audit of financial statements. No other services were provided by the Auditor-General's Department.

#### 11. **Commonwealth revenues**

	Consolidated		DECD	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
National Partnership - Community Making a Difference	35 857	20 164	35 857	20 164
Family Day Care Scheme	24 486	23 867	24 486	23 867
Trade Training Centre	22 201	47 240	22 201	47 240
National Partnership - Universal Preschool Access	16 968	7 687	16 968	7 687
National Partnership - Digital Education Revolution	14 291	33 644	14 291	33 644
National Partnership - Aboriginal Children and Family Centres	6 856	621	6 856	621
National Partnership - Literacy and Numeracy	6 476	600	6 476	600
National Partnership - Students with Disabilities	4 795	-	4 795	-
Family Day Care Administration	4 411	4 663	4 411	4 663
National Partnership - Empowering Local Schools	3 011	-	3 011	-
National Solar Schools	2 695	36	2 695	36
National Partnership - Building Education Revolution	2 560	341 141	2 560	341 141
Detainee Minors	2 477	-	2 477	-
National Partnership - Teacher Quality	2 473	1 615	2 473	1 615
National Partnership - Youth Attainment and Transition Program - Maximising engagement, attainment and successful transitions	1 937	1 937	1 937	1 937
National Partnership - Advanced Technology	1 336	559	1 336	559
Supporting Increased Literacy Achievement in SA	-	1 200	-	1 200
Other specific Commonwealth revenue	6 229	4 091	6 229	4 091
Total Commonwealth revenues	159 059	489 065	159 059	489 065

#### **Commitments**

The Communities Making a Difference Program received \$35.9 million (\$20.1 million) of Commonwealth revenue in 2011-12 of which \$7.3 million (\$1.5 million) is committed to be spent in 2012-13 to deliver a number of school and regional based programs.

The Family Day Care Scheme received \$24.5 million (\$23.9 million) of Commonwealth revenue in 2011-12 which was fully spent. In 2010-11 \$1.4 million was committed to be spent in 2011-12. The funding was provided to childcare providers as a Commonwealth subsidy to fund childcare services on behalf of parents.

**Commitments (continued)**

The Trade Training Centres Program received \$22.2 million (\$47.2 million) of Commonwealth revenue in 2011-12 of which \$5.8 million (\$4.3 million) is committed to be spent in 2012-13. The committed funds are for the provision and development of training centres assisting young South Australians to pursue vocational pathways.

The Universal Access to Early Childhood Development Program received \$17 million (\$7.7 million) of Commonwealth revenue in 2011-12 of which \$1.9 million (\$4.2 million) is committed to be spent in 2012-13. The committed funds are aimed at providing access to early childhood education.

The Digital Education Revolution Program received \$14.3 million (\$33.6 million) of Commonwealth revenue in 2011-12 of which \$6.9 million (\$4.7 million) is committed to be spent in 2012-13. The committed funds are helping 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 \$6.9 million (\$600 000) of Commonwealth revenue in 2011-12 of which \$6 million is committed to be spent in future years. The funding is for increased support for Aboriginal children with the establishment of four Aboriginal Children and Family centres.

The Literacy and Numeracy Program received \$6.5 million (\$600 000) of Commonwealth revenue in 2011-12 of which \$1.7 million is committed to be spent in 2012-13. The purpose of this funding is to achieve national literacy and numeracy reform.

The Students with Disabilities Program received \$4.8 million of Commonwealth revenue in 2011-12 of which \$2.3 million is committed to be spent in 2012-13. 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 Empowering Local Schools Program received \$3 million of Commonwealth revenue in 2011-12 which is committed to be spent in 2012-13. The funding will empower school leaders and communities with more opportunities to decide how best to meet the needs of their students.

The National Solar Schools Program received \$2.7 million of Commonwealth revenue in 2011-12 which was fully spent. The funding is for schools to be better placed to respond to climate change.

The Building Education Revolution Program received \$2.6 million (\$341.1 million) of Commonwealth revenue in 2011-12 which was fully spent. In 2010-11, \$38.9 million was committed to be spent in 2011-12. The funding is aimed at providing infrastructure to South Australian schools and their communities through new education facilities, infrastructure and refurbishment of existing school infrastructure.

The Supporting Improved Literacy Achievement in South Australia Program received \$1.2 million of Commonwealth revenue in 2010-11 of which \$1 million was spend in 2011-12. The funding was aimed at improving literacy achievement for students in participating schools.

All other programs received and spent their funding within the applicable financial year.

12. Student and other fees and charges	Consolidated		DECD	
	2012	2011	2012	2011
Fees and charges received/receivable from entities within the SA Government:	\$'000	\$'000	\$'000	\$'000
Sales/Fee-for-service revenue	283	292	541	563
Student enrolment fees and charges	117	-	117	-
Other user fees and charges	2 483	696	4 651	2 687
Total student and other fees and charges - SA Government entities	2 883	988	5 309	3 250
Fees and charges received/receivable from entities external to the SA Government:				
Sales/Fee-for-service revenue	13 427	13 447	1 555	2 806
Student enrolment fees and charges	90 870	86 850	2 363	2 172
Other user fees and charges	11 276	12 718	11 276	12 718
Canteen sales	16 756	17 254	-	-
Total student and other fees and charges - non-SA Government entities	132 329	130 269	15 194	17 696
Total student and other fees and charges	135 212	131 257	20 503	20 946

13. Other grants and contributions	Consolidated		DECD	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Grants and subsidies revenue	27 711	56 205	13 742	14 195
Donations	1 352	1 013	2	-
Total other grants and contributions	29 063	57 218	13 744	14 195
<b>14. Interest revenues</b>				
Interest from entities within the SA Government	12 473	16 116	9 495	13 085
Other	452	448	57	58
Total interest revenues	12 925	16 564	9 552	13 143
<b>15. Net gain from disposal of non-current assets</b>				
Land and buildings:				
Proceeds from disposal	-	31	-	31
Net book value of assets disposed	-	(11)	-	(11)
Net gain from disposal of land and buildings	-	20	-	20
Vehicles, plant and equipment:				
Proceeds from disposal	504	323	165	-
Net book value of assets disposed	(991)	(222)	(584)	-
Net loss from disposal of vehicles, plant and equipment	(487)	101	(419)	-
Non-current assets classified as held for sale:				
Proceeds from disposal	9 129	3 851	9 129	3 851
Net book value of assets disposed	(7 471)	(2 341)	(7 471)	(2 341)
Net gain from disposal of non-current assets classified as held for sale	1 658	1 510	1 658	1 510
Total assets:				
Total proceeds from disposal	9 633	4 205	9 294	3 882
Total value of assets disposed	(8 462)	(2 574)	(8 055)	(2 352)
Total net gain from disposal of non-current assets	1 171	1 631	1 239	1 530
<b>16. Other revenues</b>				
Fundraising revenue	7 477	7 301	-	-
Assets recognised for the first time	866	4 282	866	4 282
Recoveries - other	8 322	3 746	30 101	32 973
Other revenue	32 191	28 485	9 000	6 695
Total other revenues	48 856	43 814	39 967	43 950
<b>17. Revenues from (Payments to) SA Government</b>				
<i>Revenues from SA Government</i>				
Appropriations from the Consolidated Account pursuant to the <i>Appropriation Act</i>	2 457 436	2 178 605	2 457 436	2 178 605
Transfers from contingencies	21 807	19 978	21 807	19 978
Total revenues from SA Government	2 479 243	2 198 583	2 479 243	2 198 583
<i>Payments to SA Government</i>				
Return of surplus cash pursuant to cash alignment policy	(29 519)	-	(29 519)	-
Total payments to SA Government	(29 519)	-	(29 519)	-
<b>18. Cash and cash equivalents</b>				
Deposits with the Treasurer - at call	132 527	114 453	132 527	114 453
Deposits with the Treasurer -				
Accrual Appropriation Excess Funds Account	210 809	235 513	210 809	235 513
SA School Investment Fund (SASIF)	335 164	328 733	-	-
Cash at bank and on hand	28 566	23 114	490	235
Section 21 Deposit Accounts	369	363	369	363
Total cash and cash equivalents	707 435	702 176	344 195	350 564

**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.

**SA School Investment Fund (SASIF)**

Represents the amount held in schools SASIF accounts at 31 December 2011, adjusted to account for additional grant expenditure that occurred between the school's calendar year and the Department's financial year.

The amount held in schools and units SASIF accounts as at 30 June 2012 was \$353.1 million (\$343.1 million) and does not include \$18.8 million (\$16.7 million) held in the account for preschools and some units as these have been treated as transactions with third parties (refer note 2(c)).

**19. Receivables**

	Consolidated		DECD	
	2012	2011	2012	2011
Current:	\$'000	\$'000	\$'000	\$'000
Fees, charges and other receivables	31 522	29 672	28 500	28 701
Allowance for doubtful debts	(3 650)	(13 473)	(30)	(971)
GST recoverable from the ATO	11 752	14 051	8 818	11 682
Accrued revenues	10 005	15 403	13 074	25 761
Prepayments	2 676	3 010	1 532	1 729
Loan receivables	-	-	613	690
Total current receivables	52 305	48 663	52 507	67 592
Non-current:				
Workers compensation receivable	766	238	766	238
Loan receivables	19	19	7 305	8 387
Total non-current receivables	785	257	8 071	8 625
Total receivables	53 090	48 920	60 578	76 217
<b>Government/Non-government receivables</b>				
Receivables from SA Government entities:				
Fees, charges and other receivables	3 471	7 299	19 003	21 832
Allowance for doubtful debts	(2)	-	(2)	(894)
Prepayments	-	2	-	2
Loan receivables	-	-	7 899	9 058
Accrued revenues	7 605	10 495	11 949	24 819
Total receivables from SA Government entities	11 074	17 796	38 849	54 817
Receivables from non-SA Government entities:				
Fees, charges and other receivables	28 051	22 373	9 497	6 869
Allowance for doubtful debts	(3 648)	(13 473)	(28)	(77)
GST recoverable from the ATO	11 752	14 051	8 818	11 682
Workers compensation receivable	766	238	766	238
Accrued revenues	2 400	4 908	1 125	942
Prepayments	2 676	3 008	1 532	1 727
Loan receivables	19	19	19	19
Total receivables from non-SA Government entities	42 016	31 124	21 729	21 400
Total receivables	53 090	48 920	60 578	76 217

**Movement in the allowance for doubtful debts**

Accounting assumptions applied in estimating doubtful debts were reviewed during 2011-12 with each school analysing and assessing the collectability of debts owed, in accordance with departmental policy. For 2010-11, a departmental estimate was used. This change has resulted in a reduction to the accounting estimate of the allowance for doubtful debts of \$12.2 million for 2011-12.

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.



<b>Movement in the allowance for doubtful debts (continued)</b>	Consolidated		DECD	
	2012	2011	2012	2011
Movement in the allowance for doubtful debts (impairment loss):	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	13 473	14 595	971	1 566
Increase (Decrease) in the allowance	(8 987)	355	(876)	(563)
Amounts written off	(836)	(1 477)	(65)	(32)
Carrying amount at 30 June	3 650	13 473	30	971

**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 36.3.  
 (b) Categorisation of financial instruments and risk exposure information - refer note 36.

<b>20. Inventories</b>	Consolidated		DECD	
	2012	2011	2012	2011
Current:	\$'000	\$'000	\$'000	\$'000
Materials at net realisable value	4 751	4 531	150	259
Total current inventories	4 751	4 531	150	259
Total inventories	4 751	4 531	150	259

<b>21. Other financial assets</b>	Consolidated		DECD	
	2012	2011	2012	2011
Current:				
Term deposits	1 651	1 002	-	-
Total current investments	1 651	1 002	-	-
Non-current:				
Term deposits	35	439	-	-
Total non-current investments	35	439	-	-
Total other financial assets	1 686	1 441	-	-

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

<b>22. Non-current assets classified as held for sale</b>	Consolidated		DECD	
	2012	2011	2012	2011
Current:				
Land	9 856	10 974	9 856	10 974
Buildings and improvements	6 997	4 132	6 997	4 132
Buses	12	72	12	72
Total non-current assets held for sale	16 865	15 178	16 865	15 178

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.

<b>23. Property, plant and equipment</b>	Consolidated		DECD	
	2012	2011	2012	2011
Land:	\$'000	\$'000	\$'000	\$'000
Land at valuation	1 287 473	1 286 375	1 287 173	1 286 075
Land at cost	3 969	4 216	3 870	4 125
Total land	1 291 442	1 290 591	1 291 043	1 290 200
Buildings and improvements:				
Buildings and improvements at valuation	5 042 361	5 112 166	5 042 362	5 112 167
Accumulated depreciation	(3 305 613)	(3 336 587)	(3 305 613)	(3 336 587)
Buildings and improvements at cost	698 217	516 865	697 768	516 449
Accumulated depreciation	(62 649)	(4 375)	(62 505)	(4 248)
Total buildings and improvements	2 372 316	2 288 069	2 372 012	2 287 781

23. Property, plant and equipment (continued)	Consolidated		DECD	
	2012	2011	2012	2011
Residential accommodation housing:	\$'000	\$'000	\$'000	\$'000
Residential accommodation housing at valuation	16 299	-	16 299	-
Accumulated depreciation	(1 100)	-	(1 100)	-
Total residential accommodation housing	15 199	-	15 199	-
Buildings under finance lease:				
Buildings under finance lease	176 938	176 938	176 938	176 938
Accumulated amortisation	(6 045)	(1 613)	(6 045)	(1 613)
Total buildings under finance lease	170 893	175 325	170 893	175 325
Construction work in progress:				
Construction work in progress at cost	66 669	108 512	66 669	108 512
Total construction work in progress	66 669	108 512	66 669	108 512
Leasehold improvements:				
Leasehold improvements at cost	37 952	27 326	37 952	27 326
Accumulated amortisation	(18 750)	(9 284)	(18 750)	(9 284)
Total leasehold improvements	19 202	18 042	19 202	18 042
Buses/Motor vehicles:				
Buses at valuation	46 608	57 505	46 608	57 505
Accumulated depreciation	(29 751)	(49 079)	(29 751)	(49 079)
Buses/Motor vehicles at cost	10 439	16 067	227	7 060
Accumulated depreciation	(5 670)	(5 401)	(39)	(87)
Total buses/motor vehicles	21 626	19 092	17 045	15 399
Computing, communications, furniture and equipment:				
Computing, communications, furniture and equipment at cost	43 640	43 972	17 955	22 117
Accumulated depreciation	(29 407)	(31 665)	(14 464)	(18 194)
Total computing, communications, furniture and equipment	14 233	12 307	3 491	3 923
Other assets:				
Other assets at cost	9 042	7 660	4 174	4 312
Accumulated depreciation	(5 990)	(5 729)	(3 617)	(3 608)
Total other assets	3 052	1 931	557	704
Total property, plant and equipment	3 974 632	3 913 869	3 956 111	3 899 886

#### **Valuation of non-current assets**

Non-current assets transferred to the Department from the Department for Communities and Social Inclusion for Families SA included land, residential accommodation, leasehold improvements, general plant and equipment, computer and office equipment. The valuation of these land and buildings assets was performed 30 June 2012 by Valcorp Australia Pty Ltd. All other assets transferred are at cost.

The valuation of land held for education related services was performed by the Valuer-General as at 30 June 2012.

Buildings, pavings and swimming pools used for the provision of education related services are valued through reference to the SAMIS system which is maintained by the Department of Planning, Transport and Infrastructure. These building and paving valuations were valued as at 30 June 2011 and the swimming pools were valued as at 30 June 2012.

Buses are valued at 30 June 2012 based on current replacement cost.

An assessment of the carrying value of the buildings under finance lease was undertaken by Valcorp Australia Pty Ltd as at 30 June 2012. This assessment determined the carrying value was consistent with the amount disclosed above.

#### **Impairment**

There were no indications of impairment of property, plant and equipment at 30 June 2012.

**Reconciliation of non-current assets**

	DECD						
	Land \$'000	Buildings & imprvmnts \$'000	Buildings under finance lease \$'000	Residential accomm housing \$'000	Construction work in progress \$'000	Leasehold imprvmnts \$'000	Buses/Motor vehicles \$'000
<b>2012</b>							
Carrying amount at 1 July	1 290 200	2 287 781	175 325	-	108 512	18 042	15 399
Additions	150	-	-	-	121 896	-	5 342
Disposals	-	-	-	-	-	-	(584)
Assets derecognised	-	(4 953)	-	-	-	-	-
Assets reclassified to assets held for sale	(5 581)	(3 578)	-	-	-	-	-
Transfers to (from) WIP	-	164 211	-	33	(163 771)	(473)	-
Revaluation increment (decrement)	(18 454)	15 937	-	3 528	-	-	(1 915)
Depreciation and amortisation	-	(88 252)	(4 432)	(254)	-	(2 116)	(1 197)
Assets recognised for the first time	-	866	-	-	-	-	-
Acquisition through administrative restructuring	24 982	-	-	11 892	32	3 749	-
Other changes	(254)	-	-	-	-	-	-
Carrying amount at 30 June	1 291 043	2 372 012	170 893	15 199	66 669	19 202	17 045

	Computing, communctn furniture and equipment \$'000	Other assets \$'000	Tangible assets total \$'000	Service right for equipment \$'000	Internally developed computer software \$'000	Other computer software \$'000	Intangible assets total \$'000
	Carrying amount at 1 July	3 923	704	3 899 886	22 413	-	-
Additions	614	-	128 002	-	-	-	-
Disposals	-	-	(584)	-	-	-	-
Assets derecognised	(592)	(3)	(5 548)	-	-	-	-
Assets reclassified to assets held for sale	-	-	(9 159)	-	-	-	-
Transfers to (from) WIP	-	-	-	-	-	-	-
Revaluation increment (decrement)	-	-	(904)	-	-	-	-
Depreciation and amortisation	(728)	(144)	(97 123)	(800)	(254)	(19)	(1 073)
Assets recognised for the first time	-	-	866	-	-	-	-
Acquisition through administrative restructuring	373	-	41 028	-	6 599	19	6 618
Other changes	(99)	-	(353)	(2)	60	-	58
Carrying amount at 30 June	3 491	557	3 956 111	21 611	6 405	-	28 016

	DECD						
	Land \$'000	Buildings \$'000	Buildings under finance lease \$'000	Construction work in progress \$'000	Leasehold imprvmnts \$'000	Buses/Motor vehicles \$'000	
<b>2011</b>							
Carrying amount at 1 July	1 217 379	1 649 486	-	380 465	5 522	10 710	
Additions	2 620	-	176 938	415 045	-	5 887	
Disposals	(11)	-	-	-	-	-	
Assets derecognised	-	(8 550)	-	-	-	-	
Assets reclassified to assets held for sale	(7 649)	(3 066)	-	-	-	-	
Transfers to (from) WIP	-	673 004	-	(686 998)	13 994	-	
Revaluation increment (decrement)	77 861	45 774	-	-	-	-	
Depreciation and amortisation	-	(73 149)	(1 613)	-	(1 474)	(1 198)	
Assets recognised for the first time	-	4 282	-	-	-	-	
Carrying amount at 30 June	1 290 200	2 287 781	175 325	108 512	18 042	15 399	

	Computing, communctn furniture and equipment \$'000	Other assets \$'000	Tangible assets total \$'000	Service right for equipment \$'000	Intangible assets total \$'000
	Carrying amount at 1 July	1 971	862	3 266 395	-
Additions	2 408	-	602 898	22 693	22 693
Disposals	-	-	(11)	-	-
Assets derecognised	-	-	(8 550)	-	-
Assets reclassified to assets held for sale	-	-	(10 715)	-	-
Transfers to (from) WIP	-	-	-	-	-
Revaluation increment (decrement)	-	-	123 635	-	-
Depreciation and amortisation	(456)	(158)	(78 048)	(280)	(280)
Assets recognised for the first time	-	-	4 282	-	-
Carrying amount at 30 June	3 923	704	3 899 886	22 413	22 413

**24. Intangible assets**

	Consolidated		DECD	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Internally developed computer software:				
Internally developed computer software	12 667	4 354	12 667	4 354
Accumulated amortisation	(6 262)	(4 354)	(6 262)	(4 354)
Total internally developed computer software	6 405	-	6 405	-
Other computer software:	117	-	117	-
Accumulated amortisation	(117)	-	(117)	-
Total other computer software	-	-	-	-
Service right for the right to use equipment:				
Service right for equipment	22 691	22 693	22 691	22 693
Accumulated amortisation	(1 080)	(280)	(1 080)	(280)
Total service right for the right to use equipment	21 611	22 413	21 611	22 413
Total intangible assets	28 016	22 413	28 016	22 413

The internally developed computer software relates to the Department's Human Resource Management System (VALEO). Prior to June 2003 costs associated with the development of VALEO were expensed, and after that date capitalised. Internally developed computer software also relates to the development of 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 of intangible assets at 30 June 2012.

**25. Payables**

	Consolidated		DECD	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Current:				
Creditors	48 306	83 915	56 051	88 969
Accrued expenses	16 867	11 933	9 913	8 080
Employment on-costs	25 942	22 356	25 923	22 335
Lease payables	10	25	-	-
Total current payables	91 125	118 229	91 887	119 384
Non-current:				
Employment on-costs	35 723	28 055	35 723	28 055
Lease payables	-	21	-	-
Accrued expenses	2 021	677	2 021	677
Total non-current payables	37 744	28 753	37 744	28 732
Total payables	128 869	146 982	129 631	148 116

**Government/Non-government payables**

Payables to SA Government entities:

Creditors	43 249	50 911	37 990	56 932
Accrued expenses	4 266	2 787	4 246	2 765
Total payables to SA Government entities	47 515	53 698	42 236	59 697

Payables to non-SA Government entities:

Creditors	5 057	33 004	18 061	32 037
Accrued expenses	14 622	9 823	7 688	5 992
Employment on-costs	61 665	50 411	61 646	50 390
Lease payables	10	46	-	-
Total payables to non-SA Government entities	81 354	93 284	87 395	88 419
Total payables	128 869	146 982	129 631	148 116

As a result of an actuarial assessment performed by DTF, the average factor for the calculation of employer superannuation on-cost remained constant at 10.3%. This rate is 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 36.3.  
 (b) Categorisation of financial instruments and risk exposure information - refer note 36.

26. Borrowings	Consolidated		DECD	
	2012	2011	2012	2011
Current:	\$'000	\$'000	\$'000	\$'000
Obligations under finance leases <sup>(1)</sup>	1 039	926	1 039	926
Borrowings	79	-	-	-
Total current borrowings	1 118	926	1 039	926
Non-current:				
Obligations under finance leases <sup>(1)</sup>	174 866	175 866	174 866	175 866
Borrowings	147	-	-	-
Advances <sup>(2)</sup>	406	121	406	121
Total non-current borrowings	175 419	175 987	175 272	175 987
Total borrowings	176 537	176 913	176 311	176 913

- (1) This finance lease is related to the PPP agreement and is interest bearing.  
 (2) The advance was to establish the imprest account and is non-interest bearing.

Finance leases are recognised at cost, and the interest rate implied based on the total payments due over the life of the finance lease is 11.32% (refer note 31(a)(ii)).

- (a) Maturity analysis of borrowings - refer note 36.3  
 (b) Categorisation of financial instruments and risk exposure information - refer note 36  
 (c) Defaults and breaches - there were no defaults or breaches on any of the above liabilities throughout the year.

27. Employee benefits	Consolidated		DECD	
	2012	2011	2012	2011
Current:	\$'000	\$'000	\$'000	\$'000
Annual leave	97 670	82 655	96 999	82 302
Accrued salaries and wages	38 054	33 243	37 560	32 830
LSL	64 939	50 957	64 881	50 877
Country incentive leave	1 821	2 305	1 821	2 305
Total current employee benefits	202 484	169 160	201 261	168 314
Non-current:				
LSL	441 125	361 064	438 653	358 832
Country incentive leave	2 143	2 078	2 143	2 078
Total non-current employee benefits	443 268	363 142	440 796	360 910
Total employee benefits	645 752	532 302	642 057	529 224

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present value of future cash outflows associated with the LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation.

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 2011 (5.25%) to 2012 (2.75%).

This significant decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant 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 \$82 million and employee benefit expense of \$88.3 million. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

**27. Employee benefits (continued)**

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.

**28. Provisions**

	Consolidated		DECD	
	2012	2011	2012	2011
Current:	\$'000	\$'000	\$'000	\$'000
Provision for workers compensation	19 041	15 377	19 041	15 377
Provision for legal claims	506	565	506	565
Provision for fire claims	-	-	126	142
Total current provisions	19 547	15 942	19 673	16 084
Non-current:				
Provision for workers compensation	85 621	65 905	85 621	65 905
Provision for legal claims	2 476	2 185	2 476	2 185
Total non-current provisions	88 097	68 090	88 097	68 090
Total provisions	107 644	84 032	107 770	84 174

**Movements in provisions**

Provision for workers compensation:				
Carrying amount at 1 July	81 282	86 914	81 282	86 914
Restructure transfer	11 478	-	11 478	-
Reductions arising from payments	(19 439)	(16 198)	(19 439)	(16 198)
Additional provision recognised	29 012	10 566	29 012	10 566
Provisions transferred from the Government workers compensation fund	2 329	-	2 329	-
Carrying amount at 30 June	104 662	81 282	104 662	81 282

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	
	2012	2011	2012	2011
Provision for legal claims:	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	2 750	1 937	2 750	1 937
Restructure transfer	140	-	140	-
Reductions arising from payments	(698)	(322)	(698)	(322)
Additional provision recognised	790	1 135	790	1 135
Carrying amount at 30 June	2 982	2 750	2 982	2 750

Provision for fire claims:				
Carrying amount at 1 July	-	-	142	158
Reductions arising from payments	-	(1)	(209)	(45)
Additional provision recognised	-	1	193	29
Carrying amount at 30 June	-	-	126	142

**29. Other liabilities**

Current:				
Deposits	14 393	14 066	13 760	13 238
Unearned revenue	7 291	8 348	299	585
Equipment service right	59	46	59	46
Other liabilities	7 604	6 280	534	81
Total current other liabilities	29 347	28 740	14 652	13 950
Non-current:				
Deposits	672	752	-	-
Equipment service right	22 580	22 641	22 580	22 641
Other liabilities	497	859	454	835
Total non-current other liabilities	23 749	24 252	23 034	23 476
Total other liabilities	53 096	52 992	37 686	37 426

**30. Equity**

	Consolidated		DECD	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Retained earnings	2 167 984	2 201 857	1 806 013	1 875 247
Revaluation surplus	1 506 634	1 513 596	1 506 447	1 513 417
Total equity	<u>3 674 618</u>	<u>3 715 453</u>	<u>3 312 460</u>	<u>3 388 664</u>

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 disposed of.

**31. 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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Within one year	5 039	4 906	5 039	4 906
Later than one year but not later than five years	21 446	20 893	21 446	20 893
Later than five years	164 939	170 258	164 939	170 258
Total PPP operations and maintenance commitments	<u>191 424</u>	<u>196 057</u>	<u>191 424</u>	<u>196 057</u>

**(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:

	2012		2011	
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
Within one year	21 020	18 890	21 022	18 889
Later than one year and not later than five years	84 059	58 248	84 068	58 230
Later than five years	463 814	98 767	484 784	99 673
Total minimum lease payments	<u>568 893</u>	<u>175 905</u>	<u>589 874</u>	<u>176 792</u>
Less amounts representing finance charges	<u>392 988</u>	<u>-</u>	<u>413 082</u>	<u>-</u>
Present value of minimum lease payments	<u>175 905</u>	<u>175 905</u>	<u>176 792</u>	<u>176 792</u>

Included in the financial statements as:

Current borrowings (note 26)	1 039	926
Non-current borrowings (note 26)	174 866	175 866
Total included in borrowings	<u>175 905</u>	<u>176 792</u>

The PPP arrangements have been detailed in note 2(p) above. The weighted average interest rate implicit in the leases is 11.32%.

**(b) Capital commitments**

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

(b) <i>Capital commitments (continued)</i>	Consolidated		DECD	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Within one year	111 757	111 722	111 757	111 722
Later than one year but not later than five years	21 763	21 774	21 763	21 774
Total capital commitments	133 520	133 496	133 520	133 496

The Department's capital commitments are for capital works projects involving the construction or upgrade of school buildings and facilities. Capital commitments for 2010-11 and 2011-12 include commitments for projects associated with the Commonwealth Government Building Education Revolution Program.

(c) *Remuneration commitments*

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

	Consolidated		DECD	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Within one year	7 037	5 554	7 037	5 554
Later than one year but not later than five years	15 159	10 134	15 159	10 134
Total remuneration commitments	22 196	15 688	22 196	15 688

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

(d) *Operating lease commitments for vehicles*

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

	Consolidated		DECD	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Within one year	4 017	3 984	4 017	3 984
Later than one year but not later than five years	2 968	2 479	2 968	2 479
Total operating lease commitments for vehicles	6 985	6 463	6 985	6 463

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

(e) *Operating lease commitments for facilities*

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

	Consolidated		DECD	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Within one year	16 479	8 485	16 479	8 485
Later than one year but not later than five years	42 908	6 313	42 908	6 313
Later than five years	6 297	1 296	6 297	1 296
Total operating lease commitments for facilities	65 684	16 094	65 684	16 094

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

### 32. Contingent assets and liabilities

On 29 February 2012 the High Court of Australia determined that contract teachers and temporary relieving teachers in the period 1972 to 2005 should have been appointed under the same section of the *Education Act 1972* as permanent teachers. The effect of this is that contract teachers and temporary relieving teachers were entitled to an allowable break in service of up to two years (not three months) for the purposes of determining an appropriate LSL accrual. As a result of this ruling, a high proportion of teachers would be deemed to have maintained continuity of service and would potentially be entitled to a higher level of LSL than currently recorded in the Department's financial systems.



**32. Contingent assets and liabilities (continued)**

At this stage, a sufficiently reliable estimate of the obligation cannot be made. Implementation of the recalculation and payment of entitlements has commenced.

In addition, 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. Therefore payment from this date is being applied to each application for LSL that is received.

**33. Transferred functions*****Transferred in***

Under the Public Sector (Reorganisation of Public Sector Operations) Notice 2011, from 1 January 2012 the operational unit known as Families SA was transferred from the Department for Communities and Social Inclusion to the Department for Education and Child Development. This included 1557.4 full-time equivalent employees and budget funding of \$147.8 million.

The effective date of the transfer is 1 January 2012.

Total income and expenses attributable to Families SA for 2011-12 were:

	Department		Total \$'000
	Communities and Social Inclusion 01.07.11 to 31.12.11 \$'000	Education and Child Development 01.01.12 to 30.06.12 \$'000	
Appropriation	133 386	148 795	282 181
Commonwealth revenue	1 378	875	2 253
Fees and charges revenue	-	51	51
Other grants and contributions	589	1 053	1 642
Other income	576	4 111	4 687
<b>Total income</b>	<b>135 929</b>	<b>154 885</b>	<b>290 814</b>
Employee benefits expenses	59 035	69 750	128 785
Supplies and services	52 151	53 838	105 989
Grants and subsidies	25 132	31 573	56 705
Depreciation and amortisation expense	949	889	1 838
<b>Total expenses</b>	<b>137 267</b>	<b>156 050</b>	<b>293 317</b>
<b>Net result</b>	<b>(1 338)</b>	<b>(1 165)</b>	<b>(2 503)</b>

On transfer of Families SA the Department recognised the following assets and liabilities:

Current assets:	2012 \$'000
Cash	301
Receivables	2 523
Total current assets	<u>2 824</u>
Non-current assets:	
Receivables	149
Property, plant and equipment	41 028
Intangible assets	6 618
Total non-current assets	<u>47 795</u>
Total assets	<u>50 619</u>
Current liabilities:	
Payables	10 843
Employee benefits	13 122
Provisions	2 866
Total current liabilities	<u>26 831</u>

<b>Transferred in (continued)</b>	2012
Non-current liabilities:	\$'000
Payables	1 185
Employee benefits	13 568
Provisions	8 752
Borrowings	285
Total non-current liabilities	23 790
Total liabilities	50 621
Total net assets transferred	(2)

Net assets assumed by the Department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer. The net assets transferred were treated as a contribution by the Government as owner.

**34. Remuneration of board and committee members**

Members of the boards and committees during the 2011-12 financial year were:

***Animal Ethics Committee***

Ms Jan Brooks*	Mr Steve Lawrie	Dr Denise Noonan*
Ms Anne Clark	Dr David Mason	Ms Patricia Sprague
Dr John Hatch	Ms Kay McGrath	Mr Ross Templeman*
Mr Manfred Heide	Ms Sally Nance	Ms Kymberley Warren*

***SA Aboriginal Education and Training Consultative Body***

Mr Garth Agius	Ms Donna M Henry	Mr Klynton Wanganeen
Ms Joanne Ashford	Ms Tracy Laughton	Mr Michael Wanganeen
Ms Pat Buckskin	Ms Tanya McGregor*	Ms April Wilson
Prof Peter Buckskin	Ms Kerri Reilly*	Ms Fiona Wilson
Mr Brian Butler	Ms Suzanne Scanlon	
Ms Kylee Goldsmith	Mr Leslie Taylor	

***DECD Audit and Risk Committee***

Ms Angela Allison*	Mr Gino De Gennaro*	Ms Yvonne Sneddon
Mr Richard Costi*	Ms Julieann Riedstra*	

***Education Review Co-located Schools Committee***

Ms Naomi Arnold	Ms Eronwy Edwards	Ms Judi Quinn
Mr Lindsay K Bowey	Ms Maureen Forrest	Ms Kym Rothe
Ms Wendy Bruce	Ms Catherine George	Ms Rosslyn Shepherd
Mr John Chadwick	Mr Peter Hansberry	Ms Josie Spriggs
Mr Dick D' Aloia	Ms Jaci Hockley	Mr Tony Trimboli
Ms Meryl Davidson	Ms Judith Malone	Ms Leesa Vlahos MP
Ms Elizabeth Davis	Mr Trevor Manuel	Mr Alan Weymouth
Ms Judy Day	Mr Doug Moyle	Ms Jenny Woodley
Mr Mike Dillon	Ms Ron Murphy	Mr Tim Young
Mr Geoff Dowling		

***Council for the Care of Children Committee***

Mr Keith Bartley*	Dr Diana Hetzel	Ms Nerida Saunders*
Ms Jane Chapman	Mr Thomas Manning	Mr Simon Schrapel
Ms Kaye Colmer	Ms Joslene Mazel*	Prof Phillip Slee
Ms Jane Cooper	Dr Kiara Rahman	Mr David Swan*
Dr Angelique Edmonds	Ms Emily Rozee*	

***Child Death and Serious Injury Review Committee***

Mr Roger Byard*	Ms Janine Harvey*	Mr Thomas Osborn*
Mr Daniel Cox*	Ms Michelle Hasani*	Ms Michelle Papillo
Ms Angela Davis	Ms Dianne Hetzel	Ms Dana Shen*
Ms Dymphna Eszenyi	Mr Barry Jennings QC	Mr Nigel Stewart
Ms Dianne Gursansky	Ms Sandy Miller	Ms Barbara Tiffin*

**34. Remuneration of board and committee members (continued)**

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

	2012 Number	2011 Number
\$0	44	18
\$1 - \$9 999	39	18
\$10 000 - \$19 999	6	-
\$20 000 - \$29 999	1	-
Total	90	36

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 \$216 378 (\$36 927).

\* 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.

**35. Cash flow reconciliation**

	Consolidated		DECD	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Reconciliation of cash and cash equivalents - at 30 June as per:				
Statement of Financial Position	707 435	702 176	344 195	350 564
Statement of Cash Flows	707 435	702 176	344 195	350 564

***Reconciliation of net cash provided by (used in)  
operating activities to net cost of providing services:***

Net cash provided by (used in) operating activities	140 296	562 828	134 644	416 866
Revenues from SA Government	(2 479 243)	(2 198 583)	(2 479 243)	(2 198 583)
Payments to SA Government	29 519	-	29 519	-
Non-cash items:				
Depreciation and amortisation expense	(101 789)	(81 829)	(98 196)	(78 328)
Bad and doubtful debts	8 987	(355)	876	563
Non-current assets derecognised/written off	(5 548)	(8 550)	(5 548)	(8 550)
Assets recognised for the first time	866	4 282	866	4 282
Net gain from disposal of non-current assets	1 171	1 631	1 239	1 530

**Movements in assets/liabilities:**

Receivables	(7 489)	(3 823)	(8 028)	14 937
Other assets	(105)	55	-	-
Inventories	220	327	(109)	55
Payables	22 360	(36 666)	7 387	(29 554)
Employee benefits	(86 760)	(21 713)	(86 143)	(21 498)
Provisions	(11 994)	4 819	(11 978)	4 835
Other liabilities	(152)	(2 184)	(308)	523
Net cost of providing services	(2 489 661)	(1 779 761)	(2 525 022)	(1 892 922)

**36. Financial instruments/Financial risk management****DECD only****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.

	Note	2012		2011	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents	18,35	344 195	344 195	350 564	350 564
Receivables <sup>(1)(2)</sup>	19	49 462	49 462	62 566	62 566
Total financial assets		393 657	393 657	413 130	413 130

**36.1 Categorisation of financial instruments (continued)**

	Note	2012		2011	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial liabilities</b>					
Financial liabilities at cost:					
Payables <sup>(1)</sup>	25	60 530	60 530	90 916	90 916
Borrowings	26	176 311	176 311	176 913	176 913
Other liabilities	29	37 686	37 686	37 426	37 426
Total financial liabilities		<u>274 527</u>	<u>274 527</u>	<u>305 255</u>	<u>305 255</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 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.

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

**36.2 Ageing analysis of financial assets**

	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>2012</b>					
Not impaired:					
Receivables <sup>(1)</sup>	38 785	587	1 384	8 736	49 492
Impaired:					
Receivables <sup>(1)</sup>	-	-	-	(30)	(30)
Total financial assets	<u>38 785</u>	<u>587</u>	<u>1 384</u>	<u>8 706</u>	<u>49 462</u>
<b>2011</b>					
Not impaired:					
Receivables <sup>(1)</sup>	53 049	1 299	1 075	8 114	63 537
Impaired:					
Receivables <sup>(1)</sup>	-	-	-	(971)	(971)
Total financial assets	<u>53 049</u>	<u>1 299</u>	<u>1 075</u>	<u>7 143</u>	<u>62 566</u>

- (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 requirement 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).

**36.3 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>2012</b>				
Financial assets:				
Cash and cash equivalents	344 195	344 195	-	-
Receivables	49 462	42 157	2 694	4 611
Total financial assets	393 657	386 352	2 694	4 611
Financial liabilities:				
Payables	60 530	58 509	2 021	-
Borrowings	176 311	1 039	5 543	169 729
Other liabilities	37 686	14 652	2 113	20 921
Total financial liabilities	274 527	74 200	9 677	190 650
<b>2011</b>				
Financial assets:				
Cash and cash equivalents	350 564	350 564	-	-
Receivables	62 566	54 180	2 904	5 482
Total financial assets	413 130	404 744	2 904	5 482
Financial liabilities:				
Payables	90 916	90 239	677	-
Borrowings	176 913	926	4 953	171 034
Other liabilities	37 426	13 950	2 080	21 396
Total financial liabilities	305 255	105 115	7 710	192 430

**Liquidity risk**

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The Department is funded principally from appropriation by the SA Government. The Department works with DTF to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through the SA Government budgetary processes to meet the expected cash flows. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made within 30 days from resolution.

The Department's exposure to liquidity risk is not considered a material issue based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in note 36.1 represent the Department's maximum exposure to financial liabilities.

**Market risk**

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

**Sensitivity disclosure analysis**

A sensitivity disclosure analysis has not been undertaken for the interest rate risk of the Department as it has been determined that the possible impact on the net result or total equity from fluctuations in interest rates is immaterial.

**37. Events after the end of the reporting period**

There were no events occurring after the end of the reporting period that have material financial implications on these financial statements.

**Statement of Administered Comprehensive Income  
for the year ended 30 June 2012**

	Note	2012 \$'000	2011 \$'000
<b>Expenses:</b>			
Employee benefits expenses	A3	2 057	1 797
Supplies and services	A4	189	151
Transfer payments	A5	903 730	967 030
Borrowing costs		-	78
Depreciation expense		7	9
<b>Total expenses</b>		905 983	969 065
<b>Income:</b>			
Revenues from SA Government	A6	214 442	204 244
Commonwealth revenues	A7	697 377	769 189
Interest revenues		1	77
Other revenues		490	88
<b>Total income</b>		912 310	973 598
<b>Net result</b>		6 327	4 533
<b>Total comprehensive result</b>		6 327	4 533

## Statement of Administered Financial Position as at 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	A8	20 046	15 674
Receivables	A9	1 088	663
<b>Total current assets</b>		<u>21 134</u>	<u>16 337</u>
<b>Non-current assets:</b>			
Plant and equipment	A10	18	25
<b>Total non-current assets</b>		<u>18</u>	<u>25</u>
<b>Total assets</b>		<u>21 152</u>	<u>16 362</u>
<b>Current liabilities:</b>			
Payables	A11	1 486	3 221
Employee benefits	A12	195	134
<b>Total current liabilities</b>		<u>1 681</u>	<u>3 355</u>
<b>Non-current liabilities:</b>			
Payables	A11	42	32
Employee benefits	A12	543	416
<b>Total non-current liabilities</b>		<u>585</u>	<u>448</u>
<b>Total liabilities</b>		<u>2 266</u>	<u>3 803</u>
<b>Net assets</b>		<u>18 886</u>	<u>12 559</u>
<b>Equity:</b>			
Accumulated surplus		18 886	12 559
<b>Total equity</b>		<u>18 886</u>	<u>12 559</u>
Contingent assets and liabilities	A13		

## Statement of Administered Changes in Equity for the year ended 30 June 2012

	Accumulated surplus \$'000	Total \$'000
Balance at 30 June 2010	8 026	8 026
Net result for 2010-11	4 533	4 533
Total comprehensive result for 2010-11	4 533	4 533
Balance at 30 June 2011	12 559	12 559
Net result for 2011-12	6 327	6 327
Total comprehensive result for 2011-12	6 327	6 327
<b>Balance at 30 June 2012</b>	<u>18 886</u>	<u>18 886</u>

**Statement of Administered Cash Flows  
for the year ended 30 June 2012**

		2012	2011
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		(1 851)	(1 789)
Supplies and services		(62)	(144)
Transfer payments		(923 693)	(981 088)
Borrowing costs		(5)	(76)
<b>Cash used in operations</b>		<u>(925 611)</u>	<u>(983 097)</u>
Cash inflows:			
Receipts from SA Government		214 442	204 244
Receipts from Commonwealth		697 383	763 063
Interest received		6	77
GST input tax credits		17 662	17 185
Other receipts		490	89
<b>Cash generated from operations</b>		<u>929 983</u>	<u>984 658</u>
<b>Net cash provided by (used in) operating activities</b>	A15	<u>4 372</u>	<u>1 561</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Payments for plant and equipment		-	(5)
<b>Cash used in investing activities</b>		<u>-</u>	<u>(5)</u>
<b>Net cash provided by (used in) investing activities</b>		<u>-</u>	<u>(5)</u>
<b>Cash flows from financing activities:</b>			
Cash outflows:			
Repayment of borrowings		-	(1 500)
<b>Cash used in financing activities</b>		<u>-</u>	<u>(1 500)</u>
<b>Net cash provided by (used in) financing activities</b>		<u>-</u>	<u>(1 500)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		4 372	56
<b>Cash and cash equivalents at 1 July</b>		15 674	15 618
<b>Cash and cash equivalents at 30 June</b>	A15	<u>20 046</u>	<u>15 674</u>



**Schedule of Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2012**

	Minister's other payments		Minister's borrowings		Minister's salary and allowances		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefits expenses	1 792	1 540	-	-	265	257	2 057	1 797
Supplies and services	189	151	-	-	-	-	189	151
Transfer payments	903 730	967 030	-	-	-	-	903 730	967 030
Borrowing costs	-	-	-	78	-	-	-	78
Depreciation expense	7	9	-	-	-	-	7	9
<b>Total expenses</b>	<b>905 718</b>	<b>968 730</b>	<b>-</b>	<b>78</b>	<b>265</b>	<b>257</b>	<b>905 983</b>	<b>969 065</b>
<b>Income:</b>								
Revenue from SA Government	214 175	203 988	-	-	267	256	214 442	204 244
Commonwealth revenues	697 377	769 189	-	-	-	-	697 377	769 189
Interest revenues	-	-	1	77	-	-	1	77
Other revenues	490	88	-	-	-	-	490	88
<b>Total income</b>	<b>912 042</b>	<b>973 265</b>	<b>1</b>	<b>77</b>	<b>267</b>	<b>256</b>	<b>912 310</b>	<b>973 598</b>
<b>Net result</b>	<b>6 324</b>	<b>4 535</b>	<b>1</b>	<b>(1)</b>	<b>2</b>	<b>(1)</b>	<b>6 327</b>	<b>4 533</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.

**A2. Changes in accounting policies**

All Department changes in accounting policies are contained in note 3. The changes outlined in note 3 apply to both the Department and administered financial statements.

**A3. Employee benefits expenses**

	2012	2011
	\$'000	\$'000
Salaries and wages (including annual leave)	1 569	1 459
Superannuation expense	140	126
Payroll tax expense	80	66
Workers compensation	1	1
LSL	155	17
Board and committee fees	111	128
Other employee related expenses	1	-
<b>Total employee benefit expenses</b>	<b>2 057</b>	<b>1 797</b>

**TVSPs**

No employees were paid TVSP's during the reporting period.

**Remuneration of employees**

	2012		2011	
The number of employees whose remuneration received or receivable falls within the following bands:	Number of executives*	Number of employees	Number of executives*	Number of employees
\$134 000 - \$143 999	-	1	-	-
\$314 000 - \$323 999	1	1	-	-
<b>Total</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>-</b>

\* The number of executive officers disclosed in the above table include employees appointed to executive positions during the financial year or acting in an executive position at 30 June 2012 and 30 June 2011 respectively. The numbers of executive officers separately disclosed are also included in the number of employee totals for 2012 and 2011.

**Remuneration of employees (continued)**

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and any FBT associated with those benefits.

Remuneration received or due and receivable by the above employees was \$500 000, which is included in employee benefit expenses. Salary rates during 2011-12 increased by 4% for *Education Act 1972* employees and 2.5% for PSA employees effective the first pay period on or after 1 October 2011, and 2.5% for executives effective 1 July 2011 due to enterprise agreements.

The total remuneration received by the above employees was \$459 000.

<b>A4. Supplies and services</b>	2012	2011
	\$'000	\$'000
Supplies and services provided by entities within SA Government:		
Contractors and other outsourced services	1	1
Vehicle and travelling expenses	2	7
Conference expenses	1	-
Other	-	1
Total supplies and services to SA Government entities	4	9
Supplies and services provided by entities external to SA Government:		
Contractors and other outsourced services	89	69
Printing, postage and consumables	23	16
Vehicle and travelling expenses	15	13
Conference expenses	11	8
Rentals and leases	4	7
Minor works, maintenance and equipment	2	1
Advertising, publicity and promotions	2	1
Computer communications	-	1
Telecommunications	1	-
Other	38	26
Total supplies and services to non-SA Government entities	185	142
Total supplies and services	189	151

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>	2012		2011	
	Number	\$'000	Number	\$'000
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:				
Below \$10 000	1	6	-	-
Between \$10 000 and \$50 000	1	10	-	-
Total	2	16	-	-

<b>A5. Transfer payments</b>	2012	2011
	\$'000	\$'000
Transfer payments paid/payable to entities within SA Government:		
SACE Board of South Australia	18 688	17 826
Transport concessions	14 668	14 016
Special schools	2 674	2 520
Education and Early Childhood Services Registration and Standards Board of SA	771	-
Government schools	85	224
Government pre-schools	20	15
Multicultural grants	13	-
Other organisations	159	180
Total transfer payments to SA Government entities	37 078	34 781

<b>A5. Transfer payments (continued)</b>	2012	2011
Transfer payments paid/payable to entities external to SA Government:	\$'000	\$'000
Non-government schools	858 650	925 663
Special schools	4 482	4 013
Multicultural grants	1 291	1 230
Other organisations	2 229	1 343
Total transfer payments to non-SA Government entities	866 652	932 249
Total transfer payments	903 730	967 030
<b>A6. Revenues from SA Government</b>		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	214 144	200 461
Appropriations under other Acts	267	256
Transfers from contingencies	31	3 527
Total revenues from SA Government	214 442	204 244
<b>A7. Commonwealth revenues</b>		
Recurrent grants	682 391	619 623
Capital grants	14 986	149 566
Total Commonwealth revenues	697 377	769 189
<b>A8. Cash and cash equivalents</b>		
Deposits with the Treasurer - at call	20 046	15 674
Total cash and cash equivalents	20 046	15 674
<b>A9. Receivables</b>		
Current:		
Interest receivable	-	5
GST recoverable from the ATO	1 088	654
Other receivables	-	4
Total current receivables	1 088	663
Total receivables	1 088	663
<b>Government/Non-government receivables</b>		
Receivables from SA Government entities:		
Interest receivable	-	5
Total receivables from SA Government entities	-	5
Receivables from non-SA Government entities:		
GST recoverable from the ATO	1 088	654
Other receivables	-	4
Total receivables from non-SA Government entities	1 088	658
Total receivables	1 088	663
<b>A10. Plant and equipment</b>		
Computing, furniture and equipment:		
Computing, furniture and equipment at cost	53	110
Accumulated depreciation	(35)	(85)
Total computing, furniture and equipment	18	25
Total plant and equipment	18	25

**Valuation of non-current assets**

Valuations of computing, furniture and equipment are based on current replacement cost.

**Impairment**

There were no indications of impairment of plant and equipment at 30 June 2012.

**Reconciliation of plant and equipment**

The following table shows the movement of plant and equipment:

	Computing, furniture and equipment	
	2012	2011
	\$'000	\$'000
Carrying amount at 1 July	25	29
Additions	-	5
Depreciation	(7)	(9)
Carrying amount at 30 June	18	25

<b>A11. Payables</b>	2012	2011
Current:	\$'000	\$'000
Creditors	1 457	3 193
Employment on-costs	24	17
Accrued expenses	5	11
Total current payables	<u>1 486</u>	<u>3 221</u>
Non-current:		
Employment on-costs	42	32
Total non-current payables	<u>42</u>	<u>32</u>
Total payables	<u>1 528</u>	<u>3 253</u>
<b>Government/Non-government payables</b>		
Payables to SA Government entities:		
Creditors	1 416	3 173
Accrued expenses	5	11
Total payables to SA Government entities	<u>1 421</u>	<u>3 184</u>
Payables to non-SA Government entities:		
Creditors	41	20
Employment on-costs	66	49
Total payables to non-SA Government entities	<u>107</u>	<u>69</u>
Total payables	<u>1 528</u>	<u>3 253</u>
<b>A12. Employee benefits</b>		
Current:		
Accrued salaries and wages	32	23
Annual leave	80	54
LSL	83	57
Total current employee benefits	<u>195</u>	<u>134</u>
Non-current:		
LSL	543	416
Total non-current employee benefits	<u>543</u>	<u>416</u>
Total employee benefits	<u>738</u>	<u>550</u>

**A13. 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.

**A14. Remuneration of board and committee members**

Members of the boards and committees during the 2011-12 financial year were:

**Non-government Schools Registration Board**

Mr Robin Anderson	Mr Garry Le Duff	
Mr Gordon Baker	Ms Margaret Linke	Dr Dale Wasley
Ms Kathleen Cotter	Ms Helen O'Brien	Ms Doreen Yam
Mr Russell Eley	Mr Paul Rijken	Mr Alan Young
Ms Mary Jacquier	Dr Paul Sharkey	

**Ministerial Advisory Committee: Students with Disabilities**

Ms Gabby Aschberger	Ms Jillian Denys*	Mr Glenn Rappenberg
Ms Erica Baker	Ms Stephanie Grant	Mr Nick Schumi
Ms Mary Bambacas	Ms Cathie Home	Ms Sue Sodeman*
Dr Kerry Bissaker	Ms Helen Kowalenko*	Ms Kath Vannan*
Mr Clive Budden	Ms Deidre Le Maistre*	Ms Wendy Wake-Dyster
Ms Libby Burns	Ms Fiona Lymberopoulos*	Ms Margaret Wallace
Ms Vivian Cagliuso	Dr Brian Matthews	Ms Heather Ward*
Ms Pat Coidan*	Ms Tanya Millican*	Dr Keren Wicks

**Multicultural Education Committee**

Ms Suzanne Mashtoub Abimosleh    Mr Paul Hine  
 Mr Archie Andrews                    Mr John Kiosoglous  
 Mr Edgar Peter Bliss                   Mr Rodney O'Brien\*  
 Ms Karen Cornelius\*                   Ms Panayoula Parha\*  
 Ms Diana Glenn                         Ms Laura Pieraccini

Ms Lynda Secombe  
 Assoc Prof, Dr My-Van Tran  
 Mr Lawrence Udo-Ekpo\*

**Ethnic Schools Board**

Mr Geoffery F Baraka                   Mrs Chandra Kumari Eriyagama  
 Mr Paul Demetriou                    Ms Ursula McGowan  
 Mr Paul Hine                             Mr Jude Jeevaratna Nirmalaraja  
 Mr John Kiosoglous                   Mr Abdi Ali Osman  
 Mr Nicholas A Korovin                Mr George Panagopoulos

Ms Maxine Panegyres\*  
 Ms Karmen Petric\*  
 Ms Gu Qiongmei\*\*  
 Ms Bushra Rasheed\*\*  
 Ms Sumeja Skaka

**Ministerial Planning Committee for Non-government Schools**

Sr Catherine Clark                    Mr Kenneth Hinkly  
 Mr John Connell                       Ms Jan Hurley  
 Dr Bronwyn Donaghey                Ms Mary O Jackson  
 Mr Andrew Gear\*                      Mr Raymond D Lambert

Mr Brian Simons  
 Dr Vincent Thomas  
 Mr Ross Treadwell\*

**Ministerial Advisory Committee on Non-government Schools**

Ms Ann Bliss                             Mr Michael Honey  
 Ms Louise Firrell                      Ms Jan Hurley  
 Ms Fiona Godfrey                      Mr Barry Kahl  
 Mr Don Grimmett                      Mr Garry Le Duff  
 Ms Mary Hemmings                    Ms Nicola Mullins

Mr Glen Seidel  
 Dr Paul Sharkey  
 Mr Brian K Simons  
 Ms Katherine Teague

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

	2012 Number	2011 Number
\$0	29	8
\$1 - \$9 999	52	52
\$10 000 - \$19 999	2	3
\$20 000 - \$29 999	1	-
\$30 000 - \$39 999	-	1
Total	84	64

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 \$118 872 (\$136 842).

\* Government employee that did not receive any remuneration for board/committee duties during the financial year

\*\* Part-time government employee who gained approval to receive 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.

**A15. Cash flow reconciliation**

	2012 \$'000	2011 \$'000
Reconciliation of cash and cash equivalents - at 30 June as per:		
Statement of Administered Financial Position	20 046	15 674
Statement of Administered Cash Flows	20 046	15 674

**Reconciliation of net cash provided by (used in) operating activities to net result:**

Net cash provided by (used in) operating activities	4 372	1 561
Non-cash items:		
Depreciation	(7)	(9)
Change in assets/liabilities:		
Receivables	425	(12)
Payables	1 725	(3 119)
Employee benefits	(188)	(8)
Other liabilities	-	6 120
Net result	6 327	4 533

**A16. Financial instruments/Financial risk management****A16.1 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	2012		2011	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents	A8	20 046	20 046	15 674	15 674
Receivables <sup>(1)</sup>	A9	-	-	9	9
Total financial assets		20 046	20 046	15 683	15 683
<b>Financial liabilities</b>					
Payables <sup>(1)</sup>	A11	1 457	1 457	3 199	3 199
Total financial liabilities		1 457	1 457	3 199	3 199

<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.

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

**A16.2 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>2012</b>				
Financial assets:				
Cash and cash equivalents	20 046	20 046	-	-
Total financial assets	20 046	20 046	-	-
Financial liabilities:				
Payables	1 457	1 457	-	-
Total financial liabilities	1 457	1 457	-	-
<b>2011</b>				
Financial assets:				
Cash and cash equivalents	15 674	15 674	-	-
Receivables	9	9	-	-
Total financial assets	15 683	15 683	-	-
Financial liabilities:				
Payables	3 199	3 199	-	-
Total financial liabilities	3 199	3 199	-	-

***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 A16.1 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.

**A17. Events after the end of the reporting period**

There were no events occurring after the end of the reporting period that have material financial implications on these financial statements.

# Department of Environment and Natural Resources

## Functional responsibility

### Establishment

The Department of Environment and Natural Resources (DENR) is an administrative unit established under the PSA, and is responsible to the Minister for Sustainability, Environment and Conservation.

From 1 July 2012 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.

### Functions

DENR is responsible for:

- nature conservation, heritage conservation, animal welfare and natural resources management (NRM) policy and planning
- collecting and providing information and knowledge about the State's environment
- managing the State's public land, including national parks, marine parks, botanic gardens and coastline.

Note 1 to the financial statements provides further explanation of the objectives of DENR.

## 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 DENR 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 DENR in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

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

### Scope of audit

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

During 2011-12, areas of review included:

- payroll



- accounts payable
- revenue, receipting and banking
- grants
- property, plant and equipment
- general ledger.

## **Audit findings and comments**

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

The following is an extract from the 2011-12 Independent Auditor's Report, which details the qualification to DENR'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 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 as part of property, plant and equipment recognised in the Statement of Administered Financial Position.*

*This is disclosed in note A1(c) to the administered financial statements.*

*It is not practicable to quantify the financial effect of the excluded Crown land or the unreliable base information used to determine the valuation of Crown land included as part of 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 and Natural Resources has not been ascertained, I am unable to form an opinion on the reasonableness of the values of property, plant and equipment relating to Crown land, brought to account in the Statement of Administered Financial Position.*

#### ***Qualified Opinion***

*In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial report gives a true and fair view of the financial position of the Department of Environment and Natural Resources as at 30 June 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards.*

### **Fixed assets - accounting for Crown land**

#### ***Background***

Over a number of years, Audit has commented on the accounting treatment of Crown land and the completeness and accuracy of Crown land base information.

DENR has not been able to formulate a suitable methodology for determining a reliable measure of the value of unallotted Crown land. Hence these land holdings have not been reflected in the administered financial statements.

Certain leased and licensed Crown land is included in the Statement of Administered Financial Position. However there have been limitations on the reliability of base information used to value this land.

As a result, the Independent Auditor's Report on DENR's financial reports in past years qualified administered property, plant and equipment relating to Crown lands.

DENR commenced a Crown land database project in 2007-08 to address audit qualification issues. The scope of this project included:

- establishment of policies and procedures for the management of Crown land assets
- changes to the Tenements and Billing System (TABS)
- analysis of data quality and data cleansing requirements
- implementation of an interface between TABS and Masterpiece fixed assets.

During 2008-09, the project team completed the transfer of Crown land data from the Land Ownership and Tenure System database to TABS. The team also completed a data cleansing exercise to ensure the integrity of Crown lands data reflected in TABS.

In 2009-10, initial discussions were held between DENR and SSSA regarding the accounting methodologies to be adopted for the various types of Crown land.

In 2010-11 DENR did not complete any further work on the development of an appropriate valuation methodology for all Crown land. No progress was made due to competing resource demands related to restructure and the departure of key staff associated with the project.

#### ***2011-12 developments***

In 2011-12 DENR did not complete any further work on the development of an appropriate valuation methodology for all Crown land.

DENR advised that it would work closely with SSSA to resolve this issue. The necessary verification and valuation of the Crown land tenures is labour intensive, requiring significant resources and as such will be phased in over a period of time and within available resources.

#### ***2011-12 Independent Auditor's Report***

Unallotted Crown land is not yet reflected in the administered financial statements. Limitations on the base information used to value leased and licensed Crown land included in the administered financial statements also remain.

In addition, DENR has not finalised an appropriate valuation methodology for all Crown land.

As a result, the Independent Auditor's Report to the financial 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 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 raised under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Environment and Natural Resources have been conducted properly and in accordance with law.

## **Communication of audit matters**

Matters identified during the course of the audit were detailed in a management letter to the Chief Executive of DENR. The main matters raised with DENR and the related responses are detailed below.

### ***Governance***

#### *Financial management compliance plan (FMCP)*

Audit noted scope for improvement in the update, monitoring and maintenance of DENR's FMCP. The FMCP had not been updated since July 2010, with several of the scheduled compliance activities being out of date. A maintenance plan to support the ongoing implementation of the FMCP was also not yet finalised.

DENR responded that a review of the FMCP has been completed and Chief Executive endorsement of the revised FMCP will be sought in September 2012. Reporting arrangements for non-compliance with TIs will be covered under the Legislative Compliance Framework. The development of an FMCP Maintenance Plan is still being considered in light of the recent machinery of government changes resulting in the amalgamation of DENR and DW.

#### *Departmental and directorate risk profiles*

DENR's risk management policy requires the review of risk of assessments at least annually and whenever major changes occur.

Audit noted that departmental and directorate risk profiles were not formally updated during 2011-12. As a result, these risk profiles were not updated to reflect the transfer of NRM and State Flora functions.

DENR responded that a review of the risk management policy and risk management procedure has been completed and approval by the Chief Executive will be sought in September 2012. The revised risk management policy will require DENR to review its agency-wide risk profile biannually and whenever significant changes occur.

#### *Business continuity plan*

Audit review indicated that DENR did not have current business continuity or disaster recovery plans during 2010-11 or 2011-12.

DENR responded that a review of the existing DENR Business Continuity Management Framework and associated documents has been completed. Chief Executive approval of the draft revised framework will be sought in September 2012. Group Executive Directors will update their business continuity plans for testing in late 2012.

### **Asset management**

A Department of Planning, Transport and Infrastructure review of building asset management implementation and performance completed in July 2010 and an internal asset management system review completed in November 2010 identified recommendations for improvement in the following areas:

- asset management planning
- the allocation of asset management roles and responsibilities
- asset management performance reporting
- maintenance of asset management system information
- timely review and consolidation of asset management policies and procedures.

In 2010-11 DENR responded that an asset management framework (AMF) was being developed to address the recommendations. It was anticipated that the AMF would be completed in March 2012.

Audit review indicated DENR had made limited progress in implementing these recommendations in 2011-12. DENR responded the Senior Asset Manager position was filled in April 2012 and a key objective of this position is to implement the AMF. Communication of and consultation on the AMF to DENR Executive was planned in June 2012. This has been deferred due to the amalgamation of DENR and DW and subsequent restructure.

### **Cash**

During 2011-12 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 2012 bank reconciliation.

### **Payroll**

As noted in prior years, DENR does not perform formal monitoring to ensure all pay points have reviewed and returned their bona fide certificates in a timely manner.

DENR responded that all branches manually monitor bona fides. Discussions with the TimeWise vendor have indicated that an electronic workflow and reporting system is possible. DENR is yet to complete a business case to implement the electronic monitoring of bona fides. If the solution is approved it is anticipated that the electronic monitoring would be in operation in 2012-13.

### **Grant funding agreements**

Audit review of grant funding agreements identified that no current formal grant agreement existed between DENR and the Royal Zoological Society of SA Inc (RZSSA). A previous grant agreement expired a number of years ago and had not been renewed. Grant payments made to RZSSA were appropriately authorised.

DENR responded that during May 2012 the annual grant agreement for 2011-12 between the SA Government and the RZSSA was finalised and approved. In June 2012, the Minister approved the RZSSA's business plan for the 2012-13 financial year and this was subsequently approved by the Treasurer in early July 2012.

### **Shared Services SA – e-Procurement and electronic payment control environments**

The audit review of the Department's expenditure processes considered the e-Procurement and electronic payment systems' control environments operated by SSSA.

Review of these systems and environments in previous years identified significant key control weaknesses. While SSSA progressively implemented significant remedial action over these deficiencies during 2011-12, SSSA only anticipates completion of planned actions by December 2012.

As a result, the systems and control environments could not be considered robust during 2011-12.

This matter is further discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2012 \$'million	2011 \$'million
<b>Expenses</b>		
Employee benefits expenses	108	100
Supplies and services	63	84
Depreciation and amortisation	17	17
Other expenses	18	16
<b>Total expenses</b>	<b>206</b>	<b>217</b>
<b>Income</b>		
Fees and charges	27	22
Grants and contributions	33	34
Other revenue	3	2
<b>Total income</b>	<b>63</b>	<b>58</b>
<b>Net cost of providing services</b>	<b>143</b>	<b>159</b>
<b>Revenues from SA Government</b>	<b>127</b>	<b>149</b>
<b>Net result</b>	<b>(16)</b>	<b>(10)</b>
<b>Other comprehensive income</b>	<b>27</b>	<b>2</b>
<b>Total comprehensive result</b>	<b>11</b>	<b>(8)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>6</b>	<b>8</b>
<b>Assets</b>		
Current assets	98	112
Non-current assets	358	315
<b>Total assets</b>	<b>456</b>	<b>427</b>
<b>Liabilities</b>		
Current liabilities	38	32
Non-current liabilities	26	22
<b>Total liabilities</b>	<b>64</b>	<b>54</b>
<b>Total equity</b>	<b>392</b>	<b>373</b>

**Statement of Comprehensive Income**

**Expenses**

Total expenses decreased by \$11 million (5%). The major items causing this change were:

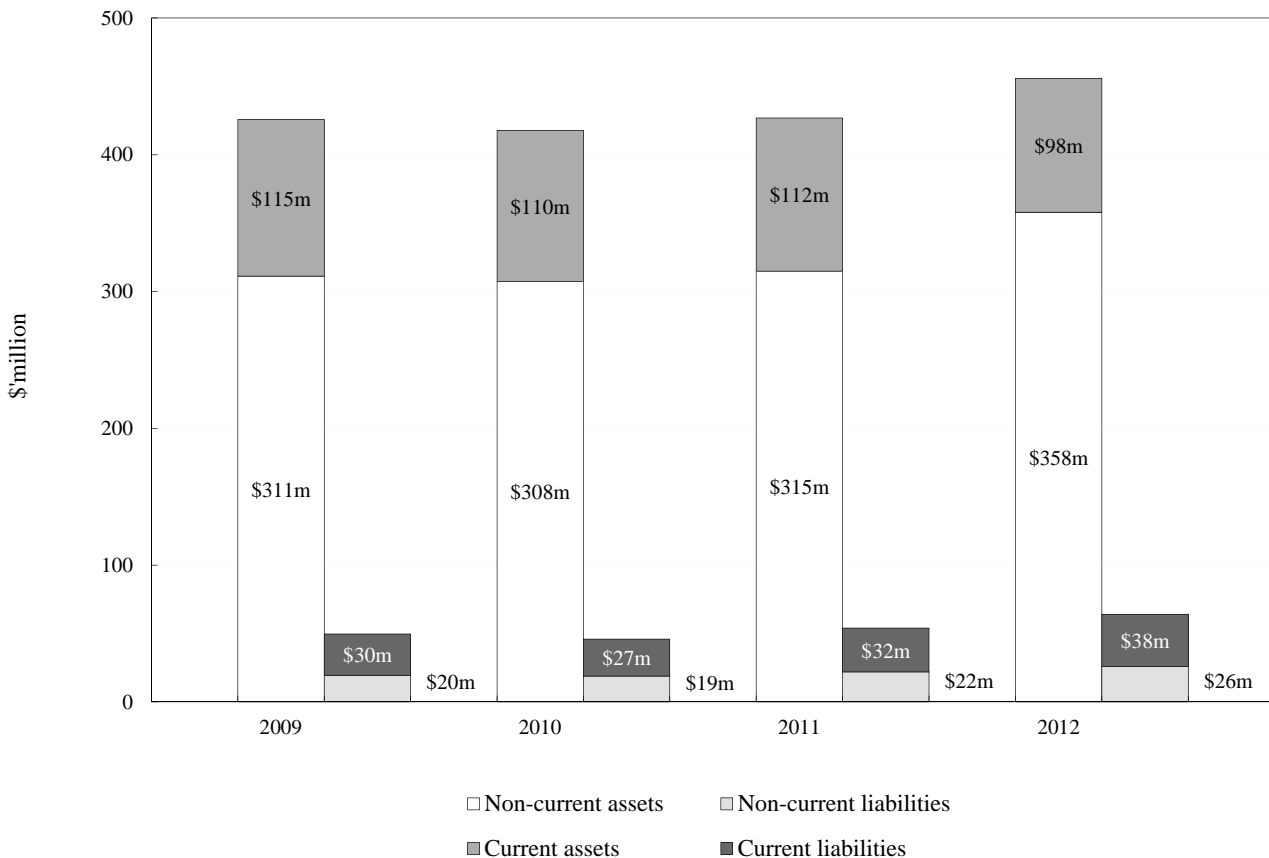
- supplies and services decreased by \$21 million due mainly to a decrease in fee for service expenditure (\$17 million). This primarily relates to a general decrease in on-the-ground works for the Native Vegetation Program, River Murray Forrest and Coorong, Lower Lakes and Murray Mouth Projects
- employee benefits increased by \$8 million due to staff transferring from the Sustainability and Climate Change Division of DPC, regional managers transferring from NRM Boards and additional LSL costs associated with the decrease in the discount rate (reflecting Commonwealth Government bond rates) applied in the LSL liability revaluation at 30 June 2012.

**Income**

Total income increased by \$5 million (8%). The major item causing this change was fees and charges and fee for support services. This increase relates to charging for services for the first time.

**Statement of Financial Position**

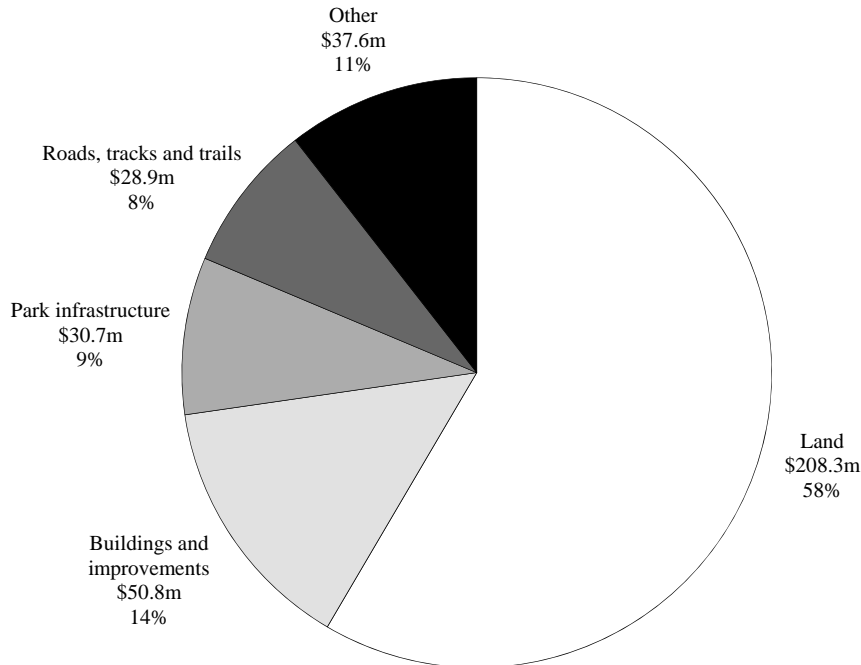
For the four years to 2012, a structural analysis of assets and liabilities is shown in the following chart.



DENR’s assets comprise two main items, property, plant and equipment and cash.

**Non-current assets - property, plant and equipment**

In 2012 this item makes up 78% (73%) of total assets. Land, buildings and improvements and park infrastructure are the dominant items of property, plant and equipment and increased in value due to a revaluation performed in 2012. The split of property, plant and equipment by asset category is detailed in the following pie chart.



Property, plant and equipment assets are primarily located in national parks managed by DENR. Note 22 to the financial statements provides further details of items and amounts.

Property, plant and equipment increased from \$312.9 million to \$356.3 million, due mainly to a revaluation of assets (\$26.9 million).

**Current assets - cash**

This item, \$71.2 million (\$95.1 million) represents 73% (85%) of total current assets and 16% (22%) of total assets. The main component of cash in 2011-12 is the Accrual Appropriation Excess Funds Account of \$62.1 million (87%).

**Statement of Cash Flows**

The following table summarises the net cash flows for the four years to 2012.

	2012 \$'million	2011 \$'million	2010 \$'million	2009 \$'million
<b>Net cash flows</b>				
Operating	6	8	16	17
Investing	(30)	(15)	(17)	(15)
Financing	-	-	-	-
Change in cash	(24)	(7)	(1)	2
Cash at 30 June	71	95	102	103

DENR's cash at 30 June 2012 comprises operating deposit accounts (\$10 million) and an accrual appropriation excess funds account (\$61.2 million). Access to the Accrual Appropriation Excess Funds Account is subject to the Under Treasurer's approval.

**Events after balance date**

In October 2010, the Minister for Sustainability, Environment and Conservation announced a plan for the regional integration of South Australia's environment and NRM delivery. This encompassed the integration of DENR and all eight NRM Boards across the State. Accordingly, all employees employed by the NRM Boards transfer to DEWNR effective from 1 July 2012 and will be employed under part 7 of the PSA.

Effective from 1 July 2012, DENR has been renamed to DEWNR. In addition, and as part of the machinery of government change, DW was abolished on 1 July 2012 and administrative responsibilities, including all staff, have been transferred to DEWNR. Notification of this administrative restructure was announced in the 2012-13 Budget papers released on 31 May 2012 and also published in The South Australian Government Gazette on 28 June 2012.

**Administered items**

DENR has responsibility for the administration of a number of funds and grant programs including:

- NRM Fund
- National Action Plan for Salinity and Water Quality (NAP) grant program
- Natural Heritage Trust grant program
- Caring for our Country grant program
- Pastoral Board.

The Schedule of Administered Expenses and Income attributable to Administered Activities provides further details on these items and amounts.

***NRM Boards and NRM Fund***

From 1 July 2010, DENR is the administrative unit with primary responsibility for assisting the Minister in the administration of the NRMA. The main 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.

The raising and collection of water levies, penalties and expiation fees under the NRMA is performed by DW. These funds are then transferred to DENR to administer through the NRM Fund.

In 2011-12, \$10.5 million (\$8.9 million) in water levies, penalties and expiation fees was transferred to DENR from DW. DENR also received \$4.6 million in appropriation funding for the NRM Boards.

Payments to NRM Boards from the NRM Fund during the year were \$15.1 million (\$13.8 million).



**Administered grant programs**

DENR administers a number of grant programs, including:

*Caring for our Country*

The Caring for our Country program is administered by the Commonwealth and State Governments pursuant to section 19(2) of the *Natural Heritage Trust of Australia Act 1997* (Cwlth) and section 5 of the *Natural Resources Management (Financial Assistance) Act 1992* (Cwlth).

The 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 DENR include grant revenues from the Commonwealth Government of \$22.4 million, grant expenses of \$19.1 million and a cash balance of \$4.4 million.

The Commonwealth Government has decided to utilise unspent Commonwealth Government funds held within the NAP, NHT Extension and Caring for our Country accounts to fund existing State agency and NRM Board Caring for our Country competitive projects.

**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 Inter-Governmental 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 Australian Government was negotiated for the CLLMM Recovery Project, signed by the Minister for Water and the River Murray, and executed on 17 May 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 \$136.3 million. The maximum Commonwealth contribution over the life of the project will be \$122.7 million, whilst the maximum State contribution will be \$13.6 million.

In 2011-12 \$12.1 million was expended on management actions associated with the Recovery Project. A further \$440 000 was expended on completing the early works phase of the program and the Bioremediation and Revegetation project, with another \$130 000 expended on other externally funded projects. Total spend by DENR across the whole program amounted to \$12.7 million in 2011-12.

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.

**Adelaide's Living Beaches project**

The Government of South Australia approved a strategy in November 2005 for managing Adelaide's metropolitan beaches - 'Adelaide's Living Beaches - A Strategy for 2005-25'. The aim of the strategy is to ensure the long-term viability of Adelaide's coastal assets by maintaining beach quality for recreation, amenity and protection purposes.

The Sand Transfer Infrastructure project is a major component of the strategy. In September 2010, Cabinet endorsed the construction of two sand transfer pipelines totalling nine kilometres. The pipelines will be built between Glenelg and Kingston Park and Torrens Outlet and West Beach Harbour. The pipelines will move sand across these sections of metropolitan coastline to maintain sandy beaches. Sand trucking activities will replenish other beaches along the metropolitan coastline as required. The Minister for Infrastructure signed a contract for the Sand Transfer Infrastructure project in August 2011.

The construction of the infrastructure commenced in March 2012, Glenelg to Kingston Park, and April 2012, Torrens Outlet to West Beach. Construction is expected to be completed in December 2012. The total budget for the construction of the sand transfer infrastructure is \$22.6 million with expenditure of \$12.6 million incurred during 2011-12.

The estimated annual operational budget for the Adelaide's Living Beaches strategy following completion of the sand transfer infrastructure is \$5.8 million.

**Statement of Comprehensive Income  
for the year ended 30 June 2012**

	Note	2012 \$'000	2011 \$'000
<b>Expenses:</b>			
Employee benefits expenses	5	108 188	99 561
Supplies and services	6	63 166	83 736
Grants and subsidies	7	12 620	12 420
Depreciation and amortisation	8	17 437	17 163
Net loss from disposal of non-current assets	9	3 063	2 806
Other expenses	10	2 031	1 449
<b>Total expenses</b>		<b>206 505</b>	<b>217 135</b>
<b>Income:</b>			
Revenues from fees and charges	11	27 294	21 862
Grants and contributions	12	32 941	34 563
Interest revenue	13	119	238
Resources received free of charge	14	-	147
Other income	15	3 010	1 576
<b>Total income</b>		<b>63 364</b>	<b>58 386</b>
<b>Net cost of providing services</b>		<b>143 141</b>	<b>158 749</b>
<b>Revenues from SA Government:</b>			
Revenues from SA Government	16	127 018	148 555
<b>Total revenues from SA Government</b>		<b>127 018</b>	<b>148 555</b>
<b>Net result</b>		<b>(16 123)</b>	<b>(10 194)</b>
<b>Other comprehensive income:</b>			
Changes in revaluation surplus	28	26 925	2 441
<b>Total other comprehensive income</b>		<b>26 925</b>	<b>2 441</b>
<b>Total comprehensive result</b>		<b>10 802</b>	<b>(7 753)</b>

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

**Statement of Financial Position  
as at 30 June 2012**

	Note	2012 \$'000	2011 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	17	71 204	95 116
Receivables	18	24 445	14 726
Inventories	19	2 050	1 567
Other assets	20	258	895
<b>Total current assets</b>		97 957	112 304
<b>Non-current assets:</b>			
Receivables	18	59	41
Other financial assets	21	3	3
Property, plant and equipment	22	356 327	312 912
Intangible assets	23	1 525	1 941
<b>Total non-current assets</b>		357 914	314 897
<b>Total assets</b>		455 871	427 201
<b>Current liabilities:</b>			
Payables	24	29 199	24 296
Employee benefits	25	7 304	6 722
Provisions	26	504	404
Other current liabilities	27	713	683
<b>Total current liabilities</b>		37 720	32 105
<b>Non-current liabilities:</b>			
Payables	24	2 180	1 707
Employee benefits	25	22 006	17 930
Provisions	26	1 668	1 371
Other non-current liabilities	27	558	889
<b>Total non-current liabilities</b>		26 412	21 897
<b>Total liabilities</b>		64 132	54 002
<b>Net assets</b>		391 739	373 199
<b>Equity:</b>			
Revaluation surplus	28	214 036	187 111
Retained earnings	28	177 703	186 088
<b>Total equity</b>		391 739	373 199
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	30		
Contingent assets and liabilities	31		

## Statement of Changes in Equity for the year ended 30 June 2012

	Note	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010	28	184 751	186 754	371 505
Net result for 2010-11		-	(10 194)	(10 194)
Gain on revaluation of property, plant and equipment		2 441	-	2 441
Total comprehensive result for 2010-11		2 441	(10 194)	(7 753)
Asset adjustments - first time recognition of assets		-	4 468	4 468
Asset adjustments - ARAMIS revisions		-	4 537	4 537
Asset adjustments - revaluation surplus corrections		(81)	81	-
Net assets received from an administrative restructure		-	442	442
Balance at 30 June 2011	28	187 111	186 088	373 199
Net result for 2011-12		-	(16 123)	(16 123)
Gain on revaluation of property, plant and equipment		26 925	-	26 925
Total comprehensive result for 2011-12		26 925	(16 123)	10 802
Asset adjustments - first time recognition of assets		-	4 529	4 529
Asset adjustments - ARAMIS revisions		-	3 480	3 480
Asset adjustments - revaluation surplus corrections		-	-	-
Net assets received from an administrative restructure		-	(271)	(271)
<b>Balance at 30 June 2012</b>	28	<b>214 036</b>	<b>177 703</b>	<b>391 739</b>

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

**Statement of Cash Flows  
for the year ended 30 June 2012**

		2012	2011
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		(102 968)	(100 908)
Payments for supplies and services		(72 159)	(90 256)
Payments of grants and subsidies		(13 184)	(13 144)
Other payments		(4)	(593)
<b>Cash used in operations</b>		<u>(188 315)</u>	<u>(204 901)</u>
Cash inflows:			
Fees and charges		17 740	16 332
Receipts from grants and contribution		35 757	37 514
Interest received		124	246
GST recovered from the ATO		11 088	8 982
Other receipts		3 010	1 576
<b>Cash generated from operations</b>		<u>67 719</u>	<u>64 650</u>
Cash flows from SA Government:			
Receipts from SA Government		127 018	148 555
<b>Cash generated from SA Government</b>		<u>127 018</u>	<u>148 555</u>
<b>Net cash provided by (used in) operating activities</b>	29	<u>6 422</u>	<u>8 304</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of property, plant and equipment		(30 378)	(15 453)
<b>Cash used in investing activities</b>		<u>(30 378)</u>	<u>(15 453)</u>
Cash inflows:			
Proceeds from sale of property, plant and equipment		44	6
<b>Cash generated from investing activities</b>		<u>44</u>	<u>6</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(30 334)</u>	<u>(15 447)</u>
<b>Cash flows from financing activities:</b>			
Cash inflows:			
Cash received from restructuring activities		-	(380)
<b>Cash generated from financing activities</b>		<u>-</u>	<u>(380)</u>
<b>Net cash provided (used in) by financing activities</b>		<u>-</u>	<u>(380)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>(23 912)</u>	<u>(7 523)</u>
<b>Cash and cash equivalents at 1 July</b>		95 116	102 639
<b>Cash and cash equivalents at 30 June</b>	17	<u>71 204</u>	<u>95 116</u>

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2012

(Activities - refer note 4)	1		2	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>				
Employee benefits	76 373	75 400	26 930	18 884
Supplies and services	42 230	60 523	17 769	19 440
Grants and subsidies	11 522	12 101	980	211
Depreciation and amortisation	17 105	16 847	163	170
Net loss (gain) from disposal of non-current assets	1 046	1 317	2 020	1 490
Other expenses	165	1 298	448	71
<b>Total expenses</b>	<b>148 441</b>	<b>167 486</b>	<b>48 310</b>	<b>40 266</b>
<b>Income:</b>				
Fees and charges	25 408	20 781	1 857	454
Grants and contributions	25 995	29 199	2 696	2 625
Interest	115	234	4	4
Resources received free of charge	-	-	-	147
Other income	2 435	968	483	551
<b>Total income</b>	<b>53 953</b>	<b>51 182</b>	<b>5 040</b>	<b>3 781</b>
<b>Net cost of providing services</b>	<b>94 488</b>	<b>116 304</b>	<b>43 270</b>	<b>36 485</b>
<b>Revenues from SA Government:</b>				
Revenues from SA Government	250	250	126 768	148 305
<b>Total revenues from SA Government</b>	<b>250</b>	<b>250</b>	<b>126 768</b>	<b>148 305</b>
<b>Net result</b>	<b>(94 238)</b>	<b>(116 054)</b>	<b>83 498</b>	<b>111 820</b>

(Activities - refer note 4)	3		Total	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>				
Employee benefits	4 885	5 277	108 188	99 561
Supplies and services	3 167	3 773	63 166	83 736
Grants and subsidies	118	108	12 620	12 420
Depreciation and amortisation	169	146	17 437	17 163
Net loss (gain) from disposal of non-current assets	(3)	(1)	3 063	2 806
Other expenses	1 418	80	2 031	1 449
<b>Total expenses</b>	<b>9 754</b>	<b>9 383</b>	<b>206 505</b>	<b>217 135</b>
<b>Income:</b>				
Fees and charges	29	627	27 294	21 862
Grants and contributions	4 250	2 739	32 941	34 563
Interest	-	-	119	238
Resources received free of charge	-	-	-	147
Other income	92	57	3 010	1 576
<b>Total income</b>	<b>4 371</b>	<b>3 423</b>	<b>63 364</b>	<b>58 386</b>
<b>Net cost of providing services</b>	<b>5 383</b>	<b>5 960</b>	<b>143 141</b>	<b>158 749</b>
<b>Revenues from SA Government:</b>				
Revenues from SA Government	-	-	127 018	148 555
<b>Total revenues from SA Government</b>	<b>-</b>	<b>-</b>	<b>127 018</b>	<b>148 555</b>
<b>Net result</b>	<b>(5 383)</b>	<b>(5 960)</b>	<b>(16 123)</b>	<b>(10 194)</b>

## Notes to and forming part of the financial statements

### 1. Objectives of the Department of Environment and Natural Resources (the Department or DENR)

The Department brings conservation and management of natural resources together. The Department is responsible for nature conservation, heritage conservation, animal welfare and natural resources management policy and planning. We collect and provide information and knowledge about the State's environment. We manage the State's public land, which includes our national parks, marine parks, botanic gardens and coastline. Our vision is a sustainable and prosperous South Australia where natural resources are used wisely and a healthy environment is understood to be the basis of a good quality of life.

This is achieved through commitment to the following goals:

#### *The environment is conserved and natural resources are used sustainably*

Improving South Australia's rich heritage and diverse natural environments across public and private lands, and effective planning and delivery to maintain the natural resource assets that underpin the State's economy.

#### *The environment is valued and enjoyed*

Encouraging all people to experience and value the environment, through management of public lands including investment in visitor infrastructure and facilities, and projects to build community capacity in natural resources management.

#### *The environment is integral to development decisions*

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

### 2. Summary of significant accounting policies

#### (a) *Statement of compliance*

DENR 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.

DENR has applied AASs that are applicable to non-for-profit entities, as the Department is a non-for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by DENR for the reporting period ending 30 June 2012.

#### (b) *Basis of preparation*

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying DENR's accounting policies. Areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- the selection and application of accounting policies in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in these financial statements:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items may be utilised. DENR has elected to utilise this threshold in relation to transactions applicable to revenue and expense items. The threshold has not been applied to financial assets and financial liabilities, ie all financial assets and financial liabilities relating to SA Government have been separately disclosed
  - (b) expenses incurred as a result of engaging consultants



**(b) Basis of preparation (continued)**

- (c) employee TVSP information
- (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
- (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012 and the comparative information presented.

**(c) Reporting entity**

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

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

**(d) Transferred functions**

The Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (dated 1 January 2012) transferred the Sustainability and Climate Change Division from DPC to DENR effective from 1 January 2012. Refer note 32 for further information in respect of this machinery of government change.

**(e) Comparative information**

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

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

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

**(f) Rounding**

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

**(g) Taxation**

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

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

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

**(g) Taxation (continued)**

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 are classified as part of operating cash flows.

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

DENR prepares a business activity statement on behalf of its controlled entities, administered items and other clients to which it provides business services under the grouping provisions of the GST legislation. Under the grouping provisions, DENR is liable for the GST payments and entitled to the GST receipts associated with these entities and items. The GST applicable forms part of the receivables and payables recorded in DENR's Statement of Financial Position and the GST cash flows recorded in DENR's Statement of Cash Flows.

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

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

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

**(i) Income**

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

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

The following are specific recognition criteria:

*Fees and charges*

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

*Contributions received*

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

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

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

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

*Resources received free of charge*

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

*Net gain on non-current assets*

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

*Revenues from SA Government*

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

*Other income*

Other income consists of salaries and wages recoveries, sponsorships and donations, recoveries of insurance claims lodged with SAICORP, a division of SAFA, and other sundry income.

**(j) Expenses**

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

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

The following are specific recognition criteria:

*Employee benefits expenses*

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

*Superannuation*

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

*Grants and subsidies*

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

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

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

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

**(l) Cash and cash equivalents**

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

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

Cash is measured at nominal value.

**(m) Receivables**

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

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are generally settled within 30 days after the issue of an invoice.

**(m) Receivables (continued)**

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

**(n) Inventories**

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

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

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

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 is recognised in the Statement of Comprehensive Income as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction in the Statement of Comprehensive Income.

**(o) Financial assets**

DENR measures financial assets at historical cost.

**(p) Non-current asset acquisition and recognition**

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

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

All non-current tangible assets with a value of \$10 000 or greater are capitalised.

*Heritage assets*

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

*Land*

Land comprising national, conservation and recreation parks and wilderness protection areas and reserves, generally has restrictions on use imposed by statute or regulation. These restrictions have been taken into account by the independent valuers.

Administered property, plant and equipment relates to the Crown's interest in land leased to third parties under perpetual and other leases and annual licenses. However, limitations exist on the reliability of the base information used to determine the valuation of this land.

DENR is also custodian of unallotted Crown land, by virtue of its responsibilities under the *Crown Land Management Act 2009*. This land is considered to be an administered asset. Unallotted Crown land is not included in the Statement of Administered Financial Position as DENR has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings.

**(q) Revaluation of non-current assets**

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

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

Property, plant and equipment assets due for revaluation are assessed to determine whether they should be classified as generic assets or unique assets.

Generic building, infrastructure and road assets are valued using a data dictionary approach. The data dictionary model is contained within DENR's ARAMIS system. The data dictionary model calculates a value for an asset based on description, grade/composition, condition and size/quantity. The model value is adjusted by a locality factor to take into account climatic conditions. The valuation model itself is reviewed every three years.

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

The valuers used by DENR are as follows:

- 1 July 2011, valuation of data dictionary: buildings, infrastructure and roads, Valcorp Australia Pty Ltd, Mr F Taormina, BAppSc(Val), AAPI
- 1 July 2011, independent professional valuation of land, building and park infrastructure Herron Todd White, Mr Paul Tilley, FAPI, AREI, CREI(Val)
- 1 July 2010, valuation of Mutton Cove levee bank, lands and aviary, Valcorp Australia Pty Ltd, Mr A J Lucas, MBA, BAppSc(Val), DipAcc, AAPI, ASA and Mr F Taormina, BAppSc(Val), AAPI

The fair value of unique items was determined by identifying a market buying price, estimated as written down modern equivalent replacement cost. The fair value of land and buildings was based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

Any revaluation increment is credited to the 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.

**(r) Impairment**

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

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

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

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

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

(s) **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 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>
<b>Property, plant and equipment:</b>	
Buildings and improvements	1-60
Computing equipment	3-5
Furniture and fittings	5-20
Vehicles	3-40
Park infrastructure	3-60
Plant and equipment	3-25
Roads, tracks and trails	3-35
Other	3-60
<b>Intangible assets:</b>	
Computer software (externally acquired)	3
Computer software (internally generated)	3-10
War services leases	45

(t) **Intangible assets**

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

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

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

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

(u) **Payables**

Payables include creditors, accrued expenses, GST payable, 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 DENR.

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

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

**(u) Payables (continued)**

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

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

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

**(v) Employee benefits**

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

*Wages, salaries, annual leave and sick leave*

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

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

*LSL*

An actuarial assessment of LSL liability undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using a shorthand method was not materially different from the liability measured using a present value of expected future payments.

Based on this actuarial assessment, the shorthand method was used to measure the LSL liability for 2012 (refer note 25).

This calculation is consistent with DENR's experience of employee retention and leave taken.

*Employee benefit on-costs*

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

*Provisions*

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

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2012 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of the ongoing payments to employees as required under current legislation.

DENR is responsible for the payment of workers compensation claims.

**(w) Leases**

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

DENR has entered into one or more operating leases.

*Operating leases*

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

*Lease 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 DENR in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

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

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

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

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

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

DENR did not voluntarily change any of its other accounting policies during 2011-12.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by DENR for the period ending 30 June 2012. DENR has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

**4. Activities of the Department**

In achieving its objectives, DENR provides a range of services classified into the following activities:

**Activity 1: Natural Resource Stewardship**

Aims to conserve natural systems and ensure the sustainable use of natural resources. It includes policy development, land-use decision making and delivery of the Government's environmental and natural resources management agenda across the State.

**Activity 2: Agency Leadership and Support**

Provides strategic direction and positioning of DENR, the development of organisational capability, evaluation and reporting of its performance and the provision of a range of business support services.

**Activity 3: Botanic Gardens**

Manages the natural and cultural resources of the Botanic Gardens and State Herbarium to advance plant appreciation, knowledge and conservation through our natural and cultural collections and programs.

The disaggregated disclosures schedule of expenses and income presents information regarding DENR's activities for the years ended 30 June 2011 and 30 June 2012.

AASB 1052 requires government departments to disclose the assets deployed and liabilities incurred that are reliably attributable to each of their activities. DENR cannot currently reliably attribute assets and liabilities across activities. Hence this disclosure has not been made.



<b>5. Employee benefits expenses</b>	2012	2011
	\$'000	\$'000
Salaries and wages	72 162	70 306
Annual leave	6 790	6 603
LSL	6 100	2 318
Employment on-costs - superannuation	9 494	8 172
Employment on-costs - other	5 945	5 229
TVSPs	4 509	4 275
Board and committee fees	251	176
Other employment related expenses	2 937	2 482
Total employee benefits expenses	<u>108 188</u>	<u>99 561</u>

**TVSPs**

Amount paid during the reporting period to separated employees:

TVSPs	4 509	4 275
Annual leave and LSL paid during the reporting period	<u>1 547</u>	<u>1 518</u>
	6 056	5 793
Recovery from DTF	<u>(5 387)</u>	<u>(3 445)</u>
Net cost to the Department	<u>669</u>	<u>2 348</u>

The number of employees who received a TVSP during the reporting period was 45 (44).

**Employee remuneration**

The table below includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, 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 \$6.565 million (\$8.135 million).

	2012	2011
	Number	Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$130 700 - \$133 999*	-	5
\$134 000 - \$143 999	5	5
\$144 000 - \$153 999	6	5
\$154 000 - \$163 999	6	2
\$164 000 - \$173 999	2	5
\$174 000 - \$183 999	3	1
\$184 000 - \$193 999	1	2
\$194 000 - \$203 999	1	1
\$204 000 - \$213 999	1	2
\$214 000 - \$223 999	-	1
\$224 000 - \$233 999	1	1
\$234 000 - \$243 999	1	1
\$244 000 - \$253 999	1	-
\$254 000 - \$263 999	-	1
\$274 000 - \$283 999**	-	1
\$284 000 - \$293 999**	-	1
\$314 000 - \$323 999**	1	1
\$324 000 - \$333 999	-	1
\$344 000 - \$353 999**	1	2
\$354 000 - \$363 999	1	-
\$374 000 - \$383 999	1	-
\$384 000 - \$393 999	-	1
\$404 000 - \$413 999**	1	-
\$434 000 - \$443 999**	-	1
Total	<u>33</u>	<u>40</u>

\* This remuneration band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2010-11.

\*\* 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. Three employees (six employees) in the table received a TVSP.

<b>6. Supplies and services</b>	2012	2011
	\$'000	\$'000
Accommodation and property management	10 347	10 465
Consultants	39	169
Contractors	3 179	4 306
Cost of goods sold	1 161	1 010
Auditor's remuneration	337	256
Fee-for-service	18 021	35 609
General administration	6 768	7 739
Heritage advisers	386	441
Information technology and communication expenses	7 436	6 732
Minor works, maintenance and equipment	4 264	4 708
Monitoring fees	319	242
Sand replenishment	850	637
Scientific and technical services	524	861
Transportation	310	317
Travel and accommodation	1 753	1 563
Vehicle and aircraft	5 370	5 522
Other	2 102	3 159
Total supplies and services	63 166	83 736

Supplies and services provided by entities within the SA Government:

Accommodation and property management	5 285	4 908
Auditor's remuneration	337	256
Fee-for-service	609	7 339
General administration	2 922	3 809
Information technology and communication expenses	-	223
Scientific and technical services	-	222
Other	274	-
Total supplies and services provided by entities within the SA Government	9 427	16 757

**Consultants**

	2012		2011	
The number and dollar amount of consultancies paid/payable (included in supplies and services expense shown above) fell within the following bands:	Number	\$'000	Number	\$'000
Below \$10 000	9	39	5	32
Between \$10 000 and \$50 000	-	-	6	137
Total paid/payable to the consultants engaged	9	39	11	169

**Auditor's remuneration**

	2012	2011
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	\$'000	\$'000
Total external auditor's remuneration	337	256

**7. Grants and subsidies**

Community organisations and associations	6 301	4 030
Grant refunds - entities within the SA Government	22	231
Individuals - heritage, fencing and other agreements	98	178
Local government	654	408
Entities within the SA Government	5 150	6 942
Universities	395	612
Other	-	19
Total grants and subsidies	12 620	12 420

Grants and subsidies paid/payable to entities within the SA Government:

Grant refunds:		
Entities within the SA Government	22	231
State Government	5 150	6 942
Total grants and subsidies paid/payable to entities within the SA Government	5 172	7 173

**8. Depreciation and amortisation**

	2012	2011
	\$'000	\$'000
Depreciation:		
Buildings and improvements	3 530	3 134
Computing equipment	495	420
Furniture and fittings	486	468
Vehicles	467	559
Park infrastructure	5 263	5 656
Roads, tracks and trails	6 393	6 122
Plant and equipment	369	371
Other	18	18
Total depreciation	<u>17 021</u>	<u>16 748</u>
Amortisation:		
Application software - internally generated	386	385
Application software - externally purchased	8	8
Other - war services leases	22	22
Total amortisation	<u>416</u>	<u>415</u>
Total depreciation and amortisation	<u>17 437</u>	<u>17 163</u>

**Revision of accounting estimates**

As at 1 July 2011, the independent valuers reassessed the useful lives of property, plant and equipment assets during the revaluation process, resulting in a decrease in the estimated useful life of certain assets. This has resulted in a net increase of \$217 000 in the amount of depreciation calculated on these assets in 2011-12 compared to the amount that would have been expensed based on previous estimates of useful lives. The increased depreciation expense will also be reflected in future years.

The change in the useful lives has had the effect of increasing (decreasing) depreciation expense in the financial year as follows:

	2012	2011
	\$'000	\$'000
Buildings and improvements	428	-
Park infrastructure	(152)	-
Roads, tracks, trails	(59)	-
	<u>217</u>	<u>-</u>

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

Buildings:		
Proceeds from disposal	-	-
Net book value of assets disposed	(100)	(338)
Net gain (loss) from disposal	<u>(100)</u>	<u>(338)</u>
Park infrastructure:		
Proceeds from disposal	-	-
Net book value of assets disposed	(2 367)	(865)
Net gain (loss) from disposal	<u>(2 367)</u>	<u>(865)</u>
Roads, tracks and trails:		
Proceeds from disposal	-	-
Net book value of assets disposed	(557)	(1 337)
Net gain (loss) from disposal	<u>(557)</u>	<u>(1 337)</u>
Vehicles:		
Proceeds from disposal	44	6
Net book value of assets disposed	(58)	(15)
Net gain (loss) from disposal	<u>(14)</u>	<u>(9)</u>
Furniture and fittings:		
Proceeds from disposal	-	-
Net book value of assets disposed	-	(9)
Net gain (loss) from disposal	<u>-</u>	<u>(9)</u>

<b>9. Net gain (loss) from disposal of non-current assets (continued)</b>	2012	2011
Plant and equipment:	\$'000	\$'000
Proceeds from disposal	-	-
Net book value of assets disposed	(25)	(248)
Net gain (loss) from disposal	(25)	(248)
Total assets:		
Total proceeds from disposal	44	6
Total value of assets disposed	(3 107)	(2 812)
Total net gain (loss) from disposal	(3 063)	(2 806)

**Assets transferred free of charge**

These figures include the following assets transferred to the Board of the Botanic Gardens and State Herbarium, and Coorong Council free of charge. These assets primarily relate to the Garden of Health Project (\$1.207 million) and the Water Supply and Quality Project (\$271 000) transferred to Botanic Gardens and State Herbarium. DENR also transferred \$239 000 for the Meningie Lakefront Habitat Reserve Project to the Coorong Council.

	2012	2011
	\$'000	\$'000
Park infrastructure	1 858	743
Roads, tracks and trails	261	1 306
Vehicles	12	-
Furniture and fittings	-	11
Plant and equipment	22	227
Total assets transferred free of charge	2 153	2 287

<b>10. Other expenses</b>		
Bad and doubtful debts	239	(16)
Capital project costs not capitalised	1 792	871
Inventory revaluation decrement	-	594
Total other expenses	2 031	1 449

Other expenses paid/payable to entities within the SA Government:

Capital project costs not capitalised	1 792	871
Total other expenses paid/payable to entities within the SA Government	1 792	871

<b>11. Revenues from fees and charges</b>		
Admissions and guided tours	6 868	6 392
Fees, levies and licences	813	779
Property rental and related income	5 727	5 024
Other property related income	89	133
Sale of goods	3 517	3 803
Sale of professional services	1 978	2 693
Sale of support services	6 912	2 047
Sale of spatial information	1 070	842
Sale of freehold titles	320	149
Total revenues from fees and charges	27 294	21 862

Fees and charges received/receivable from entities within the SA Government:

Sale of professional services	600	863
Sale of support services	3 740	-
Sale of spatial information	100	200
Total fees and charges received/receivable from entities within the SA Government	4 440	1 063

<b>12. Grants and contributions</b>		
Commonwealth Government	15 173	8 076
Grants received from administered entities	1 970	2 107
Grants received from other entities within the SA Government	14 724	23 092
Private industry and local government	1 074	1 288
Total grants and contributions	32 941	34 563

<b>12. Grants and contributions</b>	2012	2011
Grants and contributions received/receivable from entities within the SA Government:	\$'000	\$'000
Administered entities	1 970	2 107
Other entities within the SA Government	14 724	23 092
Total grants and contributions received/receivable from entities within the SA Government	<u>16 694</u>	<u>25 199</u>

**Contributions with conditions of expenditure**

DENR is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to DENR on the premise that these funds are expended in a manner consistent with the terms of the agreement.

Contributions which have conditions of expenditure still to be met as at reporting date total \$13.513 million (\$6.573 million).

The contributions relate to the Resource Conservation Management program and conditions attached to these contributions include the completion of program milestones, project acquittal and other project specific requirements.

<b>13. Interest revenue</b>	2012	2011
	\$'000	\$'000
Interest on deposit accounts from entities within the SA Government	114	231
Interest on deposit accounts from entities external to the SA Government	5	7
Total interest revenue	<u>119</u>	<u>238</u>

<b>14. Resources received free of charge</b>		
Land and improvements	-	147
Total resources received free of charge	<u>-</u>	<u>147</u>

<b>15. Other income</b>		
Insurance recoveries	283	211
Salaries and wages recoveries	2 369	1 024
Sponsorships, donations, commissions and bequests	49	89
Other sundry revenue	309	252
Total other income	<u>3 010</u>	<u>1 576</u>

Insurance recoveries consist of monies received as a result of claims lodged with SAICORP. Insurance claims are recognised as income when a claim has been lodged with SAICORP.

Other income received/receivable from entities within the SA Government:

Insurance recoveries	283	211
Salaries and wages recoveries	2 157	817
Total other income received/receivable from entities within the SA Government	<u>2 440</u>	<u>1 028</u>

<b>16. Revenues from SA Government</b>		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	120 628	144 763
Appropriation from contingency funds	6 390	3 792
Total revenues from SA Government	<u>127 018</u>	<u>148 555</u>

Total revenues from government consist of \$93.478 million (\$129.105 million) for operational funding and \$27.15 million (\$15.658 million) for capital projects. There was no material variance between the amount appropriated and the expenditure associated with this appropriation.

<b>17. Cash and cash equivalents</b>	2012	2011
	\$'000	\$'000
Deposits with the Treasurer	71 038	94 923
Cash on hand/imprest accounts	166	193
Total cash and cash equivalents	<u>71 204</u>	<u>95 116</u>

**Deposits with the Treasurer**

This includes \$62.166 million (\$77.491 million) held within the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use and can only be used in accordance with the Treasurer's or Under Treasurer's approval.

**Other short-term deposits**

These are funds held on an ‘at call’ basis with various commercial banking entities, and result from banking deposits in regional locations. Funds are only held in these accounts pending imminent transfer to DENR’s normal banking arrangements with DTF.

**Interest rate risk**

Cash deposits are recognised at their nominal amounts and interest is credited to revenue as it accrues. DENR invests surplus funds with the Treasurer. Interest is earned on the average monthly balance of the Wildlife Conservation Fund, General Reserves Trust account and SA Lower Lakes Bioremediation and Revegetation 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>18. Receivables</b>		2012	2011
		\$'000	\$'000
	Current:		
	Receivables	22 105	11 179
	Allowance for doubtful debts	(310)	(75)
		<hr/>	<hr/>
		21 795	11 104
	Accrued revenues	9	14
	GST input tax recoverable	2 628	3 596
	Workers compensation recoveries	13	12
	Total current receivables	<hr/>	<hr/>
		24 445	14 726
	Receivables from entities within the SA Government:		
	Current:		
	Receivables	5 864	3 084
	Accrued revenues	9	14
	Total current receivables from entities within the SA Government	<hr/>	<hr/>
		5 873	3 098
	Non-current:		
	Workers compensation recoveries	59	41
	Total non-current receivables	<hr/>	<hr/>
		59	41

**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.

	2012	2011
	\$'000	\$'000
Carrying amount at 1 July	75	90
Amounts written off	(4)	-
Increase (Decrease) in the allowance	239	(15)
Carrying amount at 30 June	<hr/>	<hr/>
	310	75

**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.

<b>19. Inventories</b>		2012	2011
		\$'000	\$'000
	Inventories held for distribution at no or nominal amount:		
	Inventories held for distribution - at cost	391	413
	Other inventories - at cost	-	-
	Total inventories held for distribution at no or nominal amount	<hr/>	<hr/>
		391	413
	Inventories:		
	Finished goods held for resale - at cost	1 659	1 154
	Total held for resale at cost	<hr/>	<hr/>
	Total inventories	1 659	1 154
		<hr/>	<hr/>
		2 050	1 567

<b>20. Other assets</b>	2012	2011
Current:	\$'000	\$'000
Prepaid supplies and services	257	547
Prepaid employee benefits	-	346
Other	1	2
Total current other assets	<u>258</u>	<u>895</u>
<b>21. 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>22. Property, plant and equipment</b>		
Land:		
Independent valuation <sup>(i)</sup>	203 762	175 233
At cost <sup>(ii)</sup>	4 508	7 349
Total land	<u>208 270</u>	<u>182 582</u>
Buildings and improvements:		
Independent valuation <sup>(i)</sup>	142 796	125 051
At cost <sup>(ii)</sup>	6 090	6 796
Accumulated depreciation	(98 099)	(81 186)
Total buildings and improvements	<u>50 787</u>	<u>50 661</u>
Park infrastructure:		
Independent valuation <sup>(i)</sup>	180 102	160 097
At cost <sup>(ii)</sup>	5 410	18 027
Accumulated depreciation	(154 768)	(142 850)
Total park infrastructure	<u>30 744</u>	<u>35 274</u>
Road, tracks and trails:		
Independent valuation <sup>(i)</sup>	192 241	162 506
At cost <sup>(ii)</sup>	4 193	8 344
Accumulated depreciation	(167 549)	(147 605)
Total road, tracks and trails	<u>28 885</u>	<u>23 245</u>
Capital works in progress	27 181	10 852
Total capital works in progress	<u>27 181</u>	<u>10 852</u>
Vehicles:		
At cost (deemed fair value) <sup>(iii)</sup>	10 833	10 816
Accumulated depreciation	(7 486)	(7 228)
Total vehicles	<u>3 347</u>	<u>3 588</u>
Computing equipment:		
At cost (deemed fair value) <sup>(iii)</sup>	3 910	3 241
Accumulated depreciation	(2 609)	(2 225)
Total computing equipment	<u>1 301</u>	<u>1 016</u>
Furniture and fittings:		
At cost (deemed fair value) <sup>(iii)</sup>	7 109	6 350
Accumulated depreciation	(3 937)	(3 448)
Total furniture and fittings	<u>3 172</u>	<u>2 902</u>
Plant and equipment:		
At cost (deemed fair value) <sup>(iii)</sup>	5 409	5 176
Accumulated depreciation	(4 042)	(3 675)
Total plant and equipment	<u>1 367</u>	<u>1 501</u>
Other:		
At cost (deemed fair value) <sup>(iii)</sup>	1 867	1 867
Accumulated depreciation	(594)	(576)
Total other	<u>1 273</u>	<u>1 291</u>
Total property, plant and equipment	<u>356 327</u>	<u>312 912</u>

**Impairment**

There were no indications of impairment of property, plant and equipment at 30 June 2012.

**Carrying amounts of property, plant and equipment**

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

- (i) Independent valuation: Generic assets are valued using the data dictionary model. Unique assets are items which can not be categorised within the standard data dictionary groups. These assets are valued separately by independent professional valuers. Refer note 2(q) for further details.
- (ii) At cost (acquisition cost): This class includes one or more items that have an acquisition cost exceeding \$1 million. All assets within this class are temporarily held at cost pending revaluation that occurs no later than three years from acquisition date.
- (iii) At cost (deemed fair value): These assets have an acquisition cost below \$1 million and are deemed held at fair value pursuant to APF III.

**Movement reconciliation of property, plant and equipment**

	Land \$'000	Buildings \$'000	Park infra- structure \$'000	Roads, tracks and trails \$'000	Vehicles \$'000	Computing equipment \$'000
<b>2012</b>						
Carrying amount at 1 July	182 582	50 661	35 274	23 245	3 588	1 016
Transfers between classes	-	(13)	(88)	72	-	-
Acquisitions	586	553	249	-	274	781
Transfers to (from) capital works in progress	-	1131	3 428	4 313	-	-
Depreciation expense	-	(3 530)	(5 263)	(6 393)	(467)	(495)
Net revaluation increment (decrement)	22 834	831	(2 388)	5 648	-	-
Asset - first time recognition	2 660	386	717	735	11	-
Disposals	-	(100)	(509)	(296)	(46)	-
Disposals - transfers for nil consideration	-	-	(1 858)	(261)	(12)	-
ARAMIS revisions upwards (downwards)	(392)	868	1 182	1 822	(1)	(1)
Capital works in progress - expensed in current period	-	-	-	-	-	-
Carrying amount at 30 June	208 270	50 787	30 744	28 885	3 347	1 301

	Furniture and fittings \$'000	Plant and equipment \$'000	Other \$'000	Capital works in progress \$'000	2012 Total \$'000
Carrying amount at 1 July	2 902	1 501	1 291	10 852	312 912
Transfers between classes	29	-	-	-	-
Acquisitions	-	203	(1)	27 756	30 401
Transfers to (from) capital works in progress	727	36	-	(9 635)	-
Depreciation expense	(486)	(369)	(18)	-	(17 021)
Net revaluation increment (decrement)	-	-	-	-	26 925
Asset - first time recognition	-	20	-	-	4 529
Disposals	-	(3)	-	-	(954)
Disposals - transfers for nil consideration	-	(22)	-	-	(2 153)
ARAMIS revisions upwards (downwards)	-	1	1	-	3 480
Capital works in progress - expensed in current period	-	-	-	(1 792)	(1 792)
Carrying amount at 30 June	3 172	1 367	1 273	27 181	356 327



**Movement reconciliation of property, plant and equipment (continued)**

	Land \$'000	Buildings \$'000	Park infra- structure \$'000	Roads, tracks and trails \$'000	Vehicles \$'000	Computing equipment \$'000
<b>2011</b>						
Carrying amount at 1 July	177 389	48 948	35 897	22 952	3 213	822
Opening balance adjustments - machinery of government assets	1 196	620	16	-	66	-
Transfers between classes	-	-	-	-	-	-
Acquisitions	1 220	(22)	30	-	733	614
Transfers to (from) capital works in progress	-	3 412	2 498	3 617	-	-
Transfers to (from) intangibles	-	-	-	-	-	-
Depreciation expense	-	(3 134)	(5 656)	(6 122)	(559)	(420)
Net revaluation increment (decrement)	2 393	-	48	-	-	-
Assets received for nil consideration	-	147	-	-	-	-
Asset - first time recognition	384	84	2 139	1 682	162	-
Disposals	-	(338)	(122)	(31)	(15)	-
Disposals - transfers for nil consideration	-	-	(743)	(1 306)	-	-
ARAMIS revisions upwards (downwards)	-	944	1 167	2 453	(12)	-
Capital works in progress - expensed in current period	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-
Carrying amount at 30 June	182 582	50 661	35 274	23 245	3 588	1 016

	Furniture and fittings \$'000	Plant and equipment \$'000	Capital works Other \$'000	Capital works in progress \$'000	2011 Total \$'000
Carrying amount at 1 July	3 251	1 639	1 309	9 676	305 096
Opening balance adjustments - machinery of government assets	1	41	-	-	1 940
Transfers between classes	-	-	-	-	-
Acquisitions	-	235	-	11 904	14 714
Transfers to (from) capital works in progress	129	201	-	(9 857)	-
Transfers to (from) intangibles	-	-	-	-	-
Depreciation expense	(468)	(371)	(18)	-	(16 748)
Net revaluation increment (decrement)	-	-	-	-	2 441
Assets received for nil consideration	-	-	-	-	147
Asset - first time recognition	-	17	-	-	4 468
Disposals	2	(21)	-	-	(525)
Disposals - transfers for nil consideration	(11)	(227)	-	-	(2 287)
ARAMIS revisions upwards (downwards)	(2)	(13)	-	-	4 537
Capital works in progress - expensed in current period	-	-	-	(871)	(871)
Other adjustments	-	-	-	-	-
Carrying amount at 30 June	2 902	1 501	1 291	10 852	312 912

**23. Intangible assets**

	2012 \$'000	2011 \$'000
Computer software - internally developed:		
Computer software - at cost (deemed fair value)	3 189	3 189
Accumulated amortisation	(2 523)	(2 137)
Total computer software	666	1 052
Computer software - externally developed:		
Computer software - at cost (deemed fair value)	95	95
Accumulated amortisation	(95)	(87)
Total computer software	-	8
Other:		
Revenue stream (war services freehold leases) - at cost (deemed fair value)	1 000	1 000
Accumulated amortisation	(141)	(119)
Total other	859	881
Total intangible assets	1 525	1 941

**Impairment**

There were no indications of impairment of intangible assets at 30 June 2012.

**Computer software**

Internally developed computer software includes the Department's Crown Lands System (\$190 000), ARAMIS Solution software (\$460 000) and Topographical Database (\$16 000). Externally acquired computer software relates to ARCGIS software.

**Revenue stream**

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

**Intangible asset movement reconciliation schedule**

	Computer software (internal) \$'000	Computer software (external) \$'000	Revenue stream \$'000	Total \$'000
<b>2012</b>				
Carrying amount at 1 July	1 052	8	881	1 941
Transfers between classes	-	-	-	-
Amortisation	(386)	(8)	(22)	(416)
Carrying amount at 30 June	666	-	859	1 525
<b>2011</b>				
Carrying amount at 1 July	1 437	17	903	2 357
Transfers between classes	-	(1)	-	(1)
Amortisation	(385)	(8)	(22)	(415)
Carrying amount at 30 June	1 052	8	881	1 941

<b>24. Payables</b>	2012	2011
Current:	\$'000	\$'000
Accrued expenses	697	737
Creditors	26 725	22 040
Employee benefit on-costs	1 768	1 519
Paid Parental Leave Scheme payable	9	-
Total current payables	29 199	24 296
Current payables to SA Government entities:		
Accrued expenses	298	255
Creditors	13 826	4 026
Employment on-costs	1 093	868
Total current payables to SA Government entities	15 217	5 149
Non-current payables:		
Employee benefit on-costs	2 180	1 707
Total non-current payables	2 180	1 707
Non-current payables to SA Government entities:		
Employee on-costs	1 140	926
Total non-current payables to SA Government entities	1 140	926

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has changed from the 2011 rate (35%) to 40% and the average factor for the calculation of employer superannuation cost on-cost has remained at the 2011 rate of 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 \$143 000 and employee benefits expense of \$143 000.

**Interest rate and credit risk**

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

<b>25. Employee benefits</b>	2012	2011
Current:	\$'000	\$'000
Accrued salaries and wages	16	11
Annual leave	6 207	6 003
Short-term LSL	1 081	708
Total current employee benefits	<u>7 304</u>	<u>6 722</u>
Non-current:		
LSL	22 006	17 930
Total non-current employee benefits	<u>22 006</u>	<u>17 930</u>

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation.

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 bonds has decreased from 2011 (5.25%) to 2012 (3%).

The significant decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant 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 \$3.397 million and employee benefits expense of \$3.397 million. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term rate is experiencing significant movement.

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>26. Provisions</b>	2012	2011
Current:	\$'000	\$'000
Provision for workers compensation	504	404
Total current provisions	<u>504</u>	<u>404</u>
Non-current:		
Provision for workers compensation	1 668	1 371
Total non-current provisions	<u>1 668</u>	<u>1 371</u>
Provision movement:		
Carrying amount at 1 July	1 775	1 521
Additional provisions recognised	397	254
Reductions arising from payments	-	-
Carrying amount at 30 June	<u>2 172</u>	<u>1 775</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>27. Other liabilities</b>	2012	2011
Current:	\$'000	\$'000
Lease incentive	314	314
Unearned revenue	232	206
Other	167	163
Total current other liabilities	<u>713</u>	<u>683</u>
Current other liabilities payable to entities within the SA Government:		
Unearned revenue	49	116
Total current other liabilities payable to entities within the SA Government	<u>49</u>	<u>116</u>
Non-current:		
Lease incentive	558	872
Unearned revenue	-	17
Total non-current other liabilities	<u>558</u>	<u>889</u>

<b>27. Other liabilities (continued)</b>	2012	2011
Non-current other liabilities payable to entities within the SA Government:	\$'000	\$'000
Unearned revenue	-	17
Total non-current other liabilities payable to entities within the SA Government	-	17

**28. Equity**

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

	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
<b>2012</b>			
Balance at 30 June 2011	187 111	186 088	373 199
Asset adjustments - first time recognition of assets: <sup>(i)</sup>			
Land	-	2 660	2 660
Buildings and improvements	-	386	386
Park infrastructure	-	717	717
Road, tracks and trails	-	735	735
Vehicles	-	11	11
Plant and equipment	-	20	20
Total asset adjustments - first time recognition of assets	-	4 529	4 529
Asset adjustments - ARAMIS revisions: <sup>(ii)</sup>			
Land	-	(392)	(392)
Buildings and improvements	-	868	868
Park infrastructure	-	1 182	1 182
Road, tracks and trails	-	1 822	1 822
Vehicles	-	(1)	(1)
Plant and equipment	-	1	1
Total asset adjustments - ARAMIS revisions	-	3 480	3 480
Net result for the 2011-12 year	-	(16 123)	(16 123)
Net assets received from and administrative restructure	-	(271)	(271)
Net increment (decrement) related to revaluations: <sup>(iii)</sup>			
Land	22 834	-	22 834
Buildings and improvements	831	-	831
Park infrastructure	(2 388)	-	(2 388)
Roads, track trails	5 648	-	5 648
Net increment (decrement) related to revaluations	26 925	-	26 925
Balance at 30 June 2012	214 036	177 703	391 739

(i) *First time recognition of assets*

Stocktakes and physical inspections of fixed assets located in parks and reserves during the year identified a number of pre-existing assets that were not recognised, in error, in prior reporting periods. These assets have been recognised for the first time in 2011-12.

(ii) *ARAMIS revisions*

ARAMIS revisions are changes to an asset's description, grade/composition, condition or size/quantity on the data dictionary system identified through regular infrastructure stocktakes and park re-surveys.

(iii) *Net increments (decrements) related to revaluations*

During the year DENR revalued items of property, plant and equipment due for revaluation in accordance with its three year revaluation cycle. The data dictionary valuations were obtained from Valcorp, Certified Practising Valuers, and lands and unique items from Herron Todd White, Certified Practising Valuers.

**28. Equity (continued)**

	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
<b>2011</b>			
Balance at 30 June 2010	184 751	186 754	371 505
Asset adjustments - first time recognition of assets: <sup>(i)</sup>			
Land	-	384	384
Buildings and improvements	-	84	84
Park infrastructure	-	2 139	2 139
Road, tracks and trails	-	1 682	1 682
Vehicles	-	162	162
Plant and equipment	-	17	17
Total asset adjustments - first time recognition of assets	-	4 468	4 468
Asset adjustments - ARAMIS revisions: <sup>(ii)</sup>			
Buildings and improvements	-	944	944
Park infrastructure	-	1 167	1 167
Road, tracks and trails	-	2 453	2 453
Vehicles	-	(12)	(12)
Furniture and fittings	-	(2)	(2)
Plant and equipment	-	(13)	(13)
Total asset adjustments - ARAMIS revisions	-	4 537	4 537
Adjustments - error corrections:			
Furniture and fittings - (revaluation surplus) adjustment	(39)	39	-
Computing equipment - (revaluation surplus) adjustment	(42)	42	-
Error corrections	(81)	81	-
Net result for the 2010-11 year	-	(10 194)	(10 194)
Net assets received from an administrative restructure	-	442	442
Net increment (decrement) related to revaluations: <sup>(iii)</sup>			
Land	2 393	-	2 393
Park infrastructure	48	-	48
Net increment (decrement) related to revaluations	2 441	-	2 441
Balance at 30 June	187 111	186 088	373 199

(i) *First time recognition of assets*

Stocktakes and physical inspections of fixed assets located in parks and reserves during the year identified a number of pre-existing assets that were not recognised, in error, in prior reporting periods. These assets have been recognised for the first time in 2010-11.

(ii) *ARAMIS revisions*

ARAMIS revisions are changes to an asset's description, grade/composition, condition or size/quantity on the data dictionary system identified through regular infrastructure stocktakes and park re-surveys.

(iii) *Net increments (decrements) related to revaluations*

During the year DENR revalued items of property, plant and equipment due for revaluation in accordance with its three year revaluation cycle. The valuations were obtained from Valcorp, Certified Practising Valuers and primarily related to the Mutton Cove Levee Bank and other unique land assets.

**29. Cash flow reconciliation**

	2012 \$'000	2011 \$'000
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents at 30 June as per:		
Statement of Financial Position	71 204	95 116
Statement of Cash Flows	71 204	95 116

<b>Reconciliation of net cash provided by (used in) operating activities to net cost of providing services</b>	2012	2011
	\$'000	\$'000
Net cash provided by (used in) operating activities	6 422	8 304
Revenues from SA Government	(127 018)	(148 555)
Non-cash items:		
Depreciation and amortisation expense of non-current assets	(17 437)	(17 163)
Assets received free of charge	-	147
Capital works in progress expensed	(1 792)	(871)
Net gain (loss) from disposal of non-current assets	(3 063)	(2 806)
Movements in assets and liabilities:		
Receivables	9 737	8 477
Inventories	483	(908)
Other assets	(637)	(169)
Payables	(5 326)	(6 759)
Employee benefits	(4 414)	1 305
Provisions	(397)	(233)
Other liabilities	301	482
Net cost of providing services	<u>(143 141)</u>	<u>(158 749)</u>

**30. Unrecognised contractual commitments**

**Operating lease commitments**

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

Within one year	5 650	5 194
Later than one year but not later than five years	13 868	9 906
Later than five years	7 004	6 095
Total operating lease commitments	<u>26 522</u>	<u>21 195</u>

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

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

**Capital commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements is payable as follows:	2012	2011
	\$'000	\$'000
Within one year	4 406	2 490
Later than one year but not later than five years	247	-
Total capital commitments	<u>4 653</u>	<u>2 490</u>

DENR's capital commitments include amounts associated with the Adelaide Living Beaches Pipeline (\$304 000), Seal Bay Boardwalk (\$305 000), Heysen Trail upgrade (\$1.1 million), Botanic Gardens Aquifer Storage and Recovery (\$2.819 million) and Belair Infrastructure upgrade (\$125 000).

**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:	2012	2011
	\$'000	\$'000
Within one year	3 531	4 394
Later than one year but not later than five years	5 313	6 481
Total remuneration commitments	<u>8 844</u>	<u>10 875</u>

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

**31. Contingent assets and liabilities**

DENR is not aware of the existence of any contingent assets and contingent liabilities.

**32. Transferred functions**

**Transferred in**

Under the Public Sector (Reorganisation of Public Sector Operations) Notice 2011, the Sustainability and Climate Change Division (SCCD) was transferred from DPC to DENR. This included the transfer of 14 employees.

**Transferred in (continued)**

The effective date of the transfer was 1 January 2012.

Total income and expenses attributable to the SCCD for 2011-12 were:

	DPC 01.07.11 to 31.12.11 \$'000	DENR 01.01.12 to 30.06.12 \$'000	Total \$'000
<b>2012</b>			
Expenses:			
Employee benefits expenses	958	718	1 676
Supplies and services	149	184	333
Grants and subsidies	4	788	792
Total expenses	<u>1 111</u>	<u>1 690</u>	<u>2 801</u>
Income:			
Other income	253	-	253
Total income	<u>253</u>	<u>-</u>	<u>253</u>
Net cost of providing services	<u>858</u>	<u>1 690</u>	<u>2 548</u>
Net result	<u>(858)</u>	<u>(1 690)</u>	<u>(2 548)</u>

On transfer of the SCCD, DENR recognised the following liabilities:

<b>2012</b>			
Liabilities:			
Payables	27	-	27
Employee benefits	244	-	244
Total liabilities	<u>271</u>	<u>-</u>	<u>271</u>
Total net liabilities transferred	<u>(271)</u>	<u>-</u>	<u>(271)</u>

Net liabilities assumed by DENR as a result of the administrative restructure are the carrying amount of those liabilities in the transferor's Statement of Financial Position immediately prior to the transfer. The net liabilities transferred were treated as a contribution by the Government as owner.

**33. Remuneration of board and committee members**

Members of the boards and committees during the 2011-12 financial year were:

***South Australian National Parks and Wildlife Council***

Russel V J (retired 07.03.12)	Miller S*
Green S (appointed 05.04.12)	Podaliak J
McIntosh W R	Humann D E (appointed 15.12.11)
Mills R J (retired 07.03.12)	Woodlands J F (appointed 05.04.12)
Carr P F	

***South Australian Heritage Council***

Brine J M C (retired 05.07.11)	Wigg C A
Garnaut C M (retired 17.12.11)	James J A (appointed 02.02.12)
Leydon G J	McClurg J J (appointed 10.11.11)
Donaldson R T	McKinnon J F (appointed 02.02.12)
O'Connell M B	Schulz J (appointed 04.08.11)
Carr J M*	Harry B (appointed 02.02.12)
Staniforth M (retired 17.12.11)	Queale M W (appointed 02.02.12)

***South Australian Heritage Council Register Committee***

Bell P G	Queale M W
Burke H D (retired 16.12.11)	Wigg C A (retired 17.12.11)
Brine J M C (retired 05.07.11)	Ben Khan A (appointed 09.12.11)
Klenke A T	Butland R (appointed 17.03.12)
Marsden S E	Carr J M* (retired 17.12.11)
Beazley S (appointed 05.08.11)	

***Witjira National Park Board of Management***

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

Halliday L\* (retired 31.10.11)  
Magor A B\*  
Naismith T L\*  
Walton J (appointed 01.11.11)

***Vulkathunha-Gammon Ranges National Park Cooperative Management Committee***

Coulthard C C  
Coulthard J M  
McKenzie P  
Coulthard R R

Axford G B\*  
De Preu N D\* (retired 30.03.12)  
Leaman E G\*  
Toscano M\*

***Animal Welfare Advisory Committee***

Bigwood S (appointed 15.09.11)  
Hazel S J  
Robb G C  
Starick W J

Noonan D E  
Carmichael I H\*  
Hamade S (appointed 15.09.11)  
Ogilvie A D (appointed 15.09.11)

***Ngaut Ngaut Conservation Park Co-management Committee***

Campbell I M  
Campbell I L  
Hutchinson C

Dominelli S\* (appointed 29.10.11)  
Haslam D\* (appointed 29.10.11)  
Dillon B\* (appointed 29.10.11)

***Adelaide Dolphin Sanctuary Advisory Board***

Andrews D J  
Bossley M I  
Cugley J A  
Ditter S L S  
Gibbs S E  
Higgins-Desbiolles B F

Gassmansis K B (appointed 24.05.12)  
Gregory J\* (appointed 24.05.12)  
Hughes J A\* (appointed 24.05.12)  
Kavina C B  
Osborne M W\* (appointed 24.05.12)

***Kangaroo Management Reference Group***

Ackland T M  
McBride M P  
Pfitzner D B  
Lindner J D  
Mould J  
Vickery F J  
Jarman R (appointed 17.11.11)  
Smith C (appointed 19.03.12)

Crouch N\* (appointed 11.02.11)  
Gyss A J (retired 10.04.12)  
Tansell G\*  
Lewis A G  
Borda R  
Starick S  
Warwick R M

***ALB Steering Group***

Foreman G  
Roberts I N  
Iasiello W N

Denton Brown R\*  
Burch L\*

***Wilderness Advisory Committee***

Cohen B L  
Bills C E M  
Lesslie R G

Whalen M A  
Leaman E G\*

***Wildlife Ethics Committee***

Hough I J\*  
McGrath K R  
Peters M D\*  
Smith I G  
Hutchinson M N\*  
Davis K L\*  
Taylor L U  
Johnson L M  
Manning B C\*  
West C D (retired 31.12.11)

Kemper C M\*  
Hall A\* (appointed 07.05.12)  
Gillam S\* (appointed 07.05.12)  
Males G K (appointed 20.02.12)  
McLelland D (appointed 07.05.12)  
Richards J A (appointed 20.02.12)  
Van Weenan J\* (appointed 25.07.11)  
Williams S\* (appointed 07.05.12)  
Pullen F M (retired 31.12.11)



**Marine Parks Council of SA**

Grady M  
Ellis D C  
Burch L\*  
Dittmann S (appointed 21.07.11)  
James G (appointed 21.07.11)  
Kelly T (appointed 21.07.11)

Lewis R (appointed 21.07.11)  
Miller S (appointed 21.07.11)  
Riseley P (appointed 21.07.11)  
Warhurst K (appointed 21.07.11)  
Wright L (appointed 21.07.11)

**Scientific Working Group**

Cheshire A C  
Fairweather P  
Connell S D  
Gillanders B  
Kirkman H  
Moller L

Behergaray L  
Huveneers C\*  
Kinloch M A\*  
Shepherd S A\*  
Vandeleur H M  
Fernandes M\* (appointed 05.07.11)

**Natural Resources Management Council**

Bell W A  
Keynes J L  
Lewis F  
Wickes R B  
Ashby D C

Colbung K P\*  
Foster B J  
Inglis A R  
Milne T I

**Natural Resources Management Council - Aboriginal Statewide Advisory Committee**

Binnell M R  
Walker D (appointed 01.12.11)  
Colbung K P\* (appointed 01.12.11)  
Liddle L M\*  
Smith C L  
Chester J\*

Hartman T J\*  
Vickery F J  
Thomas K\* (appointed 01.12.11)  
Agius P (appointed 01.12.11)  
Sansbury T (appointed 02.03.12)

**YYP A Committee Coongie Lakes National Park**

Haynes J M (appointed 18.10.11)  
Allen C (retired 14.06.12)  
Nicholls F M (appointed 18.10.11)  
Axford G B\* (retired 14.06.12)

Linton V M\* (retired 14.06.12)  
Wilson D L\* (retired 14.06.12)  
Crimes A C\* (retired 14.02.12)  
Singleton R\* (retired 14.06.12)

**Pastoral Board**

Iwanicki I  
Lillecrapp D G  
Linton V M\*

Wickes R B  
Mills G (appointed 24.11.11)  
Mould J (appointed 24.11.11)

**Premier's Climate Change Council**

Carter B J  
Degaris R H  
Foster B J  
Gemmell J C\*  
Halsey N

Kelly T M W  
McMichael P A  
O'Brien J K  
Palutikof J P  
Sanders V J

\* Denotes government employees. In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

The number of members whose remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
\$0	68	58
\$1 - \$9 999	101	97
\$10 000 - \$19 999	1	1
\$20 000 - \$29 999	-	1
Total	<u>170</u>	<u>157</u>

Individuals may be members of more than one board, committee or group associated with the Department.

**33. Remuneration of board and committee members (continued)**

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 \$185 000 (\$140 000).

During the 2011-12 financial year, members of the Board were paid superannuation of \$11 000 (\$6000).

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

For the purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct out-of-pocket expenses incurred by relevant members.

**34. Events after the reporting period**

In October 2010, the Minister for Sustainability, Environment and Conservation announced a plan for the regional integration of South Australia's environment and natural resource management delivery. This encompassed the integration of DENR and all eight Natural Resource Management Boards (NRM Boards) across the State. Accordingly, all employees employed by the NRM Boards will transfer to Department of Environment, Water and Natural Resources (DEWNR) effective from 1 July 2012 and will be employed under Part 7 of the PSA.

Effective from 1 July 2012, DENR has been renamed to DEWNR. In addition, and as part of the machinery of government change, the Department for Water was abolished on 1 July 2012 and administrative responsibilities including all staff, have been transferred to DEWNR. Notification of this administrative restructure was announced in the 2012-13 budget papers released on 31 May 2012 and also published in The South Australian Government Gazette on 28 June 2012.

Accordingly, the above administrative changes have not been reflected in these financial statements.

**35. Financial instruments/Financial risk management**

***Categorisation of financial instruments***

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

	Note	2012		2011	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents	17	71 204	71 204	95 116	95 116
Receivables <sup>(1)(2)</sup>	18	21 804	21 804	11 118	11 118
Financial assets	21	3	3	3	3
<b>Financial liabilities</b>					
Payables <sup>(1)</sup>	24	27 124	27 124	22 522	22 522

<sup>(1)</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 (not materially different from amortised cost).

<sup>(2)</sup> 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.

***Fair value***

DENR does not recognise any financial assets or financial liabilities at fair value. Refer note 2 and notes relevant to financial assets and financial liabilities.

**Credit risk**

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

The carrying amount of financial assets represents DENR’s maximum exposure to credit risk.

No collateral is held as security and no credit enhancement relate to financial assets held by DENR.

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 18 for information on the allowance for impairment in relation to receivables.

**Ageing analysis of financial assets**

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

	Current	Past due by			Total
		Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	
<b>2012</b>					
Not impaired:	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	6 008	15 010	160	936	22 114
Financial assets	3	-	-	-	3
Impaired:					
Receivables	-	-	-	(310)	(310)
<b>2011</b>					
Not impaired:					
Receivables	9 647	357	91	1 098	11 193
Financial assets	3	-	-	-	3
Impaired:					
Receivables	-	-	-	(75)	(75)

**Maturity analysis of financial assets and liabilities**

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

	Contractual maturity		Carrying amount
	Less than 1 year	1-5 years	
<b>2012</b>			
Financial assets:	\$'000	\$'000	\$'000
Cash and cash equivalents	71 204	-	71 204
Receivables	21 804	-	21 804
Financial assets	-	3	3
Total financial assets	93 008	3	93 011
Financial liabilities:			
Payables	27 124	-	27 124
Total financial liabilities	27 124	-	27 124
<b>2011</b>			
Financial assets:			
Cash and cash equivalents	95 116	-	95 116
Receivables	11 118	-	11 118
Financial assets	-	3	3
Total financial assets	106 234	3	106 237
Financial liabilities:			
Payables	22 522	-	22 522
Total financial liabilities	22 522	-	22 522

**Liquidity risk**

Liquidity risk arises where DENR is unable to meet its financial obligations as they are due to be settled. DENR is funded principally from appropriations by the SA Government. DENR works with DTF to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. DENR settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

DENR's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

**Market risk**

DENR has no interest bearing liabilities as at the end of the reporting period. There is no exposure to foreign currency or other price risks.

**Sensitivity analysis**

A sensitivity analysis has not been undertaken for the interest rate risk of DENR as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

**36. South Australian Heritage Fund**

The South Australian Heritage Fund (formerly the State Heritage Fund) was established under the *Heritage Places Act 1993* to conserve places of heritage value. The revenues, expenses, assets, liabilities, changes in equity and cash flows of the Fund are disclosed below. It is noted that these amounts also form part of and are incorporated within the Department's financial statements. When incorporating these amounts into the Department's financial statements all transactions between the Fund and the Department have been eliminated.

*Statement of Comprehensive Income for the year ended 30 June 2012*

	2012	2011
	\$'000	\$'000
<b>Expenses:</b>		
Supplies and services	4	1
Grants and subsidies	250	239
<b>Total expenses</b>	<u>254</u>	<u>240</u>
<b>Income:</b>		
Grants and contributions	12	-
<b>Total income</b>	<u>12</u>	<u>-</u>
<b>Net cost of providing services</b>	<u>242</u>	<u>240</u>
<b>Revenues from SA Government</b>	<u>250</u>	<u>250</u>
<b>Net result</b>	<u>8</u>	<u>10</u>

*Statement of Financial Position as at 30 June 2012*

	2012	2011
	\$'000	\$'000
<b>Current assets:</b>		
Cash	437	343
<b>Total assets</b>	<u>437</u>	<u>343</u>
<b>Current liabilities:</b>		
Payables	86	-
<b>Total liabilities</b>	<u>86</u>	<u>-</u>
<b>Net assets</b>	<u>351</u>	<u>343</u>
<b>Equity:</b>		
Retained earnings	351	343
<b>Total equity</b>	<u>351</u>	<u>343</u>

**Statement of Changes in Equity for the year ended 30 June 2012**

	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010	333	333
Net result for 2010-11	10	10
Balance at 30 June 2011	343	343
Net result for 2011-12	8	8
<b>Balance at 30 June 2012</b>	<b>351</b>	<b>351</b>

**Statement of Cash Flows for the year ended 30 June 2012**

	2012 Inflows (Outflows) \$'000	2011 Inflows (Outflows) \$'000
<b>Cash flows from operating activities:</b>		
Cash outflows:		
Supplies and services	(4)	(1)
Grants and subsidies payments	(164)	(348)
<b>Cash used in operations</b>	<b>(168)</b>	<b>(349)</b>
Cash inflows:		
Grant and contributions receipt	12	-
<b>Cash generated from operations</b>	<b>12</b>	<b>-</b>
<b>Cash generated from SA Government</b>	<b>250</b>	<b>250</b>
<b>Net cash provided by (used in) operating activities</b>	<b>94</b>	<b>(99)</b>
<b>Cash at 1 July</b>	<b>343</b>	<b>442</b>
<b>Cash at 30 June</b>	<b>437</b>	<b>343</b>

**Statement of Administered Comprehensive Income  
for the year ended 30 June 2012**

	2012	2011
	\$'000	\$'000
<b>Expenses:</b>		
Employee benefits expenses	265	256
Board member expenses	166	150
Supplies and services	2 167	1 899
Grants and subsidies	48 490	50 609
Depreciation	2 218	2 313
Other expenses	1 647	52
<b>Total expenses</b>	<u>54 953</u>	<u>55 279</u>
<b>Income:</b>		
Revenues from fees and charges	4 153	3 546
Grants and contributions	33 312	26 909
Interest revenues	875	1 124
Resources received free of charge	1 914	3 347
Net gain from disposal of non-current assets	3 436	4 258
Other income	553	260
<b>Total income</b>	<u>44 243</u>	<u>39 444</u>
<b>Net cost of providing services</b>	<u>10 710</u>	<u>15 835</u>
<b>Revenues from (Payments to) SA Government:</b>		
Revenues from SA Government	14 504	14 998
Payments to SA Government	(4 021)	(5 137)
<b>Total revenues from (payments to) SA Government</b>	<u>10 483</u>	<u>9 861</u>
<b>Net result</b>	<u>(227)</u>	<u>(5 974)</u>
<b>Other comprehensive income:</b>		
Changes in property, plant and equipment revaluation surplus	(13 166)	13 269
<b>Total other comprehensive income</b>	<u>(13 166)</u>	<u>13 269</u>
<b>Total comprehensive result</b>	<u>(13 393)</u>	<u>7 295</u>

**Statement of Administered Financial Position  
as at 30 June 2012**

	2012	2011
	\$'000	\$'000
<b>Current assets:</b>		
Cash and cash equivalents	19 069	18 136
Receivables	2 544	2 124
Inventories	136	155
Other current assets	-	3
<b>Total current assets</b>	<u>21 749</u>	<u>20 418</u>
<b>Non-current assets:</b>		
Receivables	-	4
Property, plant and equipment	119 237	134 964
<b>Total non-current assets</b>	<u>119 237</u>	<u>134 968</u>
<b>Total assets</b>	<u>140 986</u>	<u>155 386</u>
<b>Current liabilities:</b>		
Payables	2 161	2 038
Board member benefits	1	-
Other current liabilities	168	911
<b>Total current liabilities</b>	<u>2 330</u>	<u>2 949</u>
<b>Total liabilities</b>	<u>2 330</u>	<u>2 949</u>
<b>Net assets</b>	<u>138 656</u>	<u>152 437</u>
<b>Equity:</b>		
Revaluation surplus	51 893	65 059
Retained earnings	86 763	87 378
<b>Total equity</b>	<u>138 656</u>	<u>152 437</u>

**Statement of Administered Changes in Equity  
for the year ended 30 June 2012**

	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010	51 875	42 427	94 302
Asset adjustment previously recognised:			
ARAMIS revisions	-	(19)	(19)
Net assets received from administrative restructure	-	51 167	51 167
Restated balance at 30 June 2010	<u>51 875</u>	<u>93 575</u>	<u>145 450</u>
Net result for 2010-11	-	(5 974)	(5 974)
Gain (Loss) on revaluation of property, plant and equipment	13 184	-	13 184
Total comprehensive result for 2010-11	<u>13 184</u>	<u>(5 974)</u>	<u>7 210</u>
Balance at 30 June 2011	<u>65 059</u>	<u>87 601</u>	<u>152 660</u>
Asset adjustments	-	(223)	(223)
Restated balance at 30 June 2011	<u>65 059</u>	<u>87 378</u>	<u>152 437</u>
Net result for 2011-12	-	(227)	(227)
Gain (Loss) on revaluation of property, plant and equipment	(13 166)	-	(13 166)
Total comprehensive result for 2011-12	<u>(13 166)</u>	<u>(227)</u>	<u>(13 393)</u>
Assets under \$10 000 written off	-	(388)	(388)
<b>Balance at 30 June 2012</b>	<u><u>51 893</u></u>	<u><u>86 763</u></u>	<u><u>138 656</u></u>



**Statement of Administered Cash Flows  
for the year ended 30 June 2012**

	2012	2011
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
<b>Cash flows from operating activities:</b>		
Cash outflows:		
Employee benefit payments	(273)	(228)
Board member remuneration payments	(165)	(150)
Payments for supplies and services	(2 651)	(4 400)
Payments of grants and subsidies	(48 615)	(49 734)
<b>Cash used in operations</b>	<b>(51 704)</b>	<b>(54 512)</b>
Cash inflows:		
Fees and charges	3 741	3 065
Receipts from grants and contributions	33 287	25 961
Interest received	896	1 131
Other receipts	553	260
<b>Cash generated from operations</b>	<b>38 477</b>	<b>30 417</b>
Cash flows from SA Government:		
Receipts from SA Government	14 504	14 998
Payments to SA Government	(4 021)	(5 137)
<b>Cash generated from SA Government</b>	<b>10 483</b>	<b>9 861</b>
<b>Net cash provided by (used in) operating activities</b>	<b>(2 744)</b>	<b>(14 234)</b>
<b>Cash flows from investing activities:</b>		
Cash outflows:		
Purchase of property, plant and equipment	-	(91)
<b>Cash provided by (used in) investing activities</b>	<b>-</b>	<b>(91)</b>
Cash inflows:		
Proceeds from sale of property, plant and equipment	3 677	4 596
<b>Cash generated from investing activities</b>	<b>3 677</b>	<b>4 596</b>
<b>Net cash provided by (used in) investing activities</b>	<b>3 677</b>	<b>4 505</b>
<b>Cash flows from financing activities:</b>		
Cash inflows:		
Cash received from restructuring activities	-	18 658
<b>Cash generated from finance activities</b>	<b>-</b>	<b>18 658</b>
<b>Net cash provided by (used in) financing activities</b>	<b>-</b>	<b>18 658</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>933</b>	<b>8 929</b>
<b>Cash and cash equivalents at 1 July</b>	<b>18 136</b>	<b>9 207</b>
<b>Cash and cash equivalents at 30 June</b>	<b>19 069</b>	<b>18 136</b>

**Schedule of Administered Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2012**

(Activities - refer note A1(a))	1		2		3		4	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefits expenses	-	-	-	-	-	-	265	256
Board member expenses	121	109	-	-	-	-	-	-
Supplies and services	534	495	114	374	-	-	-	-
Grants and subsidies	1 368	1 280	-	-	7 093	6 477	-	-
Depreciation	2 201	2 293	7	10	-	-	-	-
Other expenses	1 647	52	-	-	-	-	-	-
<b>Total expenses</b>	<b>5 871</b>	<b>4 229</b>	<b>121</b>	<b>384</b>	<b>7 093</b>	<b>6 477</b>	<b>265</b>	<b>256</b>
<b>Income:</b>								
Revenues from fees and charges	1 190	964	-	-	-	-	-	-
Grants and contributions	206	119	-	-	-	-	-	-
Interest revenues	147	169	-	-	-	-	-	-
Resources received free of charge	1 914	2 287	-	1 060	-	-	-	-
Net gain from disposal of non-current assets	-	-	3 436	4 258	-	-	-	-
Other income	546	258	6	2	-	-	-	-
<b>Total income</b>	<b>4 003</b>	<b>3 797</b>	<b>3 442</b>	<b>5 320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cost of (surplus from) providing services</b>	<b>1 868</b>	<b>432</b>	<b>(3 321)</b>	<b>(4 936)</b>	<b>7 093</b>	<b>6 477</b>	<b>265</b>	<b>256</b>
<b>Revenues from (Payments to) SA Government:</b>								
Revenues from SA Government	-	-	-	-	7 413	6 478	273	228
Payments to SA Government	-	-	(4 021)	(5 137)	-	-	-	-
<b>Net revenues from SA Government</b>	<b>-</b>	<b>-</b>	<b>(4 021)</b>	<b>(5 137)</b>	<b>7 413</b>	<b>6 478</b>	<b>273</b>	<b>228</b>
<b>Net result</b>	<b>(1 868)</b>	<b>(432)</b>	<b>(700)</b>	<b>(201)</b>	<b>320</b>	<b>1</b>	<b>8</b>	<b>(28)</b>
<b>Other comprehensive income:</b>								
Changes in property, plant and equipment revaluation surplus	(14 578)	-	1 412	2 090	-	-	-	-
<b>Total other comprehensive income</b>	<b>(14 578)</b>	<b>-</b>	<b>1 412</b>	<b>2 090</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>(16 446)</b>	<b>(432)</b>	<b>712</b>	<b>1 889</b>	<b>320</b>	<b>1</b>	<b>8</b>	<b>(28)</b>

- |   |   |
|---|---|
| 1. Board of the Botanic Gardens and State Herbarium | 7. Caring for our Country                               |
| 2. Crown lands                                      | 8. Natural Heritage Trust                               |
| 3. Minister's other payments                        | 9. NRM Fund   |
| 4. Special Acts allocations                         | 10. Native Vegetation Fund                              |
| 5. Dog and Cat Management Board                     | 11. Pastoral Board                                      |
| 6. Coast Protection Board                           | 12. National Action Plan for Salinity and Water Quality |

**Schedule of Administered Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2012 (continued)**

(Activities - refer note A1(a))	5		6		7	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefits expenses	-	-	-	-	-	-
Board member expenses	30	32	15	9	-	-
Supplies and services	1 126	751	60	110	-	-
Grants and subsidies	119	160	415	336	19 093	17 346
Depreciation	10	10	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>1 285</b>	<b>953</b>	<b>490</b>	<b>455</b>	<b>19 093</b>	<b>17 346</b>
<b>Income:</b>						
Revenues from fees and charges	1 250	1 146	18	21	-	-
Grants and contributions	-	-	-	-	22 365	17 671
Interest revenues	58	45	-	-	163	62
Resources received free of charge	-	-	-	-	-	-
Net gain from disposal of non-current assets	-	-	-	-	-	-
Other income	-	-	1	-	-	-
<b>Total income</b>	<b>1 308</b>	<b>1 191</b>	<b>19</b>	<b>21</b>	<b>22 528</b>	<b>17 733</b>
<b>Net cost of (surplus from) providing services</b>	<b>(23)</b>	<b>(238)</b>	<b>471</b>	<b>434</b>	<b>(3 435)</b>	<b>(387)</b>
<b>Revenues from (Payments to) SA Government:</b>						
Revenues from SA Government	-	-	512	518	-	-
Payments to SA Government	-	-	-	-	-	-
<b>Net revenues from SA Government</b>	<b>-</b>	<b>-</b>	<b>512</b>	<b>518</b>	<b>-</b>	<b>-</b>
<b>Net result</b>	<b>23</b>	<b>238</b>	<b>41</b>	<b>84</b>	<b>3 435</b>	<b>387</b>
<b>Other comprehensive income:</b>						
Changes in property, plant and equipment revaluation surplus	-	-	-	657	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>657</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>23</b>	<b>238</b>	<b>41</b>	<b>741</b>	<b>3 435</b>	<b>387</b>

1. Board of the Botanic Gardens and State Herbarium
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6. Coast Protection Board

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9. NRM Fund
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**Schedule of Administered Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2012 (continued)**

(Activities - refer note A1(a))	8		9		10	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefits expenses	-	-	-	-	-	-
Board member expenses	-	-	-	-	-	-
Supplies and services	-	-	-	17	333	152
Grants and subsidies	1 100	904	15 137	13 804	2 563	2 917
Depreciation	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>1 100</b>	<b>904</b>	<b>15 137</b>	<b>13 821</b>	<b>2 896</b>	<b>3 069</b>
<b>Income:</b>						
Revenues from fees and charges	-	-	-	-	1 695	1 415
Grants and contributions	-	183	10 528	8 924	-	-
Interest revenues	10	52	82	77	314	355
Resources received free of charge	-	-	-	-	-	-
Net gain from disposal of non-current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
<b>Total income</b>	<b>10</b>	<b>235</b>	<b>10 610</b>	<b>9 001</b>	<b>2 009</b>	<b>1 770</b>
<b>Net cost of (surplus from) providing services</b>	<b>1 090</b>	<b>669</b>	<b>4 527</b>	<b>4 820</b>	<b>887</b>	<b>1 299</b>
<b>Revenues from (Payments to) SA Government:</b>						
Revenues from SA Government	-	-	4 611	4 886	980	956
Payments to SA Government	-	-	-	-	-	-
<b>Net revenues from SA Government</b>	<b>-</b>	<b>-</b>	<b>4 611</b>	<b>4 886</b>	<b>980</b>	<b>956</b>
<b>Net result</b>	<b>(1 090)</b>	<b>(669)</b>	<b>84</b>	<b>66</b>	<b>93</b>	<b>(343)</b>
<b>Other comprehensive income:</b>						
Changes in property, plant and equipment revaluation surplus	-	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>(1 090)</b>	<b>(669)</b>	<b>84</b>	<b>66</b>	<b>93</b>	<b>(343)</b>

1. Board of the Botanic Gardens and State Herbarium
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**Schedule of Administered Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2012 (continued)**

(Activities - refer note A1(a))	11		12		Total	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefits expenses	-	-	-	-	265	256
Board member expenses	-	-	-	-	166	150
Supplies and services	-	-	-	-	2 167	1 899
Grants and subsidies	-	-	1 602	7 385	48 490	50 609
Depreciation	-	-	-	-	2 218	2 313
Other expenses	-	-	-	-	1 647	52
<b>Total expenses</b>	-	-	1 602	7 385	54 953	55 279
<b>Income:</b>						
Revenues from fees and charges	-	-	-	-	4 153	3 546
Grants and contributions	-	-	213	12	33 312	26 909
Interest revenues	-	-	101	364	875	1 124
Resources received free of charge	-	-	-	-	1 914	3 347
Net gain from disposal of non-current assets	-	-	-	-	3 436	4 258
Other income	-	-	-	-	553	260
<b>Total income</b>	-	-	314	376	44 243	39 444
<b>Net cost of (surplus from) providing services</b>	-	-	1 288	7 009	10 710	15 835
<b>Revenues from (Payments to) SA Government:</b>						
Revenues from SA Government	15	13	700	1 919	14 504	14 998
Payments to SA Government	-	-	-	-	(4 021)	(5 137)
<b>Net revenues from SA Government</b>	15	13	700	1 919	10 483	9 861
<b>Net result</b>	15	13	(588)	(5 090)	(227)	(5 974)
<b>Other comprehensive income:</b>						
Changes in property, plant and equipment revaluation surplus	-	10 522	-	-	(13 166)	13 269
<b>Total other comprehensive income</b>	-	10 522	-	-	(13 166)	13 269
<b>Total comprehensive income</b>	15	10 535	(588)	(5 090)	(13 393)	7 295

1. Board of the Botanic Gardens and State Herbarium
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## Notes to and forming part of the administered financial statements

### A1. Administered items of the Department of Environment and Natural Resources (DENR or the Department)

#### (a) Reporting entities and strategic context

The activities of the administered items are:

##### *Board of the Botanic Gardens and State Herbarium*

The Board of the Botanic Gardens and State Herbarium (the Board) was established under section 6 of the *Botanic Gardens and State Herbarium Act 1978* to ensure the maintenance and development of South Australia's Botanic Gardens and State Herbarium and to provide advice on relevant policies consistent with the provisions of the *Botanic Gardens and State Herbarium Act 1978* and with the objectives of the Minister for 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 DTF's Consolidated Account.

##### *Minister's other payments*

Grants and subsidies payments of \$7.093 million (\$6.477 million) approved by the Minister for Environment and Conservation were made to community organisations, associations and local government. This includes grants made to Zoo SA \$5.7 million (\$5.126 million), Adelaide City Council \$1.385 million (\$1.343 million) and other organisations \$8000 (\$8000).

##### *Special Acts allocation*

This item comprises salary and allowance payments for the Minister for Environment and Conservation.

##### *Dog and Cat Management Board*

The Dog and Cat Management Board was established under the *Dog and Cat Management Act 1995* to plan for, promote and provide advice about the effective management of dogs and cats throughout South Australia, and oversee the administration and enforcement of the provisions of the *Dog and Cat Management Act 1995*.

The financial activities of the Dog and Cat Management Board are administered through the Dog and Cat Management Fund in accordance with the *Dog and Cat Management Act 1995*.

All activities and functions of the Dog and Cat Management Board are performed by DENR employees.

##### *Coast Protection Board*

The Coast Protection Board was established under the *Coast Protection Act 1972* to manage, maintain, develop and improve coast facilities that are vested in, or are under the care, control and management of the Coast Protection Board.

The financial activities of the Coast Protection Board are administered through the Coast Protection Fund in accordance with the *Coast Protection Act 1972*.

All activities and functions of the Coast Protection Board are performed by DENR employees.

### *Caring for our Country*

The Caring for our Country Program is administered by the Commonwealth and South Australia Governments pursuant to clause 19(2) of the *Natural Heritage Trust of Australia Act 1997* (Commonwealth) and section 5 of the *Natural Resources Management (Financial Assistance) Act 1992* (Commonwealth).

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 NRMA. The Minister for Environment and Conservation (the Minister) administers the NRM Fund and may apply any part of the NRM Fund in making payments to the regional NRM Boards; in paying subsidies or making grants or other payments to NRM authorities or other persons or bodies for the purposes of the NRMA. This may also include making any payment required, or authorised by or under the NRMA or any other law. The balance of the NRM Fund at 30 June was \$346 000 (\$268 000).

### *NRM Boards*

The NRM Boards were established pursuant to section 23(1) of the NRMA. The Department administers various revenues and expenses on account of the NRM Boards.

Specific provisions of the NRMA require that the following revenues be paid into the NRM Fund prior to being applied for the purposes of the NRMA:

- government appropriations (controlled and administered allocated in respect of the regional NRM Boards)
- water levies
- penalties relating to water levies
- expiation fees and other penalties.

The raising and collection of water levies, penalties and expiation fees are undertaken by the Department for Water. These funds are paid to DENR to administer through the NRM Fund.

(i) *Government appropriations*

The Department receives recurrent funding, which is administered through the NRM Fund and provided to regional NRM Boards to support business operations and the administration of the NRMA.

	2012	2011
<b>Regional NRM Board</b>	\$'000	\$'000
Alinytjara Wilurara NRM Board	772	740
Eyre Peninsula NRM Board	667	640
Kangaroo Island NRM Board	584	560
Northern and Yorke NRM Board	511	490
South Australian Arid Lands NRM Board	1 042	1 000
SA Murray-Darling Basin NRM Board	-	100
South East NRM Board	335	321
	<u>3 911</u>	<u>3 851</u>

(ii) *Water levies*

Water levies are collected for prescribed water resources under section 101 of the NRMA. The levies are subsequently paid to the regional NRM Boards pursuant to section 116(1)(a)(ii)(A) of the NRMA.

(iii) *Penalties*

Penalties declared in relation to the unauthorised or unlawful taking or use of water were raised pursuant to section 115 of the NRMA.

(iv) *Reimbursement of payroll tax*

NRM Boards are compensated for the anticipated payroll tax expense they incur, with provision having been made in the administered items of the Department's budget. An appropriation of \$700 000 (\$1.035 million) was received to fund the payroll tax expenses of the NRM Boards for 2011-12.

(v) *Expiation fees and other penalties*

Expiation fees and penalties are recovered in respect of offences against the NRMA (eg for unlawful possession of animals or plants). Unlike penalties declared under section 115 of the NRMA, they are not required to be paid to regional NRM Boards.

*Native Vegetation Fund*

The Native Vegetation Fund is established under section 21 of the *Native Vegetation Act 1991*. The Native Vegetation Fund is applied in achieving the following objectives:

- (a) the conservation, protection and enhancement of the native vegetation of the State and, in particular, remnant native vegetation
- (b) the provision of incentives and assistance to landowners to encourage the commonly held desire of landowners to preserve, enhance and properly manage the native vegetation on their land
- (c) the limitation of the clearance of native vegetation to circumstances in which the clearance will facilitate the management of other native vegetation or will facilitate the sustainable use of land for primary production
- (d) the encouragement of research into the preservation, enhancement and management of native vegetation
- (e) the encouragement of the re-establishment of native vegetation in those parts of the State where native vegetation has been cleared or degraded.

All activities and functions associated with the fund are performed by DENR employees.

*Pastoral Board*

The Pastoral Board is responsible for the administration of the *Pastoral Land Management and Conservation Act 1989*. The Pastoral Board provides advice to the Minister for Environment and Conservation on the policies that should govern the administration of pastoral land.

*National Action Plan for Salinity and Water Quality (NAP)*

The NAP is a bilateral agreement between the Commonwealth and SA Governments signed in 2001 providing funds to address issues associated with salinity and water quality in priority regions in South Australia. The Commonwealth and the SA Governments make progressive contributions to a single holding account.



*National Action Plan for Salinity and Water Quality (NAP) (continued)*

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.

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 NRM Board competitive projects approved under the Caring for our Country Program in accordance with clause 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.

**(b) Administered items financial arrangements**

The financial activities of the administered items are conducted through a number of deposit accounts with DTF pursuant to the PFAA. The financial activities of administered items that do not have their own deposit account are conducted through the Department's deposit account.

The Department conducts a large number of activities directed towards meeting the administered items objectives and responsibilities as specified in the legislation and/or other authoritative documentation that establishes the administered items. Many of the administered items, in accordance with the Acts, have delegated certain functions to officers within the Department who provide technical and administrative support including the use of plant and equipment, office accommodation and various administrative services. The cost of the services provided that can be identified with the activities of the administered items and can be measured reliably are met by the administered items. Other support services that are not identifiable and/or cannot be measured reliably are provided free of charge and have not been recognised in the administered financial statements.

**(c) Administered items summary of significant accounting policies**

The administered financial statements detail the sum of the individual administered items revenues, expenses, assets, liabilities, changes in equity and cash flows. As such the principles of consolidation have not been applied in preparing the financial statements as the definition of an economic entity has not been satisfied. Accordingly, transactions between the individual administered items have not been eliminated.

In general, the administered items adopt the accounting policies of the Department, as detailed in note 2 of the Department's financial statements. Deviations from these policies are as follows:

*Property, plant and equipment*

Administered property, plant and equipment includes the Crown's interest in land leased to third parties under perpetual and other leases and annual licenses. However limitations exist on the reliability of the base information used to determine the valuation of this land.

The Department is also custodian of unallotted Crown land, by virtue of its responsibilities under the *Crown Land Management Act 2009*. This land is considered to be an administered asset. Unallotted Crown land is not included in the Statement of Administered Financial Position as the Department has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings.

Total property, plant and equipment as disclosed in the Statement of Administered Financial Position consists of assets belonging to the Botanic Gardens and State Herbarium \$42.487 million (\$59.594 million), Crown lands \$28.041 million (\$26.877 million), Dog and Cat Management Board \$123 000 (\$133 000), 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 for Transport, Energy and Infrastructure. Rentals and unimproved values for the period 1 November 2009 to 31 October 2010 were determined with regards to:

- *Pastoral land revaluation (continued)*
  - the most recent land type classifications and associated information
  - carrying capacities
  - property sales and price movements within the pastoral industry
  - prevailing market conditions
  - climatic conditions
  - property locations
  - access to markets.

*Employee benefits*

In general, administered items utilise the services of contractors or DENR employees rather than recruiting and appointing employees in their own right. In the majority of cases, the services provided by DENR employees are provided free of charge. If, however, the services provided by DENR employees are directly attributable to the activities of an administered item and can be reliably measured, the services are charged to the administered item on a fee-for-service (cost recovery) basis. The liability for employee benefits arising from services rendered by DENR employees is not recognised in the administered financial statements as DENR is obligated to pay employees for services provided. Accordingly, employee benefits are recognised in DENR's financial statements.

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

The net gain from disposal of non-current assets is determined by comparing proceeds with carrying amount. Given a suitable methodology for determining a reliable measure of the value of unallotted Crown land has not been identified, the carrying amount of all unallotted Crown land sold is nil.

# 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 31 to the financial statements outlines 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 administrative unit, refer note 1(a) 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 2011-12, areas of review included:

- waste levies revenue
- licence fee revenue
- accounts payable
- payroll
- 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 Environment Protection Authority as at 30 June 2012, 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 a management letter to the Chief Executive of the EPA. The EPA's response indicated that appropriate action would be taken to address the matters raised. The following outlines the notable matters that were raised with the EPA.

#### **Timely update of policies and procedures**

EPA Internal Office Procedure (IOP) 001 'Guideline for the preparation of an internal office policy or procedure for the EPA' requires the review of each policy and procedure every 12 months. Audit observed a number of instances where the review of policies and procedures had not occurred and a register to track the review dates for policies and procedures had not been established.

EPA responded that in the lead up to introducing a new intranet and file management system, iShare, it would review all IOPs and the requirements of IOP 001 and determine the most relevant review requirements for EPA policies and procedures. iShare will provide added opportunities to better manage and monitor the review and updating of IOPs.

**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. EPA has developed licence management plans as a tool to manage site risks.

The audit identified that:

- there was no procedure or specific guidance about how and when to review a licence management plan
- there was not a consistent approach to maintaining and evidencing the review of licence management plans
- three licence management plans out of a sample selected for review could not be provided at the time of audit.

EPA responded that licence management plans are one tool the EPA uses to manage licensed sites and ensure compliance with licence conditions. EPA will ensure that high risk, more complex licences have licence management plans in place as a matter of priority and that all licences will have a licence management plan in place by 2014.

EPA is moving towards standardising the management and recording of licence management plans through the Licensing Administration and Modernisation Project (LAMP). LAMP will provide an enhanced database for management monitoring and reporting across EPA on a variety of licence related information. As part of its functionality LAMP will standardise reporting on licence management plans.

**Interpretation and analysis of the financial report**

**Highlights of the financial report**

	2012	2011
	\$'million	\$'million
<b>Expenses</b>		
Employee benefits expenses	21.7	20.0
Grants and subsidies	19.1	13.2
Other expenses	8.9	8.1
<b>Total expenses</b>	<b>49.7</b>	<b>41.3</b>
<b>Income</b>		
Fees and charges	53.1	37.4
Other revenues	1.9	2.0
<b>Total income</b>	<b>55.0</b>	<b>39.4</b>
<b>Net cost of providing services</b>	<b>(5.3)</b>	<b>1.9</b>
<b>Revenues from SA Government</b>	<b>0.7</b>	<b>2.4</b>
<b>Net result</b>	<b>(6.0)</b>	<b>0.5</b>

	2012 \$'million	2011 \$'million
<b>Net cash provided by (used in) operating activities</b>	5.1	1.7
<b>Assets</b>		
Current assets	24.8	12.6
Non-current assets	6.6	6.8
<b>Total assets</b>	31.4	19.4
<b>Liabilities</b>		
Current liabilities	3.2	3.3
Non-current liabilities	5.4	4.5
<b>Total liabilities</b>	8.6	7.8
<b>Total equity</b>	22.8	11.6

**Statement of Comprehensive Income**

**Expenses**

Total expenses increased by \$8.4 million (20.3%). This was due mainly to the increase in solid waste levies collected and the subsequent transfer of a component of those levies to Zero Waste SA as per section 113 of the EP Act. Refer note 8 to the financial statements.

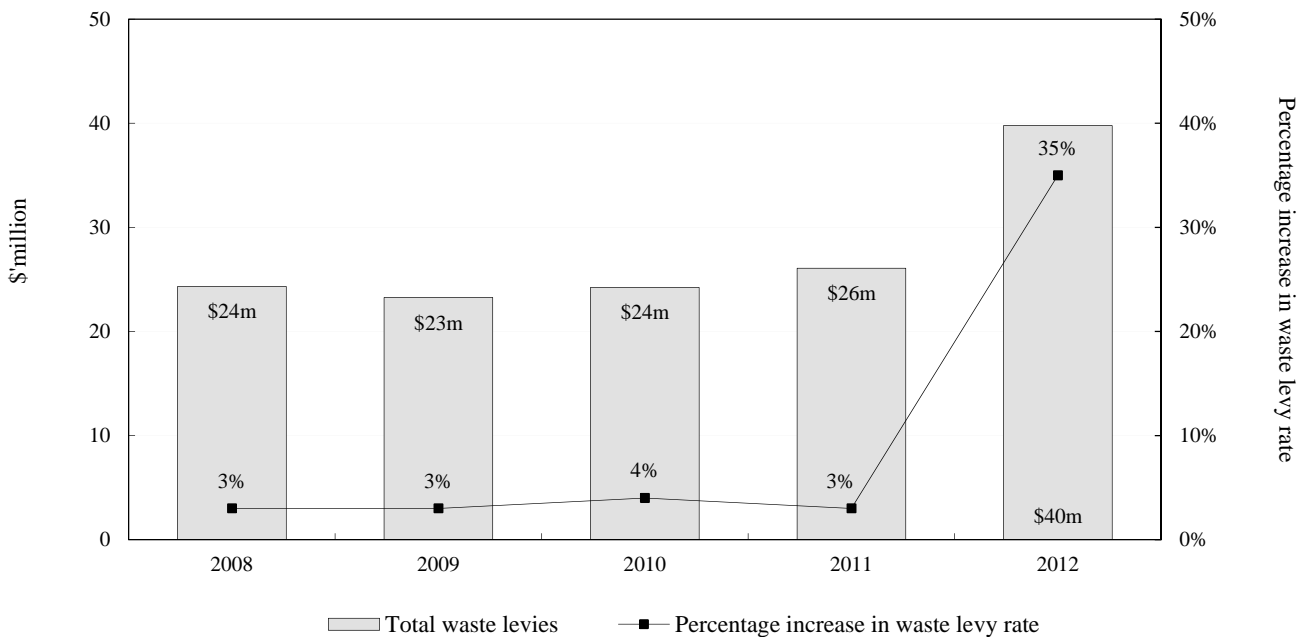
**Income**

Total income increased by \$15.6 million (39.6%). This was due primarily to the increase in waste levies of \$13.7 million within fees and charges. Waste levies increased as a result of:

- increases in waste levy rates effective from 1 July 2011
- increases in the tonnages processed by waste depots during 2011-12.

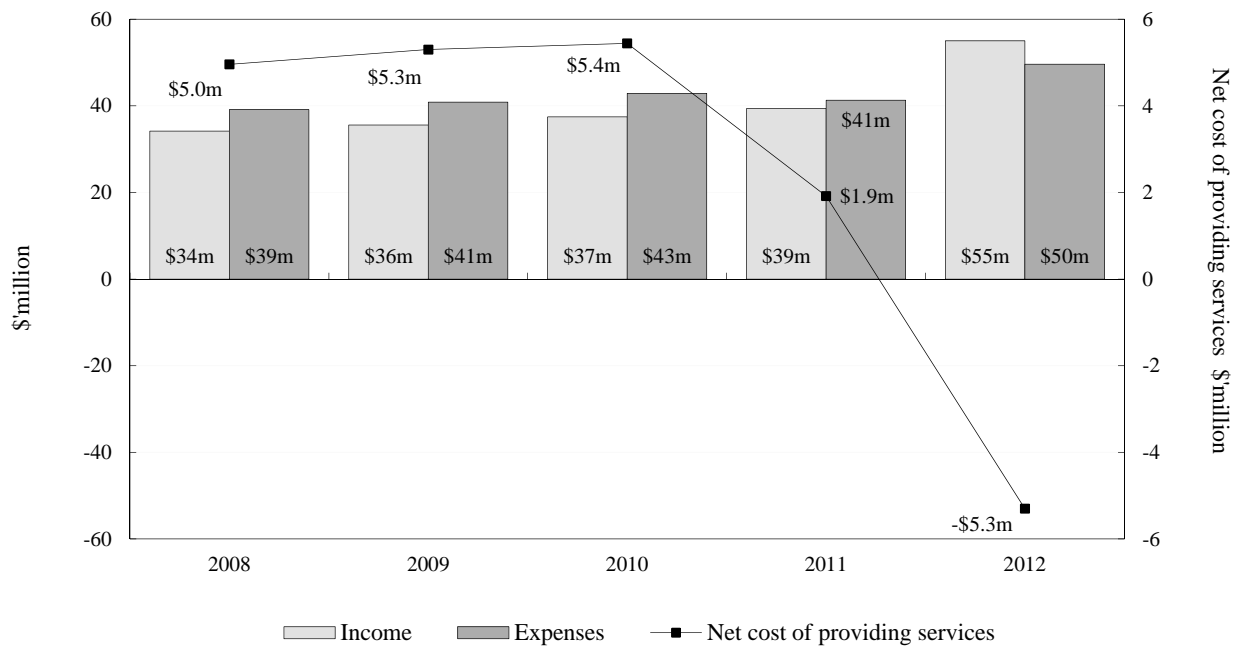
In 2012 fees and charges collected for waste levies increased by 52% to \$39.8 million (\$26 million).

The following chart shows the amounts collected from waste levies over the five years to 2012, including the significant increase in the amount collected in 2012.



**Net cost of providing services**

The following chart shows the income, expenses and net cost of providing services for the five years to 2012.



The decrease in the net cost of providing services in 2012 is due to the increase in fees and charges resulting in a net benefit of \$5.3 million in providing services.

**Statement of Financial Position**

**Current assets – cash**

This item, \$19 million (\$9.4 million), represents 76% (75%) of total current assets and 61% (48%) of total assets. Cash includes the Environment Protection Fund Deposit Account of \$6.7 million (35%). This is further discussed below under Statement of Cash Flows.

**Non-current assets – property, plant and equipment**

In 2012 this item makes up 18% (31%) of total assets. Furniture and fittings is the dominant item of property, plant and equipment. Furniture and fittings includes leasehold improvements made to EPA premises in Victoria Square, Adelaide. Note 19 to the financial statements provides further details on this item and amounts.

**Non-current liabilities – other liabilities**

EPA is required to use 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 5.25% in 2011 to 3% in 2012.

This significant decrease in the bond yield has resulted in an increase in the LSL liability of \$430 000.

**Statement of Cash Flows**

The following table summarises the net cash flows since 2009.

	2012 \$'million	2011 \$'million	2010 \$'million	2009 \$'million
<b>Net cash flows</b>				
Operating	5.1	1.7	4.0	(0.4)
Investing	(0.7)	(0.8)	(0.7)	(4.7)
Financing	5.2	0.1	-	3.1
Change in cash	9.6	1.0	3.3	(2.0)
Cash at 30 June	19.0	9.4	8.4	5.1

EPA's cash at 30 June 2012 comprises an EPA operating account (\$12.3 million) and the EPF (\$6.7 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.

**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 a significant increase in solid waste levy rates from 1 July 2011. In order to comply with section 17 of the *Zero Waste SA Act 2004* the EPA is required 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 \$18.6 million (\$12.6 million) to the Waste to Resources Fund during the year. This transfer is reflected within grants and subsidies.

The balance of the Waste to Resources Fund at 30 June 2012 is \$33.9 million.

**Licensing Administration Modernisation Project**

The EPA currently uses the Integrated Information System (IIS) for revenue collection, waste levy auditing and waste tracking. In 2011-12, IIS collected approximately \$50 million in revenue and managed approximately 2300 environmental licences, exemptions and works approval.

IIS was developed and implemented in 1997 as a document and records management system. The design and technologies used by IIS are outdated and require replacement to meet the current workflow and management reporting of the EPA.

In January 2012, the EPA tendered for a replacement to IIS called the Licensing Administration Modernisation Project (LAMP). This new software product will be a web-based product that enhances the revenue collection and licence administration features of IIS. In July 2012, EPA entered into an agreement with Open Office Pty Ltd for the development and implementation of LAMP. The total cost for the development and implementation of LAMP is \$654 000 with \$594 000 to be spent in 2012-13.



**Statement of Comprehensive Income  
for the year ended 30 June 2012**

	Note	2012 \$'000	2011 \$'000
<b>Expenses:</b>			
Employee benefits expenses	5	21 795	19 953
Supplies and services	6	7 225	6 925
Depreciation and amortisation	7	989	940
Grants and subsidies	8	19 075	13 210
Net loss (gain) from the disposal on non-current assets	9	2	(8)
Other expenses	10	652	270
<b>Total expenses</b>		49 738	41 290
<b>Income:</b>			
Fees and charges	12	53 120	37 398
Grants and contributions	13	1 583	1 696
Interest revenue	14	259	232
Other income	15	34	58
<b>Total income</b>		54 996	39 384
<b>Net cost of providing services</b>		(5 258)	1 906
<b>Revenues from SA Government:</b>			
Revenues from SA Government	16	724	2 404
<b>Total revenues from SA Government</b>		724	2 404
<b>Net result</b>		5 982	498
<b>Total comprehensive result</b>		5 982	498

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

**Statement of Financial Position  
as at 30 June 2012**

	Note	2012 \$'000	2011 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	17	19 031	9 374
Receivables	18	5 796	3 188
<b>Total current assets</b>		24 827	12 562
<b>Non-current assets:</b>			
Receivables	18	6	3
Property, plant and equipment	19	5 813	5 987
Intangible assets	20	727	832
<b>Total non-current assets</b>		6 546	6 822
<b>Total assets</b>		31 373	19 384
<b>Current liabilities:</b>			
Payables	21	1 515	1 375
Employee benefits	22	1 637	1 652
Provisions	23	52	33
Other liabilities	24	56	221
<b>Total current liabilities</b>		3 260	3 281
<b>Non-current liabilities:</b>			
Payables	21	400	277
Employee benefits	22	4 076	3 385
Provisions	23	155	113
Other liabilities	24	711	778
<b>Total non-current liabilities</b>		5 342	4 553
<b>Total liabilities</b>		8 602	7 834
<b>Net assets</b>		22 771	11 550
<b>Equity:</b>			
Contributed capital		8 434	3 195
Revaluation surplus		437	437
Retained earnings		13 900	7 918
<b>Total equity</b>		22 771	11 550

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	25
Contingent assets and liabilities	26

**Statement of Changes in Equity  
for the year ended 30 June 2012**

	Contributed capital \$'000	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2010	3 087	263	7 420	10 770
Gain on revaluation of land, buildings and infrastructure	-	174	-	174
Restated balance at 1 July 2010	3 087	437	7 420	10 944
Net result for 2010-11	-	-	498	498
Total comprehensive result for 2010-11	-	-	498	498
Transactions with SA Government as owner:				
Equity contribution received	108	-	-	108
Balance at 30 June 2011	3 195	437	7 918	11 550
Net result for 2011-12	-	-	5 982	5 982
Total comprehensive result for 2011-12	-	-	5 982	5 982
Transactions with SA Government as owner:				
Equity contribution received	5 239	-	-	5 239
<b>Balance at 30 June 2012</b>	<b>8 434</b>	<b>437</b>	<b>13 900</b>	<b>22 771</b>

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

## Statement of Cash Flows for the year ended 30 June 2012

		2012	2011
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		(20 933)	(20 121)
Payments for supplies and services		(6 558)	(6 794)
Payments of grants and subsidies		(19 075)	(13 210)
Other payments		(131)	(220)
<b>Cash used in operations</b>		<u>(46 697)</u>	<u>(40 345)</u>
Cash inflows:			
Fees and charges		49 227	37 619
Grant and contribution receipts		1 583	1 696
Interest received		259	226
Other receipts		34	58
<b>Cash generated from operations</b>		<u>51 103</u>	<u>39 599</u>
Cash flows from SA Government:			
Receipts from SA Government		724	2 404
<b>Cash generated from SA Government</b>		<u>724</u>	<u>2 404</u>
<b>Net cash provided by (used in) operating activities</b>	28	<u>5 130</u>	<u>1 658</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of property, plant and equipment		(710)	(787)
Loss on sale of property, plant and equipment		(2)	-
<b>Cash used in investing activities</b>		<u>(712)</u>	<u>(787)</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(712)</u>	<u>(787)</u>
<b>Cash flows from financing activities:</b>			
Cash inflows:			
Capital contributions from government		5 239	108
<b>Cash generated from financing activities</b>		<u>5 239</u>	<u>108</u>
<b>Net cash provided by (used in) financing activities</b>		<u>5 239</u>	<u>108</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>9 657</u>	<u>979</u>
<b>Cash and cash equivalents at 1 July</b>		<u>9 374</u>	<u>8 395</u>
<b>Cash and cash equivalents at 30 June</b>	17	<u>19 031</u>	<u>9 374</u>

### Notes to and forming part of the financial statements

#### 1. Objectives of the Environment Protection Authority (the Authority)

##### (a) Reporting entity

The Authority reporting entity includes the following:

- the 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*.

**(a) Reporting entity (continued)**

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 32. 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 31.

**(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 and Natural Resources (DENR) 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 DENR 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 22 December 2011 between DENR and the Authority relating to the provision of these services.

The statutory 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 license fees
- fines and penalties
- section 7 enquiries.

The financial activities of the Authority are primarily conducted through deposit accounts with DTF pursuant to sections 8 and 21 of the PFAA. The deposit accounts are used for funds provided by Parliamentary appropriation together with revenues from services provided and from fees and charges.

## 2. Summary of significant accounting policies

### (a) *Statement of compliance*

The 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 2012.

### (b) *Basis of preparation*

The preparation of the financial statements requires:

- the use of certain accounting estimates and management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- the selection and application of accounting policies in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, 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 2012 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 accounting standards 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.

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, DENR is liable for the payments and entitled to the receipts associated with GST. Therefore, the Authority's net GST receivable/payable is recorded in DENR's Statement of Financial Position. GST cash flows applicable to the Authority are recorded in DENR's Statement of Cash Flows.

**(f) Events after balance date**

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

**Income**

The following are specific recognition criteria:

*Fees and charges*

Environmental authorisation fees received under the *Environment Protection Act 1993* are recognised as revenue when invoiced. All other license 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).

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 an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Authority and the appropriation is recorded as contributed equity. The Authority received a \$5.239 million equity contribution in 2011-12.

*Net gain (loss) on non-current assets*

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

*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/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	3-12
Infrastructure	5-50
Plant and equipment	3-30
Moveable vehicles	10-25
Furniture and fittings	10-15
Buildings and improvements	30-50
Other	7-10

*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.

**(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 accounts 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 includes 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 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.

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 written down current cost (a proxy for fair value).

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

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.

Land, buildings and infrastructure  
 1 July 2009, Valcorp Australia Pty Ltd  
 Mr N Zwaans, BBus(Property) GAPI  
 Mr F Taormina, BAppSc(Val), AAPI

Fair value 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.

- *Assets deemed to be at fair value*  
APF III states that revaluation of a non-current asset is required only when its fair value at the time of acquisition is greater than \$1 million and its estimated useful life is greater than three years.

Asset classes that did not satisfy this criteria and are therefore deemed to be at fair value are:

- moveable vehicles
  - computing equipment
  - application software
  - furniture and fittings
  - plant and equipment.
- *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.

#### (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 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 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.

*Payables (continued)*

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

The Authority makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at 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.

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

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

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

- *LSL*  
The liability for LSL is recognised for all full-time and part-time employees of the Authority at reporting date. An actuarial assessment of LSL undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Authority's experience of employee retention and leave taken.

*Provisions*

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

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

*Provisions (continued)*

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 2012 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 2011-12.

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 2012. 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 is funded by appropriation and 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**

	2012	2011
	\$'000	\$'000
Salaries and wages	15 111	14 653
TVSPs (refer below)	348	-
LSL	1 249	601
Annual leave	1 447	1 428
Employment on-costs - superannuation	1 907	1 730
Employment on-costs - other	983	921
Boards and committee fees	160	150
Workers compensation	103	37
Other employment related expenses	487	433
Total employee benefits expenses	21 795	19 953

**TVSPs**

Amount paid to these employees:

TVSPs	348	-
Annual leave and LSL paid during the reporting period	124	-
Total	472	-
Recovery from DTF	352	-
Net cost to the Authority	120	-

The number of employees who received a TVSP during the reporting period was 2 (0).

**Employee remuneration**

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

	2012 Number	2011 Number
\$134 000 - \$143 999	1	2
\$164 000 - \$173 999	1	2
\$184 000 - \$193 999	-	1
\$194 000 - \$203 999	1	1
\$204 000 - \$213 999	1	-
\$214 000 - \$223 999	1	-
\$294 000 - \$303 999	-	1
<b>Total</b>	<b>5</b>	<b>7</b>

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 \$939 000 (\$1.291 million).

**6. Supplies and services**

	2012 \$'000	2011 \$'000
Accommodation and property management expenses	2 199	2 046
Consultants	16	17
Contractors	470	402
Fee for service	456	364
General administration	847	1 029
Information technology and communication expenses	648	631
Minor works, maintenance and equipment	444	396
Monitoring fees	298	576
Scientific and technical services	686	495
Transportation	144	137
Travel and accommodation	344	205
Vehicle and aircraft	384	478
Other	289	149
<b>Total supplies and services</b>	<b>7 225</b>	<b>6 925</b>
Supplies and services provided by entities within the SA Government:		
Accommodation and property management expenses	2 124	1 979
Scientific and technical services	28	35
General administration	497	580
Vehicle and aircraft	338	328
<b>Total supplies and services - SA Government entities</b>	<b>2 987</b>	<b>2 922</b>

**Consultants**

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

	2012		2011	
	Number	\$'000	Number	\$'000
Below \$10 000	1	2	2	17
Between \$10 000 and \$50 000	1	14	-	-
<b>Total paid/payable to the consultants engaged</b>		<b>16</b>		<b>17</b>

**7. Depreciation and amortisation**

	2012 \$'000	2011 \$'000
Depreciation:		
Buildings and improvements	1	1
Computing equipment	9	14
Furniture and fittings	437	439
Moveable vehicles	9	10
Infrastructure	13	13
Plant and equipment	166	135
<b>Total depreciation</b>	<b>635</b>	<b>612</b>
Amortisation:		
Intangible assets	354	328
<b>Total amortisation</b>	<b>354</b>	<b>328</b>
<b>Total depreciation and amortisation</b>	<b>989</b>	<b>940</b>

<b>8. Grants and subsidies</b>		2012	2011
Grants and subsidies paid/payable to entities within the SA Government:		\$'000	\$'000
Department of Environment and Natural Resources		320	240
Department for Water		-	19
Zero Waste SA*		18 563	12 616
SA Fire and Emergency Services Commission		-	2
Other		-	1
Total grants and subsidies - SA Government entities		<u>18 883</u>	<u>12 878</u>
Grants and subsidies paid/payable to entities external to the SA Government:			
Community organisations and associations		165	153
Individuals - solar hot water rebate		1	50
Commonwealth Government		26	129
Total grants and subsidies - non-SA Government entities		<u>192</u>	<u>332</u>
Total grants and subsidies		<u>19 075</u>	<u>13 210</u>
* As per section 113 of the <i>Environment Protection Act 1993</i> the Authority earns and collects 100% of waste levies, however it is then required to transfer 50% of solid waste levies collected to Zero Waste SA as per section 17 of the <i>Zero Waste SA Act 2004</i> . This transfer represents the payment of waste levies monies to Zero Waste SA in accordance with the <i>Zero Waste SA Act 2004</i> .			
<b>9. Net loss (gain) from the disposal of non-current assets</b>		2012	2011
Plant and equipment:	Note	\$'000	\$'000
Proceeds from disposal		-	(16)
Net book value of assets disposed		3	8
Net loss (gain) from disposal		<u>3</u>	<u>(8)</u>
Other assets:			
Proceeds from disposal		(1)	-
Net book value of assets disposed		-	-
Net loss (gain) from disposal		<u>(1)</u>	<u>-</u>
Total assets:			
Total proceeds from disposal		(1)	(16)
Total value of assets disposed		3	8
Total: Net loss (gain) disposal of assets		<u>2</u>	<u>(8)</u>
<b>10. Other expenses</b>			
Bad and doubtful debts		537	134
Other		115	136
Total other expenses		<u>652</u>	<u>270</u>
Other expenses paid/payable to entities within the SA Government:			
Other (including audit fees)	11	112	103
Total other expenses - SA Government entities		<u>112</u>	<u>103</u>
<b>11. Auditor's remuneration</b>			
Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements		112	103
Total audit fees		<u>112</u>	<u>103</u>
<b>Other services</b>			
No other services were provided by the Auditor-General's Department.			
<b>12. Fees and charges</b>			
Fees and charges received/receivable from entities within the SA Government:			
Fines and penalties		4	2
Environmental authorisation fees		1 753	1 624
Radiation licence fees		226	186
Other licence fees		3	3
Total fees and charges - SA Government entities		<u>1 986</u>	<u>1 815</u>

	2012	2011
	\$'000	\$'000
<b>12. Fees and charges (continued)</b>		
Fees and charges received/receivable from entities external to SA Government:		
Fines and penalties	473	337
Environmental authorisation fees	8 588	7 402
Radiation licence fees	1 622	1 082
Other licence fees	610	621
Waste levies	39 773	26 069
Sale of goods	6	-
Sale of professional services	43	35
Section 7 enquiries	19	37
Total fees and charges - non-SA Government entities	<u>51 134</u>	<u>35 583</u>
Total fees and charges	<u>53 120</u>	<u>37 398</u>
<b>13. Grants and contributions</b>		
Grants and contributions received/receivable from entities within the SA Government:		
SA Government grants <sup>(i)</sup>	1 210	1 530
Total grants and contributions - SA Government entities	<u>1 210</u>	<u>1 530</u>
Grants and contributions received/receivable from entities external to the SA Government:		
Commonwealth Government <sup>(ii)</sup>	373	136
Local Government <sup>(iii)</sup>	-	30
Total grants and contributions - non-SA Government entities	<u>373</u>	<u>166</u>
Total grants and contributions	<u>1 583</u>	<u>1 696</u>
(i) SA Government grants and contributions:		
Adelaide and Mount Lofty Ranges Natural Resources Management Board	25	25
Department for Water	493	322
SA Murray-Darling Basin Natural Resources Management Board	-	10
SA Water Corporation	56	-
Department of Further Education, Employment, Science and Technology	150	150
Department of Environment and Natural Resources	434	998
Primary Industries and Resources SA	50	22
Other	2	3
	<u>1 210</u>	<u>1 530</u>
(ii) Commonwealth Government:		
Commonwealth Scientific Industrial Research Organisation	1	-
Murray-Darling Basin Authority	245	-
Department of Education, Employment and Workplace Relations	-	10
Department of Resources, Energy and Tourism	22	21
Department of Sustainability, Environment, Water, Population and Communities	105	105
	<u>373</u>	<u>136</u>
(iii) Local Government:		
Stormwater Management Authority	-	30
	<u>-</u>	<u>30</u>

#### ***Contributions with conditions of expenditure***

Contributions which have conditions of expenditure still to be met as at reporting date were \$6.824 million (\$5.78 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:

	2012	2011
	\$'000	\$'000
Environment Protection Fund	6 698	5 616
Water Quality Improvement Program	-	42
NRG Flinders	-	1
Chemcollect	41	61
Externally funded projects	85	60
	<u>6 824</u>	<u>5 780</u>

**Contributions with conditions of expenditure (continued)**

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.

<b>14. Interest revenue</b>		2012	2011
		\$'000	\$'000
Interest from entities within the SA Government		259	232
Total interest revenue		259	232
<b>15. Other income</b>			
Other income received/receivable:			
Salaries and wages recoveries		15	22
Other sundry revenue		19	36
Total other income		34	58
<b>16. Revenues from SA Government</b>			
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>		724	2 398
Contingency funds		-	6
Total revenues from SA Government		724	2 404

Total revenues from Government consists of \$351 000 (\$1.433 million) for operational funding and \$373 000 (\$971 000) for capital projects. For details on the expenditure associated with the operational funding and capital funding received refer notes 5 to 11. There were no material variations between the amount appropriated and the expenditure associated with this appropriation.

<b>17. Cash and cash equivalents</b>		2012	2011
		\$'000	\$'000
Deposits with the Treasurer		12 328	3 753
Environment Protection Fund deposit account		6 698	5 616
Cash on hand/imprest accounts		5	5
Total cash and cash equivalents		19 031	9 374

**Deposits with the Treasurer**

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

**Interest rate risk**

Cash on hand is non-interest bearing. The Environment Protection Fund deposit account earns a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

<b>18. Receivables</b>		2012	2011
Current:		\$'000	\$'000
Receivables		6 258	3 134
Allowances for doubtful debts		(576)	(55)
		5 682	3 079
Prepayments		92	87
Accrued revenues		21	21
Workers compensation recoveries		1	1
Total current receivables		5 796	3 188
Receivables from SA Government entities:			
Receivables		103	103
Accrued revenues		21	21
		124	124
Non-current:			
Receivables from non-SA Government entities:			
Workers compensation recoveries		6	3
Total non-current receivables		6	3



**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>	2012	2011
	\$'000	\$'000
Carrying amount at 1 July	55	5
Increase in the allowance	526	53
Amounts written off	(5)	(1)
Decrease in allowance recognised in the Statement of Comprehensive Income	-	(2)
Carrying amount at 30 June	<u>576</u>	<u>55</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.

<b>19. Property, plant and equipment</b>	2012	2011
	\$'000	\$'000
<b>Land:</b>		
Independent valuation	<u>200</u>	<u>200</u>
Total land	<u>200</u>	<u>200</u>
<b>Building and improvements:</b>		
Independent valuation	35	35
Accumulated depreciation	(18)	(17)
Total buildings and improvements	<u>17</u>	<u>18</u>
<b>Infrastructure:</b>		
Independent valuation	359	359
Accumulated depreciation	(92)	(79)
Total infrastructure	<u>267</u>	<u>280</u>
<b>Capital works in progress:</b>		
Capital works in progress	<u>532</u>	<u>319</u>
Total capital works in progress	<u>532</u>	<u>319</u>
<b>Moveable vehicles:</b>		
At cost (deemed fair value)	209	241
Accumulated depreciation	(92)	(129)
Total moveable vehicles	<u>117</u>	<u>112</u>
<b>Computing equipment:</b>		
At cost (deemed fair value)	200	125
Accumulated depreciation	(109)	(100)
Total computing equipment	<u>91</u>	<u>25</u>
<b>Furniture and fittings:</b>		
At cost (deemed fair value)	5 409	5 409
Accumulated depreciation	(1 481)	(1 045)
Total furniture and fittings	<u>3 928</u>	<u>4 364</u>
<b>Plant and equipment:</b>		
At cost (deemed fair value)	3 761	3 834
Accumulated depreciation	(3 100)	(3 165)
Total plant and equipment	<u>661</u>	<u>669</u>
Total property, plant and equipment	<u>5 813</u>	<u>5 987</u>

**Asset movement reconciliation**

A reconciliation of the carrying amount of each class of property, plant and equipment and intangible assets is displayed in the following table.

	Carrying amount 01.07.11 \$'000	Additions \$'000	Additions - transfer to (from) CWIP \$'000	Depreciation/ Amortisation expense \$'000	Disposals \$'000	Carrying amount 30.06.12 \$'000
<b>2012</b>						
Land	200	-	-	-	-	200
Buildings and improvements	18	-	-	(1)	-	17
Infrastructure	280	-	-	(13)	-	267
Capital works in progress	319	411	(198)	-	-	532
Moveable vehicles	112	14	-	(9)	-	117
Computing equipment	25	75	-	(9)	-	91
Furniture and fittings	4 364	1	-	(437)	-	3 928
Plant and equipment	669	120	41	(166)	(3)	661
Intangible assets	832	51	198	(354)	-	727
<b>Total</b>	<b>6 819</b>	<b>672</b>	<b>41</b>	<b>(989)</b>	<b>(3)</b>	<b>6 540</b>

	Carrying amount 01.07.10 \$'000	Additions \$'000	Additions - transfer to (from) CWIP \$'000	Depreciation/ Amortisation expense \$'000	Disposals \$'000	Carrying amount 30.06.11 \$'000
<b>2011</b>						
Land	200	-	-	-	-	200
Buildings and improvements	19	-	-	(1)	-	18
Infrastructure	293	-	-	(13)	-	280
Capital works in progress	86	306	(73)	-	-	319
Moveable vehicles	122	-	-	(10)	-	112
Computing equipment	24	15	-	(14)	-	25
Furniture and fittings	4 803	-	-	(439)	-	4 364
Plant and equipment	454	358	-	(135)	(8)	669
Intangible assets	1 087	-	73	(328)	-	832
<b>Total</b>	<b>7 088</b>	<b>679</b>	<b>-</b>	<b>(940)</b>	<b>(8)</b>	<b>6 819</b>

**20. Intangible assets**

Electronic environment licensing forms (E-ELF):	2012 \$'000	2011 \$'000
At cost (deemed fair value)	167	167
Accumulated amortisation	(157)	(140)
<b>Total E-ELF</b>	<b>10</b>	<b>27</b>
Integrated information system (IIS):		
At cost (deemed fair value)	474	474
Accumulated amortisation	(474)	(416)
<b>Total IIS</b>	<b>-</b>	<b>58</b>
General environment information system (GENI):		
At cost (deemed fair value)	1 653	1 566
Accumulated amortisation	(1 140)	(917)
<b>Total GENI</b>	<b>513</b>	<b>649</b>
Complaints and reports for environmental significance system (CARES):		
At cost (deemed fair value)	240	240
Accumulated amortisation	(238)	(209)
<b>Total CARES</b>	<b>2</b>	<b>31</b>
Other:		
At cost (deemed fair value)	472	310
Accumulated amortisation	(270)	(243)
<b>Total other</b>	<b>202</b>	<b>67</b>
<b>Total intangible assets</b>	<b>727</b>	<b>832</b>

**Impairment**

There were no indications of impairment on intangible assets at 30 June 2012.

<b>21. Payables</b>	2012	2011
Current:	\$'000	\$'000
Creditors	1 006	911
Accrued expenses	181	145
Employee benefit on-costs	324	319
Paid Parental Leave Scheme payable	4	-
Total current payables	<u>1 515</u>	<u>1 375</u>
Payables to SA Government entities:		
Creditors	116	194
Accrued expenses	112	90
Employee benefit on-costs	324	319
	<u>552</u>	<u>603</u>
Non-current:		
Employee benefit on-costs	400	277
Total non-current payables	<u>400</u>	<u>277</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 changed from the 2011 rate 35% to 40%. This rate is used in the employment on-cost calculation. The net financial effect of the change in the current financial year is an increase in the employment on-cost of \$27 000 and employee benefits expense of \$27 000.

***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.

<b>22. Employee benefits</b>	2012	2011
Current:	\$'000	\$'000
Annual leave	1 290	1 299
Short-term LSL	347	353
Total current employee benefits	<u>1 637</u>	<u>1 652</u>
Non-current:		
LSL	4 076	3 385
Total non-current employee benefits	<u>4 076</u>	<u>3 385</u>
Total employee benefits	<u>5 713</u>	<u>5 037</u>

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present values of future cash outflows associated with the LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation.

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 2011 (5.25%) to 2012 (3%).

This significant decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant 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 \$722 000 and employee benefits expense of \$722 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

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

<b>23. Provisions</b>	2012	2011
Current:	\$'000	\$'000
Provision for workers compensation	52	33
Total current provisions	<u>52</u>	<u>33</u>
Non-current:		
Provision for workers compensation	155	113
Total non-current provisions	<u>155</u>	<u>113</u>
Total provisions	<u>207</u>	<u>146</u>
<b>Provision movement</b>		
Carrying amount at 1 July	146	126
Additional provisions recognised	61	20
Carrying amount at 30 June	<u>207</u>	<u>146</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>24. Other liabilities</b>	2012	2011
Current:	\$'000	\$'000
Lease incentive	67	67
Other	(11)	154
Total current other liabilities	<u>56</u>	<u>221</u>
Non-current:		
Lease incentive	711	778
Total non-current other liabilities	<u>711</u>	<u>778</u>

**25. Unrecognised contractual commitments**

**Remuneration commitments**

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

Within one year	499	683
Later than one year but not later than five years	1 076	156
Total remuneration commitments	<u>1 575</u>	<u>839</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.

**Operating lease commitments**

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

	2012	2011
	\$'000	\$'000
Within one year	2 196	2 125
Later than one year but not later than five years	9 112	8 937
Later than five years	17 458	19 673
Total operating lease commitments	<u>28 766</u>	<u>30 735</u>
Representing:		
Non-cancellable operating leases	28 766	30 735
Total operating lease commitments	<u>28 766</u>	<u>30 735</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.

**26. Contingent assets and liabilities**

**Contingent assets**

The Authority is not aware of the existence of any contingent assets as at 30 June 2012.

**Contingent liabilities**

The Authority is not aware of the existence of any contingent liabilities as at 30 June 2012.

**27. Remuneration of board and committee members**

Board and committee members that received or were entitled to remuneration during the 2012 financial year were:

**Board of the Environment Protection Authority**

Ms Cheryl Bart	Mr Stephen Hains
Ms Jane Yuile	Ms Megan Dyson
Ms Linda Bowes	Mr Terry Groom (appointed 21 April 2012)
Mr Robert Fowler (appointed 3 August 2011)	

**Radiation Protection Committee**

Ms Sharon Paulka	Dr Gerald Laurence
Ms Jill Fitch	Ms Katheryn Taylor
Dr Michael Lardelli	Ms Jessica Burckhardt

The number of members whose remuneration received or receivable falls within the following bands:	2012 Number	2011 Number
\$0	4	4
\$1 - \$9 999	3	2
\$20 000 - \$29 999	5	5
\$30 000 - \$39 999	1	-
\$40 000 - \$49 999	-	1
Total	13	12

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 \$174 000 (\$170 000).

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.

**28. Cash flow reconciliation**

Reconciliation of cash and cash equivalents at 30 June:	2012 \$'000	2011 \$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	19 031	9 374
Cash and cash equivalents disclosed in the Statement of Cash Flows	19 031	9 374

**Reconciliation of net cash provided by (used in) operating activities to net cost of providing services**

Net cash provided by (used in) operating activities	5 130	1 658
Revenues from SA Government	(724)	(2 404)
Non-cash items:		
Depreciation and amortisation expense	(989)	(940)
Net gain (loss) on disposal of assets	2	8
Movements in assets/liabilities:		
Receivables	2 606	(354)
Other assets	1	12
Payables	(263)	13
Employee benefits	(676)	167
Provisions	(61)	(20)
Other liabilities	232	(46)
Net cost of providing services	5 258	(1 906)

**29. 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.

**Categorisation of financial instruments (continued)**

	Note	2012		2011	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents	17	19 031	19 031	9 374	9 374
Receivables <sup>(i)(ii)</sup>	18	299	299	40	40
<b>Financial liabilities</b>					
Payables <sup>(i)</sup>	21	1 915	1 915	1 652	1 652

(i) 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 (not materially different from amortised 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.

**Credit risk**

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

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently the Authority does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer 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>2012</b>					
Not impaired:					
Receivables	284	-	11	4	299
<b>2011</b>					
Not impaired:					
Receivables	40	-	-	-	40

**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>2012</b>				
Financial assets:				
Cash and cash equivalents	19 031	19 031	-	-
Receivables	299	299	-	-
Total financial assets	19 330	19 330	-	-

**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>2012</b>				
Financial liabilities:				
Payables	1 915	1 515	400	-
Total financial liabilities	1 915	1 515	400	-
<b>2011</b>				
Financial assets:				
Cash and cash equivalents	9 374	9 374	-	-
Receivables	40	40	-	-
Total financial assets	9 414	9 414	-	-
Financial liabilities:				
Payables	1 652	1 375	277	-
Total financial liabilities	1 652	1 375	277	-

**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.

**Market risk**

The Authority has no interest bearing liabilities as at the end of the reporting period. There is no exposure to foreign currency or other price risks.

A sensitivity analysis has not been undertaken for the interest rate risk of the Authority as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

**30. Events after the reporting period**

In July 2012, the Authority entered into an agreement with Open Office Pty Ltd for the purchase of goods and services for the Licensing Administration Modernisation Project. The total cost for the implementation of the system is \$654 000 over two years. In the first year the commitment is \$594 000 with \$60 000 in 2013-14.

**31. 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.

*Statement of Comprehensive Income for the year ended 30 June 2012*

	2012 \$'000	2011 \$'000
<b>Expenses:</b>		
Employee benefits	315	304
Supplies and services	1 607	932
Grants and subsidies expense	40	149
<b>Total expenses</b>	<b>1 962</b>	<b>1 385</b>
<b>Income:</b>		
Fees and charges	2 780	2 067
Grants and contributions	7	-
Interest revenue	259	232
Other revenue	1	1
<b>Total income</b>	<b>3 047</b>	<b>2 300</b>
<b>Net result</b>	<b>1 085</b>	<b>915</b>

*Statement of Financial Position as at 30 June 2012*

	2012	2011
	\$'000	\$'000
<b>Current assets:</b>		
Cash and cash equivalents	6 698	5 616
Receivables	273	168
<b>Total current assets</b>	<u>6 971</u>	<u>5 784</u>
<b>Total assets</b>	<u>6 971</u>	<u>5 784</u>
<b>Current liabilities:</b>		
Payables	263	161
<b>Total current liabilities</b>	<u>263</u>	<u>161</u>
<b>Total liabilities</b>	<u>263</u>	<u>161</u>
<b>Net assets</b>	<u>6 708</u>	<u>5 623</u>
<b>Equity:</b>		
Retained earnings	6 708	5 623
<b>Total equity</b>	<u>6 708</u>	<u>5 623</u>

*Statement of Changes in Equity for the year ended 30 June 2012*

	Retained earnings	Total
	\$'000	\$'000
Balance at 30 June 2010	4 708	4 708
Net result for 2010-11	915	915
Balance at 30 June 2011	5 623	5 623
Net result for 2011-12	1 085	1 085
<b>Balance at 30 June 2012</b>	<u>6 708</u>	<u>6 708</u>

*Statement of Cash Flows for the year ended 30 June 2012*

	2012	2011
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
<b>Cash flows from operating activities:</b>		
Cash inflows:		
Fees and charges	2 675	2 054
Grant and contribution receipts	7	-
Interest received	259	226
Other revenues	1	1
<b>Total cash inflows</b>	<u>2 942</u>	<u>2 281</u>
Cash outflows:		
Employee benefits payments	(315)	(313)
Payments for supplies and services	(1 505)	(829)
Grant and contribution payments	(40)	(149)
<b>Total cash outflows</b>	<u>(1 860)</u>	<u>(1 291)</u>
<b>Net cash inflows (outflows) from operating activities</b>	<u>1 082</u>	<u>990</u>
<b>Cash at 1 July</b>	<u>5 616</u>	<u>4 626</u>
<b>Cash at 30 June</b>	<u>6 698</u>	<u>5 616</u>

**32. 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 in preparing the financial statements.



**Radiation Protection Division**  
**Statement of Comprehensive Income for the year ended 30 June 2012**

	2012	2011
	\$'000	\$'000
<b>Expenses:</b>		
Employee benefits	1 130	1 288
Supplies and services	123	72
<b>Total expenses</b>	<u>1 253</u>	<u>1 360</u>
<b>Income:</b>		
Radiation licence fees	1 848	1 268
Sales	2	7
Grants and contributions	22	22
Other revenue	-	6
<b>Total income</b>	<u>1 872</u>	<u>1 303</u>
<b>Net cost of providing services</b>	<u>(619)</u>	<u>57</u>

# Flinders University of South Australia

## Functional responsibility

### Establishment

The Flinders University of South Australia (the University) was established pursuant to *The Flinders University of South Australia Act 1966*.

### Functions

The functions of the University are to provide higher education and research in an environment that fosters creativeness, advances intellectual knowledge and facilitates accessibility with the wider public community.

The University has a financial interest in a number of entities as detailed in notes 1, 35 and 36 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 and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed on the financial report and internal controls.

For the year ended 31 December 2011, specific areas of audit attention included:

- expenditure
- payroll
- student revenue
- research grant revenue
- fixed assets
- general ledger
- cash
- investments

- governance and risk management
- ICT
- follow-up of audit issues raised in previous years.

## **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 2011, 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.

### **Breaches of control environment - misappropriation of funds**

Previous reports have included comment on a material misappropriation of funds detected by the University in early 2010, including details of the actual/estimated losses and recoveries recognised in the University's financial statements for 2009 and 2010. The audit commentary indicated that the misappropriation resulted from breaches to the general ledger and control processes of the University.

As reported last year, and in regard to the results of the audit of systems and processes for 2011, further improvement is required in some aspects of internal control. These matters are outlined below in 'Communication of audit matters' and 'Information and communications technology and control'.

### **Communication of audit matters**

Matters arising during the course of the audit were detailed in a management letter to the officers responsible for the governance of The Flinders University of South Australia. The main matters raised with the University are detailed below. Certain 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.

#### ***General ledger***

In relation to the controls over the general ledger some findings remained outstanding from prior years. Audit made the following observations:

- A number of staff had access to create and approve general ledger journal adjustments up to defined limits.
- There were a number of suspense and clearing accounts not included on the account reconciliation register and policies or procedures could not be provided to Audit.

### **Expenditure**

The audit included a review of controls over accounts payable and purchase cards as well as testing of a sample of expenditure transactions. The audit revealed that:

- there were a number of areas where policies and procedures did not exist, were not updated or were yet to be reviewed and/or approved
- appropriately authorised access forms to the accounts payable system could not be provided in some instances.

The University uses Basware, an electronic workflow system, to manage the authorisation and payment of invoices. The maintenance of expenditure authorisation delegations within Basware is the key to ensuring University expenditure is authorised within approved limits. The following weaknesses in internal controls within Basware were identified:

- At the time of the audit not all responses from key cost centre personnel for the 2011 review of expenditure delegations in Basware were received.
- Some Basware request for access forms either could not be located or were not appropriately approved.
- Basware to general ledger reconciliations did not always contain evidence that they had been independently reviewed.
- Travel expenses incurred through a specific travel firm are not processed through Basware therefore there was no review to ensure the expense invoice was authorised by an appropriate financial delegate prior to processing.

### **Payroll**

Audit review of payroll transactions and internal controls revealed there were a number of matters raised in prior years that were still outstanding. The main findings were that:

- there is a lack of segregation of duties in the payroll processes whereby officers who can add and remove employees and process payroll information (timesheets, overtime etc) also perform the pay run and confirm timesheet reconciliations
- there is a lack of monitoring of time recording and leave taken for certain senior staff members and academic personnel
- there were a number of payroll policies and procedures yet to be documented with a number of these outstanding from prior years
- on some occasions timesheets were either not provided or not authorised
- there was still inconsistent checking of payroll adjustment reports by officers spread across the University, including some instances of reports not checked at all
- two of the reconciliations of the pay run to the EFT file to be disbursed were completed after the disbursement was processed.

## Information and communications technology and control

During 2011 the University commenced the implementation of organisational change of its ICT function and services. Concurrent with this change there has been increased focused attention and reporting by Internal Audit on the general nature and control aspects of ICT.

Internal Audit has identified a number of ICT control improvement opportunities covering network security, security governance and management of access across systems and disaster and business continuity planning and testing. The University has engaged additional IT specialists to assist with the improvement program.

As part of the 2012-13 external audit program Audit intends to review various aspects of change management and implemented ICT control improvements.

## Interpretation and analysis of the financial report

### Highlights of the financial report (Consolidated)

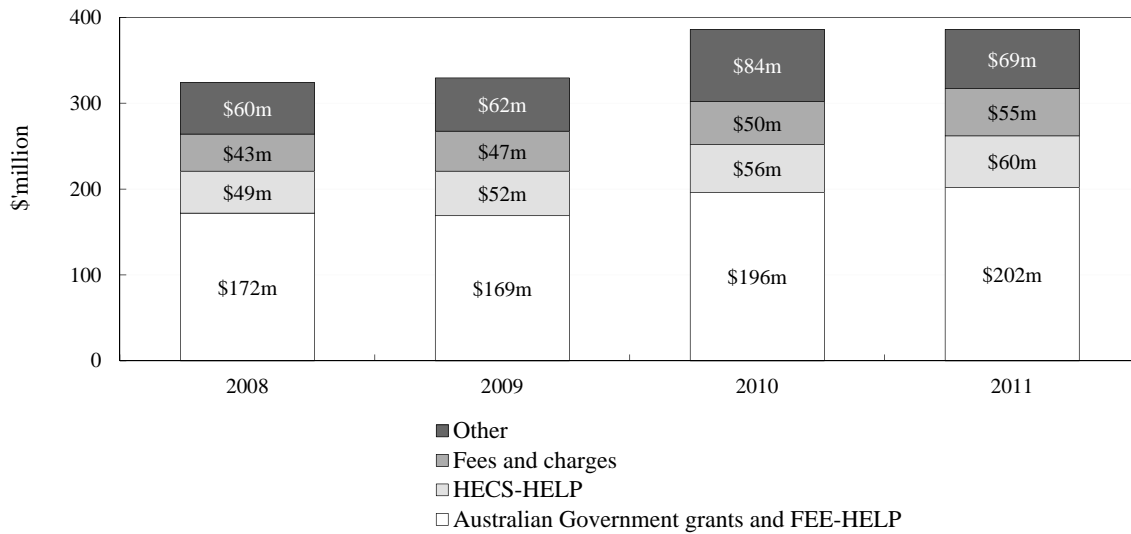
	2011 \$'million	2010 \$'million
<b>Income</b>		
Australian Government grants and FEE-HELP	202	196
HECS-HELP (Australian Government and student)	60	56
Fees and charges	55	50
Other	69	84
<b>Total income</b>	<b>386</b>	<b>386</b>
<b>Expenses</b>		
Employee related expenses	228	207
Other expenses	121	122
<b>Total expenses</b>	<b>349</b>	<b>329</b>
<b>Operating result</b>	<b>37</b>	<b>57</b>
<b>Net cash provided by (used in) operating activities</b>	<b>52</b>	<b>74</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(47)</b>	<b>(110)</b>
<b>Assets</b>		
Current assets	174	147
Non-current assets	501	483
<b>Total assets</b>	<b>675</b>	<b>630</b>
<b>Liabilities</b>		
Current liabilities	41	52
Non-current liabilities	77	56
<b>Total liabilities</b>	<b>118</b>	<b>108</b>
<b>Total equity</b>	<b>557</b>	<b>522</b>

### Income Statement

#### Income

Total income has remained constant from 2010.

A structural analysis of operating income for the University for the four years to 2011 is presented in the following chart.



The above chart shows that the University is dependent to a large extent on financial assistance from the Australian Government.

Income from Australian Government grants, HECS-HELP and fees and charges remained relatively stable in 2011 with the slight increases being offset by the decrease in other income.

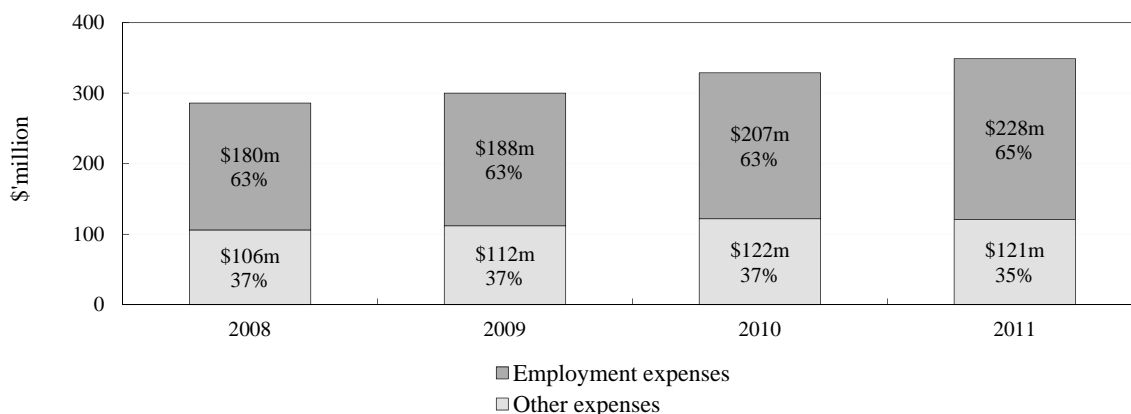
The main components of the \$15 million (18%) decrease in other income in 2011 were:

- a one-off donation of \$10 million received in 2010
- the \$11 million of actual and expected recoveries in misappropriated funds and insurance recoveries during 2010
- a \$5.7 million increase in investment revenue during 2011.

**Expenses**

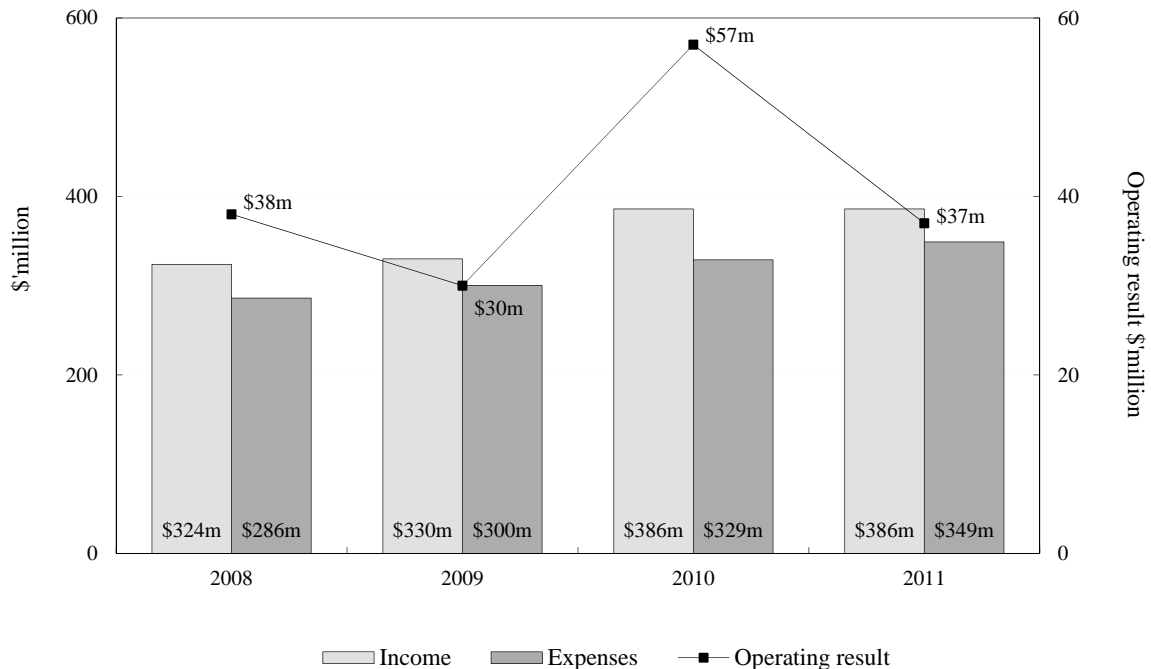
Total expenses increased by \$20 million (6%). This was due to an increase in employee related expenses of \$21 million (10%) mainly as a result of enterprise bargaining agreement increases and the increase in employee leave provisions in 2011 from the lower discount rate applied to employee leave provisions.

The following chart presents a structural analysis of the University’s main operating expense items for the four years to 2011. It shows that the proportion of employment expenses to total expenditure has remained constant since 2008.



## Operating result

The following chart shows the operating income, operating expenses and the operating result for the four years to 2011. The University recorded a \$20 million (35%) decrease to its operating result from 2010. The decrease in operating result is mainly due to the reasons outlined under 'Income' and 'Expenses' above.



## Statement of Financial Position

Total assets increased by \$45 million (7%) and total liabilities increased by \$10 million (9%) in 2011.

The main components of the \$27 million (18%) increase in current assets were:

- the additional \$16.5 million purchases of held-to-maturity investments
- a \$5.5 million increase in cash and cash equivalents at 31 December
- a \$3 million increase in accrued income due to an Australian Research Council grant not received in 2011.

Non-current assets increased by \$18 million (4%) which is mainly attributable to the increase in the deferred government contribution for the defined benefit superannuation scheme and the additions to buildings and infrastructure, equipment and library assets.

The main components of the \$10 million (9%) increase in total liabilities were:

- a \$14.6 million increase in provisions due mainly to the increase in the defined superannuation benefit obligation and the increase in leave provisions as a result of enterprise bargaining agreement increases and a reduction in the discount rate used
- a \$3 million decrease in trade and other payables primarily due to a decrease in capital works invoices outstanding from 2010.

The defined superannuation benefit obligation represents the unfunded superannuation liability for the University's beneficiaries of the State Superannuation Scheme. Under an existing arrangement the Australian Government funds this superannuation liability and therefore a corresponding increase is recorded in non-current receivables. Consequently the increase does not affect the year end net asset position of the University.

### Statement of Cash Flows

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

	2011 \$'million	2010 \$'million	2009 \$'million	2008 \$'million
<b>Net cash flows</b>				
Operating	52	74	45	56
Investing	(47)	(110)	(62)	(43)
Change in cash	5	(36)	(17)	13
Cash at 31 December	44	39	75	92

Net cash from operating activities decreased by \$22 million (30%) in 2011. Whilst there were minor overall cash inflow increases totalling \$20 million, the major factors affecting operating cash flows were the:

- \$10 million one-off donation received in 2010
- \$17 million increase in payments to employees.

The decrease in net cash used in investing activities reflects the University's reduced activity in the purchase of property, plant and equipment and payments made for new financial asset investments.



## Income Statement for the year ended 31 December 2011

	Note	Consolidated		University	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Revenue from continuing operations:</b>					
Australian Government financial assistance:					
Australian Government grants	1(o),2	198 674	192 695	198 674	192 577
HECS-HELP - Australian Government payments	2	52 064	48 638	52 064	48 638
FEE-HELP	2	3 687	3 054	3 687	3 054
State and Local Government financial assistance	3	17 920	16 853	17 920	16 605
HECS-HELP - student payments		8 159	7 780	8 159	7 780
Fees and charges	1(o),4	55 270	49 638	55 235	49 569
Investment revenue	1(o),5	18 244	12 545	15 600	10 329
Royalties, trademarks and licences	6	926	1 395	746	992
Consultancy and contracts	1(o),7	9 461	10 278	7 949	8 398
Other revenue	8	21 963	42 466	16 273	36 429
<b>Total revenue from continuing operations</b>		<b>386 368</b>	<b>385 342</b>	<b>376 307</b>	<b>374 371</b>
Other investment income	1(o),5	-	340	-	153
Gains (Losses) on disposal of assets	9	-	36	-	64
<b>Total income from continuing operations</b>		<b>-</b>	<b>376</b>	<b>-</b>	<b>217</b>
<b>Total revenue and income from continuing operations</b>		<b>386 368</b>	<b>385 718</b>	<b>376 307</b>	<b>374 588</b>
<b>Expenses from continuing operations:</b>					
Employee related expenses	1(h),10	227 732	206 980	222 815	201 428
Depreciation and amortisation	1(c),11	19 698	17 795	19 481	17 575
Repairs and maintenance	12	10 091	14 964	9 937	14 905
Impairment of assets	1(q),13	712	500	208	156
Investment losses	5	1 942	-	3 045	-
Loss on disposal of assets	9	356	-	74	-
Other expenses	14	88 853	88 706	85 588	83 267
<b>Total expenses from continuing operations</b>		<b>349 384</b>	<b>328 945</b>	<b>341 148</b>	<b>317 331</b>
<b>Operating result for the year</b>		<b>36 984</b>	<b>56 773</b>	<b>35 159</b>	<b>57 257</b>
Operating result attributable to non-controlling interest		3	(1)	-	-
<b>Operating result attributable to the University</b>		<b>36 981</b>	<b>56 774</b>	<b>35 159</b>	<b>57 257</b>

## Statement of Comprehensive Income for the year ended 31 December 2011

	Note	Consolidated		University	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Operating result for the year</b>		<b>36 984</b>	<b>56 773</b>	<b>35 159</b>	<b>57 257</b>
Gain (Loss) on revaluation of land, buildings, library and artwork	26	(327)	14 009	(327)	14 009
Gain (Loss) on value of available-for-sale financial assets	26	(2 194)	1 851	(988)	2 119
<b>Total comprehensive income</b>		<b>34 463</b>	<b>72 633</b>	<b>33 844</b>	<b>73 385</b>
Total comprehensive income attributable to minority interest		3	(1)	-	-
<b>Total comprehensive income attributable to the University</b>		<b>34 460</b>	<b>72 634</b>	<b>33 844</b>	<b>73 385</b>

## Statement of Financial Position as at 31 December 2011

	Note	Consolidated		University	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Assets:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	1(d),15	44 225	38 762	43 105	37 376
Receivables	1(d),16	27 653	22 917	25 876	21 353
Inventories	1(l),17	504	488	239	240
Other financial assets	1(d),18	95 694	79 130	93 975	78 429
Other non-financial assets	19	6 143	5 766	6 107	5 732
<b>Total current assets</b>		<b>174 219</b>	<b>147 063</b>	<b>169 302</b>	<b>143 130</b>
<b>Non-current assets:</b>					
Receivables	1(d),16	48 622	39 160	48 622	39 160
Investment properties	1(e),20	10 557	12 015	10 557	12 015
Property, plant and equipment	1(p),21	389 879	378 602	388 466	377 124
Other financial assets	1(d),18	48 422	50 266	52 125	54 024
Intangible assets	1(g),22	3 555	3 128	3 191	2 789
<b>Total non-current assets</b>		<b>501 035</b>	<b>483 171</b>	<b>502 961</b>	<b>485 112</b>
<b>Total assets</b>		<b>675 254</b>	<b>630 234</b>	<b>672 263</b>	<b>628 242</b>
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Trade and other payables	1(d),23	19 212	23 793	18 367	22 624
Provisions	1(h),1(j),24	15 475	19 555	15 150	19 351
Other liabilities	1(d),25	6 996	8 555	7 935	9 538
<b>Total current liabilities</b>		<b>41 683</b>	<b>51 903</b>	<b>41 452</b>	<b>51 513</b>
<b>Non-current liabilities:</b>					
Trade and other payables	1(d),23	4 463	2 861	4 463	2 861
Provisions	1(h),1(j),24	72 597	53 913	72 376	53 740
<b>Total non-current liabilities</b>		<b>77 060</b>	<b>56 774</b>	<b>76 839</b>	<b>56 601</b>
<b>Total liabilities</b>		<b>118 743</b>	<b>108 677</b>	<b>118 291</b>	<b>108 114</b>
<b>Net assets</b>		<b>556 511</b>	<b>521 557</b>	<b>553 972</b>	<b>520 128</b>
<b>Equity:</b>					
Parent Entity interest:					
Reserves	26	250 595	239 993	259 297	247 489
Retained surplus	26	305 715	281 548	294 675	272 639
<b>Total Parent Entity interest</b>		<b>556 310</b>	<b>521 541</b>	<b>553 972</b>	<b>520 128</b>
Non-controlling interest		201	16	-	-
<b>Total equity</b>		<b>556 511</b>	<b>521 557</b>	<b>553 972</b>	<b>520 128</b>

## Statement of Changes in Equity for the year ended 31 December 2011

<b>Consolidated</b>	Reserves	Retained earnings	Total:	Non-	Total
			Owners of the parent	controlling interest	
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2010	175 430	268 250	443 680	17	443 697
Prior period adjustment - error correction	-	5 227	5 227	-	5 227
Restated balance at 1 January 2010	175 430	273 477	448 907	17	448 924
Profit or loss	48 703	8 071	56 774	(1)	56 773
Revaluation of land, buildings, library and artwork	14 009	-	14 009	-	14 009
Gain on available-for-sale financial assets	1 851	-	1 851	-	1 851
Total comprehensive income	64 563	8 071	72 634	(1)	72 633
Balance at 31 December 2010	239 993	281 548	521 541	16	521 557
Balance at 1 January 2011	239 993	281 548	521 541	16	521 557
Profit or loss	13 123	23 858	36 981	3	36 984
Revaluation of land, buildings, library and artwork	(327)	-	(327)	-	(327)
Gain (Loss) on available-for-sale financial assets	(2 194)	-	(2 194)	-	(2 194)
Total comprehensive income	10 602	23 858	34 460	3	34 463
Additional share capital issued	-	309	309	182	491
<b>Balance at 31 December 2011</b>	<b>250 595</b>	<b>305 715</b>	<b>556 310</b>	<b>201</b>	<b>556 511</b>

<b>Parent</b>	Note	Reserves	Retained earnings	Total
		\$'000	\$'000	\$'000
Balance at 1 January 2010		182 658	258 858	441 516
Prior period adjustment - error correction	44	-	5 227	5 227
Restated balance at 1 January 2010		182 658	264 085	446 743
Profit or loss		-	57 257	57 257
Transfer to reserves		48 703	(48 703)	-
Revaluation of land, buildings, library and artwork		14 009	-	14 009
Gain on available-for-sale financial assets		2 119	-	2 119
Total comprehensive income		64 831	8 554	73 385
Balance at 31 December 2010		247 489	272 639	520 128
Balance at 1 January 2011		247 489	272 639	520 128
Profit or loss		-	35 159	35 159
Transfer to reserves		13 123	(13 123)	-
Revaluation of land, buildings, library and artwork		(327)	-	(327)
Gain (Loss) on available-for-sale financial assets		(988)	-	(988)
Total comprehensive income		11 808	22 036	33 844
<b>Balance at 31 December 2011</b>		<b>259 297</b>	<b>294 675</b>	<b>553 972</b>

## Statement of Cash Flows for the year ended 31 December 2011

		Consolidated		University	
		2011	2010	2011	2010
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities:</b>					
Australian Government grants received	2(h)	249 082	247 097	249 082	246 980
OS-HELP (net)	2(h)	(145)	56	(145)	56
Superannuation supplementation	2(h)	2 186	1 704	2 186	1 704
State Government grants received		17 710	16 778	17 710	16 530
Local Government grants received		39	75	39	75
HECS-HELP - student payments		7 315	7 780	7 315	7 780
Fees and charges		52 741	48 078	52 706	48 008
Receipts from customers		32 493	53 847	24 807	42 473
Dividends received		5 474	3 601	2 912	1 430
Interest received		8 249	6 576	8 214	6 473
Other investment income		2 430	1 336	2 473	1 394
Payments to employees		(222 215)	(205 145)	(217 469)	(199 567)
Payments to suppliers (inclusive of GST)		(107 401)	(110 754)	(102 571)	(101 899)
GST recovered from the ATO		4 008	2 492	4 008	2 492
Net recoveries of misappropriated funds	43	14	1 021	14	1 021
<b>Net cash provided by (used in) operating activities</b>	39	<b>51 980</b>	<b>74 542</b>	<b>51 281</b>	<b>74 950</b>
<b>Cash flows from investing activities:</b>					
Proceeds from sale of property, plant and equipment and investments		1 266	1 203	640	402
Payments for property, plant and equipment		(31 580)	(39 015)	(30 956)	(37 781)
Loan to joint venture partner		(91)	(300)	(91)	(300)
Repayment of loan from joint venture partner		28	-	28	-
Receipts (Payments) for financial assets		(16 479)	(72 113)	(15 423)	(71 484)
Increase (Decrease) in funds held on behalf of other entities		339	(91)	250	(299)
<b>Net cash provided by (used in) investing activities</b>		<b>(46 517)</b>	<b>(110 316)</b>	<b>(45 552)</b>	<b>(109 462)</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>5 463</b>	<b>(35 774)</b>	<b>5 729</b>	<b>(34 512)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>38 762</b>	<b>74 536</b>	<b>37 376</b>	<b>71 888</b>
<b>Cash and cash equivalents at 31 December</b>	1(d)(i),39	<b>44 225</b>	<b>38 762</b>	<b>43 105</b>	<b>37 376</b>
Non-cash financing and investing activities	40				

## Notes to and forming part of the financial statements

### 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the years presented unless otherwise stated.

#### (a) *Basis of preparation*

The financial statements are a general purpose financial report. They have been prepared on a full accrual basis and in accordance with AASs, AASB interpretations, the requirements of the Department of Education, Employment and Workplace Relations (DEEWR)\* and other State/Australian Government legislative requirements.

The financial statements are generally consistent with relevant provisions of the TIs issued pursuant to the PFAA and the APF issued pursuant to the TIs, except where they conflict with the DEEWR guidelines.

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

The Consolidated financial statements (the Economic Entity) comprise the accounts of the University (the Parent Entity) and all of its subsidiaries.

#### *Compliance with International Financial Reporting Standards (IFRS)*

AASs include Australian equivalents to IFRS. The financial statements and notes comply with the AASs some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

#### *Critical accounting estimates*

The preparation of financial statements in conformity with AASs requires management to make judgments, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments are made by management in the application of AASs that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in this accounting policy note and relevant notes to the financial statements. The main items with critical assumptions are DEEWR financial assistance for student load, superannuation receivable and provision, investment classifications, valuation of property, plant and equipment where not independently valued, LSL liability, annual leave liability, workers compensation provision and depreciation.

\* DEEWR requirements are specified in the publication 'Financial Statement Guidelines for Australian Higher Education Providers for the 2011 Reporting Period'.

#### (b) *Principles 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 consolidated financial statements (the Economic Entity) comprise the accounts of the Flinders University of South Australia (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 35.

Unrealised gains on transactions between the Economic Entity and its subsidiaries are eliminated to the extent of the Economic Entity's interest in the subsidiaries. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Economic Entity.

*Subsidiaries (continued)*

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Income Statement and Statement of Financial Position respectively.

(c) **Depreciation and amortisation**

The basis for depreciation and the depreciation rates are reviewed annually. Depreciation is calculated on a straight-line basis on all property, plant and equipment, other than land and works of art, which are not depreciated. The following rates are based on the estimated useful life of the assets to the University:

<i>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 21. Depreciation expense by asset class is shown in note 11.

(d) **Financial instruments**

(i) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand and at bank, deposits with financial institutions at call within 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 15.

For the Statement of Financial Position, cash and cash equivalents exclude bank overdrafts, as they are included within other liabilities.

For the Statement of Cash Flows, cash and cash equivalents are net of bank overdrafts.

(ii) *Receivables*

Receivables are shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (provision for doubtful debts). The University's credit terms are net 30 days. Note disclosure is made in note 16.

Details regarding the receivable from the Australian Government relating to the State Superannuation Scheme are disclosed in note 1(h)(iv).

(iii) *Financial assets (investments)*

Subsequent to initial recognition, investments in subsidiaries are measured at fair value. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Parent Entity financial statements.

In accordance with AASB 139 other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Financial assets at fair value through profit or loss*

The Consolidated Entity has classified certain shares, convertible notes and property trust investments as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

*Held-to-maturity investments*

Indexed bonds and fixed interest securities are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

*Available-for-sale financial assets*

Certain shares held are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period. This category includes investments classified as 'available-for-sale' and any investments that do not fit the definitions for inclusion in the previous categories. Consequently it should not be assumed that the University has plans to dispose of these assets.

*Loans and receivables*

Trade receivables, loans, and other receivables are recorded at cost less impairment.

The carrying amount of investments is reviewed annually by the University to ensure that all items are carried at fair value. Note disclosure for other financial assets (investments) is made in note 18.

*(iv) Payables*

Payables are shown at amounts due to suppliers, inclusive of GST and exclusive of any applicable discounts that will be taken. Note disclosure is made in note 23. The amounts are unsecured and are usually paid within 30 days of recognition.

*(v) Interest bearing liabilities*

The University has no loans or borrowings. However the University receives deposits from subsidiaries, certain joint ventures and related external entities for group investment along with University funds and shares the investment income with those entities. Note disclosure is made in note 25.

*(vi) Other liabilities: funds held on behalf of external entities*

Funds held on behalf of external entities are shown at amounts due. These do not incur any interest charges. Note disclosure is made in note 25.

*(e) Investment property*

Investment properties exclude properties held to meet service delivery objectives of the University. The University holds investment properties which are measured on a fair value basis. 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 2011 by Peter Lornie, AAPI, CPV, BComm(VFM) of Southwick Goodyear Pty Ltd.

*(f) Website costs*

Costs in relation to websites are charged as expenses in the period in which they are incurred.

*(g) Intangible assets**(i) Research and development*

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Income Statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Income Statement as an expense when incurred.

(i) *Research and development (continued)*

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 22 as project costs carried forward.

The recoverability of deferred expenditure is reviewed annually and any amounts previously deferred that are no longer expected to be recovered are charged to the net operating result.

(ii) *Software costs*

The University capitalises certain software costs with a purchase price greater than \$50 000 and an expected useful life greater than 12 months, together with costs associated with implementation. These are recorded on the basis of cost and then amortised once the system is operational. Note disclosure is made in note 22.

(h) *Employee expenses*

Employee expenses expected to be settled within one year have been recognised at their nominal amount. These liabilities are measured at the amounts expected to be paid when the liability is settled. On-costs on the leave liabilities accruing to employees are recognised as provisions and on-costs not accruing to employees are classed as payables as required under APF IV, APS 5.25. Benefits expected to be settled later than one year have been measured at the present value of the estimated applicable future cash flows to be made for those benefits and related on-costs.

(i) *LSL*

The LSL liability is independently actuarially estimated each year in accordance with AASB 119. The last update was performed at 31 December 2011 by Stuart Mules, FIAA, of Mercer (Australia) Pty Ltd. The assumptions used by the actuary include:

- investment earnings rate of 3.29% (5.51%) per annum
- salary inflation rate of an average of 4% (4%)
- on-costs have been applied at the rate of 16.9% (16.9%)
- the proportion of leave taken in service is 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 23 and 24.

(ii) *Annual leave*

The calculation to measure the value of annual leave has assumed a 4% salary inflation factor, as required by 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 23 and 24.

(iii) *Sick leave*

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken each year is less than the annual entitlement for sick leave.

(iv) *Superannuation*

*Superannuation schemes*

Superannuation schemes exist to provide benefits to University employees and their dependents upon resignation, retirement, disability or death. The contributions made to these schemes by the University and the emerging 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 33 provides details in respect of the individual schemes.



*Unfunded superannuation - State Superannuation Scheme*

The Superannuation Supplementation Program funding is no longer recognised as revenue since it is in respect of an existing liability. This has resulted in the removal of the deferred government superannuation revenue from the Income Statement, and the expense (now a net amount) is still shown within employee related expenses. As the University has a defined benefit scheme which is fully covered by the Superannuation Supplementation Program it has reported a nil expense in the Statement of Comprehensive Income.

An arrangement exists between the Australian Government and the State Government to meet the unfunded liability for the University's beneficiaries of the State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by the *State Grants (General Revenue) Amendment Act 1987*, *Higher Education Funding Act 1988* and subsequent amending legislation. Accordingly the unfunded liabilities have been recognised in the 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 Economic Entity.

*(v) Severance*

Provision is made for severance payments where it is probable payments will be made under industrial awards for fixed-term staff. The liability for severance payments is disclosed in note 24.

*(i) Foreign currency**(i) Functional and presentation currency*

The consolidated financial statements are presented in Australian dollars which is the Economic Entity's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions were converted to Australian currency at the rates of exchange prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Note 27 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 2011 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 24.

*(k) GST*

The University recognises revenues and expenses net of the amount of GST, except where the amount of GST incurred by the University is not recoverable from the taxation authority.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

Commitments and contingencies are disclosed net of GST recoverable from, or payable to, the ATO.

*(l) Inventories*

Inventories are stores of consumable items including printing and maintenance materials and are measured at cost. Annual stocktakes are used to verify inventory account balances. Other small inventories of consumable items including stationery, fuel and antisera are expensed as purchased. Note disclosure is made in note 17.

**(m) Investments in business undertakings**

*Subsidiaries*

Investments in subsidiaries are carried in the University's Statement of Financial Position at fair value. Dividends are brought to account when they are declared. Note disclosure is made in note 35.

*Joint ventures*

• *Joint venture operations*

The University's interest in the share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the University's Statement of Financial Position and Income Statement, where material. Details of joint ventures are included in note 36.

• *Joint venture entities*

The University has a material interest in one joint venture entity. The University uses the proportional consolidation method to include its share of the financial data. Disclosure is made in note 36.

**(n) Leased assets**

*University as lessee*

Leases of assets where substantially all the risks and benefits of ownership, but not legal ownership, are transferred to the University are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual value. They are then amortised on a straight-line basis over the lease term.

Leases of assets where substantially all the risks and benefits of ownership remain with the lessor are classified as operating leases. Payments made under an operating lease are expensed in the period to which the payment relates.

*University as lessor*

The University leases space in two investment properties to external entities. Accommodation on campus is leased to students. The University also leases a small amount of space on its main campus to commercial entities for provision of services to students and staff and a portion of the Lincoln Marine Science Centre to other research entities. The leases are all classified as operating leases.

Note disclosure is made in note 32(b).

**(o) Revenue recognition**

(i) *Australian Government financial assistance*

DEEWR provide annual grants for teaching and research to the University each year and these are brought to account in the period in which they are received because the University has control of the funds and there is not a direct reciprocal obligation to DEEWR. Certain grants are paid on a provisional basis, eg for student load, with funding adjustments made in the following year. Where material, the University makes appropriate estimates and adjusts the revenue in the year to which it relates.

Other revenue from DEEWR is brought to account when earned.

Other Commonwealth grant revenue is recognised when received.

Note disclosure is made in note 2.

(ii) *Consultancy and contract research*

Revenue from consultancy and contract research is recognised in the period in which the consultancies/contract services are provided. Research grant revenue is recognised as revenue when received. Note disclosure is made in note 7.

(iii) *Donations*

Donations are received in cash and non-cash forms. Non-cash donations are recognised at the University's estimate of the fair value of the items donated. Note disclosure is made in note 8.

(iv) *Fees and charges: student revenue*

Revenue comprises fees from students for the provision of courses. The fees are recognised in the periods during which the courses are provided. Note disclosure is made in note 4.

**(v) Investment income**

Interest income is recognised as it accrues. Dividend income 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 5.

**(p) Property, plant and equipment**

Property, plant and equipment are measured on a fair value basis. At each reporting date, the value of each asset class is reviewed to ensure that it does not differ materially from the asset class' fair value at that date. Where necessary, the asset class is revalued to reflect its fair value. Note disclosure is made in note 21.

**(i) Land**

Land 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 2010 by Peter Lornie, AAPI, CPV, BComm(VFM) of Southwick Goodyear Pty Ltd. Comprehensive independent land valuations are undertaken triennially with an annual update.

**(ii) Buildings and infrastructure**

Buildings and infrastructure controlled by the University were independently revalued as at 31 December 2010 by Peter Lornie, BComm(VFM), AAPI, CPV and Richard Wood, BAppSc(Val), AAPI, CPV of Southwick Goodyear Pty Ltd. A further independent revaluation as at 31 December 2011 revealed there was no material change to values which were not adjusted as a consequence. Comprehensive independent valuations are undertaken triennially with an annual update.

Buildings under construction are measured at cost.

**(iii) Library collection**

The library collection is revalued at Council's valuation on a triennial basis. As at 31 December 2010 the library collection was revalued to reflect fair value and is reported at Council's valuation. The value is depreciated over a 10 year period on a straight-line basis.

**(iv) Equipment**

This class of assets includes computer hardware (not software), furniture, vehicles, marine and general equipment. Individual items costing \$10 000 or more are capitalised and recorded in the 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.

**(v) Leased buildings**

The University has entered into various arrangements with other entities to construct buildings on land not owned by the University. For each building, including a joint venture asset, on completion of the construction, asset ownership has passed to the Northern Territory Government and the University has leased back the asset. The University initially recognises a lease asset as the value of its share of the construction cost and revalues it to fair value each year. The University depreciates the asset over the lease period.

**(vi) Works of art**

The works of art collection is revalued annually at Council valuation. The collection was revalued as at 31 December 2011 and is reported at Council's valuation based on fair value.

**(q) Impairment of assets**

At each reporting date, the University undertakes an assessment of its significant assets to determine if there is any evidence of impairment. Where an impairment exists, the University recognises an impairment loss. This is calculated as the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

- (r) **Doubtful debts**  
The collectability of receivables is assessed at balance date and provision made for any doubtful debts. Note disclosure is made in note 16.
- (s) **Income tax status**  
The activities of the University and its major subsidiaries are exempt from income tax.  
  
The University is subject to FBT, GST and payroll tax.
- (t) **Borrowing costs**  
Borrowing costs are expensed in accordance with APF II, APS 3.6 requiring all not-for-profit entities to expense borrowing costs in the period incurred.
- (u) **Current and non-current classification**  
Assets and liabilities are characterised as either current or non-current. The University and the Economic Entity operate on a 12 month operating cycle. Assets and liabilities that are sold, consumed or realised as part of the 12 month operating cycle are classified as current. All other assets and liabilities are classified as non-current.
- (v) **Rounding to the nearest \$'000**  
Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.
- (w) **New or revised AASs**  
No new accounting standards which have been issued but are not yet effective have been early-adopted in 2011. DEEWR have also specifically mandated that there is to be no early adoption of either AASB 1053 Reduced Disclosure Requirements which would otherwise have allowed the University to apply Tier 2 disclosure requirements, or of AASB 9.
- (x) **Comparative figures**  
The previous year's figures are provided in the financial statements for comparative purposes. Where practicable comparative figures have been adjusted to conform to changes in presentation and classification in the present year. Note 44 provides information on two significant changes to 2010 figures.
- (y) **Changes in accounting policies**  
The accounting policies adopted are consistent with those of the previous year.

2. **Australian Government financial assistance including HECS-HELP and other Australian Government loan programs**

		Consolidated		University	
		2011	2010	2011	2010
	Note	\$'000	\$'000	\$'000	\$'000
(a) <b>Commonwealth Grants Scheme and other grants</b>	46.1				
Commonwealth Grants Scheme (CGS) <sup>#1</sup>		95 961	92 205	95 961	92 205
Partnership & Participation Program <sup>#2</sup>		2 326	1 345	2 326	1 345
Indigenous Support Program		470	453	470	453
Disability Support Program		61	79	61	79
Capital Development Pool		863	-	863	-
Diversity and Structural Adjustment Fund <sup>#3</sup>		1 108	-	1 108	-
Performance Funding		1 771	-	1 771	-
Transitional Cost Program		48	126	48	126
Total Commonwealth Grants Scheme and other grants		102 608	94 208	102 608	94 208
(b) <b>Higher Education Loan Programs</b>	46.2				
HECS-HELP		52 064	48 638	52 064	48 638
FEE-HELP		3 687	3 054	3 687	3 054
Total Higher Education Loan Programs		55 751	51 692	55 751	51 692

	Note	Consolidated		University	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>(c) Scholarships</b>	46.3				
Australian Postgraduate Awards		3 363	2 810	3 363	2 810
International Postgraduate Research Scholarship		320	304	320	304
Commonwealth Education Cost Scholarships <sup>#4</sup>		1 209	745	1 209	745
Commonwealth Accommodation Scholarships <sup>#4</sup>		1 600	1 201	1 600	1 201
Indigenous Access Scholarships <sup>#4</sup>		39	30	39	30
Total scholarships		6 531	5 090	6 531	5 090
<b>(d) DIISR Research</b>	46.4				
Joint Research Engagement Program <sup>#5</sup>		6 059	6 075	6 059	6 075
Research Training Scheme		10 205	10 189	10 205	10 189
Research Infrastructure Block Grants		3 225	3 058	3 225	3 058
Implementation Assistance Program		-	58	-	58
Commercialisation Training Scheme		118	101	118	101
Sustainable Research Excellence in Universities		1 819	1 359	1 819	1 359
Total DIISR Research grants		21 426	20 840	21 426	20 840
#1	Includes the basic CGS grant amount, CGS-Regional loading, CGS-Enabling loading and Maths and Science Transition loading and Full Fee Places Transition loading.				
#2	Includes Equity Support Program.				
#3	Includes Collaboration and Structural Adjustment Program.				
#4	Includes National Priority and National Accommodation Priority Scholarships respectively.				
#5	Includes Institutional Grants Scheme.				
<b>(e) Australian Research Council</b>	Note	Consolidated		University	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>(i) Discovery</b>	46.6(a)				
Project		3 023	2 541	3 023	2 541
Fellowships		746	527	746	527
Indigenous Researchers Development		60	66	60	66
Total discovery		3 829	3 134	3 829	3 134
<b>(ii) Linkages</b>	46.6(b)				
Special research initiatives		2 294	2 126	2 294	2 126
Infrastructure		811	617	811	617
International		-	85	-	85
Projects		1 407	1 244	1 407	1 244
Total linkages		4 512	4 072	4 512	4 072
<b>(iii) Networks and centres</b>	46.6(c)				
Research centres		316	315	316	315
Total networks and centres		316	315	316	315
<b>(f) Other Australian Government financial assistance</b>					
National Health and Medical Research Council		8 733	8 771	8 733	8 771
Other research		18 538	19 629	18 538	19 511
Other non-research		31 627	36 159	31 627	36 159
Commonwealth scholarships		554	477	554	477
Total other Australian Government financial assistance		59 452	65 036	59 452	64 918
Total Australian Government financial assistance		254 425	244 387	254 425	244 269

(f) <b>Other Australian Government financial assistance (continued)</b>	Note	Consolidated		University	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Reconciliation					
Australian Government grants (a+c+d+e+f)		198 674	192 695	198 674	192 577
HECS-HELP - Australian Government payments		52 064	48 638	52 064	48 638
Other Australian Government loan programs (FEE-HELP)		3 687	3 054	3 687	3 054
<b>Total Australian Government financial assistance</b>		<b>254 425</b>	<b>244 387</b>	<b>254 425</b>	<b>244 269</b>
<b>(g) Australian Government grants received - cash basis</b>					
CGS and other DEEWR grants	46.1	103 261	98 041	103 261	98 041
Higher Education Loan Programs	46.2	53 058	51 854	53 058	51 854
Scholarships	46.3	6 531	4 448	6 531	4 448
DIISR Research	46.4	21 426	20 840	21 426	20 840
ARC grants - discovery	46.6	3 857	3 011	3 857	3 011
ARC grants - linkages	46.6	5 842	7 533	5 842	7 533
Other Australian Government grants		55 107	61 370	55 107	61 253
<b>Total Australian Government grants received - cash basis</b>		<b>249 082</b>	<b>247 097</b>	<b>249 082</b>	<b>246 980</b>
OS-HELP (net)	46.7	(145)	56	(145)	56
Superannuation supplementation	46.8	2 186	1 704	2 186	1 704
<b>Total Australian Government funding received - cash basis</b>		<b>251 123</b>	<b>248 857</b>	<b>251 123</b>	<b>248 740</b>
<b>3. State and Local Government financial assistance</b>					
South Australian State Government financial assistance		13 063	12 646	13 063	12 578
South Australian Local Government financial assistance		32	75	32	75
Other State/Territory Governments financial assistance		4 825	4 132	4 825	3 952
<b>Total State and Local Government financial assistance</b>		<b>17 920</b>	<b>16 853</b>	<b>17 920</b>	<b>16 605</b>
<b>4. Fees and charges</b>					
Course fees and charges:					
Fee-paying overseas students		38 480	35 245	38 480	35 245
Fee-paying domestic postgraduate students		1 768	1 399	1 768	1 399
Fee-paying domestic undergraduate students		2 055	1 458	2 055	1 458
Fee-paying domestic non-award students		129	95	129	95
Other domestic course fees and charges		2 767	2 949	2 767	2 949
<b>Total course fees and charges</b>		<b>45 199</b>	<b>41 146</b>	<b>45 199</b>	<b>41 146</b>
Other non-course fees and charges:					
Student accommodation		5 090	4 646	5 090	4 646
Rental charges		817	856	782	794
Other student charges		476	513	476	513
Other hire fees		462	156	462	156
Parking fees		1 922	1 630	1 922	1 630
Other fees and charges		1 304	691	1 304	684
<b>Total other fees and charges</b>		<b>10 071</b>	<b>8 492</b>	<b>10 036</b>	<b>8 423</b>
<b>Total fees and charges</b>		<b>55 270</b>	<b>49 638</b>	<b>55 235</b>	<b>49 569</b>
<b>5. Investment revenue and income</b>					
Investment revenue:					
Dividends:					
Wholly-owned subsidiaries		-	200	-	200
Other entities		6 572	3 401	4 010	1 230
		6 572	3 601	4 010	1 430
Interest		8 406	6 246	8 258	6 143
Managed funds		1 990	1 362	1 990	1 362
Investment property rental revenue		1 276	1 336	1 342	1 394
<b>Total investment revenue</b>		<b>18 244</b>	<b>12 545</b>	<b>15 600</b>	<b>10 329</b>

5. <b>Investment revenue and income (continued)</b>	Note	Consolidated		University	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Unrealised investment gains (losses):					
Movements in assets at fair value through profit and loss		(2 077)	(70)	(3 180)	(257)
Movements in fair value of investment properties		135	410	135	410
Total unrealised investment movements		(1 942)	340	(3 045)	153
Total investment revenue and income		16 302	12 885	12 555	10 482
<b>6. Royalties, trademarks and licences</b>					
Total royalties, trademarks and licences		926	1 395	746	992
<b>7. Consultancy and contracts</b>					
Consultancy		4 242	4 949	2 730	3 116
Contract research		5 219	5 329	5 219	5 282
Total consultancy and contracts		9 461	10 278	7 949	8 398
<b>8. Other revenue</b>					
Donations and bequests		394	10 595	394	10 595
Contribution of assets		764	832	764	832
Scholarships and prizes		746	835	746	835
Non-government grants		5 210	4 717	5 210	4 717
Reimbursements		5 167	5 070	5 167	4 957
Sales and other charges		7 463	7 699	1 973	2 025
Insurance recoveries		7	1 985	7	1 985
Recovery of misappropriated funds		14	9 203	14	9 203
Other revenue		2 198	1 530	1 998	1 280
Total other revenue		21 963	42 466	16 273	36 429
<b>9. Gains (Losses) on disposal of assets</b>					
Net gain (loss) on disposal of assets - refer below		(356)	36	(74)	64
Total net gain (loss) on disposal of assets		(356)	36	(74)	64
Proceeds from sale of assets:					
Investments		1 670	801	1 237	-
Property, plant and equipment		435	402	435	402
Total proceeds from sale of assets		2 105	1 203	1 672	402
Carrying amount of assets sold:					
Investments		2 081	829	1 366	-
Property, plant and equipment	21	380	338	380	338
Total carrying amount of assets sold		2 461	1 167	1 746	338
Net gain on sale of assets:					
Property, plant and equipment		-	64	-	64
Total net gain on sale of assets		-	64	-	64
Net gain (loss) on sale of assets:					
Investments		(411)	(28)	(129)	-
Property, plant and equipment		55	-	55	-
Total net gain (loss) on sale of assets		(356)	(28)	(74)	-
Net gain (loss) on sale of assets		(356)	36	(74)	64

10. <b>Employee related expenses</b>	Consolidated		University	
	2011	2010	2011	2010
<b>Employee benefits and on-costs</b>	\$'000	\$'000	\$'000	\$'000
Academic:				
Salaries	89 441	81 965	89 441	81 634
Contributions to superannuation and pension schemes:				
Emerging cost	165	207	165	207
Funded	13 472	12 180	13 472	12 103
Payroll tax	5 227	4 776	5 227	4 749
Workers compensation	323	238	323	232
LSL expense	3 523	2 419	3 523	2 413
Annual leave	7 804	6 787	7 804	6 763
Redundancy expenses	176	274	176	274
Total academic	120 131	108 846	120 131	108 375
Non-academic:				
Salaries	81 271	74 440	76 715	69 741
Contributions to superannuation and pension schemes:				
Emerging cost	41	52	41	52
Funded	11 927	10 891	11 780	10 710
Payroll tax	4 589	4 254	4 589	4 181
Workers compensation	273	233	256	214
LSL expense	2 579	1 973	2 491	1 966
Annual leave	6 870	6 174	6 761	6 072
Redundancy expenses	51	117	51	117
Total non-academic	107 601	98 134	102 684	93 053
Total employee benefits and on-costs	227 732	206 980	222 815	201 428
<b>11. Depreciation and amortisation</b>				
Depreciation:				
Buildings and infrastructure	10 782	8 852	10 782	8 852
Plant and equipment	4 206	4 018	3 989	3 798
Library collection	3 738	4 012	3 738	4 012
Total depreciation	18 726	16 882	18 509	16 662
Amortisation:				
Software	972	913	972	913
Total amortisation	972	913	972	913
Total depreciation and amortisation	19 698	17 795	19 481	17 575
<b>12. Repairs and maintenance</b>				
Buildings and grounds	5 040	7 372	4 948	7 314
Minor new works	1 127	3 617	1 127	3 617
Equipment and artwork	3 924	3 975	3 862	3 974
Total repairs and maintenance	10 091	14 964	9 937	14 905
<b>13. Impairment of assets</b>				
Bad and doubtful debts	183	115	208	74
Impairment of assets	529	385	-	82
Total impairment of assets	712	500	208	156
<b>14. Other expenses</b>				
Scholarships, grants and prizes	13 758	12 877	13 758	12 877
Non-capitalised equipment	6 159	7 493	6 159	7 482
Advertising, marketing and promotional expenses	3 174	2 545	3 155	2 511
Fees and charges	13 046	12 198	12 375	12 079
Consultancy fees	2 822	3 410	2 822	1 915
General consumables	7 404	9 194	6 919	7 992
Printing and photocopying	1 314	1 435	1 314	1 416
Operating lease rental expenses	2 956	2 603	2 956	2 603
Telecommunications	2 078	2 237	2 078	2 232



14. Other expenses (continued)	Note	Consolidated		University	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Travel, staff development and entertainment		12 420	11 932	12 339	11 716
Utilities		4 383	4 135	4 351	4 109
Student related expenditure		2 285	2 654	2 631	2 644
Library		2 759	2 112	2 759	2 112
Software		3 337	2 395	3 253	2 395
Postage and freight		816	998	816	997
Insurance		1 419	1 317	1 419	1 317
Misappropriation expense		-	3 500	-	3 500
Other expenses		8 723	5 671	6 484	3 370
Total other expenses		88 853	88 706	85 588	83 267
<b>15. Cash and cash equivalents</b>					
Cash at bank and on hand		22 273	5 177	21 153	3 994
Cash deposits at call within three days		-	32	-	32
Term deposits maturing within 90 days		21 952	33 553	21 952	33 350
Total cash and cash equivalents	39	44 225	38 762	43 105	37 376
<b>16. Receivables</b>					
Current:					
Student fees		2 570	1 893	2 570	1 893
Provision for impaired receivables		(468)	(439)	(468)	(439)
		2 102	1 454	2 102	1 454
General debtors		13 477	12 946	12 970	12 878
Provision for impaired receivables		(189)	(343)	(189)	(343)
		13 288	12 603	12 781	12 535
Subsidiary debtors		-	-	36	256
Provision for impaired receivables		-	-	(33)	(8)
		-	-	3	248
Accrued income		8 763	5 860	7 490	4 116
Deferred government contribution for superannuation	33	3 500	3 000	3 500	3 000
Total current receivables		27 653	22 917	25 876	21 353
Non-current:					
General debtors		222	206	222	206
FCD Health line of credit		217	154	217	154
Provision for impaired receivables		(217)	-	(217)	-
		222	360	222	360
Deferred government contribution for superannuation	33	48 400	38 800	48 400	38 800
Total non-current receivables		48 622	39 160	48 622	39 160
Total trade and other receivables		76 275	62 077	74 498	60 513

**(a) Impaired receivables**

As at 31 December 2011 current receivables of the group with a nominal value of \$874 000 (\$782 000) were impaired. The amount of the consolidated provision was \$874 000 (\$782 000). The provision is based on an aged analysis of the debt types based on collectability. It was assessed that a large portion of the receivables are expected to be recovered. The ageing of these receivables are as follows:

	Consolidated		University	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Student fees:				
Three to six months	247	176	247	176
Over six months	137	202	137	202
	384	378	384	378
General debtors:				
Three to six months	89	60	89	60
Over six months	100	283	100	283
	189	343	189	343

(a) <b>Impaired receivables (continued)</b>	Consolidated		University	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Subsidiary debtors:				
Over six months	-	-	33	8
	-	-	33	8
Other receivables:				
Over six months	217	-	217	-
	217	-	217	-

As at 31 December 2011 current receivables of the group with a nominal value of \$6.828 million (\$6.888 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Student fees:				
Less than three months	358	145	358	145
Three to six months	1 815	1 283	1 815	1 283
Over six months	23	26	23	26
	2 196	1 454	2 196	1 454
General debtors:				
Less than three months	4 548	4 469	4 521	2 941
Three to six months	74	467	27	234
Over six months	10	498	10	405
	4 632	5 434	4 558	3 580

Movements in the provision for impaired receivables are as follows:

At 1 January	782	770
Provision for impairment recognised (derecognised) during the year	117	103
Receivables written off during the year as uncollectable	(25)	(91)
At 31 December	874	782

(b) **Foreign exchange and interest rate risk**

The carrying amounts of current receivables are denominated in the following currencies:

Renminbi	468	-	468	-
US dollars	57	166	57	166
Other	14	7	14	7
	539	173	539	173

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 27.

(c) **Fair value and credit risk**

The carrying value is assumed to approximate their fair value for all receivables. For non-current receivables, fair values are based on cash flows discounted using a discount rate of 8% (8%) for general receivables. The FCD Health line of credit is a fixed interest rate of 10%. The superannuation receivable is always offset by a corresponding payable, nullifying credit risk for this line item. The maximum exposure to credit risk at the reporting date is the higher of the carrying amount and fair value of receivables. The Economic Entity does not hold any collateral as security.

Information regarding the effective credit risk of both current and non-current receivables is set out in the financial risk management disclosures at note 27.

17. Inventories	Consolidated		University	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current:				
Inventories held for other than distribution	504	488	239	240
Total current inventories	504	488	239	240
Total inventories	504	488	239	240

18. Other financial assets	Consolidated		University	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current:				
Held-to-maturity assets:				
Term deposits greater than 90 days	95 694	79 130	93 975	78 429
Total current held-to-maturity assets	95 694	79 130	93 975	78 429
Total current other financial assets	95 694	79 130	93 975	78 429

**Held-to-maturity assets impairment and risk exposure**

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets.

None of the held-to-maturity assets are either past due or impaired.

All held-to-maturity assets are denominated in Australian currency. As a result there is no exposure to foreign currency risk. There is also no exposure to price risk as the assets will be held to maturity.

Non-current:	Note	Consolidated		University	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Available-for-sale financial assets:					
Interests in business undertakings:					
Subsidiaries at Council valuation	35	-	-	9 977	8 771
Other entities		1 567	3 761	1 567	3 761
International equities		6	299	-	-
Australian equities		5 240	3 468	-	-
Total available-for-sale financial assets		6 813	7 528	11 544	12 532
Financial assets at fair value through profit or loss: <sup>^</sup>					
Managed funds:					
Deutsche Bank Private Wealth Management		17	26	17	26
BlackRock Fixed Interest Investments		8 888	8 495	8 808	8 495
Goldman Sachs JB Were		5 312	3 995	5 312	3 995
Total managed funds		14 217	12 516	14 137	12 516
Property:					
Property trust		-	5	-	5
Total property		-	5	-	5
Equities:					
Australian equities		27 392	30 217	26 444	28 971
Total financial assets at fair value through profit or loss		41 609	42 738	40 581	41 492
Total non-current other financial assets		48 422	50 266	52 125	54 024
Total other financial assets		144 116	129 396	146 100	132 453

<sup>^</sup> Changes in fair values of other financial assets at fair value through profit or loss are recorded in investment revenue and income in the Income Statement and disclosed in note 5.

19. Other non-financial assets	Consolidated		University	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current:				
Prepayments	6 143	5 766	6 107	5 732
Total other non-financial assets	6 143	5 766	6 107	5 732

20. Investment properties	Consolidated		University	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Non-current:				
Properties held for investment purposes	10 557	12 015	10 557	12 015
Total investment properties	10 557	12 015	10 557	12 015

**20. Investment properties (continued)**

	Consolidated		University	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Movements for the period:				
Opening balance at 1 January	12 015	11 312	12 015	11 312
Additions for the year	-	293	-	293
Disposals for the year	(293)	-	(293)	-
Transfers for the year	(1 300)	-	(1 300)	-
Revaluation for the year	135	410	135	410
Closing balance at 31 December	10 557	12 015	10 557	12 015
Amounts recognised in profit and loss for investment properties:				
Rental income	1 276	1 336	1 342	1 394
Direct operating expenses (income generating)	(403)	(467)	(442)	(507)
Direct operating expenses (non-income generating)	(137)	(118)	(98)	(78)
Total net amount recognised in profit and loss	736	751	802	809

**21. Property, plant and equipment**

**Land, buildings and infrastructure**

Crown land:

2010 independent valuation	32 310	32 310	32 310	32 310
	32 310	32 310	32 310	32 310

Freehold land:

2010 independent valuation	5 878	5 228	5 878	5 228
At cost	128	-	128	-
	6 006	5 228	6 006	5 228
Total land	38 316	37 538	38 316	37 538

Buildings:

2010 independent valuation	255 377	254 797	255 377	254 797
At cost	7 618	-	7 618	-
Total buildings	262 995	254 797	262 995	254 797

Leased buildings:

At cost	15 211	1 328	15 211	1 328
Total leased buildings	15 211	1 328	15 211	1 328

Infrastructure:

2010 independent valuation	27 170	27 100	27 170	27 100
At cost	419	-	419	-
Total infrastructure	27 589	27 100	27 589	27 100
Accumulated depreciation	(10 550)	-	(10 550)	-
Total buildings and infrastructure	295 245	283 225	295 245	283 225

Buildings under construction

Total land, buildings and infrastructure	344 224	334 014	344 224	334 014
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**Library collection**

2010 University valuation	18 103	17 886	18 103	17 886
At cost	3 541	-	3 541	-
	21 644	17 886	21 644	17 886
Accumulated depreciation	(3 738)	-	(3 738)	-
Total library collection	17 906	17 886	17 906	17 886

**Equipment**

At fair value	54 763	51 501	51 848	48 262
Accumulated depreciation	(33 297)	(31 329)	(31 795)	(29 568)
Total equipment	21 466	20 172	20 053	18 694

**Works of art**

2011 University valuation	6 283	-	6 283	-
2010 University valuation	-	6 530	-	6 530
Total works of art	6 283	6 530	6 283	6 530
Total property, plant and equipment	389 879	378 602	388 466	377 124

**Valuations of land and buildings**

Land, buildings and infrastructure were revalued as at 31 December 2010 by Peter Lornie, BComm(VFM), AAPI, CPV and Richard Wood, BAppSc(Val), AAPI, CPV of Southwick Goodyear Pty Ltd. The basis of the valuation was written down current value (existing use). 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. An independent review of values as at 31 December 2011 by Southwick Goodyear indicated no material movements in values.

**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 2011</b>							
Balance at 1 January	37 538	283 225	13 251	17 886	20 172	6 530	378 602
Additions	128	1 190	18 374	3 758	5 880	80	29 410
Reclassification	650	21 612	(20 962)	-	-	-	1 300
Disposals	-	-	-	-	(380)	-	(380)
Revaluation increments (decrements)	-	-	-	-	-	(327)	(327)
Depreciation expense	-	(10 782)	-	(3 738)	(4 206)	-	(18 726)
Carrying amount at 31 December	38 316	295 245	10 663	17 906	21 466	6 283	389 879
<b>Parent Entity 2011</b>							
Balance at 1 January	37 538	283 225	13 251	17 886	18 694	6 530	377 124
Additions	128	1 190	18 374	3 758	5 728	80	29 258
Reclassification	650	21 612	(20 962)	-	-	-	1 300
Disposals	-	-	-	-	(380)	-	(380)
Revaluation increments (decrements)	-	-	-	-	-	(327)	(327)
Depreciation expense	-	(10 782)	-	(3 738)	(3 989)	-	(18 509)
Carrying amount at 31 December	38 316	295 245	10 663	17 906	20 053	6 283	388 466
<b>Consolidated 2010</b>							
Balance at 1 January	37 189	253 702	10 459	19 243	16 711	6 491	343 795
Additions	301	1 047	25 764	3 493	7 374	39	38 018
Reclassification	-	22 529	(22 972)	-	443	-	-
Disposals	-	-	-	-	(338)	-	(338)
Revaluation increments (decrements)	48	14 799	-	(838)	-	-	14 009
Depreciation expense	-	(8 852)	-	(4 012)	(4 018)	-	(16 882)
Carrying amount at 31 December	37 538	283 225	13 251	17 886	20 172	6 530	378 602
<b>Parent Entity 2010</b>							
Balance at 1 January	37 189	253 702	10 459	19 243	15 328	6 491	342 412
Additions	301	1 047	25 764	3 493	7 059	39	37 703
Reclassification	-	22 529	(22 972)	-	443	-	-
Disposals	-	-	-	-	(338)	-	(338)
Revaluation increments (decrements)	48	14 799	-	(838)	-	-	14 009
Depreciation expense	-	(8 852)	-	(4 012)	(3 798)	-	(16 662)
Carrying amount at 31 December	37 538	283 225	13 251	17 886	18 694	6 530	377 124

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 \$13.2 million.

**22. Intangible assets**

	Consolidated		University	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Non-current:				
Software costs	10 385	9 011	10 385	9 011
Accumulated amortisation and impairment	(7 194)	(6 222)	(7 194)	(6 222)
Book value of software costs	3 191	2 789	3 191	2 789
Project costs carried forward (development costs)	364	339	-	-
Total intangible assets	3 555	3 128	3 191	2 789
			Software costs	Project costs
			\$'000	\$'000
<b>Consolidated</b>				Total
				\$'000
At 1 January 2010:				
Cost		8 164	496	8 660
Accumulated amortisation and impairment		(5 372)	(13)	(5 385)
Net book amount		2 792	483	3 275
Year ended 31 December 2010:				
Opening net book amount		2 792	483	3 275
Additions		910	158	1 068
Disposals - cost		(63)	-	(63)
Disposals - accumulated amortisation		63	-	63
Impairment charge		-	(302)	(302)
Amortisation charge		(913)	-	(913)
Closing net book amount		2 789	339	3 128
At 1 January 2011:				
Cost		9 011	654	9 665
Accumulated amortisation and impairment		(6 222)	(315)	(6 537)
Net book amount		2 789	339	3 128
Year ended 31 December 2011:				
Opening net book amount		2 789	339	3 128
Additions		1 374	554	1 928
Impairment charge		-	(529)	(529)
Amortisation charge		(972)	-	(972)
Closing net book amount		3 191	364	3 555
At 31 December 2011:				
Cost		10 385	1 208	11 593
Accumulated amortisation and impairment		(7 194)	(844)	(8 038)
Net book amount		3 191	364	3 555

**23. Trade and other payables**

	Consolidated		University	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current:				
Creditors	5 960	10 160	5 528	9 870
OS-HELP liability to Australian Government	56	201	56	201
Accrued expenses	11 049	10 559	10 636	9 680
Annual leave on-costs	1 457	1 289	1 457	1 289
LSL on-costs	690	1 584	690	1 584
Total current trade and other payables	19 212	23 793	18 367	22 624
Non-current:				
Creditors	297	254	297	254
Annual leave on-costs	1 070	853	1 070	853
LSL on-costs	3 096	1 754	3 096	1 754
Total non-current trade and other payables	4 463	2 861	4 463	2 861
Total trade and other payables	23 675	26 654	22 830	25 485

**(a) Foreign currency risk**

The carrying amounts of the University and Economic Entity's trade payables are denominated in the following foreign currencies:

	Note	Consolidated		University	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Euro		39	24	39	24
US dollars		202	166	202	166
GBP		18	68	18	68
Other		50	34	50	34
		<u>309</u>	<u>292</u>	<u>309</u>	<u>292</u>

**(b) Fair value**

The carrying amounts shown above approximate fair value.

**24. Provisions**

Current provisions expected to be settled within 12 months:

Employee benefits:

Annual leave		7 175	6 415	6 959	6 239
LSL		4 194	9 520	4 085	9 492
Defined benefit obligation	33	3 500	3 000	3 500	3 000
Severance (contract employees)		244	289	244	289
Total employee benefits		<u>15 113</u>	<u>19 224</u>	<u>14 788</u>	<u>19 020</u>
Workers compensation		362	331	362	331
Total current provisions		<u>15 475</u>	<u>19 555</u>	<u>15 150</u>	<u>19 351</u>

Non-current:

Employee benefits:

Annual leave		5 110	4 126	5 110	4 126
LSL		18 541	10 677	18 320	10 504
Defined benefit obligation	33	48 400	38 800	48 400	38 800
Severance (contract employees)		132	81	132	81
Total employee benefits		<u>72 183</u>	<u>53 684</u>	<u>71 962</u>	<u>53 511</u>
Workers compensation		414	229	414	229
Total non-current provisions		<u>72 597</u>	<u>53 913</u>	<u>72 376</u>	<u>53 740</u>
Total provisions		<u>88 072</u>	<u>73 468</u>	<u>87 526</u>	<u>73 091</u>

Reconciliation of employee benefits:

Current employee benefits		15 113	19 224	14 788	19 020
Non-current employee benefits		72 183	53 684	71 962	53 511
Leave on-costs (included in note 23)		6 313	5 480	6 313	5 480
Aggregate employee benefits		<u>93 609</u>	<u>78 388</u>	<u>93 063</u>	<u>78 011</u>

Reconciliation of leave provisions:

Annual leave		12 285	10 541	12 069	10 365
Annual leave on-costs		2 527	2 142	2 527	2 142
Total annual leave provision		<u>14 812</u>	<u>12 683</u>	<u>14 596</u>	<u>12 507</u>
LSL		22 735	20 197	22 405	19 996
LSL on-costs		3 786	3 338	3 786	3 338
Total LSL provision		<u>26 521</u>	<u>23 535</u>	<u>26 191</u>	<u>23 334</u>
Total leave provisions		<u>41 333</u>	<u>36 218</u>	<u>40 787</u>	<u>35 841</u>

**Movements in provisions**

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

**Consolidated 2011**

	Workers compensation	
	Current \$'000	Non-current \$'000
Carrying amount at 1 January	331	229
Additional provisions recognised	2 133	185
Amounts used	(1 067)	-
Unused amounts reversed	(1 035)	-
Carrying amount at 31 December	<u>362</u>	<u>414</u>

**25. Other liabilities**

	Consolidated		University	
	2011	2010	2011	2010
Current:				
Income in advance:	\$'000	\$'000	\$'000	\$'000
Fees and charges	3 881	4 975	3 881	4 930
Other	912	1 716	912	1 716
	4 793	6 691	4 793	6 646
Funds held on behalf of external entities	38	10	38	10
Total current other liabilities	4 831	6 701	4 831	6 656
Interest-bearing funds held on behalf of external entities: <sup>(1)</sup>				
Student entities	-	-	845	892
Other entities	2 165	1 854	2 165	1 896
Deposits from subsidiaries	-	-	94	94
Total current unsecured interest-bearing liabilities	2 165	1 854	3 104	2 882
Total other liabilities	6 996	8 555	7 935	9 538

(1) 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.

**26. Reserves and retained surplus**

(a) Reserves	Note	Consolidated		University	
		2011	2010	2011	2010
Asset revaluation surplus:		\$'000	\$'000	\$'000	\$'000
Property plant and equipment revaluation surplus		141 339	141 666	141 161	141 488
Available-for-sale investments revaluation surplus:		931	3 125	9 811	10 799
Total asset revaluation surplus		142 270	144 791	150 972	152 287
Capital surplus		48 179	44 765	48 179	44 765
Endowment surplus		26 579	18 062	26 579	18 062
Grant surplus		33 047	31 844	33 047	31 844
Student loan surplus		520	531	520	531
Total reserves		250 595	239 993	259 297	247 489

*Movements in reserves*

Property, plant and equipment revaluation surplus:					
Balance 1 January		141 666	127 657	141 488	127 479
Increment (Decrement) on revaluation of:					
Land	21	-	48	-	48
Buildings and infrastructure	21	-	14 799	-	14 799
Library	21	-	(838)	-	(838)
Artwork	21	(327)	-	(327)	-
Balance 31 December		141 339	141 666	141 161	141 488

Available-for-sale investments revaluation surplus:					
Balance 1 January		3 125	1 274	10 799	8 680
Increment (Decrement) on revaluation		(2 194)	1 851	(988)	2 119
Balance 31 December		931	3 125	9 811	10 799

Capital surplus:					
Balance 1 January		44 765	8 582	44 765	8 582
Transfer from retained surplus		-	34 133	-	34 133
Capital inflows		41 555	42 081	41 555	42 081
Capital outflows		(38 141)	(40 031)	(38 141)	(40 031)
Balance 31 December		48 179	44 765	48 179	44 765



(a) <b>Reserves (continued)</b>	Consolidated		University	
	2011	2010	2011	2010
Endowment surplus:	\$'000	\$'000	\$'000	\$'000
Balance 1 January	18 062	9 771	18 062	9 771
Transfer from (to) retained surplus	5 240	(1 707)	5 240	(1 707)
Endowment inflows	3 464	10 150	3 464	10 150
Endowment outflows	(187)	(152)	(187)	(152)
Balance 31 December	26 579	18 062	26 579	18 062
Grant surplus:				
Balance 1 January	31 844	27 604	31 844	27 604
Grant inflows	54 290	51 852	54 290	51 852
Grant outflows	(53 087)	(47 612)	(53 087)	(47 612)
Balance 31 December	33 047	31 844	33 047	31 844
Student loan surplus:				
Balance 1 January	531	542	531	542
Student loan inflows	13	12	13	12
Student loan outflows	(24)	(23)	(24)	(23)
Balance 31 December	520	531	520	531

**(b) Retained surplus**

Movements in retained surplus were as follows:

Retained surplus at 1 January	281 548	273 477	272 639	264 085
Operating result for the period	36 981	56 774	35 159	57 257
Additional share capital	309	-	-	-
Transfers from (to) reserves	(13 123)	(48 703)	(13 123)	(48 703)
Retained surplus at 31 December	305 715	281 548	294 675	272 639

**(c) Nature and purpose of reserves**

The asset revaluation surplus is used to record increases and decreases in the value of non-current assets.

The capital surplus is used to record funds dedicated to capital projects.

The endowment surplus is used to record the value of unspent gifts, prizes and bequests provided to the University.

The grant surplus is used to record the accumulated balance of funds restricted to grant research.

The student loan surplus is funds reserved for the purpose of providing loans to students.

**27. Financial risk management**

The Economic Entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk, cash flow interest risk and price risk), credit risk and liquidity risk. The University has a comprehensive suite of policies that deal with risk management including financial instrument risk.

The nature of the University's activities are generally lower risk. Investments tend to be largely held in term deposits with banking institutions, with a policy requirement that no more than 25% of short-term investments are held with a single financial institution. Debtors are spread across a large number of customers and are predominantly public sector. The University's policy on short-term investments requires investments to have a minimum Standard & Poor's or equivalent short-term credit rating of A-1. The University invests in Australian equities, generally through professional fund managers. Derivative instruments are not used by the University although investment funds managers used by the University utilise them 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 Economic Entity's accounting policies and terms and conditions for each class of financial asset, financial liability and equity instruments:

**27. Financial risk management (continued)**

<b>Recognised financial instruments</b>	<b>Note</b>	<b>Accounting policies</b>	<b>Terms and conditions</b>
<b>(i) Financial assets</b>			
Cash at bank	1(d),15	Recognised at nominal amounts.	Interest accrued credited to revenue in the period it is earned.
Deposits within three days	15	Recognised at nominal amounts.	Interest accrued credited to revenue in the period it is earned.
Term deposits	15,18	Recognised at nominal amounts.	Interest accrued credited to revenue as it is earned.
Equities	18	Recognised at market value.	Carrying amount of investments adjusted to market value monthly.
Managed funds	18	Recognised at market value.	Accrued distributions credited to revenue monthly. Capital increments/ decrements also recognised monthly.
Interest in business undertakings	18	Recognised at fair value.	Carrying amount of investments reviewed annually to ensure that it is not in excess of the recoverable amount of these investments.
Receivables	16	Shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (provision for doubtful debts).	Credit is allowed for a 30 day term.
<b>(ii) Financial liabilities</b>			
Trade creditors and accruals	23	Liabilities are recognised for amounts to be paid in future for goods and services received, whether or not billed to the Economic Entity.	Trade liabilities are normally settled within 30 days of statement.
Interest bearing liabilities	25	Carried at their principal amounts.	Interest is credited monthly at the University's (weighted) interest earning rate on short-term investments.

**Net fair value**

At reporting date the carrying amount of financial assets and liabilities approximates their net fair values.

The Economic Entity's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at balance date are shown below.

**Interest rate risk exposure**

	Floating interest rate	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
<b>2011</b>									
Financial assets:									
Current assets:									
Cash and cash equivalents	21 935	21 952	-	-	-	-	-	338	44 225
Receivables	-	20	-	-	-	-	-	27 247	27 267
Other financial assets	-	95 694	-	-	-	-	-	-	95 694
Total current assets	21 935	117 666	-	-	-	-	-	27 585	167 186
Non-current assets:									
Receivables	-	-	-	-	-	-	-	48 622	48 622
Other financial assets	716	242	613	376	-	1 405	1 609	43 461	48 422
Total non-current assets	716	242	613	376	-	1 405	1 609	92 083	97 044
Total financial assets	22 651	117 908	613	376	-	1 405	1 609	119 668	264 230
Weighted average interest rate - %	4.05	5.83	7.61	5.67	-	6.68	7.04		

**Interest rate risk exposure (continued)**

	Floating interest rate	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
<b>2011 (continued)</b>									
Financial liabilities:									
Current liabilities:									
Payables	-	-	-	-	-	-	-	17 392	17 392
Other liabilities	2 165	-	-	-	-	-	-	38	2 203
Total current liabilities	2 165	-	-	-	-	-	-	17 430	19 595
Non-current liabilities:									
Payables	-	-	247	-	-	-	-	4 216	4 463
Total non-current liabilities	-	-	247	-	-	-	-	4 216	4 463
Total financial liabilities	2 165	-	247	-	-	-	-	21 646	24 058
Weighted average interest rate - %	5.46		10.00						
Net financial assets (liabilities)	20 486	117 908	366	376	-	1 405	1 609	98 022	240 172
<b>2010</b>									
Financial assets:									
Current assets:									
Cash and cash equivalents	4 726	33 553	-	-	-	-	-	483	38 762
Receivables	-	230	-	-	-	-	-	22 687	22 917
Other financial assets	-	79 130	-	-	-	-	-	-	79 130
Total current assets	4 726	112 913	-	-	-	-	-	23 170	140 809
Non-current assets:									
Receivables	-	-	154	-	-	-	-	39 006	39 160
Other financial assets	58	747	242	244	378	-	1 953	46 644	50 266
Total non-current assets	58	747	396	244	378	-	1 953	85 650	89 426
Total financial assets	4 784	113 660	396	244	378	-	1 953	108 820	230 235
Weighted average interest rate - %	4.25	5.91	5.59	5.19	5.46	-	5.12		
Financial liabilities:									
Current liabilities:									
Payables	-	-	-	-	-	-	-	23 793	23 793
Other liabilities	1 854	-	-	-	-	-	-	6 701	8 555
Total current liabilities	1 854	-	-	-	-	-	-	30 494	32 348
Non-current liabilities:									
Payables	-	-	154	-	-	-	-	2 707	2 861
Total non-current liabilities	-	-	154	-	-	-	-	2 707	2 861
Total financial liabilities	1 854	-	154	-	-	-	-	33 201	35 209
Weighted average interest rate - %	5.65		10.00						
Net financial assets (liabilities)	2 930	113 660	242	244	378	-	1 953	75 619	195 026

The Economic Entity does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures, although funds managers engaged by the University use derivatives within the bounds of their risk management policies which the University has accepted. The main risks the Economic Entity is exposed to through its financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Economic Entity has no borrowings and therefore its interest rate risk exposure is on the income side only. As at 31 December 2011 the Economic Entity held \$117.6 million (\$117.7 million) in term deposits and short-term deposits earning interest at market rates. Refer notes 15 and 18. The Economic Entity also held \$13.4 million (\$8.5 million) in fixed interest managed funds. Refer note 18.

**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 Economic Entity's exposure to foreign exchange risk is limited to its investments in international equities of \$6000 (\$299 000). In 2011 there is also the equivalent of A\$nil (A\$100 000) of foreign currency held in a bank account and as indicated in note 16 there is A\$539 000 (A\$173 000) denoted in foreign currency receivables. There are A\$309 000 (\$292 000) of trade and other payables denoted in foreign currency as per note 23.

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 Economic Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Economic Entity:

- Superannuation receivable from DEEWR of \$51.9 million (\$41.8 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 Economic 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	-1% Equity \$'000	+1% Result \$'000	+1% Equity \$'000	-1% Result \$'000	-1% Equity \$'000	+1% Result \$'000	+1% Equity \$'000
<b>2011</b>									
Financial assets:									
Cash and cash equivalents	44 225	(442)	(442)	442	442	-	-	-	-
Receivables	75 889	-	-	-	-	-	-	-	-
Other financial assets	144 116	(1 099)	(1 099)	1 099	1 099	(274)	(274)	274	274
Financial liabilities:									
Payables	21 855	-	-	-	-	-	-	-	-
Other financial liabilities	2 203	22	22	(22)	(22)	-	-	-	-
Total increase (decrease)	240 172	(1 519)	(1 519)	1 519	1 519	(274)	(274)	274	274

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.

**Fair value measurements**

Fair value measurements recognised in the Economic Entity Statement of Financial Position are categorised into the following levels, with the differing levels reflecting a fair value hierarchy that reflects the significance of the inputs used in making the measurement of fair value. The three levels are defined as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
- Level 3: inputs that are not based on observable market data.

	31.12.11 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial assets:				
Other financial assets:				
Managed funds:				
Deutsche Bank Private Wealth Management	17	-	17	-
BlackRock Fixed Interest Investments	8 888	-	8 888	-
Goldman Sachs JB Were	5 312	-	5 312	-
Equities:				
Australian equities	32 632	-	27 392	5 240
International equities	6	-	-	6
Interests in business undertakings:				
Other entities	1 567	-	-	1 567
Total	48 422	-	41 609	6 813

**Fair value measurements (continued)**

Reconciliation of financial assets categorised as level 3:	Other financial assets
Level 3 financial assets 2011	\$'000
Opening balance 1 January	7 528
Total gains or losses:	
In profit or loss	1 207
In other comprehensive income	(2 194)
Purchases	572
Settlements	(300)
Closing balance 31 December	<u>6 813</u>

**28. Disaggregated information**

The University operates in the field of higher education in Australia and provides teaching and research services. It has no material offshore operations.

**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 2011**

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 Marika Tiggemann\*

**Members appointed by the Council**

Ms Leonie Clyne

Mr Marty Gauvin

Mr Stephen Hains

Dr Bronwyn Halliday

The Hon Dr Diana Laidlaw, AM

Ms Kerry Heysen (11 January to 6 June 2011)

Ms Peggy Lau Flux

Mr Thomas Phillips, AM

Mr Austin Taylor

Mr Ian Yates, AM

**Member co-opted and appointed by the Council**

Mr Richard Ryan, AO

**Members elected by the academic staff**

Associate Professor Haydon Manning\*

Associate Professor Heather Smigiel\*

**Members elected by the general staff**

Mr David Banks\*

Mr Ben Jacobs\*

**Student members elected by the students**

Ms Michelle Tatyzo (to 1 November 2011)

Ms Peta Page

**Directors of the University subsidiaries in 2011**

Persons listed were directors for the full year unless otherwise indicated.

**Flinders Bioremediation Pty Ltd**

Mr Anthony Francis

Mr Andrew Ball (to 31 October 2011)

**National Institute of Labour Studies****Foundation Inc**

Mr Hedley Bachmann

Professor Jonathon Pincus

Professor Phyllis Tharenou

**Directors of the University subsidiaries in 2011 (continued)**

**Flinders Campus Community Services**

Ms Leonie Clyne (Chair)  
 Mr Peter Hogan  
 Ms Lucy Richards  
 Mr Andrew McHugh  
 Mr Andrew Nairn  
 Mr Simon Macdonald  
 Mr Michael Gunn (to 31 October 2011)  
 Mr Kim Thomas-Francis  
 Mr Joe Provenzano (to 31 October 2011)  
 Ms Celia Le (to 30 July 2011)  
 Mr James Cumming (to 23 May 2011)  
 Mr Ricky Williams  
 (11 August to 31 October 2011)  
 Ms Hannah MacLeod (from 1 November 2011)  
 Mr Paul Harrison (from 1 November 2011)  
 Mr Milo Kuga (from 1 November 2011)  
 Mr Dale Colebeck (from 1 November 2011)

**Flinders Consulting Pty Ltd**

Ms Leonie Clyne

**Lung Health Diagnostics Pty Ltd**

Ms Barbara Fergusson (to 16 March 2011)  
 Mr Shane McGregor (Chair)  
 (from 16 March 2011)

**Flinders Partners Pty Ltd**

Mr Thomas Phillips, AM (Chair)  
 Mr Anthony Francis (Managing Director)  
 Mr Geoffrey Pitt  
 Professor David Day  
 Ms Peggy Lau Flux  
 Mr Roger Sexton (from 16 February 2011)

**Flinders MediTech Pty Ltd<sup>(1)</sup>**

Mr Anthony Francis  
 Mr Geoffrey Pitt

**Pancadia Pty Ltd<sup>(1)</sup>**

Mr Anthony Francis

**Re-Time Pty Ltd<sup>(2)</sup>**

Mr Anthony Francis  
 Mr John Branson (to 30 September 2011)  
 Mr Geoffrey Pitt (to 25 March 2011)  
 Professor David Day (to 25 March 2011)  
 Mr Paul Sandercock (from 25 October 2011)  
 Mr Bharat Garg (from 25 October 2011)  
 Mr Benjamin Olsen (from 25 October 2011)

<sup>(1)</sup> 100% owned by Flinders Partners Pty Ltd.

<sup>(2)</sup> 62% owned by Flinders Partners Pty Ltd.

**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.

	Consolidated		University	
	2011 Number	2010 Number	2011 Number	2010 Number
\$nil	55	65	20	22
\$10 000 - \$19 999	2	2	-	-
\$20 000 - \$29 999	3	2	-	-
	<b>60</b>	<b>69</b>	<b>20</b>	<b>22</b>

	Consolidated		University	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Aggregate remuneration of board members	123	76	-	-

**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	
	2011 Number	2010 Number	2011 Number	2010 Number
<i>Remuneration of executive officers</i>				
\$120 000 - \$129 999	1	-	1	-
\$150 000 - \$159 999	-	1	-	-
\$160 000 - \$169 999	1	1	-	1
\$190 000 - \$199 999	-	1	-	-
\$200 000 - \$209 999	1	-	1	-
\$210 000 - \$219 999	-	1	-	1

<i>Remuneration of executive officers (continued)</i>	Consolidated		University	
	2011 Number	2010 Number	2011 Number	2010 Number
\$220 000 - \$229 999	-	1	-	1
\$230 000 - \$239 999	-	1	-	-
\$240 000 - \$249 999	1	2	1	2
\$250 000 - \$259 999	2	-	2	-
\$270 000 - \$279 999	1	-	1	-
\$280 000 - \$289 999	1	-	1	-
\$290 000 - \$299 999	1	2	-	2
\$300 000 - \$309 999	3	1	3	1
\$370 000 - \$379 999	-	1	-	1
\$380 000 - \$389 999	1	-	1	-
\$540 000 - \$549 999	-	1	-	1
\$710 000 - \$719 999	1	-	1	-
	14	13	12	10

	Consolidated		University	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Aggregate remuneration of executives	4 108	3 501	3 645	2 913

The DEEWR Guidelines specify that executives are defined 'as the CEO and/or any person in a senior management position considered to be part of the University's executive group who is directly accountable and responsible for the strategic direction and operational management of the entity.'<sup>(1)</sup>

<sup>(1)</sup> Financial Statement Guidelines for Australian Higher Education Providers for the 2011 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. The University leases residential accommodation to the Vice-Chancellor on normal commercial terms and conditions.

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Auditing the financial report:				
South Australian Auditor-General	245	245	245	245
Other auditors	25	31	-	-
Total remuneration for auditing the financial report	270	276	245	245
Other audit services:				
South Australian Auditor-General	6	5	6	5
Total remuneration for other audit services	6	5	6	5
Total remuneration for audit services	276	281	251	250

### 31. **Contingencies**

#### *Contingent liabilities*

The University is an exempt employer for WorkCover SA purposes. The University is required by WorkCover SA to have a bank guarantee in place for the purposes of covering workers compensation liabilities in the event that the University was unable to pay them. As at 31 December 2011 the University had a bank guarantee facility of \$1.01 million in place (total facility limit of \$2.965 million).

#### *Contingent assets*

There are no material contingent assets.

### 32. Commitments

#### (a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		University	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Building works:				
Within one year	8 938	3 048	8 838	2 998
Later than one year but not later than five years	250	50	250	-
Later than five years	-	-	-	-
	<u>9 188</u>	<u>3 098</u>	<u>9 088</u>	<u>2 998</u>
Plant and equipment:				
Within one year	110	150	62	67
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	<u>110</u>	<u>150</u>	<u>62</u>	<u>67</u>
Intangible assets:				
Within one year	-	-	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Joint ventures:				
Within one year	-	-	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital commitments	<u>9 298</u>	<u>3 248</u>	<u>9 150</u>	<u>3 065</u>

#### (b) Lease commitments

The University has various operating leases of property and equipment. Lease amounts have only been included in the table where there is a non-cancellable commitment.

	Consolidated		University	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<i>University as lessee</i>				
Total lease payments recognised as an expense during the reporting period	<u>2 956</u>	<u>2 603</u>	<u>2 956</u>	<u>2 603</u>

#### *Commitments*

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

Within one year	1 398	1 228	1 398	1 228
Later than one year but not later than five years	3 558	2 794	3 558	2 794
Later than five years	2 579	2 629	2 579	2 629
Total lease commitments as lessee	<u>7 535</u>	<u>6 651</u>	<u>7 535</u>	<u>6 651</u>

#### *University as lessor*

Lease receivables contracted but not included in the financial statements and receivable as follows:

Within one year	630	389	769	395
Later than one year but not later than five years	1 073	416	1 666	416
Later than five years	-	11	-	11
Total lease commitments as lessor	<u>1 703</u>	<u>816</u>	<u>2 435</u>	<u>822</u>

In 2000 the University purchased the Mark Oliphant building in Science Park as an investment property. As at 31 December 2011 8% (81%) of the building is leased or available for lease to entities outside the Economic Entity. A further 8% (8%) is leased to entities outside the University but within the Economic Entity.

A portion of the Remote Health Precinct property is treated as an investment property and as at 31 December 2011 81% (81%) of this investment property is leased or available for lease to entities outside the Economic Entity. In 2009 the University acquired a residential property. This is leased out on a commercial basis.



**(b) Lease commitments (continued)**

The University has accommodation for 551 students available on campus that are leased on a yearly basis. As leases are not entered into until February and are completed before the end of the year, they are not included in the above figures.

The University leases a small amount of space on its main campus to commercial entities that provide services to students and staff.

**(c) Other expenditure commitments**

Commitments in existence at the reporting date but not recognised as liabilities, payable:

	Consolidated		University	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Within one year	1 387	2 245	1 324	2 245
Later than one year but not later than five years	249	169	249	169
Later than five years	29	29	29	29
Total other expenditure commitments	1 665	2 443	1 602	2 443

**33. Superannuation schemes**

The University contributes to the following employee superannuation funds:

**(i) UniSuper****(a) UniSuper Defined Benefit Plan or Accumulation 2 (formerly Investment Choice Plan)**

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 2011 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Benefit Plan.

Whilst still technically a defined benefit plan, in 2006 the UniSuper Trust Deed was amended so that in the event 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. The change in the UniSuper Trust Deed effectively alters the nature of the scheme to a defined contribution scheme.

As set out under paragraph 28 of AASB 119 a defined benefit 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 2011 the assets of the Defined Benefit Plan in aggregate were estimated to be:

- \$906.5 million 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 Defined Benefit Plan
- \$426.7 million in excess of accrued benefits. 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 9 November 2011 on the actuarial investigation of the Defined Benefit Plan as at 30 June 2011. The financial assumptions used were:

(a) *UniSuper Defined Benefit Plan or Accumulation 2 (formerly Investment Choice Plan) (continued)*

	Vested benefits (per annum)	Accrued benefits (per annum)
• Gross of tax investment return	7.25%	8.50%
• Net of tax investment return	6.75%	8.00%
• CPI	2.75%	2.75%
• Inflation salary increases short-term (2 years)	5.00%	5.00%
• Inflation salary increases long-term	3.75%	3.75%

Assets have been included at their net market value, ie allowing for realisation costs.

The Defined Benefit Division as at 30 June 2011 is therefore in an ‘unsatisfactory financial position’ as defined by Superannuation Industry (Supervision) Regulation 9.04. An ‘unsatisfactory financial position’ for a defined benefit fund is defined as when ‘the value of the assets of the Fund is inadequate to cover the value of the liabilities of the Fund in respect of benefits vested in the members of the Fund’. The actuary and the trustee have followed the procedure required by section 130 of the *Superannuation Industry (Supervision) Act 1993* when funds are found to be in an unsatisfactory financial position.

Clause 34 was initiated following the 31 December 2008 actuarial investigation and it has again been initiated following the 30 June 2011 actuarial investigation.

The actuary currently believes, in respect of the long-term financial condition of the Fund, that assets as at 30 June 2011, together with current contribution rates, are expected to be sufficient to provide for the current benefit levels for both existing members and anticipated new members if experience follows the ‘best estimate’ assumptions.

(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*

The University has 81 (82) 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 2011. This assessment was performed by Brett and Watson Pty Ltd consulting 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 \$51.9 million (\$41.8 million). The net unfunded amount has been recognised in the accounts of the University as a liability with a corresponding receivable from the Commonwealth Government (refer note 16). Recognition of the receivable from the Commonwealth is in accordance with DEEWR Guidelines and reflects an assessment that while there is no specific legislated requirement, the Commonwealth has committed to funding the University’s emerging costs.

Assumptions adopted by the Actuary in determining the University’s liability were:

<b>(ii) South Australian Superannuation Scheme (continued)</b>	2011 (per annum)	2010 (per annum)
• Rate of increase in CPI	2.5%	2.5%
• Rate of salary increases	4.0%	4.0%
• Investment earnings	7.0%	7.0%
• Discount rate	4.1%	5.7%

These rates provide for a 1.5% real gap between CPI and salary increases and a further 3% real gap between salary increases and investment earnings.

The liability and asset have been classified as current and non-current according to the cash flow projections of the assessment.

	University	
	2011	2010
	\$'000	\$'000
University's gross liability	54 600	44 400
Funded component	(2 700)	(2 600)
Unfunded liability	51 900	41 800
Total obligation	51 900	41 800
Reimbursement rights (receivable from DEEWR)	51 900	41 800
Net liability	-	-
Payment received from DEEWR	1 967	1 726
Emerging cost payments to Super SA	2 173	1 985

### 34. 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 Economic Entity*

Ownership interests in subsidiaries are set out in note 35.

### 35. 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 activity</i>	Ownership interest	
		2011 %	2010 %
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
Flinders MediTech Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Medical device company.	100	100
Re-time Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Specialist eye-wear company.	62	100
Lung Health Diagnostics Pty Ltd	Biotech development company.	60	60

**35. Subsidiaries (continued)**

<i>Name of entity</i>	<i>Principal activity</i>	%	%
National Institute of Labour Studies (NILS) Inc <sup>^</sup>	Undertakes independent research and consultancy services in labour studies.	-	100
National Institute of Labour Studies Foundation Inc	Supports the activities of NILS Inc.	100	100

<sup>^</sup> In 2010 the operations of the National Institute of Labour Studies were transferred to the University. NILS was wound up in 2011.

**36. Jointly controlled operations and assets**

*(a) Joint venture operations and assets*

<i>Name of entity</i>	<i>Principal activity</i>	Output interest	
		2011	2010
		%	%
<b>Joint venture operations</b>			
Centre for Remote Health	Provision of health education and research to remote areas.	50	50
Greater Green Triangle University Department of Rural Health	Creation of a network of excellence in health professional education, population health, research and clinical service in the Greater Green Triangle region.	50	50
<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

***Centre for Remote Health***

The assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the financial statements under their respective categories.

	Consolidated		University	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Current assets:				
Cash at bank	1 016	738	1 016	738
Receivables	-	55	-	55
Total current assets	1 016	793	1 016	793
Non-current assets:				
Property, plant and equipment	3 049	3 113	3 049	3 113
Total assets	4 065	3 906	4 065	3 906
Current liabilities:				
Payables	155	5	155	5
Annual leave	48	42	48	42
LSL	15	30	15	30
Total current liabilities	218	77	218	77
Non-current liabilities:				
Annual leave	35	36	35	36
LSL	90	58	90	58
Total non-current liabilities	125	94	125	94
Total liabilities	343	171	343	171
Share of assets employed in joint venture	3 722	3 735	3 722	3 735
<b><i>Greater Green Triangle</i></b>				
Current assets:				
Cash at bank	956	861	956	861
Total current assets	956	861	956	861

**Greater Green Triangle (continued)**

	Consolidated		University	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Non-current assets:				
Property, plant and equipment	76	98	76	98
Total assets	1 032	959	1 032	959
Current liabilities:				
Annual leave	35	40	35	40
LSL	6	4	6	4
Total current liabilities	41	44	41	44
Non-current liabilities:				
Annual leave	21	34	21	34
LSL	69	65	69	35
Total non-current liabilities	90	99	90	99
Total liabilities	131	143	131	143
Share of assets employed in joint venture	901	816	901	816

**Rubuntja**

Non-current assets:				
Property, plant and equipment	1 256	1 328	1 256	1 328

**Joint venture operations and assets**

The University's joint venture operations and assets have no contingent liabilities as at 31 December 2011 (\$nil).

**Other**

The University has collaborative arrangements in place with a number of overseas institutions for joint teaching of students. Revenue is shared between the University and collaborating institutions. The University's share of revenue and expense is included in the Income Statement.

**(b) Joint venture entities**

The University has a material interest in one joint venture entity as disclosed below.

Name of entity	Principal activity	Output interest	
		2011 %	2010 %
FCD Health Limited	Operates the Palmerston (NT) GP Super Clinic.	50	50

The assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the financial statements under their respective categories, after the proportionate elimination of transactions between the University and FCD Health Ltd.

FCD Health Ltd	Consolidated		University	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets:				
Cash at bank	233	143	233	143
Receivables	5	103	5	103
Prepayments	-	3	-	3
Total current assets	238	249	238	249
Non-current assets:				
Property, plant and equipment	190	180	190	180
Total assets	428	429	428	429
Current liabilities:				
Payables	126	183	126	183
Loans from joint venture entity owners	247	154	247	154
Total current liabilities	373	337	373	337
Total liabilities	373	337	373	337
Share of assets employed in joint venture	55	92	55	92

**(b) Joint venture entities (continued)**

The University also participates in a number of other 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 on an equity basis as per AASB 131.

Relevant disclosures are as follows:

<i>Name of entity</i>		<i>Reporting date</i>	<i>Principal activity</i>	Ownership interest	
				2011 %	2010 %
<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 Housing and Urban Research Institute (AHURI) - Southern Research Centre	(U)	30 June	A cooperative venture between five universities to research housing and related issues with emphasis on economic, social and policy aspects.	-	11
eResearch SA	(U)	31 December	Supports and promotes the use of advanced and high-performance computing and communications.	33	25
Helpmann Academy for the Visual and Performing Arts Inc (Helpmann Academy)	(I)	30 June	Offers award courses for people seeking professional careers in the arts.	-*	-*
Innovate SA Inc	(I)	30 June	To promote, encourage and facilitate continuing economic development.	33	33
SABRENet Ltd	(I)	30 June	Delivers high capacity broadband network services to the education and research sector.	20	20
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 Health and Medical Research Institute (SAHMRI)	(I)	30 June	Ensures South Australia's strong position in health and medical research into the future.	17*	17*
South Australian Tertiary Admission Centre (SATAC)	(U)	31 December	Agent for tertiary institutions in Adelaide for receiving and processing applications for admission to tertiary level courses.	25	25
The Ethics Centre of South Australia (ECSA)	(U)	31 December	Facilitates ethics research and teaching in South Australia.	25	25

(I) Incorporated

(U) Unincorporated

\* Partner but no right to residual assets

**(c) Other information**

(1) *Capital expenditure commitments*  
No material capital expenditure commitments.

(2) *Contingent liabilities*  
No material contingent liabilities.

(3) *After balance date events*  
No material after balance date events.



**40. Non-cash financing and investing activities**

During the reporting period the University acquired works of art and library materials with an aggregate fair value of \$760 000 (\$830 000) by means of donations. These acquisitions are not reflected in the Statement of Cash Flows.

**41. Assets and liabilities of trusts for which the University is trustee**

The University is the trustee of the following trusts:

<i>Trust name</i>	<i>Purpose</i>
ADS Students	Payment of stipends to AusAID students
Sir Ewen Waterman <sup>(1)</sup>	Promotion and encouragement of biomedical science education

<sup>(1)</sup> The amount held in the Sir Ewen Waterman Trust is immaterial.

<i>ADS Students Trust - assets and liabilities</i>	Consolidated		University	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Current assets:				
Cash at bank	52	43	52	43
Total current assets	52	43	52	43
Non-current assets:				
Total non-current assets	-	-	-	-
Total assets	52	43	52	43
Current liabilities:				
Trade and other payables	-	-	-	-
Total current liabilities	-	-	-	-
Non-current liabilities:				
Total non-current assets	-	-	-	-
Total liabilities	-	-	-	-
Net assets	52	43	52	43

The funds held in trust for AusAID are not included in the University's Income Statement and Statement of Financial Position.

**42. 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.

**43. Misappropriation of funds**

In addition to further recoveries of misappropriated funds in note 8, an amount of \$644 000 (\$1.274 million) is included in receivables at note 16, being the value of expected future recoveries of misappropriated funds.

**44. Correction of prior period error**

The 2011 financial statements contain corrections of errors relating to two prior periods.

- Annual leave and LSL provisions on-cost rates - the University used incorrect on-cost rates in calculating amounts payable in relation to leave provisions. The correct on-cost rates were applied in 2011 and 2010 comparatives have been restated to reflect the correct on-cost rates. This adjustment has impacted the following areas for 2010:
  - employee related expenses reduced by \$405 000 (refer note 10)
  - payables reduced by \$3.081 million (refer note 23)
  - opening retained earnings increased by \$2.676 million (refer note 26).
- Rural housing properties recognition - in prior years only a portion of the revenue received and asset value were recognised rather than the full amounts. For properties purchased in 2011 the full value of the revenue and corresponding asset were recognised. The following adjustments were made to the 2010 comparatives:
  - Australian Government grants (other non-research income) increased by \$454 000 (refer note 2(g))
  - property plant and equipment (land and buildings) increased by \$3.005 million (refer note 21)
  - opening retained earnings increased by \$2.551 million (refer note 26).

The 2010 comparative figures and the Statement of Changes in Equity have been adjusted accordingly.



**45. Acronyms and abbreviations**

AASB	Australian Accounting Standards Board
ARC	Australian Research Council
CGS	Commonwealth Grants Scheme
DEEWR	Department of Education, Employment and Workplace Relations
DIISR	Department of Innovation, Industry, Science & Research
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

**46. Acquittal of Australian Government financial assistance****46.1 DEEWR - CGS and other DEEWR grants**

	Note	University only					
		Commonwealth Grants Scheme <sup>(1)</sup>		Indigenous Support Program		Equity Support Program	
		2011	2010	2011	2010	2011	2010
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		96 619	96 105	470	453	2 326	1 345
Net accrual adjustments		(658)	(3 900)	-	-	-	-
Revenue for the period	2(a)	95 961	92 205	470	453	2 326	1 345
Surplus (Deficit) from the previous year		-	-	-	-	765	-
Total revenue including accrued revenue		95 961	92 205	470	453	3 091	1 345
Expenses including accrued expenses		(95 961)	(92 205)	(470)	(453)	(1 215)	(580)
Surplus (Deficit) for reporting period		-	-	-	-	1 876	765

	2(a)	University only					
		Disability Support Program		Workplace Productivity Program		Learning and Teaching Performance Fund	
		2011	2010	2011	2010	2011	2010
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		61	79	-	-	-	-
Net accrual adjustments		-	-	-	-	-	-
Revenue for the period	2(a)	61	79	-	-	-	-
Surplus (Deficit) from the previous year		-	-	-	55	146	246
Total revenue including accrued revenue		61	79	-	55	146	246
Expenses including accrued expenses		(61)	(79)	-	(55)	(134)	(100)
Surplus (Deficit) for reporting period		-	-	-	-	12	146

	2(a)	University only					
		Capital Development Pool		Diversity and Structural Adjustment Fund <sup>(2)</sup>		Transitional Cost Program	
		2011	2010	2011	2010	2011	2010
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		863	-	1 108	-	43	59
Net accrual adjustments		-	-	-	-	5	67
Revenue for the period	2(a)	863	-	1 108	-	48	126
Surplus (Deficit) from the previous year		-	-	928	2 013	-	-
Total revenue including accrued revenue		863	-	2 036	2 013	48	126
Expenses including accrued expenses		(105)	-	(1 581)	(1 085)	(48)	(126)
Surplus (Deficit) for reporting period		758	-	455	928	-	-

**46.1 DEEWR - CGS and other DEEWR grants (continued)**

		University only		Total	
		Performance funding		2011	2010
		2011	2010	\$'000	\$'000
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	1 771	-	103 261	98 041
Net accrual adjustments		-	-	(653)	(3 833)
Revenue for the period	2(a)	1 771	-	102 608	94 208
Surplus (Deficit) from the previous year		-	-	1 839	2 314
Total revenue including accrued revenue		1 771	-	104 447	96 522
Expenses including accrued expenses		(1 771)	-	(101 346)	(94 683)
Surplus (Deficit) for reporting period		-	-	3 101	1 839

(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 Program.

**46.2 Higher Education Loan Programs**

		HECS-HELP (Australian Govt payments only)		FEE-HELP		Total	
		2011	2010	2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	49 143	49 187	3 915	2 667	53 058	51 854
Net accrual adjustments		2 921	(549)	(228)	387	2 693	(162)
Revenue for the period	2(b)	52 064	48 638	3 687	3 054	55 751	51 692
Surplus (Deficit) from the previous year		-	-	-	-	-	-
Total revenue including accrued revenue		52 064	48 638	3 687	3 054	55 751	51 692
Expenses including accrued expenses		(52 064)	(48 638)	(3 687)	(3 054)	(55 751)	(51 692)
Surplus (Deficit) for reporting period		-	-	-	-	-	-

**46.3 Learning scholarships**

		Australian Postgraduate Awards		University only International Post-graduate Research Scholarships		Commonwealth Education Cost Scholarships <sup>(3)</sup>	
		2011	2010	2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	3 363	2 810	320	304	1 209	605
Net accrual adjustments		-	-	-	-	-	140
Revenue for the period	2(c)	3 363	2 810	320	304	1 209	745
Surplus (Deficit) from the previous year		360	113	-	-	6	-
Total revenue including accrued revenue		3 723	2 923	320	304	1 215	745
Expenses including accrued expenses		(2 972)	(2 563)	(320)	(304)	(514)	(739)
Surplus (Deficit) for reporting period		751	360	-	-	701	6

		Commonwealth Accommodation Scholarships <sup>(3)</sup>		University only Indigenous Access Scholarships		Total	
		2011	2010	2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		1 600	699	39	30	6 531	4 448
Net accrual adjustments		-	502	-	-	-	642
Revenue for the period	2(c)	1 600	1 201	39	30	6 531	5 090
Surplus (Deficit) from the previous year		-	-	4	-	370	113
Total revenue including accrued revenue		1 600	1 201	43	30	6 901	5 203
Expenses including accrued expenses		(710)	(1 201)	(40)	(26)	(4 556)	(4 833)
Surplus (Deficit) for reporting period		890	-	3	4	2 345	370

(3) Includes National Priority and National Accommodation Priority Scholarships respectively

**46.4 DIISR Research**

	Note	Joint Research Engagement Program		University only Research Training Scheme		Commercialisation Training Scheme	
		2011	2010	2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		6 059	6 075	10 205	10 189	118	101
Net accrual adjustments		-	-	-	-	-	-
Revenue for the period	2(d)	6 059	6 075	10 205	10 189	118	101
Surplus (Deficit) from the previous year		248	955	-	-	215	229
Total revenue including accrued revenue		6 307	7 030	10 205	10 189	333	330
Expenses including accrued expenses		(6 307)	(6 782)	(10 205)	(10 189)	(253)	(115)
Surplus (Deficit) for reporting period		-	248	-	-	80	215

	2(d)	Research Infrastructure Block Grants		University only Implementation Assistance Programme		Australian Scheme for Higher Education Repositories	
		2011	2010	2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		3 225	3 058	-	58	-	-
Net accrual adjustments		-	-	-	-	-	-
Revenue for the period	2(d)	3 225	3 058	-	58	-	-
Surplus (Deficit) from the previous year		38	795	38	-	-	261
Total revenue including accrued revenue		3 263	3 853	38	58	-	261
Expenses including accrued expenses		(3 263)	(3 815)	(38)	(20)	-	(261)
Surplus (Deficit) for reporting period		-	38	-	38	-	-

	Note	University only Sustainable Research Excellence in Universities		Total	
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		1 819	1 359	21 426	20 840
Net accrual adjustments		-	-	-	-
Revenue for the period	2(d)	1 819	1 359	21 426	20 840
Surplus (Deficit) from the previous year		200	-	739	2 240
Total revenue including accrued revenue		2 019	1 359	22 165	23 080
Expenses including accrued expenses		(2 019)	(1 159)	(22 085)	(22 341)
Surplus (Deficit) for reporting period		-	200	80	739

**46.5 Other capital funding**

	2011	2010	University only Teaching and Learning Capital Fund		Total	
			2011	2010	2011	2010
			\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	-	-	-	-	-	-
Net accrual adjustments	-	-	-	-	-	-
Revenue for the period	-	-	-	-	-	-
Surplus (Deficit) from the previous year	73	5 560	8 240	8 790	8 313	14 350
Total revenue including accrued revenue	73	5 560	8 240	8 790	8 313	14 350
Expenses including accrued expenses	(73)	(5 487)	(1 905)	(550)	(1 978)	(6 037)
Surplus (Deficit) for reporting period	-	73	6 335	8 240	6 335	8 313

**46.6 Australian Research Council Grants**

		University only			
		Projects		Fellowships	
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	3 051	2 418	746	527
Net accrual adjustments		(28)	123	-	-
Revenue for the period	2(e)(i)	3 023	2 541	746	527
Surplus (Deficit) from the previous year		1 988	1 873	344	317
Total revenue including accrued revenue		5 011	4 414	1 090	844
Expenses including accrued expenses		(3 015)	(2 426)	(703)	(500)
Surplus (Deficit) for reporting period		1 996	1 988	387	344

		University only			
		Indigenous Researchers		Total	
		Development			
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		60	66	3 857	3 011
Net accrual adjustments		-	-	(28)	123
Revenue for the period	2(e)(i)	60	66	3 829	3 134
Surplus (Deficit) from the previous year		28	-	2 360	2 190
Total revenue including accrued revenue		88	66	6 189	5 324
Expenses including accrued expenses		(53)	(38)	(3 771)	(2 964)
Surplus (Deficit) for reporting period		35	28	2 418	2 360

		University only					
		Special Research Initiatives		Infrastructure		International	
		2011	2010	2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	3 933	5 679	600	650	-	85
Net accrual adjustments		(1 639)	(3 553)	211	(33)	-	-
Revenue for the period	2(e)(ii)	2 294	2 126	811	617	-	85
Surplus (Deficit) from the previous year		2 519	1 253	316	176	94	183
Total revenue including accrued revenue		4 813	3 379	1 127	793	94	268
Expenses including accrued expenses		(1 851)	(860)	(885)	(477)	(86)	(174)
Surplus (Deficit) for reporting period		2 962	2 519	242	316	8	94

		University only			
		Projects		Total	
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)		1 309	1 119	5 842	7 533
Net accrual adjustments		98	125	(1 330)	(3 461)
Revenue for the period	2(e)(ii)	1 407	1 244	4 512	4 072
Surplus (Deficit) from the previous year		1 102	963	4 031	2 575
Total revenue including accrued revenue		2 509	2 207	8 543	6 647
Expenses including accrued expenses		(1 456)	(1 105)	(4 278)	(2 616)
Surplus (Deficit) for reporting period		1 053	1 102	4 265	4 031

		University only					
		Research Networks		Research Centres		Total	
		2011	2010	2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programs)	Note	-	-	-	-	-	-
Net accrual adjustments		-	-	316	315	316	315
Revenue for the period	2(e)(iii)	-	-	316	315	316	315
Surplus (Deficit) from the previous year		-	33	211	32	211	65
Total revenue including accrued revenue		-	33	527	347	527	380
Expenses including accrued expenses		-	(33)	(527)	(136)	(527)	(169)
Surplus (Deficit) for reporting period		-	-	-	211	-	211

**46.7 OS-HELP**

		University only	
		Total <sup>^</sup>	
		2011	2010
		\$'000	\$'000
	Note		
Cash received during the reporting period		197	304
Cash spent during the reporting period		342	248
Net cash received	2(g)	(145)	56
Cash surplus (deficit) from the previous period		201	145
Cash surplus (deficit) for reporting period		56	201

<sup>^</sup> OS-HELP is not included in income. The University effectively acts as a transfer agency with regard to the OS-HELP monies received from the Australian Government.

**46.8 Superannuation supplementation**

		University only	
		Total	
		2011	2010
		\$'000	\$'000
	Note		
Cash received during the reporting period	2(g)	2 186	1 704
University contribution in respect of current employees		206	258
Cash available		2 392	1 962
Cash surplus (deficit) from the previous period		(100)	(77)
Cash available for current period		2 292	1 885
Contributions to specified benefit funds		(2 173)	(1 985)
Cash surplus (deficit) this period		119	(100)

# 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 provide vocational education and training through Training and Further Education (TAFE) institutes and other providers. 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 2011-12, specific areas of audit attention included:

- expenditure, including grants and accounts payable
- employee benefits
- revenue, including student fees and receivables
- cash management, including bank reconciliations
- fixed assets

- general ledger
- the Student Information System.

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 2012, 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 matters raised 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 management letters to the Chief Executive. The main matters raised with DFEEST and the related responses are considered herein.

### ***Payroll and human resources***

#### *Bona fide certificates*

Consistent with previous years' audit findings, managers are not always reviewing and returning bona fide certificates on a timely basis.

DFEEST responded that options are being considered to automate the bona fides process. Furthermore an additional escalation process will be put in place where managers have outstanding bona fides for more than five days.

#### *Review of Empower user access reports*

DFEEST uses the Empower payroll system to process payroll transactions.

DFEEST did not consistently review user access to Empower during the year as SSSA did not provide user access reports to DFEEST until February 2012.

DFEEST responded that SSSA implemented a standard HRMS security form early in 2012 which is used by all agencies to request new users, change/delete users. Copies of approved requests are retained by the DFEEST HR Systems Manager to validate against the Empower user report which is then certified.

*Policies and procedures for multi positions*

Some DFEEST employees hold more than one position in the Department. These employees are internally referred to as multiple/multipositions.

DFEEST does not have documented policies and procedures that instruct or provide guidance to work groups about how to establish multiple positions for addition to Empower.

DFEEST responded that a request will be made to SSSA Payroll Services, who create multipositions, to ensure that all such position creations are approved by the DFEEST HR Operations Senior Business Partner prior to their creation.

*Policies and procedures for review of hourly paid instructors' (HPI) payments*

DFEEST does not have documented policies and procedures that instruct or provide guidance to work groups about their review of HPI:

- timesheets/claim forms
- payment summary spreadsheets sent to SSSA Payroll Services to initiate HPI payments
- payment reports received from SSSA Payroll Services prior to disbursement of pays.

This has led to an inconsistent approach by work groups in reviewing HPI payments and an inconsistent application of relevant award payments to HPIs across TAFE work groups.

DFEEST responded that an HPI Time and Attendance Project was implemented on 13 July 2012 which requires managers to verify the accuracy of HPI claims. The payment of HPI claims is now consistent across the department and policies and procedures now exist for adherence by all managers.

***Expenditure***

*Review of Basware user access listing*

DFEEST uses the Basware system for procurement of goods and services. A DFEEST officer is required to review a quarterly Basware user access listing against the master spreadsheet of users to ensure that only appropriate officers have access to Basware.

DFEEST officers are not reviewing the Basware user access listing on a timely basis due to errors in the report.

DFEEST responded that the Basware user access listing was updated in consultation with SSSA in July 2012. The user access listing will be reviewed on a quarterly basis during 2012-13.

*Use of purchase orders*

The DFEEST procurement policy provides that purchase orders must be raised for all DFEEST purchases, except for those exempted in the appendix to the policy.

In some instances DFEEST is not using purchase orders for relevant goods and services acquired.

DFEEST responded that staff will be reminded of their obligations in raising purchase orders.



*Goods and services not being receipted against purchase orders*

When goods and services are received, Basware is updated and the goods received are matched against an associated purchase order.

DFEEST officers are not consistently recording receipt of goods and services against their related purchase order in Basware. This has resulted in purchase orders remaining open in Basware despite the Department having received the goods and services ordered.

DFEEST responded that staff will be reminded of their obligations to record receipt of goods and services against their related purchase orders. Policies and procedures will clearly reflect this requirement.

*Excessive daily channel limit in Westpac Corporate Online*

DFEEST payments made through Westpac Corporate Online are subject to a daily channel limit and authorisation limits of the users authorising the payments. The daily channel limit is the maximum total amount that can be transacted by DFEEST each day in its bank account using Corporate Online. Westpac requires two individual users to authorise each payment file.

The daily channel limit for DFEEST is currently set at \$99.99 billion. This is well in excess of the likely value of daily processing. Audit recommended DFEEST reduce the daily channel limit to reflect the likely level of daily processing.

DFEEST responded that all DFEEST files are processed through a direct entry credit/debit facility which also has a limit. Due to dual authorisation and limits on all Corporate Online payments, the channel risk has been mitigated. DFEEST will review the current channel limit and reduce if deemed appropriate.

***Student revenue***

*Policies and procedures*

DFEEST has not updated the Financial Management – Credit and Debtor Management Policy and Procedure since the implementation of the new Student Information System (SIS). The existing policy and procedure therefore does not reflect current processes and controls

DFEEST responded that final drafts of the updated Accounts Receivable and Debt Recovery policy and procedures have been circulated for consultation with final versions to be published by early September 2012.

*Input of fee-for-service rules into SIS by work groups*

Work groups build fees rules into SIS for the fee-for-service courses they deliver.

There is no independent check of the fees built into SIS by work groups for accuracy or completeness prior to fee-for-service courses being made available for online enrolment.

DFEEST responded that the setting off fees is undertaken at a work group level. An educational manager determines the rate to be charged, the fee is then entered by one officer and is now checked by an independent officer for accuracy and completeness. Documentation is maintained for verification purposes. Notwithstanding the work instructions there are instances where processes have not been followed. This work instruction will be reinforced by TAFE SA management.

## **Student Information System implementation and operation**

### *Background*

This is a new enterprise system that is core to the Department's and TAFE Institutes' administration and financial operations. Its overall functionality is designed to manage student academic and financial records from initial enquiries, admission, enrolment, payment of fees, allocation of classes, recording of results and progression to completion and graduation.

The system went live in June 2011 with core elements of the student's lifecycle. This enables students to be admitted and register for classes, pay fees and view their results and academic history online. Additional functionality will be delivered in 2012-13.

### *Internal audit reviews*

Given the significance and core nature of the system, DFEEST has subjected the implementation and operation of the system to certain internal audit initiated reviews. The reviews were conducted by an external audit firm under contract to DFEEST internal audit. The reviews were:

- June 2011 SIS risk assistance review
- August 2011 Information Security Management Framework compliance review
- May 2012 SIS post-implementation review

The June 2011 report was an advisory project to support DFEEST in considering controls around identified risks and assuring the adequacy of controls in the SIS. The report identified control weaknesses including the security model not being finalised, business process deficiencies, and deficiencies in access management procedures, including segregation of duties. The report recommended improvements to security, exception reporting and monitoring controls. These recommendations assisted DFEEST with facilitating certain security and control design features for the system at its time of implementation.

The August 2011 report addressed compliance of DFEEST's ICT security arrangements with the whole-of-government Information Security Management Framework across a number of systems at DFEEST. The report identified key areas requiring improvement including security controls and business continuity planning.

Particular findings concerning user access management and management of privilege access had targeted completion dates of December 2012. While these apply to a number of systems Audit considered these particular findings should be addressed with urgency for the newly implemented SIS.

Other matters requiring improvement included business continuity management, communication and operations management and asset identification and classification. Remedial action for these matters was estimated to be completed by June 2012.

The May 2012 SIS post-implementation review addressed the status of remedial actions arising from the June 2011 internal audit report. It also included a review of the implementation of the SIS project during 2011-12. The report identified a significant number of matters that required remedial action. These required addressing to ensure the system operated with the required level of functionality and control. The matters followed up and other matters identified in this review included:

- Business process deficiencies had been identified as the root cause of many existing data quality issues.

- As at early March 2012 there were a large number of priority defects to be remediated.
- Segregation of duties conflicts.

Other important matters requiring attention in the report were a lack of management reporting to enable effective monitoring of business and financial data, and the adequacy of reconciliations and interfaces between the SIS and the DFEEST general ledger.

*Audit assessment of DFEEST response to the internal audit reviews*

During the year whilst performing external financial audits at the Department and TAFE Institutes, Audit progressively assessed the status of the DFEEST response to the internal audit reported findings.

In July 2012 DFEEST provided Audit with a formal update status of remediations and timeframes for addressing the findings and recommendations contained in the internal audit review reports.

Among the actions advised as being either completed or close to completion included the updating of information security policies and documentation governing the operation of the ICT security function. Other actions had remedial timeframes from July 2012 to December 2012. These included the important matters of completion of the information security classification for the new SIS, and the development of an overarching business continuity plan to address critical systems.

*Concluding comment*

The results of the internal audit reviews and Audit assessment of the results indicate that much more planned business process and system security design work should have been completed prior to the implementation of the system.

It is important that effective management is exercised over the timely remediation of the matters identified for resolution, including system defects. It is expected that there will be regular management reporting to the Chief Executive and Audit and Risk Management Committee of the Department on the remediation program of current matters as well as any other matters that may arise during the implementation of further system functionality.

A further review of aspects of the implementation process will be undertaken by Audit in 2012-13.

***Shared Services SA – e-Procurement and electronic payment control environments***

The 2011-12 audit review of DFEEST's expenditure processes considered the e-Procurement and electronic payment systems control environments operated by SSSA.

Review of these systems and environments in previous years identified significant key control weaknesses. While SSSA progressively implemented significant remedial action over these deficiencies during 2011-12, SSSA only anticipates completion of planned actions by December 2012.

As a result the systems and control environments could not be considered robust during 2011-12.

This matter is further discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2012 \$'million	2011 \$'million
<b>Income</b>		
Commonwealth Government grants	49	28
Student and other fees and charges	88	95
Other income	21	13
<b>Total income</b>	<b>158</b>	<b>136</b>
<b>Expenses</b>		
Employee benefits	295	283
Supplies and services	179	158
Grants and subsidies	65	74
Other expenses	22	20
<b>Total expenses</b>	<b>561</b>	<b>535</b>
<b>Net cost of providing services</b>	<b>403</b>	<b>399</b>
<b>Net revenues from SA Government</b>	<b>391</b>	<b>382</b>
<b>Net result</b>	<b>(12)</b>	<b>(17)</b>
<b>Other comprehensive income</b>		
Changes in revaluation surplus	144	(2)
Change in financial assets available-for-sale revaluation surplus	1	1
<b>Total comprehensive result</b>	<b>133</b>	<b>(18)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>16</b>	<b>-</b>
<b>Assets</b>		
Current assets	91	84
Non-current assets	809	657
<b>Total assets</b>	<b>900</b>	<b>741</b>
<b>Liabilities</b>		
Current liabilities	77	63
Non-current liabilities	69	57
<b>Total liabilities</b>	<b>146</b>	<b>120</b>
<b>Total equity</b>	<b>754</b>	<b>621</b>

### Statement of Comprehensive Income

#### Expenses

Expenses increased by \$26 million to \$561 million. This is due mainly to an increase in:

- employee benefits expense of \$12 million
- supplies and services of \$21 million.

This was offset by a decrease in grants and subsidies paid of \$9 million.

Employee benefits increased mainly due to an increase in the LSL expense of \$9.7 million predominantly due to a reduction in the discount rate used to calculate the liability (refer note 25 to the financial statements). In addition TVSP payments increased by \$2.3 million. There were 49 (36) TVSPs paid in 2011-12.

Supplies and services main increases related to an increase in funding to non-TAFE providers for vocational employment training of \$19.2 million.

The main expense of DFEEST is employee benefits. Employee benefits of \$295 million constituted 53% of total expenses.

**Income**

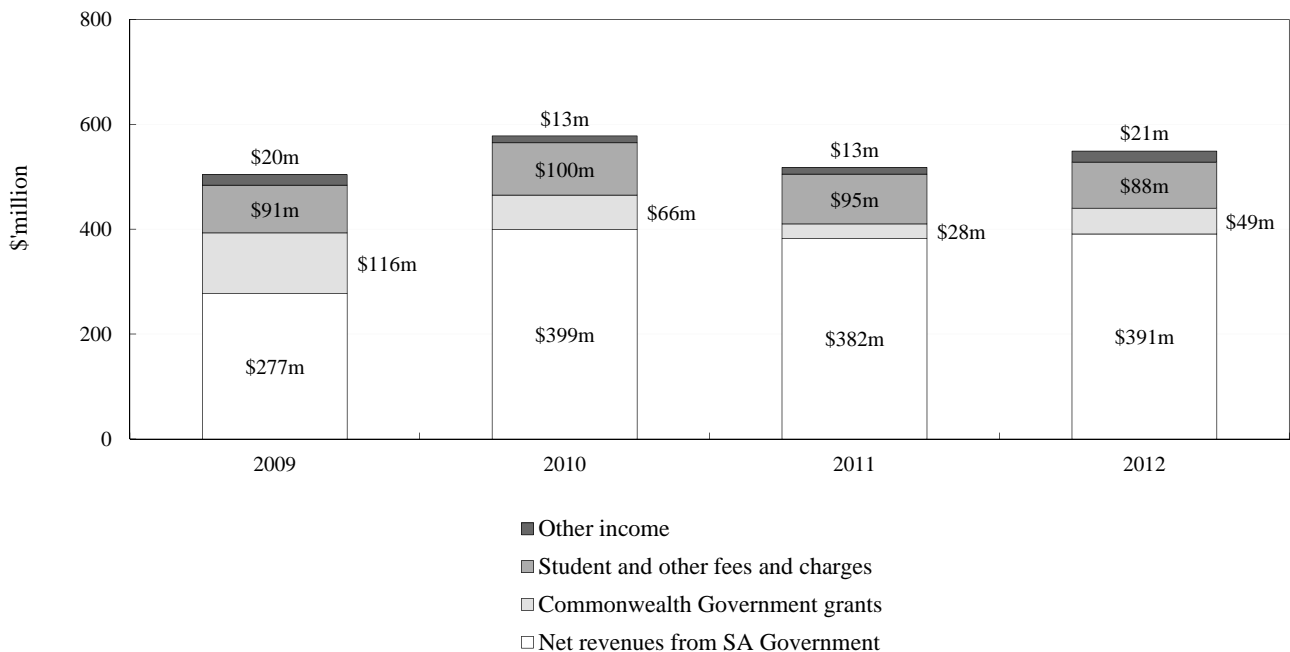
Income increased by \$22 million to \$158 million.

This is mainly due to an increase in Commonwealth Government grants of \$21 million. This is predominantly due to an increase in funding for Productivity Places Program revenue of \$24 million. In 2010-11 less funding was received as funds were carried over from the previous financial year.

In addition there was a net gain on disposal of non-current assets of \$6.4 million relating to the sale of land which was reported as held for sale as at 30 June 2011.

This was offset by a decrease in student and other fees and charges by \$7 million mainly due to a decrease in overseas student revenue of \$3.8 million due to a decline in overseas student numbers and a decrease in other fee-for-service revenue of \$2.7 million.

A structural analysis of DFEEST’s income, including net revenues from the SA Government, for the four years to 2012 is presented in the following chart.



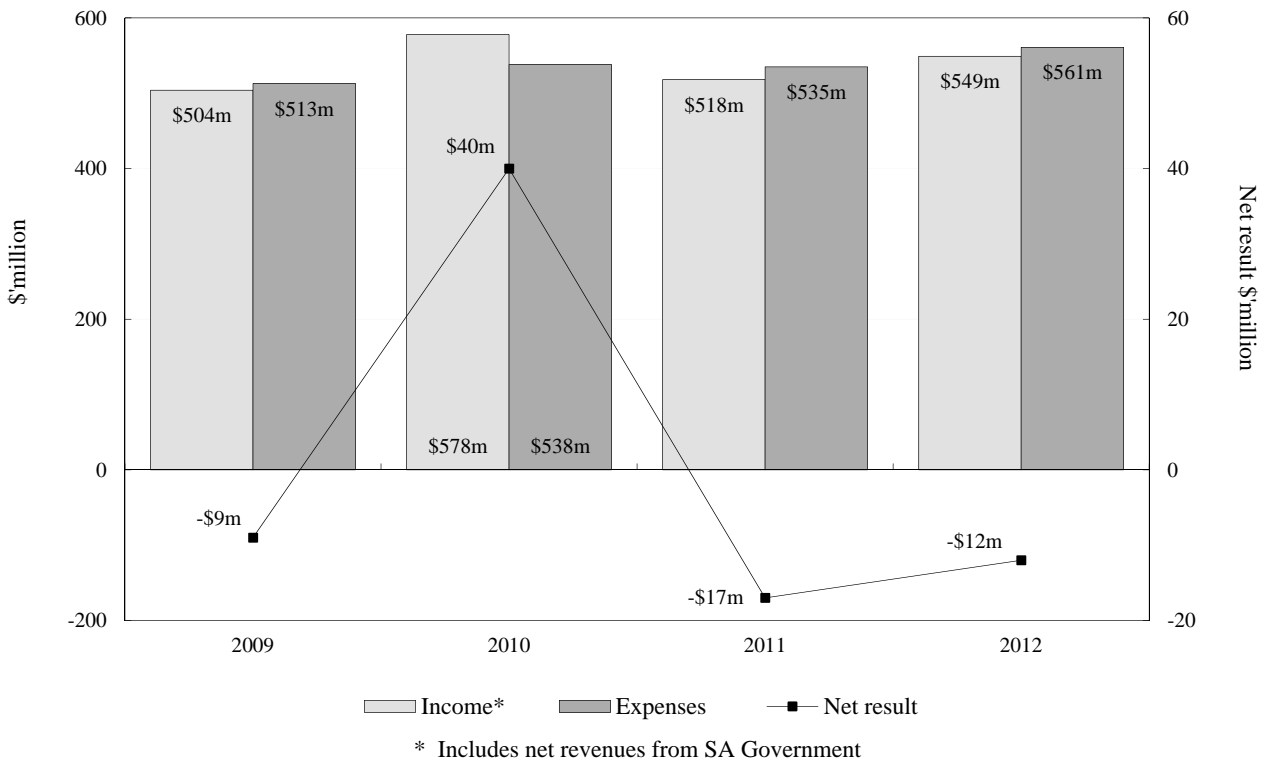
The chart shows the principal source of funding for DFEEST is the net revenues from the SA Government which totalled \$391 million in 2011-12. The increase in 2011-12 was mainly due to there being no return of surplus cash to SA Government pursuant to the cash alignment policy whereas \$11.2 million was returned in 2010-11.

Commonwealth Government grants have fluctuated depending on the stages of various programs.

Further, student and other fees and charges increased in 2009-10 but have declined since then mainly due to the effect of the strong Australian dollar and changed visa requirements.

**Net result**

The following chart shows the movement in income (including net revenues from SA Government), expenses and the net result for the four years to 2011-12.



**Statement of Financial Position**

The Statement of Financial Position shows that the most significant items are:

	2012 \$'million	2011 \$'million
<b>Assets:</b>		
Cash and cash equivalents	66	65
Property, plant and equipment	782	636
<b>Liabilities:</b>		
Payables	45	30
Employee benefits	88	76

Property, plant and equipment is the most dominant item in the Statement of Financial Position, representing 87% of total assets. This item has increased by \$146 million due mainly to a revaluation increment of \$145 million on land, buildings and improvements and capital additions of \$21 million offset by depreciation expense of \$19 million.

**Statement of Cash Flows**

The following table summarises the net cash flows for the four years to 2012.

	2012	2011	2010	2009
	\$'million	\$'million	\$'million	\$'million
<b>Net cash flows</b>				
Operating	15.7	-	49.8	11.8
Investing	(14.1)	(21.4)	(41.1)	(7.1)
Financing	-	-	(0.5)	(0.5)
Change in cash	1.6	(21.4)	8.2	4.2
Cash at 30 June	66.3	64.6	86.0	77.8

Cash as at 30 June 2012 is \$66 million. Of this amount, \$24 million is held in an Accrual Appropriation Excess Funds Account which can only be used with the Treasurer or Under Treasurer's approval.

**Further commentary on operations****Student information system**

In June 2009, the Department entered into a contract with an external party for \$18.1 million over 10 years for the licensing of SIS and to assist with the implementation and configuration of the system. The project planning and implementation of the system will total \$20.4 million over three years from 2009-10.

The system went live in June 2011. As at 30 June 2012 the capitalised cost of the system was \$12.9 million. Additional functionality will be delivered over the coming 12 months resulting in work in progress of \$2.4 million as at 30 June 2012.

**Sustainable Industries Education Centre**

A \$120 million building and construction education hub is being constructed at Tonsley Park in collaboration with the universities and industry.

The Sustainable Industries Education Centre will be a tenant of the proposed Tonsley Park redevelopment and will focus on equipping the building and construction, water and renewable energy industries with the knowledge and skills necessary to lead the nation in the use of sustainable technologies.

The construction is being managed by the Department of Planning, Transport and Infrastructure.

The consolidated facility amalgamates and rationalises building and construction training from four campuses into one.

Enabling works have been completed and construction has commenced. The estimated completion date is late in 2013.

## Statement of Comprehensive Income for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Expenses:</b>			
Employee benefits	5	294 797	282 907
Supplies and services	6	179 201	157 975
Grants and subsidies	7	65 303	74 553
Depreciation and amortisation	8	20 556	19 299
Net loss from the disposal of non-current assets	15	-	469
Other expenses	9	1 739	482
<b>Total expenses</b>		561 596	535 685
<b>Income:</b>			
Commonwealth grants	11	48 593	28 386
Student and other fees and charges	12	88 288	95 231
Other grants and contributions	13	11 340	8 305
Investment income	14	531	323
Net gain from the disposal of non-current assets	15	6 438	-
Other income	16	3 095	4 118
<b>Total income</b>		158 285	136 363
<b>Net cost of providing services</b>		403 311	399 322
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	17	390 832	394 688
Payments to SA Government	17	-	(12 643)
<b>Total revenues from (payments to) SA Government</b>		390 832	382 045
<b>Net result</b>		(12 479)	(17 277)
<b>Other comprehensive income:</b>			
Changes in revaluation surplus		144 779	(2 374)
Change in financial assets available-for-sale revaluation surplus	29	1 290	1 108
<b>Total comprehensive result</b>		133 590	(18 543)

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



## Statement of Financial Position as at 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	18	66 306	64 675
Receivables	19	24 095	17 041
Inventories	23	898	887
Non-current assets classified as held for sale	20	-	1 578
<b>Total current assets</b>		91 299	84 181
<b>Non-current assets:</b>			
Receivables	19	258	239
Investments	29	6 289	4 999
Property, plant and equipment	21	782 114	635 681
Intangibles	22	20 661	15 894
<b>Total non-current assets</b>		809 322	656 814
<b>Total assets</b>		900 621	740 995
<b>Current liabilities:</b>			
Payables	24	42 619	27 612
Employee benefits	25	28 382	27 777
Provisions	26	1 993	2 101
Unearned revenue	27	3 488	4 827
Other current liabilities	28	639	753
<b>Total current liabilities</b>		77 121	63 070
<b>Non-current liabilities:</b>			
Payables	24	2 455	1 984
Employee benefits	25	59 538	48 114
Provisions	26	7 181	7 091
<b>Total non-current liabilities</b>		69 174	57 189
<b>Total liabilities</b>		146 295	120 259
<b>Net assets</b>		754 326	620 736
<b>Equity:</b>			
Retained earnings	30	382 741	395 220
Financial assets available-for-sale revaluation surplus	30	3 685	2 395
Revaluation surplus	30	367 900	223 121
<b>Total equity</b>		754 326	620 736
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 2012

		Revaluation surplus \$'000	Financial assets available- for-sale revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2010		225 495	1 287	411 358	638 140
Changes in accounting policy		-	-	1 303	1 303
Error correction		-	-	(146)	(146)
Restated balance at 30 June 2010		225 495	1 287	412 515	639 297
Net result for 2010-11		-	-	(17 277)	(17 277)
Change in financial assets available for sale	29	-	1 108	-	1 108
Loss on revaluation of library during 2010-11		(2 374)	-	-	(2 374)
Total comprehensive result for 2010-11		(2 374)	1 108	(17 277)	(18 543)
Net assets received as a result of an administrative restructure		-	-	(18)	(18)
Balance at 30 June 2011		223 121	2 395	395 220	620 736
Net result for 2011-12		-	-	(12 479)	(12 479)
Change in financial assets available for sale	29	-	1 290	-	1 290
Gain on revaluation of property assets during 2011-12		144 779	-	-	144 779
Total comprehensive result 2011-12		144 779	1 290	(12 479)	133 590
<b>Balance at 30 June 2012</b>		<b>367 900</b>	<b>3 685</b>	<b>382 741</b>	<b>754 326</b>

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

## Statement of Cash Flows for the year ended 30 June 2012

		2012	2011
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		(282 328)	(277 944)
Payments for supplies and services		(189 620)	(182 142)
Payments for grants and subsidies		(65 303)	(74 553)
GST paid to the ATO		(4 222)	(4 215)
Payments for Paid Parental Leave Scheme		(96)	-
Other payments		(338)	(292)
<b>Cash used in operations</b>		<b>(541 907)</b>	<b>(539 146)</b>
Cash inflows:			
Commonwealth grants		48 593	28 386
Student and other fees and charges		83 490	96 519
Other grants and contributions		11 340	8 305
Interest received		26	38
GST recovered from the ATO		19 440	19 650
Dividends received		506	285
Receipts for Paid Parental Leave Scheme		118	-
Other receipts		3 262	3 969
<b>Cash generated from operations</b>		<b>166 775</b>	<b>157 152</b>
Cash flows from SA Government:			
Receipts from SA Government		390 832	394 688
Payments to SA Government		-	(12 643)
<b>Cash generated from SA Government</b>		<b>390 832</b>	<b>382 045</b>
<b>Net cash provided by (used in) operating activities</b>	35	<b>15 700</b>	<b>51</b>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of property, plant and equipment		(16 525)	(15 811)
Purchase of intangibles		(5 877)	(5 557)
<b>Cash used in investing activities</b>		<b>(22 402)</b>	<b>(21 368)</b>
Cash inflows:			
Proceeds from the sale of property, plant and equipment		8 333	11
<b>Cash generated from investing activities</b>		<b>8 333</b>	<b>11</b>
<b>Net cash provided by (used in) investing activities</b>		<b>(14 069)</b>	<b>(21 357)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1 631</b>	<b>(21 306)</b>
<b>Cash and cash equivalents at 1 July</b>		<b>64 675</b>	<b>85 981</b>
<b>Cash and cash equivalents at 30 June</b>	18	<b>66 306</b>	<b>64 675</b>

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2012

	(Activities - refer note 4)		Employment and Skills Formation							
			Learning, Workforce				International and			
			Vocational Education and Training		Participation and Workforce Development		Higher Education			
	2012	2011	2012	2011	2012	2011	2012	2011		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
<b>Expenses:</b>										
Employee benefits	271 133	253 907	11 340	18 588	6 096	5 638	2 468	1 565		
Supplies and services	169 299	148 931	5 444	5 972	1 187	1 058	1 316	1 020		
Grants and subsidies	20 443	20 430	35 001	30 039	117	-	2 067	1 630		
Depreciation and amortisation	20 556	19 299	-	-	-	-	-	-		
Net loss on disposal of assets	-	469	-	-	-	-	-	-		
Other expenses	1 693	450	-	15	2	12	43	2		
<b>Total expenses</b>	<b>483 124</b>	<b>443 486</b>	<b>51 785</b>	<b>54 614</b>	<b>7 402</b>	<b>6 708</b>	<b>5 894</b>	<b>4 217</b>		
<b>Income:</b>										
Commonwealth grants	45 374	19 722	1 358	8 621	1	1	1	-		
Student and other fees and charges	87 533	94 461	12	93	345	654	110	9		
Other grants and contributions	8 211	5 003	2 953	3 126	1	1	-	-		
Investment income	531	295	-	18	-	5	-	2		
Net gain on disposal of assets	6 438	-	-	-	-	-	-	-		
Other income	2 722	3 688	89	92	15	38	57	82		
<b>Total income</b>	<b>150 809</b>	<b>123 169</b>	<b>4 412</b>	<b>11 950</b>	<b>362</b>	<b>699</b>	<b>168</b>	<b>93</b>		
<b>Net cost of providing services</b>	<b>332 315</b>	<b>320 317</b>	<b>47 373</b>	<b>42 664</b>	<b>7 040</b>	<b>6 009</b>	<b>5 726</b>	<b>4 124</b>		
<b>Revenues from (Payments to)</b>										
<b>SA Government:</b>										
Revenues from SA Government	324 044	311 668	43 649	46 918	6 802	6 009	5 627	4 092		
Payments to SA Government	-	(12 643)	-	-	-	-	-	-		
<b>Net result</b>	<b>(8 271)</b>	<b>(21 292)</b>	<b>(3 724)</b>	<b>4 254</b>	<b>(238)</b>	<b>-</b>	<b>(99)</b>	<b>(32)</b>		
	(Activities - refer note 4)		Science, Technology and Information Economy							
			Science and Innovation		Information Economy		Bioscience Industry Development		Technology Investment	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>										
Employee benefits	1 448	2 492	2 312	717	-	-	-	-	-	-
Supplies and services	1 256	509	699	485	-	-	-	-	-	-
Grants and subsidies	1 281	12 217	3	1 579	6 391	6 882	-	1 776	-	-
Depreciation and amortisation	-	-	-	-	-	-	-	-	-	-
Net loss on disposal of assets	-	-	-	-	-	-	-	-	-	-
Other expenses	1	2	-	1	-	-	-	-	-	-
<b>Total expenses</b>	<b>3 986</b>	<b>15 220</b>	<b>3 014</b>	<b>2 782</b>	<b>6 391</b>	<b>6 882</b>	<b>-</b>	<b>1 776</b>	<b>-</b>	<b>-</b>
<b>Income:</b>										
Commonwealth grants	1 858	-	1	42	-	-	-	-	-	-
Student and other fees and charges	123	10	165	4	-	-	-	-	-	-
Other grants and contributions	-	175	175	-	-	-	-	-	-	-
Investment income	-	2	-	1	-	-	-	-	-	-
Net gain on disposal assets	-	-	-	-	-	-	-	-	-	-
Other income	183	145	29	73	-	-	-	-	-	-
<b>Total income</b>	<b>2 164</b>	<b>332</b>	<b>370</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cost of providing services</b>	<b>1 822</b>	<b>14 888</b>	<b>2 644</b>	<b>2 662</b>	<b>6 391</b>	<b>6 882</b>	<b>-</b>	<b>1 776</b>	<b>-</b>	<b>-</b>
<b>Revenues from (Payments to)</b>										
<b>SA Government:</b>										
Revenues from SA Government	1 764	14 702	2 555	2 641	6 391	6 882	-	1 776	-	-
Payments to SA Government	-	-	-	-	-	-	-	-	-	-
<b>Net result</b>	<b>(58)</b>	<b>(186)</b>	<b>(89)</b>	<b>(21)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2012 (continued)

(Activities - refer note 4)	Total	
	2012	2011
	\$'000	\$'000
<b>Expenses:</b>		
Employee benefits	294 797	282 907
Supplies and services	179 201	157 975
Grants and subsidies	65 303	74 553
Depreciation and amortisation	20 556	19 299
Net loss on disposal of assets	-	469
Other expenses	1 739	482
<b>Total expenses</b>	<u>561 596</u>	<u>535 685</u>
<b>Income:</b>		
Commonwealth grants	48 593	28 386
Student and other fees and charges	88 288	95 231
Other grants and contributions	11 340	8 305
Investment income	531	-
Net gain on disposal of assets	6 438	-
Interest income	-	323
Other income	3 095	4 118
<b>Total income</b>	<u>158 285</u>	<u>136 363</u>
<b>Net cost of providing services</b>	<u>403 311</u>	<u>399 322</u>
<b>Revenues from (payments to)</b>		
<b>SA Government:</b>		
Revenues from SA Government	390 832	394 688
Payments to SA Government	-	(12 643)
<b>Net result</b>	<u>(12 479)</u>	<u>(17 277)</u>

## Disaggregated Disclosures - Assets and Liabilities as at 30 June 2012

(Activities - refer note 4)	Employment and Skills Formation							
	Vocational Education and Training		Learning, Workforce Participation and Workforce Development				Regulatory Services International and Higher Education	
			2012	2011	2012	2011		
	2012	2011	2012	2011	2012	2011	2012	2011
<b>Assets:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	-	-	-	-	-	-	-	-
Receivables	22 190	12 529	1 394	66	8	154	54	1
Inventories	898	887	-	-	-	-	-	-
Non-current assets held for sale	-	1 578	-	-	-	-	-	-
Investments	-	-	-	-	-	-	6 289	4 999
Property, plant and equipment	775 775	634 977	-	444	-	141	-	39
Intangibles	20 661	15 895	-	-	-	-	-	-
<b>Total assets</b>	<b>819 524</b>	<b>665 866</b>	<b>1 394</b>	<b>510</b>	<b>8</b>	<b>295</b>	<b>6 343</b>	<b>5 039</b>
<b>Liabilities:</b>								
Payables	29 176	20 218	2 001	1 483	127	92	302	22
Employee benefits	80 797	67 630	3 369	5 340	1 826	1 619	684	302
Provisions	-	-	-	-	-	-	-	-
Unearned revenue	3 488	4 827	-	-	-	-	-	-
Other liabilities	352	464	5	5	-	-	1	1
<b>Total liabilities</b>	<b>113 813</b>	<b>93 139</b>	<b>5 375</b>	<b>6 828</b>	<b>1 953</b>	<b>1 711</b>	<b>987</b>	<b>325</b>
<b>Net assets</b>	<b>705 711</b>	<b>572 727</b>	<b>(3 981)</b>	<b>(6 318)</b>	<b>(1 945)</b>	<b>(1 416)</b>	<b>5 356</b>	<b>4 714</b>

(Activities - refer note 4)	Science, Technology and Information Economy					
	Science and Innovation		Information Economy		Bioscience Industry Development	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>						
Cash and cash equivalents	-	-	-	-	-	-
Receivables	3	4	42	-	-	-
Inventories	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Property, plant and equipment	-	61	-	19	-	-
Intangibles	-	-	-	-	-	-
<b>Total assets</b>	<b>3</b>	<b>65</b>	<b>42</b>	<b>19</b>	<b>-</b>	<b>-</b>
<b>Liabilities:</b>						
Payables	62	455	71	462	-	-
Employee benefits	403	838	841	162	-	-
Provisions	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>465</b>	<b>1 293</b>	<b>912</b>	<b>624</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>(462)</b>	<b>(1 228)</b>	<b>(870)</b>	<b>(605)</b>	<b>-</b>	<b>-</b>

## Disaggregated Disclosures - Assets and Liabilities as at 30 June 2012 (continued)

(Activities - refer note 4)	General/		Total	
	Not attributable			
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>				
Cash and cash equivalents	66 306	64 675	66 306	64 675
Receivables	662	4 526	24 353	17 280
Inventories	-	-	898	887
Non-current assets held for sale	-	-	-	1 578
Investments	-	-	6 289	4 999
Property, plant and equipment	6 339	-	782 114	635 681
Intangibles	-	-	20 661	15 895
<b>Total assets</b>	73 307	69 201	900 621	740 995
<b>Liabilities:</b>				
Payables	13 335	6 864	45 074	29 596
Employee benefits	-	-	87 920	75 891
Provisions	9 174	9 192	9 174	9 192
Unearned revenue	-	-	3 488	4 827
Other liabilities	281	283	639	753
<b>Total liabilities</b>	22 790	16 399	146 295	120 259
<b>Net assets</b>	50 517	52 862	754 326	620 736

### Notes to and forming part of the financial statements

#### 1. Agency objectives and funding

##### (a) Objectives

To develop the skills and capability of the State's workforce and support the application of science and technology to maximise the opportunities for all South Australians to engage in work and enhance economic development and social inclusion.

The Department of Further Education, Employment, Science and Technology (the Department) plays a central role in achieving 14 of South Australia's Strategic Plan targets in the areas of employment, education and training, and science, technology and innovation.

The Department undertakes a range of functions in order to meet its objectives and contribute to the achievement of the South Australia's Strategic Plan objectives and targets. This includes:

- the provision of strategic policy advice for developing the State's workforce, in conjunction with the Training and Skills Commission
- ensuring high quality vocational education and training (VET) is delivered by TAFE institutes under the Office of TAFE SA, private registered training organisations and adult community education providers
- regulation of VET providers, non-university higher education providers, and providers of English language intensive courses for overseas students
- regulation, administration and funding of apprenticeships and traineeships
- managing State funded employment and training support programs
- supporting the Government's strategic direction in the higher education sector
- raising the profile of South Australia in the international education market place
- developing policies and strategies, and delivering programs, that create opportunities for Aboriginal people, young people, people with a disability and older workers
- provision of strategic advice and delivery of programs in the areas of science, technology and information economy.

**(b) Funding**

The Department is predominantly funded by State Government appropriations supplemented by Commonwealth grants. In addition income is generated from sales and fee-for-service. These include:

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

The financial activities of the Department are primarily conducted through a special deposit account with 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) Principals 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. 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. The value of Austraining is shown in the Statement of Financial Position under investments.

Details of the investment in Austraining International Pty Ltd 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 objects 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, his interest in SABRENet is limited to his 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.

Institute councils are established under section 28 of the *Technical and Further Education Act 1975*. The council works with the directors of the TAFE institutes in the development of the business plans and monitors the performance of the institutes. At 30 June 2012 the three institute councils held an aggregate balance of \$300 000. This balance is held in an interest-bearing Section 21 Deposit Account with DTF.

*Joint venture entities*

The Department has a 25% interest in the South Australian Tertiary Admissions Centre (SATAC). The interests in this joint venture are not considered to be material to the Department's core activities. Consequently, they have not been taken up in the accounts on an equity basis as per AASB 131.

SATAC is a joint venture of the three South Australian universities and the Minister for Employment, Higher Education and Skills. SATAC receives and processes undergraduate and postgraduate applications for admission to TAFE SA, Charles Darwin University and the three universities in South Australia.

**2. Summary of significant accounting policies**

**(a) Statement of compliance**

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and comply with TIs and APSs promulgated under the provision 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 2012. These are outlined in note 3.



**(b) Basis of preparation**

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the 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 (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 2012 and the comparative information presented for the year ended 30 June 2011.

**(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 37.

Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

**(d) Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs has required a change. Where presentation or classification of items in the financial statements has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

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

(e) **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 return of surplus cash pursuant to the cash alignment policy.

*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 regards 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 is met.

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

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

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

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

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 33).

**(h) 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 includes cash at bank and cash on hand.

Cash is measured at nominal value.

**(i) Receivables**

Receivables include amounts receivable from trade, 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.

**(j) Inventory**

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.

Cost is assigned to low volume inventory items on a specific identification of cost basis.

Inventories comprise of learning modules, food and wine, wine making equipment, books, stationery, hair and beauty products and timber supplies.

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

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

**(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) 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.

*Revaluation of non-current assets (continued)*

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

Any revaluation increment is credited to the 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. The most recent valuations for land were conducted as at 30 June 2012 by Liquid Pacific, independent valuers, on the basis of market value.

*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. The most recent valuations for building and infrastructure assets were conducted as at 30 June 2012 by Liquid Pacific, independent valuers, on the basis of market value or written down current cost.

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

*Library collection*

The library collection is recorded at replacement value. The most recent valuation was carried out as at 30 June 2011 by the Australian Valuation Office, an independent valuer, on the basis of depreciated replacement cost (a proxy for fair value).

*Plant and equipment*

Items of plant and equipment are recorded at fair value less accumulated depreciation.

All plant and equipment assets with a value of \$10 000 or greater are capitalised.

Items under \$10 000 are recorded in the Statement of Comprehensive Income as an expense in the accounting period in which they are acquired.

*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.

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.

**(m) 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.

**(n) 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, library collections 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.

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	15-60
Improvements	5-50
Paved areas	40-50
Computing and communication equipment	2-20
Other plant and equipment	1-45
Library collection	5-15
Intangibles	10

**(o) 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 benefit on-costs include superannuation contributions, workers compensation and payroll tax with respect to outstanding liabilities for salaries and wages, LSL and annual leave.

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

**(p) 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, annual leave and non-attendance days. Long-term benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

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

Employment related expenses include on-costs such as employer superannuation and payroll tax on employee entitlements together with the workers compensation insurance premium. These are reported under payables as on-costs on employee benefits (refer note 24).

*Salaries, wages, annual leave and non-attendance days*

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

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

*LSL*

An actuarial assessment of LSL undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments.

Based on this actuarial assessment, the shorthand method was used to measure the LSL for 2012. This calculation is consistent with the Department's experience of employee retention and leave taken (refer note 25).

*Sick leave*

Sick leave is not provided for in the financial report, as it 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.

**(q) Financial assets (investment)**

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 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 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.

**(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.

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 2012 (there was no material liability recognised for financial guarantee contracts in 2011).

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.

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.

(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 2011-12.

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 2012. 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 well-being of South Australians through strategic employment, skills formation and workforce development.

*Subactivity: Vocational Education and Training*

Provide post-secondary vocational education and training through TAFE SA and other registered training organisations including:

- the investment of public funds to support individuals and employers to develop workforce skills
- funding apprenticeships and traineeships
- supporting post-secondary training and education
- providing state and national policy advice.

*Subactivity: Learning, Workforce Participation and Workforce Development*

Address the State's economic development and social inclusion objectives by:

- providing opportunities for people to participate in employment, training, skills development, and adult community education
- meeting the current and future labour and skill needs of industry
- providing state and national policy advice.

*Subactivity: Regulatory Services*

Administer the State's further education and training system through:

- registration, accreditation and approval services for registered training organisations
- quality oversight of the State vocational education system through the Training and Skills Commission
- administering the apprenticeships and traineeship system
- providing state and national policy advice.

*Subactivity: International and Higher Education*

Support the development of Adelaide as a centre for education, international education and South Australian education exports including the providing marketing services, analysis and student and community support.

Provide high level strategic policy advice to the Minister on higher education policy and planning.



**Activity: Science, Technology and Information Economy**

Description/Objective: Provides the Government's principal strategic focus for science, technology, information economy and innovation policy development and program delivery that links government, business, industry and education sectors.

**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 investment 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 grants
- facilitating coordination of education and research activity with end-user (industry) requirements to maximise the benefits for South Australia
- providing seed capital and business guidance to a portfolio of innovative companies commercialising research and development.

**Subactivity: Information Economy**

Provide high level strategic policy advice to the Minister and Government on the information economy and the ICT sector to maximise the community, business and economic benefits of ICT across the State through:

- raising awareness and understanding of the information economy among government, business, industry and education providers to build the capability of South Australians in using ICT
- 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.

**Subactivity: Bioscience Industry Development**

Develop the bioscience industry by providing assistance in business development, finance, infrastructure and marketing.

**5. Employee benefits**

	Note	2012 \$'000	2011 \$'000
Salaries and wages (including annual leave)		227 638	227 305
Superannuation		23 892	23 888
Payroll tax		13 219	13 020
LSL		20 072	10 340
Workers compensation		2 867	3 730
TVSP payments		6 022	3 681
Other employee related costs		1 087	943
<b>Total employee benefits</b>		<b>294 797</b>	<b>282 907</b>

**TVSPs**

Amount paid to these employees:

TVSPs		6 022	3 681
Annual leave and LSL paid during the period		1 560	1 178
		<b>7 582</b>	<b>4 859</b>
Funding from DTF	17	6 733	3 307
<b>Net cost to the Department</b>		<b>849</b>	<b>1 552</b>

The number of employees who were paid TVSPs during the reporting period was 49 (36).

**Remuneration of employees**

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

	2012 Number (including TVSPs)	2011 Number (including TVSPs)
\$130 700 - \$133 999 <sup>(i)</sup>	n/a	7
\$134 000 - \$143 999	14	10
\$144 000 - \$153 999	5	1
\$154 000 - \$163 999	4	6
\$164 000 - \$173 999	4	3
\$174 000 - \$183 999	2	1
\$184 000 - \$193 999	4	3
\$194 000 - \$203 999	7	2
\$204 000 - \$213 999	2	1
\$214 000 - \$223 999	1	1
\$224 000 - \$233 999 <sup>(iii)</sup>	1	3
\$234 000 - \$243 999	1	4
\$244 000 - \$253 999	2	-
\$254 000 - \$263 999	1	-
\$264 000 - \$273 999	1	-
\$274 000 - \$283 999	-	1
\$284 000 - \$293 999	1	1
\$294 000 - \$303 999 <sup>(iii)</sup>	1	1
\$324 000 - \$333 999	-	1
\$334 000 - \$343 999	-	1
\$344 000 - \$353 999 <sup>(ii)(iii)</sup>	2	1
\$354 000 - \$363 999 <sup>(iii)</sup>	-	2
\$364 000 - \$373 999 <sup>(iii)</sup>	-	1
\$394 000 - \$403 999 <sup>(ii)</sup>	1	-
\$444 000 - \$454 999 <sup>(iii)</sup>	-	1
<b>Total</b>	<b>54</b>	<b>52</b>

(i) This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2010-11.

(ii) This bandwidth includes employees that have received TVSPs during 2011-12.

(iii) This bandwidth includes employees that have received TVSPs during 2010-11.

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 \$10.3 million (\$10.6 million).

For 2011-12, the above figures include 2 (6) non-executive employees who took a TVSP during the year. The total remuneration received by these employees for the year was \$750 000 (\$2.2 million).

For 2011-12, the above figures include 6 (4) non-executive employees who received leave paid on termination payments during the year and were not paid TVSPs.

**6. Supplies and services**

	2012 \$'000	2011 \$'000
Funding to non-TAFE providers for VET	64 626	45 474
Printing and consumables	9 716	10 667
Minor works, maintenance and equipment	16 735	18 731
Information technology infrastructure and communications	18 417	20 498
Fees - contracted services (including consultants)	21 382	17 710
Trainee and apprenticeship reimbursements	521	733
Utilities	7 976	7 251
Cleaning	9 985	9 398
Vehicle and travelling expenses	6 856	6 742
Rentals and leases	6 661	6 233
Books, materials and copyright	2 781	3 031
SATAC and student support	2 591	1 932
Other	10 954	9 575
<b>Total supplies and services</b>	<b>179 201</b>	<b>157 975</b>

<b>6. Supplies and services (continued)</b>		2012	2011
Supplies and services provided by entities within the SA Government:		\$'000	\$'000
Funding to non-TAFE providers for VET		3 726	2 381
Minor works, maintenance and equipment		13 018	15 072
Information technology infrastructure and communications		3 696	3 716
Fees - contracted services (including consultants)		7 946	8 089
Utilities		1 459	1 357
Cleaning		8 498	7 986
Vehicle and travelling expenses		2 899	2 878
Rentals and leases		4 505	4 267
Other		533	538
Total supplies and services - SA Government entities		<u>46 280</u>	<u>46 284</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>		2012		2011	
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	10	
Between \$10 000 and \$50 000	2	42	3	62	
Above \$50 000	2	<u>159</u>	1	<u>88</u>	
Total paid/payable to the consultants engaged (GST exclusive)		<u>201</u>		<u>160</u>	

<b>7. Grants and subsidies</b>		2012	2011
		\$'000	\$'000
Employment programs		18 516	24 029
VET programs		13 302	12 125
Science and information economy programs		16 700	22 444
Tertiary student transport concessions		11 552	11 157
National training infrastructure program		1 653	2 135
Other specific grants		3 580	2 663
Total grants and subsidies		<u>65 303</u>	<u>74 553</u>

Grants and subsidies paid/payable to entities within the SA Government:

Employment programs		3	1 787
VET programs		307	80
Science and information economy programs		9 001	11 179
Tertiary student transport concessions		11 478	11 157
National training infrastructure program		-	128
Other specific grants		1 685	974
Total grants and subsidies - SA Government entities		<u>22 474</u>	<u>25 305</u>

<b>8. Depreciation and amortisation</b>			
Buildings and improvements		14 735	14 481
Plant and equipment		2 319	2 275
Library		1 968	2 282
Intangibles		1 534	261
Total depreciation and amortisation		<u>20 556</u>	<u>19 299</u>

**Change in depreciation due to a revision in accounting estimates**

A revaluation of the Department's building and paving assets was performed in June 2012 which also included a reassessment of its useful lives.

The Department now adopts the net method for recognising its building and paving assets.

Impact on future year depreciation expense will be an increase of approximately \$4.7 million.

<b>9. Other expenses</b>	Note	2012 \$'000	2011 \$'000
Audit fees	10	337	290
Allowance for doubtful debts and debt write-offs		1 401	190
Other		1	2
Total other expenses		1 739	482
<b>10. Auditor's remuneration</b>			
Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements		299	260
Other audit fees		38	30
Total auditor's remuneration paid/payable		337	290

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

<b>11. Commonwealth grants</b>			
Productivity Places Program		32 714	8 437
Pre-Apprenticeship Training		-	3 493
Language Literacy and Numeracy Delivery Statewide		5 262	3 322
Indigenous Employment Programs projects		-	2 610
Industry and Indigenous Skills Centre Program		-	1 540
Australian Flexible Learning Framework		1 784	1 498
Group Training Scheme		1 355	1 189
Training Infrastructure Investment for Tomorrow		-	935
Better TAFE Facilities		-	732
Aged Care Workforce		529	689
National VET Data Strategy Action Group		-	500
Remote Indigenous Public Internet Access		74	42
TAFE fee waivers for childcare qualifications		914	580
Youth Attainment and Transitions Incentive		3 608	-
Other specific Commonwealth revenue		2 353	2 819
Total Commonwealth grants		48 593	28 386

**2011-12 commitments**

The Productivity Places Program received \$32.7 million of Commonwealth revenue in 2011-12 which was fully spent.

The Language Literacy and Numeracy Delivery Statewide Program received \$5.3 million of Commonwealth revenue in 2011-12 which was fully spent.

The Youth Attainment and Transitions Incentive received \$3.6 million of Commonwealth revenue in 2011-12 which was fully spent.

The Department is committed to spending \$2.5 million from 2012-13 onwards for the Indigenous Employment Programs projects and Industry and Indigenous Skill Centre Program.

The Australian Flexible Learning Framework received \$1.8 million of Commonwealth revenue in 2011-12 which was fully spent.

The Group Training Scheme received \$1.4 million of Commonwealth revenue in 2011-12, of which \$300 000 is committed to be spent in 2012-13.

**2010-11 commitments**

The Productivity Places Program received \$8.4 million of Commonwealth revenue in 2010-11 which was fully spent.

As part of the Pre-Apprenticeship Training Program, \$3.5 million was received in 2010-11 to deliver the Apprentice Kickstart Pre-Apprenticeship project under the National Partnership Agreement on Pre-Apprenticeship Training, of which \$1.8 million is committed to be spent in 2011-12.

The Language Literacy and Numeracy Delivery Statewide Program received \$3.3 million of Commonwealth revenue in 2010-11 which was fully spent.

**2010-11 commitments (continued)**

The Indigenous Employment Programs projects received \$2.6 million of Commonwealth contributions in 2010-11 of which a commitment exists to spend the funding in the 2011-12 and 2012-13 financial years. The purpose of the funding is for six Aboriginal projects: Mentoring Aboriginal Apprentices; Mentoring Aboriginal People in Mining; Try a Trade Workshops; Pre-employment Training; Up-skilling Indigenous Workers; Industry Clusters Training Support.

The National Training Infrastructure Program received \$1.5 million of Commonwealth contributions in 2010-11 which is committed to be spent in 2011-12 and out years. The committed funds are for the provision and development of skills centres and capital equipment.

The Aged Care Workforce Program received \$700 000 in 2010-11 of which \$500 000 is committed to be spent in 2011-12 as part of providing personal care workers opportunities to upgrade their qualifications.

The National VET Data Strategy Action Group received \$500 000 in 2010-11, of which a commitment exists to spend \$400 000 for the agreed projects of the Action Group during 2011-12 financial year. The committed funds are for the purpose of progress work of the National VET Data Strategy.

<b>12. Student and other fees and charges</b>	2012	2011
	\$'000	\$'000
Sales/Fee-for-service revenue	51 154	57 697
Student enrolment fees and charges	31 061	32 059
Other user fees and charges	6 073	5 475
Total fees and charges received/receivable	<u>88 288</u>	<u>95 231</u>
Fees and charges received/receivable from entities within the SA Government:		
Sales/Fee-for-service revenue	1 871	1 782
Student enrolment fees and charges	775	1 874
Other user fees and charges	447	563
Total fees and charges - SA Government entities	<u>3 093</u>	<u>4 219</u>
<b>13. Other grants and contributions</b>		
Grants and subsidies revenue	2 612	3 065
Miscellaneous contributions	268	733
Donations	61	49
Grants from entities within the SA Government	8 399	4 458
Total other grants and contributions	<u>11 340</u>	<u>8 305</u>
<b>14. Investment income</b>		
Dividends	506	285
Interest from entities external to the SA Government	25	38
Total investment income	<u>531</u>	<u>323</u>
<b>15. Net gain (loss) on disposal of non-current assets</b>		
Land and buildings:		
Proceeds from disposals	8 260	-
Net book value of assets disposed	(1 578)	(245)
Net gain (loss) on disposals	<u>6 682</u>	<u>(245)</u>
Plant and equipment:		
Proceeds from disposals	73	11
Net book value of assets disposed	(317)	(235)
Net gain (loss) on disposals	<u>(244)</u>	<u>(224)</u>
Total assets:		
Proceeds from disposals	8 333	11
Net book value of assets disposed	(1 895)	(480)
Net gain (loss) on disposals	<u>6 438</u>	<u>(469)</u>

<b>16. Other income</b>	2012	2011
	\$'000	\$'000
Reimbursement of travel	25	107
Recoup of salaries	684	201
Insurance recoveries	-	311
Grant recoveries	-	579
Sundry income	2 386	2 920
Total other income	3 095	4 118

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

## Revenues from SA Government:

Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	384 005	382 039
Accrual appropriation	-	9 177
Appropriation transfers from contingency <sup>(1)</sup>	6 827	3 472
	390 832	394 688

## Payments to SA Government:

Return of surplus cash pursuant to cash alignment policy	-	(11 221)
Other payments to Consolidated Account	-	(1 422)
	-	(12 643)
Total revenues from (payments to) SA Government	390 832	382 045

<sup>(1)</sup> Includes an amount of \$6.7 million (\$3.3 million) for funding of TVSP payments (refer note 5).

**18. Cash and cash equivalents**

Deposits with the Treasurer	23 788	59 823
Special deposit account with DTF	42 466	4 798
Cash on hand	52	54
Total cash and cash equivalents	66 306	64 675

**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.

**19. Receivables**

Current:	2012	2011
	\$'000	\$'000
Fees and charges receivable	20 276	13 230
Allowance for doubtful debts	(2 786)	(2 076)
Prepayments	1 480	1 322
GST recoverable from the ATO	4 923	4 201
Other receivables	202	364
Total current receivables	24 095	17 041

## Non-current:

Workers compensation receivable	258	239
Total non-current receivables	258	239
Total receivables	24 353	17 280

## Receivables from SA Government entities:

Receivables	2 398	983
Workers compensation receivable	258	239
Prepayments	-	14
Total receivables from SA Government entities	2 656	1 236

**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.

<b>Movement in the allowance for doubtful debts (continued)</b>	2012	2011
	\$'000	\$'000
Carrying amount at 1 July	2 076	2 471
Increase in the allowance	1 393	192
Amounts written off	(683)	(587)
Carrying amount at 30 June	<u>2 786</u>	<u>2 076</u>

**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 36.3.  
 (b) Categorisation of financial instruments and risk exposure information - refer note 36.

<b>20. Non-current assets held for sale</b>	2012	2011
	\$'000	\$'000
Land at fair value	-	1 578
<b>21. Property, plant and equipment</b>		
Land and buildings:		
Land at fair value	161 600	154 212
Buildings and improvements at fair value/cost	586 484	457 016
Construction work in progress	12 012	2 065
	<u>760 096</u>	<u>613 293</u>
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	36 003	33 457
Accumulated depreciation	(19 371)	(17 891)
	<u>16 632</u>	<u>15 566</u>
Libraries:		
Libraries at valuation	22 192	21 660
Accumulated depreciation	(16 806)	(14 838)
	<u>5 386</u>	<u>6 822</u>
Total property, plant and equipment at fair value	818 291	668 410
Total accumulated depreciation at 30 June	(36 177)	(32 729)
Total property, plant and equipment	<u>782 114</u>	<u>635 681</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.

**Impairment**

There were no indications of impairment of property and plant and equipment assets at 30 June 2012.

**(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:

	Land at fair value	Buildings and imprvmts	Plant and equipment	Construction work in progress	Libraries at valuation	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2012</b>						
Carrying amount at 1 July	154 212	457 016	15 566	2 065	6 822	635 681
Additions	-	-	3 702	16 760	532	20 994
Disposals	-	-	(317)	-	-	(317)
Net revaluation increment (decrement)	7 388	137 391	-	-	-	144 779
Other movements	-	6 813	-	(6 813)	-	-
Depreciation	-	(14 736)	(2 319)	-	(1 968)	(19 023)
Carrying amount at 30 June	<u>161 600</u>	<u>586 484</u>	<u>16 632</u>	<u>12 012</u>	<u>5 386</u>	<u>782 114</u>

(a) <b>Reconciliations (continued)</b>	Land at	Buildings	Plant	Construction	Libraries	Total
	fair value	and	and	work in	at valuation	
2011	\$'000	imprvmnts	equipment	progress	\$'000	\$'000
Carrying amount at 1 July	155 790	456 053	15 349	12 562	10 937	650 691
Additions	-	-	2 727	5 482	541	8 750
Disposals	-	(245)	(235)	-	-	(480)
Net revaluation increment (decrement)	-	-	-	-	(2 374)	(2 374)
Other movements	(1 578)	15 689	-	(15 979)	-	(1 868)
Depreciation	-	(14 481)	(2 275)	-	(2 282)	(19 038)
Carrying amount at 30 June	154 212	457 016	15 566	2 065	6 822	635 681

22. <b>Intangibles</b>	2012	2011
	\$'000	\$'000
Computer software	15 592	14 910
Accumulated amortisation	(1 831)	(297)
Intangible work in progress	6 900	1 281
Total computer software	20 661	15 894

The computer software predominantly relates to the Department's Student Information System with a remaining useful life of nine years and carrying amount of \$11.5 million.

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 2012.

(a) <b>Reconciliations</b>	Carrying amount	Additions	Other movements	Amortisation	Carrying amount
	01.07.11				30.06.12
	\$'000	\$'000	\$'000	\$'000	\$'000
Intangibles	14 613	-	682	(1 534)	13 761
Intangibles work in progress	1 282	6 300	(682)	-	6 900
Total	15 895	6 300	-	(1 534)	20 661

	Carrying amount	Additions	Other movements	Amortisation	Carrying amount
	01.07.10				30.06.11
	\$'000	\$'000	\$'000	\$'000	\$'000
Intangibles	681	-	14 193	(261)	14 613
Intangibles work in progress	9 228	6 247	(14 193)	-	1 282
Total	9 909	6 247	-	(261)	15 895

23. <b>Inventories</b>	2012	2011
	\$'000	\$'000
Inventories held for sale	434	492
Inventories held for distribution	464	395
Total inventories	898	887

24. <b>Payables</b>	2012	2011
	\$'000	\$'000
Current:		
Creditors	20 828	12 999
Accrued expenses	16 966	9 833
Employment on-costs	4 714	4 711
Paid Parental Leave Scheme	22	-
Other	89	69
Total current payables	42 619	27 612
Non-current:		
Employment on-costs	2 455	1 984
Total non-current payables	2 455	1 984
Total payables	45 074	29 596



<b>24. Payables (continued)</b>	2012	2011
Payables to SA Government entities:	\$'000	\$'000
Creditors	7 835	3 319
Accrued expenses	7 501	5 656
Employment on-costs	3 127	2 957
Total payables to SA Government entities	<u>18 463</u>	<u>11 932</u>

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken has remained at the 2011 rate of 26%. The average factor for the calculation of employer superannuation cost on-cost has also remained at the 2011 rate of 10.3%. These rates are used in the employment on-cost calculation.

#### *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 36.3.
- (b) Categorisation of financial instruments and risk exposure information - refer note 36.

<b>25. Employee benefits</b>	2012	2011
Current:	\$'000	\$'000
Annual leave	9 813	10 031
LSL	7 238	7 301
Accrued salaries and wages	6 129	5 213
Non-attendance days	5 202	5 232
Total current employee benefits	<u>28 382</u>	<u>27 777</u>
Non-current:		
LSL	59 538	48 114
Total non-current employee benefits	<u>59 538</u>	<u>48 114</u>
Total employee benefits	<u>87 920</u>	<u>75 891</u>

AASB 119 contains the calculation methodology for LSL liability. It is accepted practice to estimate the present value of future cash outflows associated with the LSL liability by using a shorthand measurement technique. The shorthand measurement technique takes into account such factors as changes in discount rates and salary inflation.

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 5.25% at 30 June 2011 to 2.75% at 30 June 2012. This significant decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant 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 \$11.4 million and employee benefit expense of \$11.4 million. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

<b>26. Provisions</b>	2012	2011
Current:	\$'000	\$'000
Workers compensation	1 993	2 101
Total current provisions	<u>1 993</u>	<u>2 101</u>
Non-current:		
Workers compensation	7 181	7 091
Total non-current provisions	<u>7 181</u>	<u>7 091</u>
Total provisions	<u>9 174</u>	<u>9 192</u>
Carrying amount at 1 July	9 192	8 240
Additional provision recognised	(18)	952
Carrying amount at 30 June	<u>9 174</u>	<u>9 192</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>27. Unearned revenue</b>	2012	2011
	\$'000	\$'000
Unearned revenue from SA Government entities	26	-
Unearned revenue from non-SA Government entities	3 462	4 827
Total unearned revenue	3 488	4 827
<b>28. Other liabilities</b>		
Current:		
Deposits	541	655
Other liabilities	98	98
Total current other liabilities	639	753
<b>29. Investments</b>		
	Austraining International Pty Ltd	
	2012	2011
	\$'000	\$'000
Contributed capital in subsidiary company	400	400
Share of retained profit (percentage)	100	100
Retained profits attributable to subsidiary company:	2012	2011
	\$'000	\$'000
Balance at 1 July	4 999	3 891
Share of operating profit after income tax	1 290	1 108
Total investments as at 30 June	6 289	4 999

***Austraining International Pty Ltd***

Austraining International Pty Ltd, 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 based on unaudited financial statements as at 30 June 2012.

<b>30. Equity</b>	2012	2011
	\$'000	\$'000
Retained earnings	382 741	395 220
Revaluation surplus	367 900	223 121
Financial asset available-for-sale revaluation surplus	3 685	2 395
Total equity	754 326	620 736

The revaluation surplus is used to record increments and decrements in the fair value of land, buildings and libraries 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	8 142	5 718
Later than one year and not later than five years	7 713	8 008
Total remuneration commitments	15 855	13 726

Amounts disclosed include commitments arising from executive contracts and hourly paid instructors. 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	79 971	1 934
Later than one year and not later than five years	17 237	681
Later than five years	1 561	-
Total capital commitments	98 769	2 615

The Department's capital commitment mainly relates to design and construction works for Sustainable Industries Education Centre.

<i>Other commitments</i>	2012	2011
	\$'000	\$'000
Within one year	24 826	28 167
Later than one year and not later than five years	32 067	57 337
Later than five years	-	1 561
Total other commitments	<u>56 893</u>	<u>87 065</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	6 893	6 627
Later than one year and not later than five years	23 735	26 984
Later than five years	-	3 660
Total operating lease commitments	<u>30 628</u>	<u>37 271</u>

The Department's operating leases are for office accommodation and equipment. Office accommodation is leased from Department of Planning, Transport and Infrastructure. The leases are non-cancellable with some leases having the right of renewal.

Rent is payable in arrears.

### **32. Contingent assets and liabilities**

The Department is not aware of any contingent assets.

There are a number of outstanding personal injury and common law claims not settled as at 30 June 2012 with an estimated settlement value of \$360 000.

The Minister for Employment, Higher Education and Skills has provided a \$3 million guarantee to Austraining International Pty Ltd which has not been invoked as at 30 June 2012.

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. After balance day events**

The Department established the Office of TAFE SA in 2011-12. This new office worked with an interim TAFE SA Board to commence the process of preparing TAFE SA for the VET system reforms being implemented under the Skills for All initiative. This change in governance arrangements was a first step prior to TAFE SA being proclaimed as a statutory authority.

The *TAFE SA Act 2012* has been passed by both Houses of Parliament. However, the Act is yet to be proclaimed for commencement. A firm assessment of the financial position of TAFE SA will be made prior to proclamation of the legislation to ensure that the statutory authority is in a viable financial position when it commences operation. This assessment will take place prior to proclamation.

### **34. Remuneration of board and committee members**

Members that were entitled to receive remuneration during the 2011-12 financial year were:

#### *Training and Skills Commission*

A Smith (Chair)	Dr J Buchanan	A Coker
I Curry (Deputy to J Giles)	P Dowd	J Giles
Dr M Keating AC	K King (Deputy to P Vaughan)	L Palmer
S Powell (Deputy to L Palmer)	M Silva (Deputy Chair)	P Vaughan

#### *Training Regulation Reference Group*

M Silva (Chair)	I Curry	D Syme
M Aubrey	D Frith	

#### *Adult Community Education Reference Group*

J Giles (Chair)	S Ross
J McCormick	P Wright

**Premier's Science and Industry Research Council**

Prof D Bursill (Co-chair)	Prof B Brook (resigned December 2011)
Prof L Cobiac	Dr I Gould
Dr W Harch (resigned December 2011)	Dr A Koltunow (resigned December 2011)
Prof P Langridge	Prof R Lewis (resigned December 2011)
Prof A Lopez	Prof T Monro
D Mutton	Dr C Priest
Dr L Read	P Sandercock
K Scott	Prof P Tharenou
Dr G Todd	M Heard

**Audit Risk Management Committee**

C Dunsford	W Einarson
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**Adelaide College of the Arts Advisory Board**

R Archer AO (Chair)	S Bowers
G Cobham (resigned January 2012)	J Covernton
K Gould (resigned March 2012)	A Ford
A Hann	S Grieve
J Macdonnell	M Hill-Smith

The number of members whose remuneration from the entity falls within the following bands is:	2012 Number	2011 Number
\$1 - \$9 999	28	27
\$10 000 - \$19 999	1	-
\$30 000 - \$39 999	8	8
\$40 000 - \$49 999	1	1
Total	38	36

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 \$300 000 (\$300 000).

Amounts paid to a superannuation plan for board/committee members was \$26 973 (\$18 069).

\* 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.

35. Reconciliation of cash and cash equivalents	2012 \$'000	2011 \$'000
Cash at 30 June as per:		
Cash and cash equivalents disclosed in the Statement of Financial Position	66 306	64 675
Balance as per the Statement of Cash Flows	66 306	64 675

**Reconciliation of net cash provided by (used in) operating activities to net cost of providing services**

Net cash provided by (used in) operating activities	15 700	51
Depreciation and amortisation	(20 556)	(19 299)
Gain (Loss) on sale of assets	6 438	(469)
Restructure	-	(18)
Movements in assets/liabilities:		
Employee benefits	(12 029)	(3 614)
Receivables	7 073	(866)
Inventories	11	(85)
Payables	(10 587)	5 209
Unearned revenue	1 339	2 384
Other liabilities	114	382
Provisions	18	(952)
Revenues from government	(390 832)	(394 688)
Payments to government	-	12 643
Net cost of providing services	(403 311)	(399 322)

**36. Financial instruments****36.1 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	
		2012 \$'000	2011 \$'000
<b>Financial assets</b>			
Cash and cash equivalents	18	66 306	64 675
Receivables <sup>(1)</sup>	19	17 950	11 757
Investments:			
Financial assets available for sale	29	6 289	4 999
<b>Financial liabilities</b>			
Payables:			
Financial liabilities at cost	24	37 905	22 901
Other liabilities	27,28	4 127	5 580
Total net financial assets at cost		<u>48 513</u>	<u>52 950</u>

<sup>(1)</sup> Receivables amount disclosed here excludes prepayments and GST recoverable from ATO. Prepayments and GST recoverable from ATO are presented in note 19 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments and GST recoverable from ATO 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.

All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on-cost which are determined via reference to the employee benefit liability to which they relate.

**Credit risk**

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

The carrying amount of financial assets as detailed in note 36.1 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 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.

	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>2012</b>				
Not impaired:				
Receivables	8 593	1 359	7 998	17 950
<b>2011</b>				
Not impaired:				
Receivables	8 335	538	2 884	11 757

**36.3 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>2012</b>				
Financial assets:				
Cash and cash equivalents	66 306	66 306	-	-
Receivables	17 950	17 692	258	-
Other financial assets	6 289	-	-	6 289
Total financial assets	90 545	83 998	258	6 289
Financial liabilities:				
Payables	37 905	37 905	-	-
Other financial liabilities	4 127	4 127	-	-
Total financial liabilities	42 032	42 032	-	-
<b>2011</b>				
Financial assets:				
Cash and cash equivalents	64 675	64 675	-	-
Receivables	11 757	11 518	239	-
Other financial assets	4 999	-	-	4 999
Total financial assets	81 431	76 193	239	4 999
Financial liabilities:				
Payables	22 901	22 901	-	-
Other financial liabilities	5 580	5 580	-	-
Total financial liabilities	28 481	28 481	-	-

**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 36.1 represents the Department's maximum exposure to financial liabilities.

**37. Administered items**

	Minister's salary and allowances	
	2012	2011
	\$'000	\$'000
<b>Administered expenses:</b>		
Employee benefits	176	167
<b>Total administered expenses</b>	176	167
<b>Administered income:</b>		
Revenues from SA Government	176	167
<b>Total administered income</b>	176	167
<b>Net result</b>	-	-

**Minister's salary and allowances**

Minister's salary and allowances represents the amount pursuant to *Parliamentary Remuneration Act 1990*.

## Part B

### Glossary of terms

#### Australian Accounting Standards - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
AASB 2	Share-based Payment
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 9	Financial Instruments
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 133	Earnings per Share
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation of Standards

## Australian Accounting Standards - AASB – continued

Reference	Title
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures
AASB 1054	Australian Additional Disclosures
AASB 2009-12	Amendments to Australian Accounting Standards

## Australian Interpretations

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

## Australian Accounting Standards - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans

## Treasurer's Instructions – TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditors' Accounts
TI 12	Government Purchase Cards and Stored Value Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff



## 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
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

<sup>1</sup> 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board which are in force in relation to the reporting period to which the financial report relates.

## Acronyms – continued

Reference	Title
FBT	Fringe benefits tax
GST	Goods and services tax
ICT	Information and communications technology
LSL	Long service leave
SAFA	South Australian Government Financing Authority
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

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