

SOUTH AUSTRALIA

Report

of the

Auditor-General

for the

Year ended 30 June 2002

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REFERENCES TO MATTERS OF SIGNIFICANCE

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

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

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MINISTER FOR INDUSTRY, INVESTMENT AND TRADE; MINISTER FOR ECONOMIC DEVELOPMENT; MINISTER FOR SMALL BUSINESS; MINISTER FOR REGIONAL AFFAIRS

PORTFOLIO – INDUSTRY AND TRADE

INTRODUCTION

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

- Minister for Industry, Investment and Trade;
- Minister for Economic Development
- Minister for Small Business
- Minister for Regional Affairs

The agencies included herein relating to the portfolio of Industry and Trade are:

- Industry and Trade — Department of
- South Australian Motor Sport Board

DEPARTMENT OF INDUSTRY AND TRADE

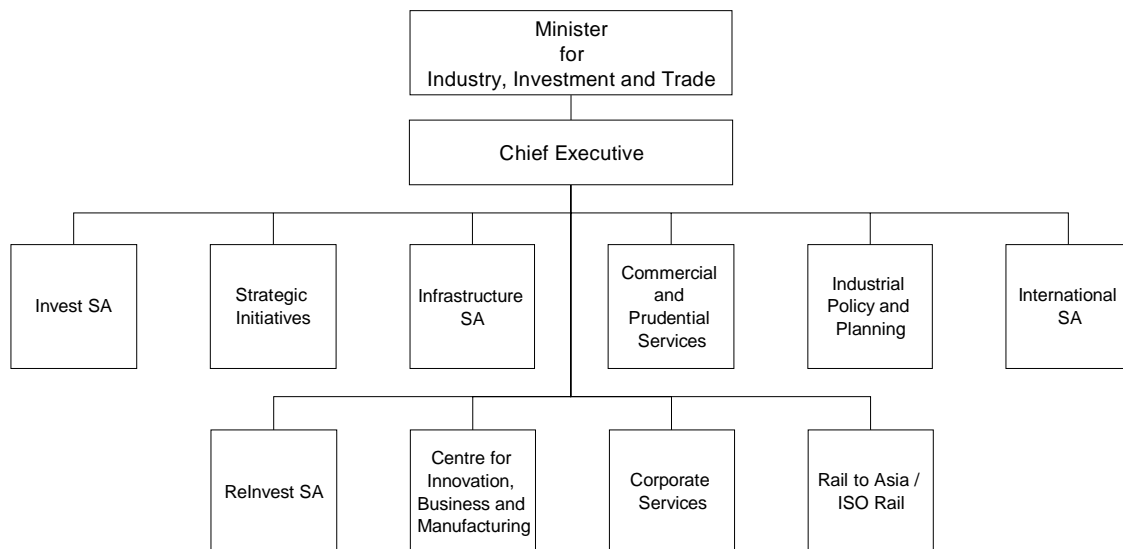
FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Department of Industry and Trade is an administrative unit established under the *Public Sector Management Act 1995*. The Department is responsible to the Minister for Industry, Investment and Trade.

The specific responsibility of the Department is to implement the South Australian Government's economic development strategy by undertaking the following:

- create a competitive business operating environment;
- promote investment in appropriate physical capital;
- promote development of human and intellectual capital;
- integration of South Australia into the global economy;
- create a culture of collaboration and cooperation;
- encourage the development of productive, creative and competitive enterprises.

The structure of the Department and its relationship with the Minister are shown in the following chart.



SIGNIFICANT FEATURES

Industry and Other Financial Assistance

During the reporting period, the Department provided \$115.7 million (including \$25 million related to the Adelaide to Darwin railway) in assistance to industry and other external parties in the form of grants, contributions, sponsorships and non-interest bearing loans. Note 10 to the financial statements refers. Last years comparative figure was \$138.3 million which included \$75 million related to the Adelaide to Darwin railway construction project.

Rail Reform Transition Program

Pursuant to an agreement between the State and Commonwealth, the Government has received \$18.2 million for the Program. The Department is responsible for the administration of the Program and during the reporting period made payments totalling \$2.9 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

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

During 2001-02 specific areas of Audit attention included:

- review of financial accounting and related processes covering:
 - revenue collection
 - accounts payable
 - personnel/payroll function
 - financial assistance
 - non-current assets (property, plant and equipment)
- review of the following Information Technology activities:
 - information resource strategy and planning
 - relationship with outsourced vendors
 - information security
 - business continuity planning
- review of the Department's compliance with the Government's requirement for public disclosure of contract information.
- review of accounting and financial related aspects in respect to the Adelaide to Darwin Railway Project.

Audit Communications to Management

An Audit management letter conveying the scope of the audit and audit findings was forwarded to the Chief Executive of the Department. Matters referred to the Chief Executive included:

- opportunities to improve financial accounting and related processes by the Department addressing:
 - debt management practices and procedures to significantly reduce the level of receivables outstanding for more than 90 days.
 - data accuracy and integrity issues within the Economic Development Integrated Database.
 - certain monitoring, reporting and administration aspects in relation to financial assistance.
 - matters relating to non-current assets, including asset recognition, calculation of depreciation and maintenance of the asset register.
 - certain aspects relating to the reconciliation of the Economic Development Integrated Database with the General Ledger.
 - the review and update of the Department's Risk Management Plan.
- opportunities to improve Information Technology Planning, Information Security and Business Continuity Planning, including:
 - completing the Information Technology Strategic Plan.
 - locating critical network equipment in secure areas.
 - completing the Disaster Recovery/Business Continuity Plan.

A satisfactory response was received to the matters raised.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control environment was assessed as satisfactory.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Financial Assistance

During the reporting period the Department paid \$115.7 million in assistance (grants and loans) to Industry and other external parties. At 30 June 2002 the Department has reported Financial Assistance Debtors of \$104.3 million and Financial Assistance Commitments under agreements of \$134.5 million.

Cash Holdings

The increase in cash holdings from \$16.9 million at 30 June 2001 to \$37.4 million at 30 June 2002 is due mainly to:

- increased cash inflows (predominantly from South Australian Government Appropriation);
- decreased cash outflows (predominantly in Financial Assistance and Infrastructure Development and Purchases of Non-Current Assets).

FURTHER COMMENTARY ON OPERATIONS

Bizgate Operations

Bizgate is a significant electronic commerce (e-commerce) initiative of the South Australian Government. The operations of Bizgate are managed through the Department of Industry and Trade.

Last year's Report included specific commentary with respect to certain aspects of Bizgate operations.

Issues arising from last year's review included a number of important matters of policy, management reporting and control arrangements, contract and service level agreements and intellectual property rights. At that time the Department advised of action proposed to address the matters raised.

During the latter part of this financial year Audit commenced a further review of e-commerce developments and initiatives of government and its agencies. That review examines a larger range of agency case studies and includes a follow up of Bizgate developments and direction.

The outcomes from Audit's review will be included in a subsequent Report to Parliament.

Adelaide to Darwin Railway Project

Project Background

The Adelaide to Darwin railway project (the Project) involves the development (on a Build, Own, Operate and Transfer (BOOT) basis) of an important link in the Australian heavy rail transport system. The Project will connect the existing Tarcoola to Alice Springs railway from the railhead at Alice Springs to the Darwin Freight Terminal to be constructed adjacent to the new deepwater facility at the Port of Darwin.

Major construction work regarding the project commenced during the year.

Legislative and Agreement Framework

The South Australian and Northern Territory Governments enacted legislation allowing each respective Government to enter into an agreement with one another for the construction of a railway between Alice Springs and Darwin and for other purposes. The South Australian Act is titled the *Alice Springs to Darwin Railway Act 1997* and the Northern Territory Act is titled the *AustralAsia Railway Corporation Act 1996*.

The Northern Territory Act includes specific administration and accountability provisions covering the establishment of the AustralAsia Railway Corporation (AARC), a body corporate, responsible for facilitating the financing, design, construction, operation and maintenance of a railway.

The legislation, together with a number of substantive agreements and deeds, impact on the management, financing and accountability aspects of the project.

The Board of Management of AARC comprises two members representing Northern Territory's interests, two members representing South Australia's interests, an independent Chairman and the AARC Chief Executive Officer.

AARC has a small Darwin office and a representative based in Adelaide.

Parties to the Project

Principal parties involved in the project, either in an administration and/or financing sense, are the South Australian, Northern Territory and Commonwealth Governments, Asia Pacific Transport Consortium (APTC), a private sector consortium, and AARC.

Financing Arrangements

Overall construction and operational establishment costs from Tarcoola to Darwin are estimated at \$1.3 billion. Government funding contributions to the project is as follows:

- South Australia (\$125 million funding for performance of works, \$25 million financial assistance as a loan, \$26.4 million through a commitment by the South Australian Government Financing Authority to subscribe to APTC issued subordinated notes known as Tier 1 and Tier 2 Mezzanine Notes);
- Northern Territory (\$191.4 million of financial assistance);
- Commonwealth Government (\$191.4 million of financial assistance).

The balance of funding is to be sourced from the private sector.

In 2001-02 South Australia made a contribution of \$25 million. As at 30 June 2002 contributions total \$100 million, comprising grant assistance of \$75 million and \$25 million loan funds.

As at 30 June 2002 South Australia has also contributed \$11.5 million towards the operating costs of AARC.

Audit Review

Audit is in the process of reviewing aspects of the governance arrangements applying in respect of the project.

Audit is seeking to understand:

- statutory audit arrangements applying in respect of AARC;
- statutory reporting responsibilities in respect of AARC;
- reporting responsibilities of South Australian nominees to the AARC Board of Management;
- project management reporting to Executive Government;
- South Australian Government oversight of the project.

Audit will communicate with relevant project parties in relation to these matters and any issues arising from the review process.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Appropriations from Government		190 134	155 556
Fees, charges and recoveries		5 003	3 225
Interest on loans and operating account		1 395	3 977
Proceeds from disposal of assets		3 330	75
Other revenue	5	6 804	5 625
Total Revenues		206 666	168 458
EXPENSES FROM ORDINARY ACTIVITIES:			
Salaries, wages and related payments	6	24 333	23 248
Other Expenses	9	14 703	12 210
Industry and other financial assistance	10	78 579	92 654
Payments to consultants	11	1 110	1 552
Payments to contractors		2 474	2 202
Accommodation and service costs		3 312	3 623
Marketing Expenses		3 207	2 567
Depreciation	16	1 064	1 105
Written-down value of disposed assets	16	3 418	576
Interest on borrowings		1 393	2 162
Write-down of financial assistance debtors	12	1 269	19 352
Settlement of loans	13	18 330	-
Total Expenses	3	153 192	161 251
SURPLUS FROM ORDINARY ACTIVITIES			
Net increase in asset revaluation reserve	21	53 474	7 207
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		-	913
		53 474	8 120

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash	22.1	37 357	16 861
Receivables	14	5 583	3 085
Financial assistance debtors	15	4 015	4 676
Total Current Assets		46 955	24 622
NON-CURRENT ASSETS:			
Financial assistance debtors	15	100 267	80 041
Property, plant and equipment	16	25 866	19 176
Total Non-Current Assets		126 133	99 217
Total Assets		173 088	123 839
CURRENT LIABILITIES:			
Borrowings	17	2 309	1 898
Payables	18	1 698	1 103
Employee entitlements and related provisions	19	1 676	1 657
Total Current Liabilities		5 683	4 658
NON-CURRENT LIABILITIES:			
Borrowings	17	5 223	10 362
Payables	18	281	299
Employee entitlements and related provisions	19	2 531	2 624
Total Non-Current Liabilities		8 035	13 285
Total Liabilities		13 718	17 943
NET ASSETS		159 370	105 896
EQUITY:			
Accumulated surplus	20	158 457	104 983
Asset revaluation reserve	21	913	913
TOTAL EQUITY		159 370	105 896
Commitments	23,24		
Contingent Liabilities	28		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
OPERATING ACTIVITIES:			
RECEIPTS:			
Appropriations from SA Government		190 042	155 556
Grants and other contributions		665	189
Fees for service		4 231	4 325
Interest received		1 343	4 659
GST charged on sales		629	378
GST recovered from Australian Taxation Office		6 339	3 596
Other receipts (includes financial assistance loan repayments)		3 885	4 220
PAYMENTS:			
Financial assistance and infrastructure development		(115 763)	(138 382)
Suppliers and employees		(49 531)	(42 492)
GST payments on purchases		(7 210)	(5 212)
GST remitted to Australian Taxation Office		(353)	(321)
Borrowing costs		(1 393)	(2 295)
Net Cash provided by (used in) Operating Activities	22.2	32 884	(15 779)
INVESTING ACTIVITIES:			
Proceeds from disposal of property, plant and equipment		3 330	75
Payments for purchase of property, plant and equipment		(10 990)	(15 520)
Net Cash used in Investing Activities		(7 660)	(15 445)
FINANCING ACTIVITIES:			
Repayments of borrowings		(4 728)	(4 783)
Net Cash used in Financing Activities		(4 728)	(4 783)
NET INCREASE (DECREASE) CASH HELD		20 496	(36 007)
CASH AT 1 JULY		16 861	52 868
CASH AT 30 JUNE	22.1	37 357	16 861

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment, Objectives and Funding

1.1 Establishment

The Department of Industry and Trade is an administrative unit established pursuant to the *Public Sector Management Act 1995*. The Department is responsible to the Minister for Industry, Investment and Trade.

1.2 Objectives and Funding

The Department of Industry and Trade is responsible for implementing strategies that contribute to the achievement of the South Australian Government's economic development strategy. The key strategies developed to achieve these outcomes are:

- create a competitive business operating environment;
- promote investment in appropriate physical capital;
- promote development of human and intellectual capital;
- integration of South Australia into the global economy;
- create a culture of collaboration and cooperation;
- encourage the development of productive, creative and competitive enterprises.

The Department is funded primarily from Parliamentary appropriations.

2. Significant Accounting Policies

The significant Accounting Policies which have been adopted in the preparation of these financial statements are:

2.1 Basis of Preparation of Financial Statements

The Financial Statements are prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987* and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The Financial Statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

2.2 The Department of Industry and Trade Reporting Entity

The Financial Statements encompass all activities transacted through an interest bearing Special Deposit Account titled 'Department of Industry and Trade Operating Account' and any other funds through which the Department controls resources to carry out its functions.

The financial activities of the South Australian Trade and Investment Corporation (SATIC) and other overseas representative offices have been included in the Financial Statements.

Change in Accounting Policy

During the year the Department recognised motor vehicles held by overseas representative offices as assets. Previously motor vehicles were expensed as part of operations.

2.2 The Department of Industry and Trade Reporting Entity (continued)

By proclamation in the South Australian Government Gazette on 11 April 2002, the Economic Development Advisory Board was established and members appointed for a term of 3 years. All costs associated with the Board to 30 June 2002 have been included in the Financial Statements.

2.3 Financial Instruments

Financial Assets

The net fair values of Cash, Trade Debtors and Financial Assistance Debtors approximate their carrying amounts.

Financial Liabilities

The net fair values of all borrowings approximate their carrying amounts.

Trade creditors by nature are short-term, therefore their net fair values are approximated by their carrying amounts.

2.4 Financial Assistance Debtor Recognition

In accordance with Statements of Accounting Concepts SAC4 'Definition and Recognition of the Elements of Financial Statements', the Department has adopted the following accounting policy in relation to 99 year interest free loans:

With respect to 99 year interest free loans, these are recognised as assets for the first seven years, or for material individual loans until the purpose of the loan has been fulfilled, after which they are no longer recognised as assets in the Statement of Financial Position. They do, however, continue to be administered as debts due to the Department.

2.5 Revenue Recognition

Revenues from ordinary activities are recorded in the Statement of Financial Performance at the time they are earned or at the time control passes to the Department. Interest revenues are recognised as they accrue.

Revenue from the disposal of property, plant and equipment is recognised when control of the asset was passed to the buyer.

2.6 Appropriations, Grants and Other Contributions

Appropriations, grants and other contributions are recognised as revenue in the period in which the monies are received and the Department obtains control of the asset.

In relation to grants, where specific conditions relating to the grant are not met and the amount is required to be repaid, a liability is recognised as a result of a present obligation arising to the grantor.

2.7 Property, Plant and Equipment

All property, plant and equipment controlled by the Department are reported in the Statement of Financial Position. The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Minor items of equipment with an individual value of less than \$2 000 are expensed at the time of acquisition.

Works of art controlled by the Department are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised for this class of asset.

2.8 Revaluation of Property, Plant and Equipment

The Department engaged the services of Don Harris (MAVA) from Edward Rushton (Australia) Pty Ltd, 13 King William Road, Unley SA 5061 to revalue Furniture and Equipment and Computer Equipment assets at 30 June 2001.

These assets were revalued in accordance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' on deprival value.

2.9 Depreciation of Property, Plant and Equipment

Depreciation is calculated on a straight line basis to write-off the net cost or revalued amount of each depreciable fixed asset (except work in progress) over its expected useful life, taking into consideration any anticipated salvage value. Estimates of remaining useful lives are made on a regular basis for all assets. The estimated useful lives of each asset class are as follows:

	Years
Furniture and equipment	5-10
Computer equipment	3
Motor vehicles	4
Works of art	Not depreciated

2.10 Work in Progress

Under the investment attraction program the Department engages in projects that include land acquisition, development and ultimate disposal through sale and various leasing arrangements.

The Department accounts for the projects with various stages of completion as work in progress. All costs of conversion related to a particular project are treated as work in progress until such time as a project is completed.

2.11 Receivables*Fees and Charges*

Fees and charges receivable are brought to account at their recoverable amount and at the end of the reporting period the balances are reviewed and a provision is made where recoverability of amounts is considered doubtful.

Financial Assistance Debtors

Amounts outstanding with respect to financial assistance advances by way of loan are brought to account at their recoverable amount. Conditions relating to some forms of assistance provide that in certain circumstances, loans can be reduced or forgiven.

Recoveries

Amounts recovered that have been written off or previously provided for have been included as revenue, under fees, charges and recoveries.

2.12 Employee Entitlements*Salaries, Wages and Annual Leave*

Liabilities for unpaid salaries, wages and annual leave at the reporting date are based on current pay rates and employees' services to that date. Liabilities for employment on-costs such as superannuation contributions and payroll tax are calculated in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Long Service Leave

Long service leave is recognised at current rates on a pro-rata basis in respect of services provided by employees up to the reporting date. The Department of Treasury and Finance has advised that a benchmark of eight years can be used for a shorthand estimation of long service leave liability in accordance with the provisions of AAS 30. This advice has been adopted and the long service leave liability has been calculated on that basis. Liabilities for employment on-costs such as superannuation contributions and payroll tax are calculated in accordance with AAS 30.

Sick Leave

No liability for sick leave was recognised in the Financial Statements as sick leave taken by employees is considered to be taken from the current year's accrual.

2.13 Cash on Hand and on Deposit

For the purposes of the Statement of Cash Flows, cash on hand and on deposit includes cash deposits which are used in the cash management function on a day to day basis.

2.14 Borrowing Costs

Borrowing costs in relation to loans repayable to the SA Government Financing Authority (SAFA) are expensed in the period in which they occur.

2.15 Leases

The Department leases premises for its administrative and operating activities. Lease payments are included as expenditure in equal instalments over the accounting periods covered by the respective terms of the leases.

2.16 Foreign Currency

Assets and liabilities that are in a foreign currency have been brought into the accounts at the exchange rate applying at 30 June 2002. Income and expenses arising from transactions in a foreign currency are brought to account at the 'spot' exchange rate that applied on the day they occurred. Unrealised losses resulting from currency transactions have been brought to account in the Statement of Financial Performance.

2.17 Goods and Services Tax

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

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

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

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

2.18 Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. Expenses by Output Class and Output

The Department has identified three broad output classes that reflect the nature of the services delivered to the South Australian community. These are:

Output Class 1: Coordination and Advice

Relates to coordination of whole of government initiatives or services and policy advice and development for and on behalf of the Minister.

Output Class 2: Infrastructure Development

Relates to the delivery and project management of major infrastructure projects.

Output Class 3: Industry Development

Relates to the development of South Australian industry to world competitive standards.

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3. Expenses by Output Class and Output (continued)

Summary of expenses by output class and output for the year are as follows

	2002 \$'000	2001 \$'000
Coordination and advice:		
Policy advice	272	1 731
Infrastructure Development:		
Infrastructure facilitation	33 728	76 565
Industry Development:		
Investment facilitation	63 373	37 764
Enterprise development	33 778	31 348
Industry support	11 652	6 280
Trade development	5 565	3 810
Market South Australia	4 824	3 753
	<u>119 192</u>	<u>82 955</u>
Total	<u>153 192</u>	<u>161 251</u>

4. Overseas Representative Offices

The following table provides a summary of the financial transactions for the year. The transactions relating to operating expenses and operating revenues have been included in the Financial Statements. The US office commenced operations during the year.

	SATIC	Hong Kong	Jakarta	Bandung	Singapore	Kuala Lumpur	Tokyo	Dubai	US	2002 Total \$'000	2001 Total \$'000
Operating expenses	821	1 033	289	73	817	156	1 206	660	823	5 878	5 800
Operating revenues	38	120	1	-	1	1	212	53	2	428	685
Funds advance to overseas offices towards operating expenses	881	1 450	387	-	1 147	213	1 360	778	1 397	7 613	5 283

5. Other Revenue

	Note	2002 \$'000	2001 \$'000
Adjustment for Financial Assistance Debtor recognition ⁽¹⁾		4 072	-
Adjustment for restructure ⁽²⁾		-	3 665
Grants and other contributions		665	189
Recognition of assets previously expensed	16	182	-
Other revenue		1 885	1 771
		<u>6 804</u>	<u>5 625</u>

(1) In prior years a process of debtor confirmation with respect to amounts owing by companies in receipt of financial assistance by way of short term interest free and interest bearing loans and 99 year interest free loans was commenced to provide assurance that all information of both a financial and non-financial nature is materially reliable for reporting purposes. During the current year the process progressed to the extent that a consistent underlying error in the reported financial assistance debtors was identified. It is considered that previous balances reported for financial assistance debtors have been understated by \$4 million.

The restating of the financial assistance debtors to their true balance as at 1 July 2001 has resulted in an additional \$4 million in financial assistance debtors being brought to account with a corresponding figure being recognised as revenue during the year.

(2) A specific accrual transaction in 2000-01 associated with the restructure and separation of the Office of Recreation and Sport from the Department.

6. Salaries, Wages and Related Payments

Salaries, wages and related payments comprise:

Salaries, wages, annual and sick leave	20 872	19 130
Long service leave ⁽¹⁾	(19)	611
Superannuation	1 798	1 876
Other employee on-costs	1 682	1 631
Total	<u>24 333</u>	<u>23 248</u>

(1) Reduction in long service leave accrual as a result of employee transfers and separations during 2001-02.

7. Superannuation

The Superannuation costs included in the Financial Statements comprise three components:

- During the reporting period, the Department paid \$1 385 000 (\$1 303 000) to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of its employees.
- In addition, payments were made to other externally managed funds for currently employed contributors amounting to \$330 000 (\$384 000).
- From 1 July 1992, revised superannuation arrangements were implemented as a result of the Commonwealth Government's Superannuation guarantee legislation. The Department is required to make payments monthly amounting to 8 percent (8 percent) of eligible earnings. Payments made to an externally managed fund for employees in relation to this amounted to \$83 000 (\$189 000).

8. Targeted Voluntary Separation Packages (TVSPs)

Four (two) employees of the Department were paid TVSPs during the period.

As at 30 June 2002 payments amounted to \$379 000 (\$215 000). In addition to this \$23 000 (\$97 000) was paid in accrued annual leave and long service leave entitlements to those employees who received a TVSP. These payments were met by the Department and \$529 000 (\$65 000) has been recovered from the Department of the Premier and Cabinet.

9. Other Expenses	2002 \$'000	2001 \$'000
Bad debts	110	15
Infrastructure development	92	82
Staff related expenses	1 162	1 657
Travel and related expenses	1 540	1 712
Equipment and information technology expenses	1 975	1 550
Overseas offices administration expenses	1 954	2 976
Other industry assistance ⁽¹⁾	2 266	-
Decrement on revaluation of computer equipment	-	278
Legal fees, search and stamp duty	895	217
Audit fees	362	221
Printing and stationery	641	543
Communication expenses	577	556
General office and administration expenses	3 129	2 403
	14 703	12 210

(1) Other industry assistance relates to new programs initiated in 2001-02.

10. Industry and Other Financial Assistance

Financial Assistance is provided from State and Commonwealth Funds. Proposals and applications for funding under various support programs and schemes are subject to specific guidelines and procedures issued by the Department and the Commonwealth. There are several approval delegations dependent upon the level and nature of assistance provided.

In some cases, the provision of assistance does not involve the direct outlay of funds by the Department. Assistance packages may involve elements of assistance provided through other government agencies, with the Department assuming the overall responsibility for the assistance arrangements. Generally, this is through the provision of purpose built buildings and exemptions or remissions from certain elements of state taxation.

Class of Assistance	Assistance Loans			2002		
	Interest Free \$'000	Interest Bearing \$'000	99 Year Interest Free \$'000	Total Loans \$'000	Total Grants \$'000	Total Assistance \$'000
	Automotive Program	19 500	-	-	19 500	-
Adelaide to Darwin Railway construction	-	-	-	-	25 000	25 000
AustralAsia Railway Corporation operating cost	-	-	-	-	1 335	1 335
Enterprise Development	-	-	-	-	10 513	10 513
Industry Development	6 456	26	10 263	16 745	22 680	39 425
Payroll Tax Reimbursement	-	-	-	-	5 566	5 566
Rail Reform Transition Program	-	-	-	-	2 923	2 923
Regional Development	-	-	-	-	5 126	5 126
Regional Industry Development	517	-	-	517	1 304	1 821
Regional Infrastructure	330	-	-	330	1 278	1 608
Tourism Infrastructure	-	-	-	-	1 400	1 400
Other	-	-	-	-	1 454	1 454
	26 803	26	10 263	37 092	78 579	115 671

In relation to assistance to Industry, under the provisions of the *Industries Development Act 1941*, the Minister may refer any matter to the Industries Development Committee for review and recommendation by the Committee. Details of assistance referred to the Committee during the reporting period were:

Financial assistance:	2002		2001	
	Number	Total \$'000	Number	Total \$'000
Investment incentives	*14	60 394	16	58 307
Industrial and Commercial Premises Corporation	4	51 543	4	20 770

* Three projects totalling \$2.9 million were referred to the Committee as briefings, such that the Committee made recommendations to the Minister in relation to 11 investment incentive projects totalling \$57.5 million during the year.

11. Payments to Consultants

Total payment to consultants were \$1 149 000, of which \$39 000 were capitalised as part of Work in Progress.

The consultancies used by the Department and payments made have been grouped under the following ranges:

	2002 Number of Consultancies
Below \$10 001	26
\$10 001 - \$20 000	14
\$20 001 - \$30 000	4
\$30 001 - \$40 000	5
\$40 001 - \$50 000	4
\$50 001 - \$60 000	5
\$90 001 - \$100 000	1

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11. Payments to Consultants (continued)

\$10 001 - \$20 000

Australian Business (SA) Pty Limited
 Connor Holmes Consulting
 CSIRO Land and Water
 Ernst & Young
 Gutteridge Haskins & Davey Pty Ltd
 Intelesys Consulting Pty Ltd

 Kristine Peters Project Management
 Kristine Peters Project Management
 Monash University

 National Economics Pty Ltd
 PricewaterhouseCoopers
 Realtysolutions Australia Pty Ltd
 Synnot & Wilkinson
 The South Australian Centre for Economic Studies

Consultancy Title

Development of induction Program for Mid North Regional Development Board
 Analysis of Industrial Database
 The preliminary evaluation of magnesite for agricultural use
 Investigating Accountants Report into Bakeries of Aust Pty Ltd
 Study of Infrastructure Policies and Practices
 Development of a Model for Radio interference Analysis of the Square
 Kilometre Array Project
 Small Business Evaluation Service Project
 Playford Partnerships Social Capital Survey
 Analysis of the effects of providing lower cost and faster telecommunications
 in South Australia
 Playford Partnerships Social Capital Survey
 Report on the impact of taxation on business and start-up
 Identify existing industrial sites (Brownfields) suitable for redevelopment
 Concept Proposal - Parafield Industrial Estate
 Update of 1999 IEPO - Information Industries Survey for World Congress on
 Information Technology 2002

\$20 001 - \$30 000

CCFRA Technology Ltd

Colliers Jardine
 Ebart Pty Ltd

Paul Dibb & Associates Pty Ltd

Study of existing technology in the food processing sector in South Australia
 and analysis of likely future technology shifts in this sector
 DSTO Nth Land Use Survey
 Provide advice on the Automotive Industry in South Australia -
 DIT Automotive Task Force
 Provide ongoing advice to Invest SA on Defence Investment related matters

\$30 001 - \$40 000

Economic Research Consultants Pty Ltd
 EconSearch Pty Ltd
 Intelligent Energy Systems Pty Ltd
 TEQMan Pty Ltd

Wendy Davidson Enterprises Pty Ltd

Regional Development Board Review
 SA Input/Output Table Update
 SAMAG Project - Energy Advice
 Development of energy management guides for eight Manufacturing
 Business Sectors
 Capability Assessment of the Business Services Sub-Sector in South Australia

\$40 001 - \$50 000

Gartner Australasia Pty Limited

JT Management Consulting (Asia Pacific) Pty Ltd
 Kristine Peters Project Management
 Nolan - ITU Pty Ltd

Identification and Qualification of ICT companies in key countries and identified
 key IT focus areas for investment attraction to Adelaide
 Cost Benefit Evaluation of proposed Timber Industry Investment
 Onkaparinga Social Capital Survey Project
 Organic Waste Economic Values Analysis

\$50 001 - \$60 000

Access Economics Pty Limited

EquiBrand Consulting

Hassell Pty Ltd

Hudson Howells Asia Pacific Consulting

Leadenhall Australia Limited

Develop a strategic Document for Manufacturing in South Australia over the next
 10 years
 Market Research into the Textile Clothing and Footwear Exporters Group
 entry into the US Market
 Identify comparative construction costs in minimising up front costs versus the cost
 of design to exploit cost effective techniques, minimise emissions, noise and
 vibration
 Analyse South Australia's current Transport and Storage capabilities and
 recommend strategies for future development
 Financial advice on SAMAG Project

\$90 001 - \$100 000

Disney-Howe Associates Pty Ltd

Defence related issues, including new business attraction and supporting
 expansion/retention of current businesses.

12. Write-down of Financial Assistance Debtors

Consistent with the policy regarding Financial Assistance Debtor Recognition in relation to 99 year interest free loans (refer Note 2.4), loans with a carrying amount of \$1 269 000 (\$19 352 000) were written down to nil value.

13. Settlement of Loans

Included in the expense item 'Settlement of loans' in the Statement of Financial Performance is an amount of \$18.1 million in relation to the Australian Submarine Corporation.

In 1998 the South Australian Government Financing Authority provided the Australian Submarine Corporation with a loan of \$18.2 million. Under instruction of the Department of Treasury and Finance, administration of the 99 year interest free loan was subsequently assigned to the Department. During the year the Australian Submarine Corporation exercised an option within the original loan agreement that enabled it to settle the loan based on the net present value of the outstanding principal of the loan, which was calculated at \$90 000.

The difference between the face value and net present value of the loan has been brought to account as an \$18 330 000 expense in the Statement of Financial Performance.

14. Receivables								2002	2001
								\$'000	\$'000
Trade debtors								2 188	1 234
Less: Provision for doubtful debts								130	85
								2 058	1 149
Interest on deposit accounts and bank accounts								121	69
Prepayments								880	59
GST receivable								2 463	1 592
Other receivables								61	216
								5 583	3 085
15. Financial Assistance Debtors									
Current								6 963	7 407
Less: Provision for doubtful debts								2 948	2 731
Total Current								4 015	4 676
Non-Current								101 414	82 598
Less: Provision for doubtful debts								1 147	2 557
Total Non-Current								100 267	80 041
16. Property, Plant and Equipment									
	Land	Work in Progress	Motor Vehicles	Furniture and Equipment	Computer Equipment	Works of Art			Total
Gross Carrying Amount:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			\$'000
Balance at 1 July 2001	5 436	10 844	-	3 861	1 675	21			21 837
Additions	1 780	8 454	163	170	423	-			10 990
Disposals	(2 074)	(1 255)	-	(165)	(321)	-			(3 815)
Recognition of assets previously expensed	-	-	335	-	-	-			335
Balance at 30 June 2002	5 142	18 043	498	3 866	1 777	21			29 347
Accumulated Depreciation:									
Balance at 1 July 2001	-	-	-	1 919	742	-			2 661
Disposals	-	-	-	(84)	(313)	-			(397)
Depreciation expense	-	-	87	412	565	-			1 064
Recognition of assets previously expensed	-	-	153	-	-	-			153
Balance at 30 June 2002	-	-	240	2 247	994	-			3 481
Net Book Value:									
As at 30 June 2001	5 436	10 844	-	1 942	933	21			19 176
As at 30 June 2002	5 142	18 043	258	1 619	783	21			25 866
17. Borrowings								2002	2001
Repayment details during the reporting period were:								\$'000	\$'000
Opening balance								12 260	17 043
Less: Principal repaid to SAFA								4 728	4 783
Balance Outstanding at 30 June								7 532	12 260
Represented by:									
Current Liability								2 309	1 898
Non-Current Liability								5 223	10 362
Balance Outstanding at 30 June								7 532	12 260
18. Payables and Accrued Expenses									
Current Liabilities:									
Trade creditors and accruals								719	585
GST payable								333	57
Employee on-costs								646	461
								1 698	1 103
Non Current Liabilities:									
Employee on-costs								281	299
19. Employee Entitlements and Related Provisions									
Current Liabilities:									
Annual leave								1 375	1 324
Long service leave								270	306
Workers compensation ⁽¹⁾								31	27
Total Current								1 676	1 657
Non-Current Liabilities:									
Long service leave								2 429	2 527
Workers compensation ⁽¹⁾								102	97
Total Non-Current								2 531	2 624

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19. **Employee Entitlements and Related Provisions (continued)**

(1) These amounts are an actuarial assessment of the Department's workers compensation liabilities at 30 June 2002 contained in a report prepared by Taylor Fry Consulting Actuaries and submitted to the Public Sector Occupational Health and Injury Management branch (PSOHIM) of the Department of the Premier and Cabinet. The amounts reflect the Department's experience of claim numbers and payments over the period 1 July 1987 to 30 June 2002. A separate valuation of the liabilities may result in a different assessed liability.

The actuarial report conforms to the WorkCover Guidelines for Actuaries, Accounting Standard AASB 1023 'Financial Reporting of General Insurance Activities' and Professional Standard PS 300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance' of the Institute of Actuaries of Australia.

20. Accumulated Surplus	2002	2001
	\$'000	\$'000
Balance 1 July	104 983	97 776
Operating surplus	53 474	7 207
Balance 30 June	158 457	104 983

21. Asset Revaluation Reserve	2002	2001
	\$'000	\$'000
Balance 1 July	913	-
Revaluation increment - revaluation of Furniture and Equipment	-	913
Balance 30 June	913	913

22. **Notes to the Statement of Cash Flows**

22.1 Reconciliation of Cash

Closing cash balance as shown in the Statement of Cash Flows is represented by the following balances:

Department of Industry and Trade operating account and other funds	34 701	16 188
Cash held in bank accounts	2 640	657
Treasury imprest accounts	14	14
Cash on hand	2	2
	37 357	16 861

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

Surplus from ordinary activities	53 474	7 207
Depreciation	1 064	1 105
Written down value of disposed assets	3 418	576
Proceeds from disposal of assets	(3 330)	(75)
Decrement on revaluation of computer equipment	-	278
Recognition of assets previously expensed	(182)	-
Change in assets and liabilities:		
Increase in receivables and financial assistance debtors	(22 063)	(23 499)
Decrease in inventories	-	19
Increase (Decrease) in payables, employee entitlements and related provisions	503	(1 390)
Net Cash provided by (used in) Operating Activities	32 884	(15 779)

23. **Financial Assistance Commitments**

In addition to the payments of assistance described in Note 10, the Department has financial commitments under agreements with various bodies. The payment of funds committed is subject to certain performance criteria being met by these bodies.

	2002	2001
	\$'million	\$'million
Not later than one year	53.6	71.5
Later than one year but not later than three years	58.6	86.1
Later than three years but not later than eight years	22.3	20.8
Funds Committed at 30 June	134.5	178.4

24. **Lease Commitments**

At 30 June, the Department had the following obligations under non-cancellable operating leases. The Department has various operating lease arrangements for the use of property that generally provide for lease payments in advance. Rental provisions provide for rental adjustments by negotiation or in accordance with movements in the CPI. Generally options exist to renew the leases at the expiration of the term of the leases. These obligations have not been recognised as liabilities in the Financial Statements.

	2002	2001
	\$'000	\$'000
Not later than one year	2 024	2 189
Later than one year but not later than five years	4 084	4 223
Later than five years	1 645	2 181
	7 753	8 593

25. Employee Remuneration

The following table sets out the number of employees with total remuneration in excess of \$100 000 within the following bands:

	2002	2001
	Number of	Number of
	Employees	Employees
\$100 000 - \$110 000	3	2
\$110 001 - \$120 000	4	4
\$120 001 - \$130 000	9	7
\$130 001 - \$140 000	2	3
\$140 001 - \$150 000	2	2
\$160 001 - \$170 000	-	1
\$170 001 - \$180 000	-	2
\$180 001 - \$190 000	4	1
\$190 001 - \$200 000	-	1
\$270 001 - \$280 000	-	1
\$280 001 - \$290 000	1	-

Total remuneration received or receivable by these employees was \$3.5 million (\$3.4 million).

26. Auditors' Remuneration

Amounts due and receivable by the Auditor-General's Department for the audit of the Department for the reporting period total \$154 000 (\$150 000).

27. Interest and Credit Risk Exposure

The Department's maximum exposure to credit risk at reporting date in relation to each class of recognised assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Department has no significant exposure to any concentrations of credit risk.

The Department recognises Trade Payables as they are incurred and recognises Accrued Expenses for goods and services supplied that have not been paid for. Trade Payables are normally settled on 30 day terms with no exposure to interest rate risk.

Trade Debtors are recognised at the time the debt is incurred with terms set at 30 days. There is no exposure to interest rate risk on Trade Debtors and credit risk is negligible. By definition, prepayments do not represent an exposure to interest rate risk.

In relation to loans provided to external parties, the credit risk is limited to the carrying amount of the assets in the Statement of Financial Position. However, conditions relating to some forms of assistance provide that in certain circumstances, loans can be reduced or forgiven.

The following table provides information relating to Interest Rate Risk for recognised Financial Assets and Financial Liabilities:

	Weighted Average Effective Interest Rate Percent	2002 Fixed Interest Maturing in					Non- Interest Bearing \$'000	Total \$'000
		Floating Interest \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000			
Financial Assets:								
Cash on hand and on deposit	4.34	37 357	-	-	-	-	37 357	
Receivables	-	-	-	-	-	5 713	5 713	
Financial assistance debtors:								
99 year loans	-	-	-	-	-	38 569	38 569	
Interest free loans	-	-	-	-	-	68 192	68 192	
Interest bearing loans	5.60	-	524	650	442	-	1 616	
		<u>37 357</u>	<u>524</u>	<u>650</u>	<u>442</u>	<u>112 474</u>	151 447	
Financial Liabilities:								
Borrowings	11.74	-	2 309	5 223	-	-	7 532	
Payables	-	-	-	-	-	1 979	1 979	
		<u>-</u>	<u>2 309</u>	<u>5 223</u>	<u>-</u>	<u>1 979</u>	9 511	

	Weighted Average Effective Interest Rate Percent	2001 Fixed Interest Maturing in					Non- Interest Bearing \$'000	Total \$'000
		Floating Interest \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000			
Financial Assets:								
Cash on hand and on deposit	5.77	16 861	-	-	-	-	16 861	
Receivables	-	-	-	-	-	3 085	3 085	
Financial assistance debtors:								
99 year loans	-	-	-	-	-	44 450	44 450	
Interest free loans	-	-	-	-	-	18 706	18 706	
Interest bearing loans	7.57	-	459	745	25 645	-	26 849	
		<u>16 861</u>	<u>459</u>	<u>745</u>	<u>25 645</u>	<u>66 241</u>	109 951	
Financial Liabilities:								
Borrowings	12.47	-	1 898	10 362	-	-	12 260	
Payables	-	-	-	-	-	1 402	1 402	
		<u>-</u>	<u>1 898</u>	<u>10 362</u>	<u>-</u>	<u>1 402</u>	13 662	

28. Contingent Liabilities

28.1 Guarantees granted in respect of borrowing arrangements that were effected through the Industry Incentives and Assistance Fund (IIAF) are provided on the approval of the Treasurer pursuant to the terms of the *Industries Development Act 1941*. That approval provides, inter alia, that no such guarantees should be executed except on the recommendation of the Industries Development Committee.

In addition, certain guarantees and indemnities have been provided by the Minister for Industry, Investment and Trade as part of various Industry Assistance packages.

28.2 Non Quantifiable Contingent Liabilities

The AustralAsia Railway Corporation (the Corporation), the Northern Territory and South Australian Governments and Asia Pacific Transport Pty Ltd have entered into a concession arrangement for the design, construction, operation and maintenance of the Alice Springs to Darwin Railway on a build, own, operate, transfer-back (BOOT) basis.

Both the SA and NT Governments guarantee the obligations of the Corporation. This guarantee is a joint guarantee but SA and the NT each accept responsibility for breach of an indemnity that is caused by its act or omission. Where the event giving rise to a Corporation obligation is solely caused by one jurisdiction, that jurisdiction accepts sole responsibility. If both the SA and NT caused the event, then each accepts responsibility to the extent to which it caused the event.

For other Corporation obligations, SA and the NT accept liability for events occurring within the geographical area of its jurisdiction. Principally, the Corporation has granted indemnities to ensure that title to the railway corridor is secure for the construction and operation of the railway infrastructure. These indemnities cover risks related to native title claims, undisclosed interests in the corridor, environmental contamination, heritage and sacred sites, and environmental assessment processes.

The project documents provide for the early termination of the concession arrangement by Asia Pacific. In certain circumstances that would give rise to the payment of an early termination amount. The amount includes all debt and debt break costs for the project, certain agreed break costs for the project, certain agreed break costs for third party contractors and payments to equity. For all of these events the cure is within the control of either the Corporation or the Governments

While the Department of Industry and Trade is not a signatory to these agreements, the SA Government has assigned responsibility for these agreements to the Department. If a subsequent event were triggered such that the SA Government had to honour a commitment under the agreement that commitment would have to be funded by the SA Government and the payment would be made through the Department.

The prospect of any one of the contingent liabilities arising is considered to be extremely remote.

SOUTH AUSTRALIAN MOTOR SPORT BOARD

FUNCTIONAL RESPONSIBILITY

The South Australian Motor Sport Board was established pursuant to the *South Australian Motor Sport Act 1984*.

The functions of the Board are to:

- enter into agreements on behalf of the State under which motor sport events, whether promoted by the Board or by some other person approved by the Minister, are held in the State;
- undertake on behalf of the State the promotion of motor sport events;
- establish a temporary motor racing circuit and conduct and manage motor racing events promoted by the Board;
- provide advisory, consultancy, management or other services on the conduct of sporting, entertainment or other special events or projects, whether within or outside the State;
- such other functions as the Minister may from time to time approve.

The Board comprises nine members appointed by the Governor and is subject to the general control and direction of the Minister for Industry, Investment and Trade.

The Board has had the right to stage a motor sport event for a fixed period of five years, which commenced in 1999. The option to extend the contract for a further five years was exercised during 2001 and now concludes in 2008. Pursuant to a Naming Rights Sponsorship Agreement, the event is known as the 'Clipsal 500 Adelaide'.

In addition, pursuant to a permit issued by the Confederation of Australian Motor Sport, the Board stages the 'Coopers Pale Ale Rally of South Australia'.

SIGNIFICANT FEATURES

- The Board received funding from the State Government, through the South Australian Tourism Commission, for capital (\$450 000) and operating (\$1 500 000) requirements.
- In June 2001, the Board received \$2 250 000 from the Treasurer by way of a short term non-interest bearing loan to meet the Board's immediate cash flow requirements. In November 2001 the loan was forgiven. Refer Notes 1 and 2 to the financial statements.
- The Board's Financial Statements show an operating surplus of \$23 000 (operating deficit of \$698 000) for the reporting period. As commented under the heading 'Interpretation and Analysis of Financial Statements' of this section of this Report, had the Board applied an Accounting Policy Statement requirement of the Treasurer in relation to capital contributions and an applicable Australian Accounting Standard in respect of loan funds forgiven the operating result would have been an operating surplus of \$968 000 (operating deficit of \$1 913 000). The Independent Audit Report covering the financial statements has been qualified in regard to these financial accounting and reporting treatments.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 18(3) of the *South Australian Motor Sport Act 1984* provides for the Auditor-General to audit the accounts of the Board in respect of each financial year.

Scope of Audit

The Board's administration and financial accounting operations are not large and complex in nature. Furthermore, major activities associated with the staging of events were contracted out to external parties.

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

During 2001-02 specific areas of audit attention included:

- contract arrangements
- revenue collection
- accounts payable
- payroll
- non-current assets
- compliance with the Financial Management Framework.

Audit Communications to Management

An Audit management letter conveying the scope of the audit and audit findings was forwarded to the Chief Executive of the Board. A satisfactory response was received to the matters raised.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control environment was assessed as satisfactory.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

The Statement of Financial Performance of the Board for the period ended 30 June 2002 records an operating surplus of \$23 000 (operating deficit of \$698 000).

As explained in Notes 2.1 and 2.2 to the Financial Statements, the Board has applied an International Accounting Standard in difference to the mandatory Accounting Policy Statement of the Treasurer and an applicable Australian Accounting Standard, in relation to the financial accounting and reporting treatment of \$6.25 million recorded by way of capital grants since 1998-99 and \$2.25 million by way of forgiven loan funds in 2001-02. The application of the Accounting Policy Statement APS 11 'Contributions' and Accounting Standard AASB 1004 'Revenue', rather than the International Accounting Standard, would have resulted in the Board recording an operating surplus of \$968 000 (operating deficit of \$1 913 000).

As such, the Independent Audit Report covering the financial statements of the Board has been qualified in respect of these matters. The financial statements of the Board for prior years have been qualified because of the application of similar financial accounting and reporting treatments.

EXTRACT FROM INDEPENDENT AUDIT REPORT

As mentioned, with respect to my Independent Audit Report on the Financial Statements of the South Australian Motor Sport Board, I have issued a Qualified Audit Opinion.

An extract from the Independent Audit Report is provided hereunder:

Qualification

Note 2.1 to the Financial Statements - Basis of Accounting - states that the 'Financial Statements have been prepared as a general purpose financial report in accordance with ... the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the Public Finance and Audit Act 1987 ... except ... in relation to the entity's financial accounting and reporting treatment of the Capital Grant funds provided by the State Government and the financial accounting and reporting treatment of the loan forgiven in November 2001'.

Accounting Policy Statement APS 11 'Contributions' requires that grants be recognised as revenues when received.

Accounting Standard AASB 1004 'Revenue' requires the gross amount of a liability forgiven by a credit provider be recognised by the borrower as revenue.

The Board has determined that the capital grants received in 1998-99 and 1999-2000 be amortised over the initial fixed five year race staging period while the capital grant received in 2001-02 and the loan forgiven in 2001-02 be amortised over a period of five years. The Board has based its determination on the application of International Accounting standard IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'.

As a result, of the total of \$6.25 million received by way of capital grants and \$2.25 million by way of forgiven loan funds, only \$5.1 million has been recognised as revenue with the remaining \$3.4 million recognised as a liability. This has resulted in the Board showing an operating surplus for the reporting period of \$23 000 against an operating surplus of \$968 000 had there been compliance with APS 11 and AASB 1004.

Qualified Audit Opinion

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

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Ticket sales		3 731	2 848
Hospitality and sponsorship		5 501	4 624
State Government grants		1 500	7 946
Catering and merchandise		1 264	1 065
Entry fees		199	117
Interest		82	127
Amortisation of capital grants	1,2,1,2.2,12	1 755	1 215
Asset hire		14	19
Other		105	80
Total Revenues		14 151	18 041
EXPENSES FROM ORDINARY ACTIVITIES:			
Circuit construction		5 397	9 084
Hospitality, sponsorship and ticketing costs		933	854
Catering and merchandise costs		723	670
Event staging and contracts		2 098	2 569
Non motor sport entertainment		280	125
Security and groundstaff		568	624
Salaries, wages and related payments	3	699	610
Administration		389	516
Marketing, advertising and media		1 386	1 398
Depreciation and amortisation		1 655	1 137
Non-current asset write-downs		-	1 152
Total Expenses		14 128	18 739
OPERATING SURPLUS (DEFICIT)		23	(698)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		23	(698)

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash	15.1	426	548
Receivables	5	1 139	1 530
Other	6	15	19
Total Current Assets		1 580	2 097
NON-CURRENT ASSETS:			
Concrete safety barriers, racing infrastructure, plant and equipment	7	4 648	5 715
Establishment costs	8	40	175
Total Non-Current Assets		4 688	5 890
Total Assets		6 268	7 987
CURRENT LIABILITIES:			
Payables	9	2 207	2 735
Borrowings	1,10	74	2 250
Employee entitlements and related provisions	11	67	50
Deferred State Government grant - Capital	12	1 755	1 215
Total Current Liabilities		4 103	6 250
NON-CURRENT LIABILITIES:			
Deferred State Government grant - Capital	12	1 620	1 215
Total Liabilities		5 723	7 465
NET ASSETS		545	522
EQUITY:			
Accumulated surplus		545	522
TOTAL EQUITY		545	522
Contingent Liabilities	14		

Statement of Cash Flows for the year ended 30 June 2002

		2002	2001
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and sponsors		11 107	9 181
GST received from customers		1 128	1 008
Payments to suppliers and employees		(12 994)	(16 639)
GST payments to suppliers		(1 213)	(1 728)
GST recovered from Australian Taxation Office		197	585
Interest received		82	127
State Government contributions		1 500	7 946
Net Cash (used in) provided by Operating Activities	15.2	(193)	480
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for racing infrastructure, plant and equipment		(443)	(2 048)
Payments for establishment costs		(10)	(46)
Non-interest bearing loan from the Treasurer		-	2 250
State Government contributions		450	-
Net Cash (used in) provided by Investing Activities		(3)	156
NET (DECREASE) INCREASE IN CASH HELD		(196)	636
CASH AT 1 JULY		548	(88)
CASH AT 30 JUNE	15.1	352	548

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Organisational Structure, Objectives and Funding

The South Australian Motor Sport Board was established pursuant to the *South Australian Motor Sport Act 1984*.

The principal objectives of the Board are to:

- enter into agreements on behalf of the State under which motor sport events, whether promoted by the Board or by some person approved by the Minister, are held in the State;
- undertake on behalf of the State the promotion of motor sport events;
- establish a temporary motor racing circuit and conduct and manage motor racing events promoted by the Board;
- provide advisory consultancy, management or other services on the conduct of sporting, entertainment or other special events or projects, whether within or outside the State.

The Board has the right to stage a motor sport event for a period of 10 years concluding in 2008. During the year, the Naming Rights Sponsorship Agreement was extended to 2008. Pursuant thereto the event is known as the 'Clipsal 500 Adelaide'.

Pursuant to a permit issued by the Confederation of Australian Motor Sport, the Board stages the Coopers Pale Ale Rally of South Australia.

The Board received funding from the State Government of \$1 500 000 for operating activities and \$450 000 for capital in the year. The State Government received signage and other promotional benefits from the event under the 'Sensational Adelaide' logo. In 2000-01, the Board received funds of \$7 946 000 from the State Government. The operating grant amounted to \$500 000 and \$7 446 000 (received through the South Australian Tourism Commission) was provided to fund the capital and operating requirements of the Le Mans 'Race of 1000 Years'.

In June 2001, the Board received \$2 250 000 from the Treasurer by way of a short term non-interest bearing loan to meet the Board's immediate cash flow requirements. In November 2001, Cabinet approved the forgiveness of the loan. The Board has resolved to amortise this over five years and include it in the financial statements as deferred State Government Capital Grant. Refer Note 2.2.

2. Statement of Significant Accounting Policies

2.1 Basis of Accounting

The Financial Statements have been prepared as a general purpose financial report in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987* and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), except as described below in relation to the entity's financial accounting and reporting treatment of the Capital Grant funds provided by the State Government and the financial accounting and reporting treatment of the loan forgiven in November 2001. Refer Note 1.

The Financial Statements have also been prepared in accordance with the historical cost convention and do not take into account changing money values except where it is specifically stated.

2.2 Amortisation of State Government Grant - Capital

The State Government has, since 1998-99, provided a total of \$6.25 million for race staging capital. In addition, in November 2001 Cabinet forgave the \$2.25 million loan granted in June 2001.

In accordance with International Accounting Standard IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance', grants received in 1998-99 and 1999-2000 are being amortised over the initial fixed five year period of the race staging contract, whilst the grant received in 2001-02 and the forgiven loan are being amortised over a period of five years. The grants and loan have been disclosed as a deferred State Government Capital Grant liability.

2.2 Amortisation of State Government Grant - Capital (continued)

The Treasurer's Accounting Policy Statement APS 11 'Contributions' requires that all non-reciprocal transfers be brought to account as revenue in the period in which they are received. Accounting Standard AASB 1004 'Revenue' requires the gross amount of a liability forgiven by a credit provider be recognised by the borrower as revenue. The Board believes that application of this policy and Accounting Standard would incorrectly report the trading result. If APS 11 and AASB 1004 had been applied, the result for the reporting period would have been as follows:

	2002		2001	
	APS 11 AASB 1004 \$'000	Board Policy \$'000	APS 11 \$'000	Board Policy \$'000
Revenue - State Government Grant - Capital	450	1 305	-	1 215
Revenue - Forgiven loan	2 250	450	-	-
Operating Surplus (Deficit)	968	23	(1 913)	(698)
Assets	6 203	6 203	7 987	7 987
Liabilities	2 283	5 658	5 035	7 465
Equity	3 920	545	2 952	522

Therefore the application of APS 11 and AASB 1004 would result in an operating surplus for the year of \$968 000. The application of IAS 20 results in an operating surplus of \$23 000 which the Board believes to be a true reflection of the result for the year.

2.3 Revenue Recognition

Except as described in Note 2.2 above, revenues from Ordinary Activities are recorded in the Statement of Financial Performance at the time they are earned or at the time control passes to the Board. Interest revenues are recognised as they accrue.

2.4 Non-Current Assets

The Board does not own any land or permanent buildings.

All non-current assets controlled by the Board are reported in the Statement of Financial Position. The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Board. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets at their fair value at the date of acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

In accordance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets', specific assets or classes of assets which have an individual or total value greater than \$1 million at the time of acquisition are required to be revalued every three years. In June 2001 the concrete safety barriers were valued based on deprival value by a Board engaged independent valuer. The difference between the valuation and the carrying amount of the assets was not considered to be material and therefore no adjustment has been made in the Statement of Financial Position.

2.5 Depreciation and Amortisation

Depreciation is calculated on a straight line basis to write off the assets over their useful economic lives. Racing infrastructure, plant and equipment, excluding debris fencing, useful lives range from 1-10 years.

Concrete safety barriers and debris fencing useful life is determined by reference to their likely rate of deterioration, namely 20 years. This is supported by the independent valuation of concrete barriers obtained by the Board in June 2001. Refer Note 2.4.

Establishment costs are amortised over periods in a manner which reflects the consumption of their future economic benefits. The Board has determined that this period be reduced to between two and four years. The effect of this change was to increase amortisation for the year by \$103 000 from \$42 000 to \$145 000.

2.6 Recoverable Amounts of Non-Current Assets

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write-down to recoverable amount.

2.7 Principles of Consolidation

There were no controlled entities during the reporting period.

2.8 Income Tax

The entity is exempt from income tax.

2.9 Leased Assets

The entity has no finance leases.

2.10 Employee Entitlements

Salaries, Wages and Annual Leave

Liabilities for unpaid salaries, wages and annual leave at the reporting date are based on current pay rates and employees' services to that date. Liabilities for employment on-costs such as superannuation contributions and payroll tax are calculated in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Long Service Leave

Provision has been made for employee entitlements to long service leave at 30 June 2002. The provision has been calculated at nominal amounts based on current pay rates using a benchmark of eight years service as a shorthand estimation of long service leave liability in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Sick Leave

No liability for sick leave was recognised in the financial report as sick leave taken by employees is considered to be taken from the current year's accrual.

2.11 Cash on Hand and on Deposit

For purposes of the Statement of Cash Flows, cash includes cash deposits, which are used in the cash management function on a day to day basis. Interest revenues are recognised as they accrue. The average interest rate for the reporting period was 3.7 percent (4.7 percent).

2.12 Financial Instruments

The Board's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2002, are as follows:

Financial Assets

Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.

Cash comprises cash on hand and at bank and deposits at call. Cash is recorded at nominal amounts. Interest on cash is credited to revenue as it accrues.

Receivables are recognised at the nominal amounts due less provision for bad or doubtful debts (maximum credit risk). Included in trade debtors is an amount of \$255 000 owing by Panoz Motorsport Australia recovery of which is subject to legal action.

Credit terms, other than those specified in contractual agreements, are net 14 days.

Financial Liabilities

Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.

Payables are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. With the exception of employee on-costs, payables are normally settled within 30 days. It is policy to effect early payment where a discount can be achieved.

Borrowings are recognised at their principal amounts. Interest is expensed as it accrues. Borrowings at 30 June 2002 related to a bank overdraft for operational purposes.

Interest Rate Risk

The Board's only exposure to interest rate risk relates to cash. The average interest rate in relation to cash is 3.7 percent. All other Financial Assets and Financial Liabilities of the Board have no exposure to interest rate risk.

Credit Risk

The Board does not have any significant credit risk exposure to any single creditor. The carrying amount of financial assets recorded in the Statement of Financial Position, net of provisions for doubtful debts, represent the Board's maximum exposure to credit risk.

Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the Statement of Financial Position represent their respective net fair values.

2.13 Goods and Services Tax

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

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

The net GST receivable from the taxation authority is included as part of receivables in the Statement of Financial Position.

2.14 Economic Dependency

The ongoing activities of the Board in promoting and staging motor sport events within South Australia are dependent on the ongoing financial support by the South Australian Government.

2.15 Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. Salaries, Wages and Related Payments	2002	2001
Salaries, wages and related payments comprise:	\$'000	\$'000
Salaries, wages, annual and sick leave	615	517
Long service leave	4	-
Superannuation	47	44
Other employee on-costs	33	49
Total	699	610
Total number of full time equivalent employees at reporting date was	8.6	8.6
4. Superannuation		
The superannuation costs included in the Financial Statements relate to the Commonwealth Government's Superannuation guarantee legislation. The payments of \$47 000 (\$44 000) have been made to an externally managed fund.		
5. Receivables		
Current:		
Trade debtors	705	1 137
Amount owing by BASS for funds held in trust (refer Note 9)	422	272
Provision for doubtful debts	-	(29)
Non-trade amounts:		
Unrelated parties	12	150
	1 139	1 530
6. Other Assets		
Current:		
Prepayments	15	19
	15	19
7. Concrete Safety Barriers, Racing Infrastructure, Plant and Equipment		
Concrete Safety Barriers:		
Gross carrying amount:		
Balance at 1 July	1 459	1 229
Additions	6	230
Balance at 30 June	1 465	1 459
Accumulated Depreciation:		
Balance at 1 July	(432)	(123)
Depreciation expense	(73)	(138)
Recoverable amount write-downs	-	(171)
Balance at 30 June	(505)	(432)
Net Carrying Amount	960	1 027
Other Racing Infrastructure, Plant and Equipment:		
Gross carrying amount:		
Balance at 1 July	8 144	6 326
Additions	437	1 818
Balance at 30 June	8 581	8 144
Accumulated Depreciation:		
Balance at 1 July	(3 456)	(1 558)
Depreciation expense	(1 437)	(954)
Recoverable amount write-downs	-	(944)
Balance at 30 June	(4 893)	(3 456)
Net Carrying Amount	3 688	4 688
Total Concrete Barriers, Racing Infrastructure, Plant and Equipment	4 648	5 715
8. Establishment Costs		
Gross carrying amount:		
Balance at 1 July	348	302
Additions	10	46
Balance at 30 June	358	348
Accumulated amortisation		
Balance at 1 July	(173)	(91)
Amortisation expense	(145)	(45)
Recoverable amount write-downs	-	(37)
Balance at 30 June	(318)	(173)
Net Carrying Amount	40	175
9. Payables		
Current:		
Trade creditors	1 544	1 654
Other creditors and accruals	109	758
Funds held in trust ⁽ⁱ⁾	554	323
	2 207	2 735

(i) Advance ticket sales for Year 2003 event.

10.	Borrowings	2002	2001
	Current:	\$'000	\$'000
	Unsecured:		
	Bank overdraft (Interest bearing)	74	-
	The Treasurer (Non-interest bearing)	-	2 250
		74	2 250
11.	Employee Entitlements and Related Provisions		
	Current:		
	Annual leave	55	44
	Long service leave	4	-
	Employee on-costs	8	6
		67	50
12.	Deferred State Government Grant - Capital		
	Deferred State Government Grant - Capital	8 500	5 800
	Less: Accumulated amortisation	5 125	3 370
		3 375	2 430
	Reconciled to:		
	Current	1 755	1 215
	Non-current	1 620	1 215
		3 375	2 430
13.	Accumulated Surplus		
	Accumulated surplus at 1 July	522	1 220
	Operating surplus (deficit)	23	(698)
	Accumulated Surplus at 30 June	545	522
14.	Contingent Liabilities		
	Contingent obligations are items in the nature of liabilities, which at the reporting date, are not recognised in the Statement of Financial Position because they have been assessed as being dependent on certain events taking place before a present obligation for the Board to make payments in respect of them will arise.		
	The Board is currently contesting a claim concerning the staging of 'The Race of 1000 Years'. It is not possible to estimate the amounts payable, if any, with respect to this claim.		
15.	Notes to the Statement of Cash Flows	2002	2001
	15.1 Reconciliation of Cash	\$'000	\$'000
	Cash on hand	2	1
	Cash at bank	424	547
		426	548
	Less: Bank overdraft (unsecured)	(74)	-
		352	548
	15.2 Reconciliation of Operating Surplus (Deficit) to Net Cash (used in) provided by Operating Activities		
	Operating surplus (deficit)	23	(698)
	Adjustments from non-cash income and expense items:		
	Depreciation and amortisation	1 655	1 137
	Amortisation of State Government grant - Capital	(1 755)	(1 215)
	Non-current assets write-downs	-	1 152
	Transfers to (from) provisions:		
	Employee entitlements	17	23
	Doubtful debts	(29)	20
	Changes in assets and liabilities:		
	Decrease in assets:		
	Receivables	420	16
	Prepayments	4	157
	Decrease in liabilities:		
	Payables	(528)	(112)
	Net Cash (used in) provided by Operating Activities	(193)	480
16.	Employee Remuneration		
	One employee received remuneration greater than \$100 000. The total remuneration (including superannuation and motor vehicle) paid amounted to \$163 000 (\$150 000).		
17.	Auditors Remuneration		
	Amounts due and receivable by the Auditor-General's Department for the audit of the Board for the reporting period total \$18 000 (\$17 000).		
18.	Related Parties		
	18.1 Directors		
	The <i>South Australian Motor Sport Act 1984</i> requires two members to be nominated by the Corporation of the City of Adelaide, and one member to be nominated by the Confederation of Australian Motor Sport. The following persons held the position of director during the reporting period:		

SA Motor Sport Board

18.1 Directors (continued)

R Cook	Chairman	D McNeil	(Resigned 9 September 2001)
J Patten	Deputy Chairman	C Smerdon	
M Brock		A Taylor	(Appointed 2 May 2002)
A Ford	(Appointed 10 September 2001)	J Turbill	
P Hansen	(Resigned 1 March 2002)	B Ventura	(Resigned 6 December 2001)
R Hayward			

18.2 Directors' Loans

There are no loans to directors.

18.3 Other Director Transactions

Directors of the economic entity and directors of its related parties, or their director related entities, conduct transactions with entities within the economic entity that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arms length in similar circumstances. These transactions include the following and have been quantified below where transactions are considered likely to be of interest to the users of these financial statements:

P Hansen	CAMS Ltd	\$109 887	License and Permit Fees and Insurance
P Hansen	CAMS Ltd	\$2 830	Reimbursement of on-track expenses
R Hayward, A Taylor, B Ventura	Adelaide City Council	\$74 506	Sponsorship Revenue and signage
R Hayward, A Taylor, B Ventura	Adelaide City Council	\$42 455	Circuit construction costs, net of contributions received

All corporate facilities purchased by directors or by related entities are at arms-length rates.

19. Remuneration of Directors of the Board

The number of Directors who received, or were due to receive, remuneration (including superannuation) were:

	2002	2001
	Number of	Number of
	Directors	Directors
\$0 - \$10 000	5	2
\$10 001 - \$20 000	6	7

The total remuneration of the Directors was \$93 000 (\$99 000).

20. Consultants

There were no consultants engaged where individual amounts exceeded \$10 000.

ATTORNEY-GENERAL; MINISTER FOR JUSTICE; MINISTER FOR VOLUNTEERS; MINISTER FOR CONSUMER AFFAIRS; MINISTER FOR POLICE; MINISTER FOR EMERGENCY SERVICES; MINISTER FOR CORRECTIONAL SERVICES; MINISTER FOR GAMBLING

PORTFOLIO – JUSTICE

INTRODUCTION

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

- Attorney-General
- Minister for Justice
- Minister for Volunteers
- Minister for Consumer Affairs
- Minister for Police
- Minister for Emergency Services
- Minister for Correctional Services
- Minister for Gambling

The agencies included herein relating to the portfolio of Justice are:

- Attorney-General's Department
— Public Trustee
- Correctional Services - Department for
- Country Fire Service Board
- Courts Administration Authority
- Emergency Services Administrative Unit
- Justice - Department of
- Legal Services Commission
- Police Department
- SA St John Ambulance Service Inc
- South Australian Metropolitan Fire Service
- State Electoral Office

DEPARTMENT OF JUSTICE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Department of Justice was established as an administrative unit pursuant to the *Public Sector Management Act 1995*.

The Chief Executive is the only appointee to the Department of Justice. The Department was up to 30 June 1999 assigned no functions and this still remains the same at 30 June 2002 with the exception of the following.

In the 1999-2000 Budget, appropriation arrangements for a number of agencies within the Justice Portfolio were changed. In prior years appropriations were paid directly to the Attorney-General's Department, Courts Administration Authority, Department for Correctional Services, Police Department and State Electoral Office. From 1 July 1999, appropriations for these agencies were provided to the Department of Justice.

The Treasurer approved in June 1999 the establishment of a Special Deposit Account for the Department of Justice to:

... record all activities of the Department and various activities within the Justice Portfolio including the transfer of funds to other agencies within the Portfolio, operating and investing expenditures, revenue from various activities and injections of funds provided from the Consolidated Account including from borrowings.

The Department does not control revenue and expenses in relation to this arrangement but is simply responsible for coordinating the funding process for the abovementioned agencies.

Given that the Department does not have a staffing structure, the activities of this Special Deposit Account are administered by the Attorney-General's Department. For further details, refer to Attorney-General's Department Financial Statements - Schedule of Administered Expenses and Revenues for the year ended 30 June 2002.

The Justice Portfolio

Since the creation of the Justice Portfolio, each of the agencies in the portfolio have continued to operate as separate agencies. Consequently, the agencies have prepared separate financial statements for financial reporting purposes.

The following agencies comprise the Justice Portfolio:

- Attorney-General's Department
- SA Ambulance Service
- Department for Correctional Services
- Country Fire Service
- Courts Administration Authority
- Emergency Services Administrative Unit
- Department of Justice
- Legal Services Commission
- SA Metropolitan Fire Service
- SA Police Department
- Public Trustee
- State Electoral Office

FINANCIAL STATEMENTS

As mentioned above the:

- Chief Executive is the only appointee to the Department of Justice. The Chief Executive is also the Chief Executive of the Attorney-General's Department. That Department discloses related remuneration payments;
- activities of the Department's Special Deposit Account are disclosed in the Attorney-General's Department Financial Statements under administered transactions.

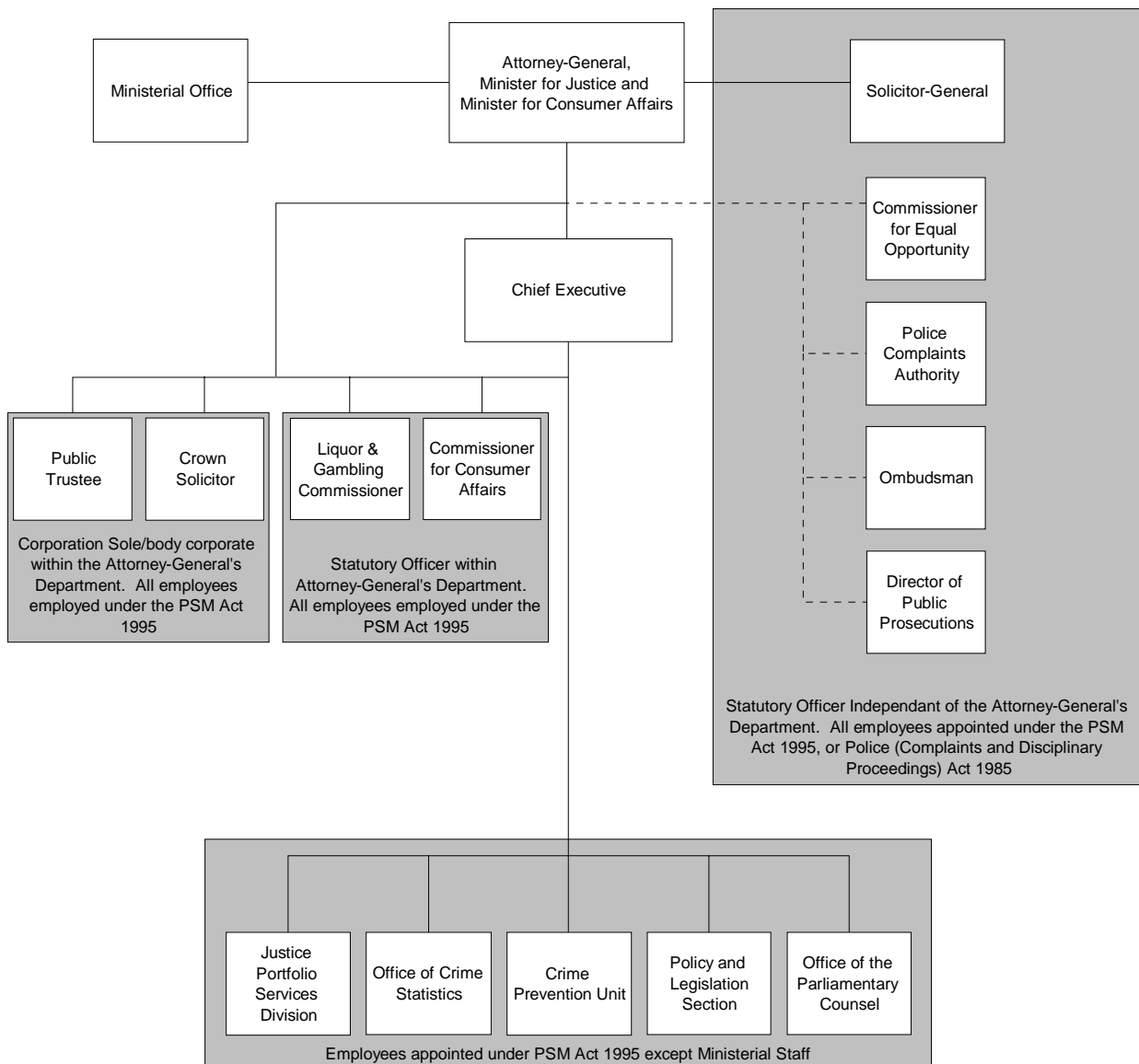
As a consequence no financial statements in respect to the Department of Justice have been prepared.

ATTORNEY-GENERAL'S DEPARTMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Department is an administrative unit established pursuant to the *Public Sector Management Act 1995* and is responsible for the provision of professional, legal and associated services to the Ministers of the Crown and government agencies. It also services the people of South Australia by upholding their legal and property rights and maintaining community and business standards.

The structure of the Department and its relationship with the Minister is shown in the following diagram:



SIGNIFICANT FEATURE

- The Department's net cost of services increased by \$10.1 million to \$54 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

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

During 2001-02 the following financial activities and business functions of the Department were the subject of audit attention:

- budgetary control and management reporting
- general ledger
- accounts receivable
- revenue, receipting and banking
- accounts payable
- salaries and wages
- asset register

Specific reviews were undertaken of the financial activities of the following divisions of the Department:

- Office of Consumer and Business Affairs:
 - SA Business Names
 - Occupational Licensing
 - Births, Deaths and Marriages
- Office of the Liquor and Gambling Commissioner
- Crown Solicitor's Office

Reviews were also performed of specific statutory and working funds, including:

- Criminal Injury Compensation Fund
- Community Emergency Services Fund
- Crown Solicitor's Trust Account

Audit also reviewed the following areas that affect both the Department and the Justice Portfolio:

- Financial Management Framework (FMF)
- Procurement Reform

In addition, in the latter part of the year Audit commenced a review of some key security and control aspects of the Department's use of the Justice Information System.

Audit Communications to Management

A management letter communicating the issues arising from the audit was forwarded to the Chief Executive and a response has been received. Comments on material issues referred to management are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

FMF Project Working Group

Last year it was reported that the Justice Portfolio FMF Working Group had identified that, while most of the prescribed elements were in place, some areas required further attention and follow up. The key areas identified related to the need to develop performance measures, improve management reporting, and develop and enhance policies and procedures. Reviews undertaken by Audit supported these findings.

Audit review in 2001-02 of developments in the areas identified as requiring further attention identified the following:

- The Justice Portfolio completed a Review of Outputs and Output Performance Measures during the year in preparation for the 2002-03 budget process and financial year reporting. To date the outputs structure has been implemented by all Justice Portfolio agencies except for the Police Department and the Courts Administration Authority which elected to defer implementation of the revised outputs pending further review work with the Courts Administration Council. So far the revised structure has only been used for internal reporting purposes. The new structure has facilitated improvements in the monitoring and reporting on achievement of agency objectives using performance indicators and measures.
- Policies for the whole of the Justice Portfolio have been developed. The Working Group consulted with the Justice Portfolio Finance Officers Group as to which areas it would be most advantageous to develop common procedures in and it was decided that they were Procurement and Asset Management. Procedures for Procurement have been developed while procedures for Asset Management are under development.

Commentary on General Financial Controls

The review of the specific auditable areas involved an assessment of the adequacy of accounting, record keeping and control, and the test verification of financial transactions processed and recorded during the year. The reviews identified a number of instances where internal control procedures either required improvement or were not applied consistently during the year. The main issues raised by Audit related to the need to ensure that key reconciliations are prepared on a timely basis. It was identified that:

- the reconciliation between the ACCPAC Accounts Receivable system and the Masterpiece General Ledger was not always performed on a timely basis (ie monthly).
- with respect to the Crown Solicitor's Office, no reconciliation was performed of the interface between the LawMaster Practice Management system and the ACCPAC Accounts Receivable system.

In its response the Department advised that the reconciliation between the ACCPAC Accounts Receivable system and the Masterpiece General Ledger would be performed on a monthly basis and that a reconciliation process had been developed, documented and implemented with respect to the interface between the LawMaster Practice Management system and the ACCPAC Accounts Receivable system.

Review of Computing Environment and Operations

In the latter part of the year Audit commenced a review of some key security and control aspects of the Department's use of the Justice Information System. The review forms part of the 2001-02 Audit program of Information Technology activities identified as part of this Department's increased focus on agency computer processing environments and key system security controls.

The audit process essentially covers security policies and user access arrangements and is complementary to audit work being undertaken at the EDS processing bureau at Glenside with respect to a number of Justice agencies. The review will also address, the security arrangements under the responsibilities of both Justice Technology Services and the individual Justice agencies.

At the time of preparation of this Report, the review was at a stage of finalisation. The results will be communicated to the Department and included in a subsequent Report to Parliament, along with the outcomes relating to other agency reviews presently in progress.

CONTROLS OPINION

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

Audit formed the opinion that the controls exercised by the Attorney-General's Department in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, except for the matters outlined under 'Audit Findings and Comments' and 'Issues arising from the Audit Review' herein, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Expenses from Ordinary Activities

Total Expenses for the year amounted to \$109.6 million (\$97.1 million) of which \$59.7 million (54.5 percent) comprised employee entitlements and related expenses.

Expenses from ordinary activities increased by \$12.5 million (12.9 percent) due mainly to an increase of \$4.1 million in employee expenses and an increase of \$7.6 million in other expenses.

The increase in employee expenses is mainly attributable to an increase of \$3 million in salaries and wages mainly as a result of a wages parity increase and an increase in full time equivalents due principally to an increase in the number of Ministers' offices associated with the Department.

The increase in other expenses is mainly attributable to an increase of \$5.3 million in the other component of other expenses. The main factor resulting in the increase in this component of other expenses was an increase of \$3.1 million in project expenses.

Revenues from Ordinary Activities

Total revenues of \$100.6 million, the same as last year, comprise funds provided by Parliamentary appropriations \$45 million (44.8 percent), fees and charges for services provided \$45.5 million (45.2 percent), and other revenues \$10.1 million (10 percent).

Revenues from ordinary activities increased by \$2.5 million (4.6 percent) to \$55.6 million due to an increase of \$4.3 million in fees and charges offset by a decrease of \$1.8 million in other revenue.

The increase in fees and charges was mainly a result of an increase of \$1.5 million in income from the provision of legal services to various agencies and an increase of \$2 million in recoveries of administration expenditure from the Emergency Services Levy Fund relating to rolling out the Government Radio Network and implementing pager communications.

Revenues from Government

Revenues from Government decreased by \$2.4 million (5.1 percent) due mainly to the Department of Treasury and Finance decreasing appropriation as a result of the increase in fees and charges. There was also a decrease in once-off funding.

GENERAL COMMENTARY ON OPERATIONS

Community Emergency Services Fund

The Department is responsible for administering the Community Emergency Services Fund.

Contributions, by way of levies, are made by all owners (including both State and Local Government) of both fixed and mobile property to fund the provisions of emergency services. Levies are collected in accordance with the *Emergency Services Funding Act 1998*. The levy receipts are paid into a fund titled the Community Emergency Services Fund from which the Department makes payment to the emergency services and the Fund meets the cost of collecting the levies and operating the Fund.

The levy on fixed property applies to capital values adjusted for location and land use and is collected by Revenue SA.

The levy on mobile property is collected by the Department for Transport, Urban Planning and the Arts using the vehicle registration system.

The revenue for the emergency services levy for 2001-02 was budgeted at \$137.3 million (\$141 million), comprising \$101.3 million (\$105.4 million) from fixed property, \$35.6 million (\$34.9 million) from the mobile component and \$400 000 in interest revenue.

Payments totalling \$140.1 million were made from the Fund as follows:

	2002 \$'million
Emergency Services Administration Unit	0.5
SA Metropolitan Fire Services	57.7
Country Fire Services	41.2
SA Police	16.0
Department for Environment and Heritage	2.0
SA Ambulance Services	0.8
Surf Lifesaving	0.8
State Emergency Services	7.6
Volunteer Marine Rescue	0.6
State Rescue Helicopter	0.8
Grants	0.5
Levy collection fees:	
Revenue SA	7.0
Department for Transport, Urban Planning and the Arts	0.6
Attorney-General's Department	1.0
Other	3.0
	140.1

Issues Arising from the Audit Review

A review by Audit raised a number of issues that were reported to the Chief Executive. The key issues relate to the need for the Department to establish:

- Service Level Agreements with agencies collecting and paying monies collected under the *Emergency Services Funding Act 1998* (the Act) into the Fund that provide for accurate and timely reporting by those agencies;
- Funding Agreements with key agencies providing emergency services. The Agreements should provide a mechanism to ensure that payments made from the Fund to the agencies are only used for emergency services under the requirements of the Act.

The Department has advised that procedures are now in place whereby the monies received from the revenue collecting agencies are reconciled on a monthly and year to date basis and that the management reporting processes with the agencies are to be reviewed. With respect to the suggested establishment of Funding Agreements with key agencies providing emergency services, it was advised that the management reporting processes with these agencies are to be reviewed.

CRIMINAL INJURIES COMPENSATION

Criminal Injuries Compensation (CIC) Fund

The Department is responsible for administering the *Criminal Injuries Compensation Act 1978*.

The *Criminal Injuries Compensation Act 1978*, (the Act) provides for payment of compensation to persons who suffer injury as a result of criminal acts and the recovery of these amounts from the offenders. The maximum compensation that may be awarded under the Act is \$50 000.

Payments made for the year through a Special Deposit Account titled 'Criminal Injuries Compensation Fund' totalled \$9.9 million (\$7.6 million) on account of 1177 (1046) compensation claims.

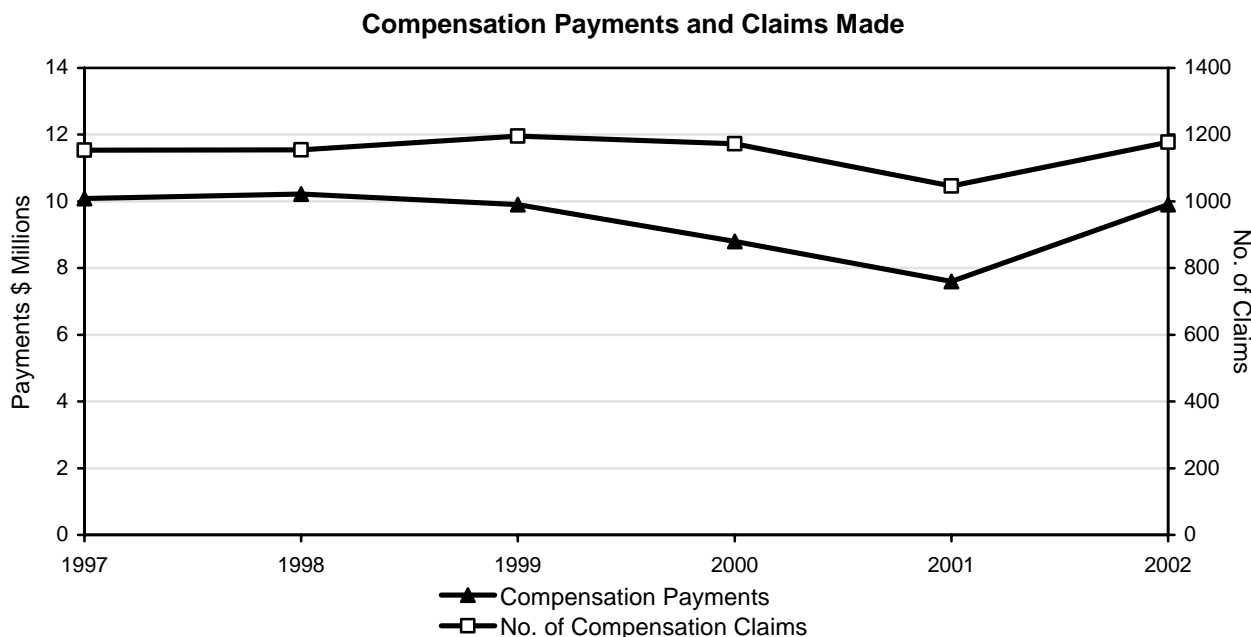
Recoveries from Offenders

The Attorney-General can recover, as a debt, from an offender who has been convicted of an offence, the amount of any payment made by the Attorney-General pursuant to the Act. Recovery of amounts is difficult as a large majority of compensation claims are for unknown offenders. This is demonstrated by the following:

- Outstanding amounts at 30 June 2002 were \$46.6 million (\$41.1 million).
- Write-offs for 2001-02, relating to known offenders totalled \$1.6 million (\$2 million).
- The amounts recovered during the year totalled \$555 000 (\$634 000).

As a result of the size of compensation payments and the minimum amounts recovered from offenders, funds were transferred from the Consolidated Account to enable compensation payments to be made.

The following graph illustrates compensation payments and claims made over the past six years.



Issues Arising from the Audit Review

A review by Audit of the CIC Fund during the year identified a number of issues that were reported to the Chief Executive. The main issues relate to:

Service Level Agreements for the Collection of CIC Revenue by other Government Agencies

The CIC levy is collected on behalf of the Department predominantly by the Courts Administration Authority (CAA) and South Australian Police (SAPOL).

The monies are forwarded from CAA, SAPOL and other agencies by electronic funds transfer on a quarterly basis and receipted by the Department. No supporting documentation is provided in respect of the monies forwarded.

Audit is of the opinion that the establishment of Service Level Agreements is a means of providing assurance to the Department as to the completeness and accuracy of monies forwarded to it and that all monies have been collected in accordance with the Act.

The Department has advised that Service Level Agreements are to be established.

Potential Use of the Penalty Management Unit

As discussed, the Department recovers a small proportion of the amount owed by known offenders. The outstanding debt at 30 June 2002 totalled \$46.6 million and includes amounts dating back to 1980.

At a meeting with the Department, Audit explored the possibility of the Department utilising the Courts Administration Authority Fines Enforcement System as an avenue to assist with and hopefully increase the collection of outstanding CIC debts.

The Department has advised that the Strategic and Financial Services Unit in conjunction with the Victims of Crime Unit and Crown Solicitor's Office are in the process of addressing the issues pertaining to the collection of outstanding CIC debts.

Gaming Machine Legislation and Administration

The *Gaming Machines Act 1992* (the Act) provides for the Liquor and Gambling Commissioner to be responsible to the Gaming Supervisory Authority for the constant scrutiny of the operations of all licensees under the Act.

Under the Act and appropriate schedules and regulations, the operations of gaming machines in licensed premises result in the average return to patrons being not less than 85 percent and a prescribed percentage of net gambling revenue (NGR) approved by the Treasurer, being paid into the Consolidated Account.

The prescribed percentage of NGR to be paid into the Consolidated Account is as follows:

Tax Threshold on Annual NGR	Tax Rate
Non-profit business:	
\$1 - \$399 000	20.91 percent
\$399 000 - \$945 000	\$83 430.90 plus 25.91 percent of the excess NGR over \$399 000
\$945 000 and over	\$224 899.50 plus 30.91 percent of the excess NGR over \$945 000
Other:	
\$1 - \$399 000	25.91 percent
\$399 000 - \$945 000	\$103 380.90 plus 34.41 percent of the excess NGR over \$399 000
\$945 000 and over	\$291 259.50 plus 40.91 percent of the excess NGR over \$945 000

Independent Gaming Corporation Limited

Pursuant to the Act, the Liquor and Gambling Commissioner granted the monitoring licence, in accordance with section 25, to a body corporate known as the Independent Gaming Corporation Limited (IGC).

The IGC is an unlisted public company owned by the Hotel and Clubs Industry and is controlled by a Board of Management made up of two representatives from each of the Australian Hotels' Association (SA Branch) and Licensed Clubs' Association of South Australia and, three independent directors.

The IGC, in discharging its responsibilities with respect to monitoring of gaming machine operations in licensed venues has, with the Treasurer's approval, set a charge on licensed gaming machines operators to provide for the ongoing cost recovery of its operations.

Section 75 of the Act, specifically provides for the accounts and operations of the body corporate (IGC), in performing its monitoring role, to be audited by the Auditor-General.

With respect to the 2001-02 operations, the audit of the IGC has been completed and an unqualified audit opinion issued.

Gaming Revenue

Gaming Revenue is reported as an administered item in the financial statements of the Department.

Revenue from gaming machine activity has continued to increase since operations went live in licensed premises on 25 July 1994. In the reporting period, receipts credited to the Consolidated Account totalled \$211.6 million (\$192 million).

Other statistics which illustrate the sustained growth in gaming machine operations, with turnover continuing to rise, are provided in the following table:

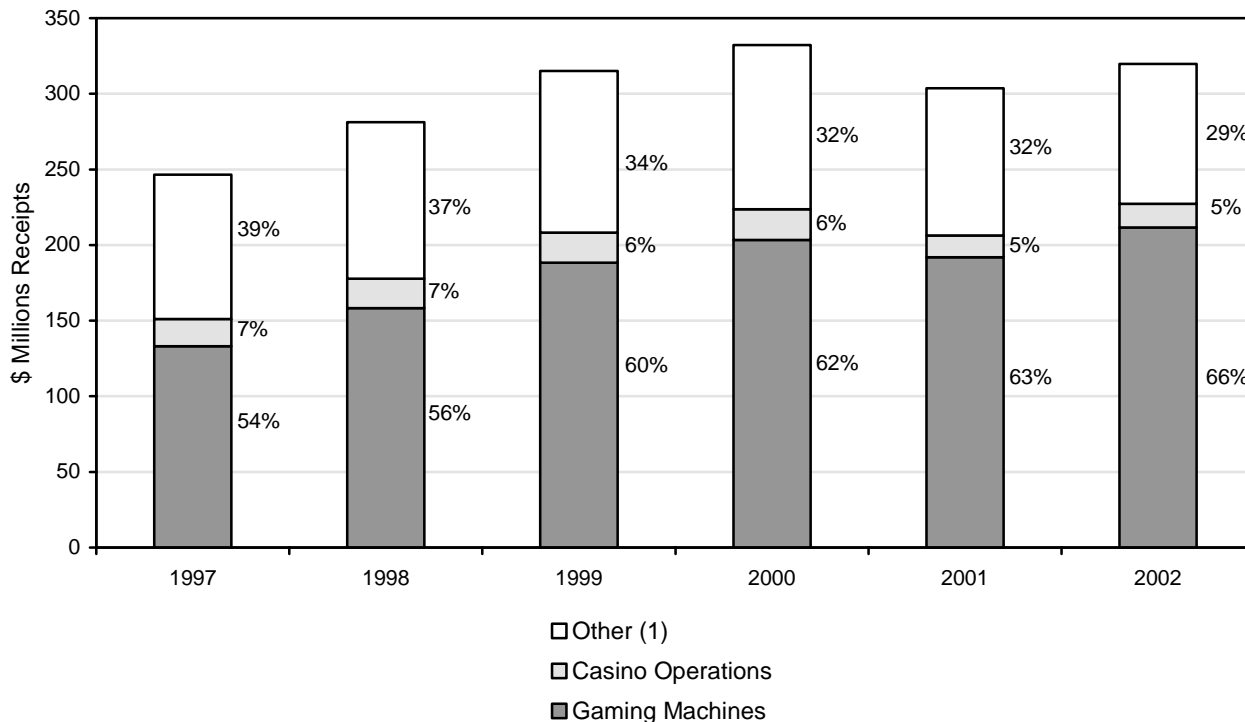
	2002	2001	2000	1999	1998
Sites	596	590	565	539	514
Machines	14 714	14 177	12 778	11 944	10 938
Turnover (\$'billion)	5.2	4.7	4.1	3.7	3.3

Total Revenue to Government from all Forms of Gambling

Revenue from total gambling activities increased by \$16.1 million to \$319.7 million due principally to the increase of \$19.6 million (10.2 percent) to \$211.6 million in revenue from gaming machine activity.

The following graph highlights revenue credited to the Consolidated Account from gambling activities over the past six years and reflects a significant increase in contributions from gaming machines in comparison to the Casino Operations and other forms of gambling:

Gambling Revenue



- (1) Other includes:
- Lotteries Commission
 - South Australian Totalizator Agency Board
 - On-course totalizators, bookmakers and small lotteries.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	4	45 522	41 230
Proceeds from disposals of assets	5	-	8
Other	6	10 056	11 886
Total Revenues		55 578	53 124
EXPENSES FROM ORDINARY ACTIVITIES:			
Employees	7	59 699	55 553
Computing and communication		8 875	7 976
Accommodation		6 772	6 932
Grants		5 807	5 572
Depreciation and amortisation		2 759	2 194
Disposal of assets	5	81	799
Other	8	25 602	18 036
Total Expenses		109 595	97 062
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		(54 017)	(43 938)
Revenues from Government		45 040	47 480
NET (DEFICIT) SURPLUS		(8 977)	3 542
EQUITY INTERESTS:			
(Decrease) Increase in net assets resulting from ordinary activities		(8 977)	3 542
Net credit to asset revaluation reserve	17	231	337
Net credit due to errors	17	440	233
Net credit due to previously unidentified assets		-	547
Net credit due to restructure		-	237
Total Revenues, Expenses and Valuation Adjustments Recognised directly in Equity		671	1 354
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(8 306)	4 896

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash on hand and on deposit	9	28 639	35 921
Receivables	10	4 089	4 932
Current tax assets	10	994	2 538
Other current assets	11	741	561
Total Current Assets		34 463	43 952
NON-CURRENT ASSETS:			
Property, plant and equipment	13	13 127	13 653
Total Non-Current Assets		13 127	13 653
Total Assets		47 590	57 605
CURRENT LIABILITIES:			
Payables	14	3 724	6 765
Provision for employee entitlements	15	3 804	3 350
Other current liabilities	16(a)	1 441	1 503
Total Current Liabilities		8 969	11 618
NON-CURRENT LIABILITIES:			
Payables	14	2 227	1 420
Provision for employee entitlements	15	10 970	10 240
Other non-current liabilities	16(a)	1 882	2 479
Total Non-Current Liabilities		15 079	14 139
Total Liabilities		24 048	25 757
NET ASSETS		23 542	31 848
EQUITY:			
Accumulated surplus	17	22 126	30 663
Asset revaluation reserve	17	1 416	1 185
TOTAL EQUITY		23 542	31 848
Commitments	23		
Contingent Obligations	19		

Statement of Cash Flows for the year ended 30 June 2002

		2002	2001
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:	Note		
Revenues from Government		45 040	47 480
Fees and charges		45 024	41 044
Other revenue		9 902	11 703
Total Receipts		99 966	100 227
PAYMENTS:			
Employees		(57 912)	(54 058)
Grants		(5 807)	(5 572)
Other		(41 871)	(29 261)
Total Payments		(105 590)	(88 891)
Net Cash (used in) provided by Operating Activities	18	(5 624)	11 336
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Proceeds from the sale of non-current assets		-	8
Total Receipts		-	8
PAYMENTS:			
Payments for property, plant and equipment		(2 908)	(6 218)
Total Payments		(2 908)	(6 218)
Net Cash used in Investing Activities		(2 908)	(6 210)
CASH FLOWS FROM FINANCING ACTIVITIES:			
RECEIPTS:			
Restructuring activities		1 255	1 321
Total Receipts		1 255	1 321
PAYMENTS:			
Principal repayments under finance leasing		(5)	(34)
Total Payments		(5)	(34)
Net Cash provided by Financing Activities		1 250	1 287
NET (DECREASE) INCREASE IN CASH HELD		(7 282)	6 413
CASH AT 1 JULY		35 921	29 508
CASH AT 30 JUNE	9	28 639	35 921

Output Class Schedule of Assets, Liabilities, Revenues and Expenses for the year ended 30 June 2002

ASSETS:	Outputs (Refer Note 3)	1.2	1.3	1.4	2.1	2.2	2.3
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current:							
Cash on hand and on deposit		-	-	-	-	-	-
Receivables		25	11	150	1985	8	306
Current tax asset		8	18	38	423	29	99
Other current assets		5	5	12	300	2	38
Non-Current:							
Property, plant and equipment		185	102	239	3 723	43	1 560
Total		223	136	439	6 431	82	2 003
LIABILITIES:							
Current:							
Payables		(16)	(71)	(70)	(1 031)	(58)	(163)
Provision for employee entitlements		(34)	(97)	(110)	(1 580)	(64)	(217)
Other current liabilities		(11)	(9)	(25)	(192)	(1)	(45)
Non-Current:							
Payables		(22)	(33)	(46)	(651)	(47)	(170)
Provision for employee entitlements		(108)	(164)	(240)	(3 298)	(241)	(857)
Other non-current liabilities		(41)	(35)	(98)	(734)	(4)	(165)
Total		(232)	(409)	(589)	(7 486)	(415)	(1 617)
NET ASSETS		(9)	(273)	(150)	(1 055)	(333)	386
REVENUES:							
Revenue from government		(810)	(2 754)	(950)	(14 557)	(44)	(1 446)
Fees and charges		(38)	(2)	(68)	(12 078)	(1 769)	(1 223)
Other revenue		(196)	(1 036)	(1 526)	(6 349)	(482)	(1 481)
Total		(1 044)	(3 792)	(2 544)	(32 984)	(2 295)	(4 150)
EXPENSES:							
Employees		477	1 019	1 626	23 886	1 425	3 511
Computing and communication		30	25	265	337	55	137
Accommodation		53	117	248	2 629	314	721
Grants		-	1 548	17	3	-	-
Depreciation and amortisation		34	28	57	642	9	199
Other expenses		397	617	1 040	8 651	634	1 974
Total		991	3 354	3 253	36 148	2 437	6 542
Decrease (Increase) in Net Assets Resulting from Operations		(53)	(438)	709	3 164	142	2 392

**Output Class Schedule of Assets, Liabilities, Revenues and Expenses for the year ended 30 June 2002
(continued)**

ASSETS:	Outputs (Refer Note 3)	3.1 \$'000	5.4 \$'000	5.5 \$'000	Portfolio O/Head \$'000	General - Not Attributable \$'000	2002 Total \$'000
Current:							
Cash on hand and on deposit		-	-	-	-	28 639	28 639
Receivables		199	194	419	792	-	4 089
Current tax asset		40	108	171	60	-	994
Other current assets		12	25	55	287	-	741
Non-Current:							
Property, plant and equipment		122	1 684	2 530	2 939	-	13 127
Total		373	2 011	3 175	4 078	28 639	47 590
LIABILITIES:							
Current:							
Payables		(88)	(187)	(527)	(1 513)	-	(3 724)
Prov for emp ent		(237)	(316)	(602)	(547)	-	(3 804)
Other current liabilities		(11)	(74)	(127)	(98)	(848)	(1 441)
Non-Current:							
Payables		(166)	(223)	(442)	(427)	-	(2 227)
Prov for emp ent		(799)	(1 109)	(2 171)	(1 983)	-	(10 970)
Other non-current liabilities		(41)	(99)	(282)	(383)	-	(1 882)
Total		(1 342)	(2 008)	(4 151)	(4 951)	(848)	(24 048)
NET ASSETS		(969)	3	(976)	(873)	27 791	23 542
REVENUES:							
Revenue from government		(3 354)	(2 371)	(5 184)	(13 570)	-	(45 040)
Fees and charges		(62)	(1 288)	(16 545)	(12 449)	-	(45 522)
Other revenue		(873)	(1 563)	(4 296)	(17 195)	24 941	(10 056)
Total		(4 289)	(5 222)	(26 025)	(43 214)	24 941	(100 618)
EXPENSES:							
Employees		3 365	4 299	9 146	10 945	-	59 699
Computing and communication		80	164	973	6 775	34	8 875
Accommodation		271	891	1 198	330	-	6 772
Grants		118	-	3	4 118	-	5 807
Depreciation and Amortisation		37	224	501	1 028	-	2 759
Other Expenses		747	1 573	5 244	12 754	(7 948)	25 683
Total		4 618	7 151	17 065	35 950	(7 914)	109 595
Decrease (Increase) in Net Assets Resulting from Operations		329	1 929	(8 960)	(7 264)	17 027	8 977

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

REVENUES FROM ORDINARY ACTIVITIES:		2002 \$'000	2001 \$'000
Administered - Government:	Note		
Revenues from government		630 629	586 322
Fees and charges		11 926	7 830
Other	6	417 120	397 679
		1 059 675	991 831
Administered - Non-Government:			
Other	6	3 332	3 584
		3 332	3 584
Total Revenues		1 063 007	995 415
EXPENSES FROM ORDINARY ACTIVITIES:			
Administered - Government:			
Employees		4 362	4 071
Grants		23 514	26 866
Payment to justice agencies		573 244	534 645
Payment to Treasury		253 235	227 261
Emergency service levy payments	8	140 079	141 880
Depreciation and amortisation		157	139
Other		54 914	39 592
		1 049 505	974 454
Administered - Non-Government:			
Employees		2 499	2 279
Depreciation		249	84
Disposal of assets		276	-
Other		2 719	1 635
		5 743	3 998
Total Expenses		1 055 248	978 452
Net Increase in Administered Net Assets		7 759	16 963
Represented by:			
Increase in administered net assets - Government		10 170	17 377
Decrease in administered net assets - Non-Government		(2 411)	(414)
		7 759	16 963

Schedule of Administered Assets and Liabilities as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Administered - Government:			
Cash on hand and on deposit		34 406	27 780
Receivables	10	21 235	20 789
Other financial assets	12	1 387	754
Other current assets		93	38
		<u>57 121</u>	<u>49 361</u>
Administered Non-Government:			
Cash on hand and on deposit		6 128	2 018
Receivables	10	226	136
Other financial assets	12	6 925	6 087
Other current assets		3	175
		<u>13 282</u>	<u>8 416</u>
Total Current Assets		<u>70 403</u>	<u>57 777</u>
NON-CURRENT ASSETS			
Administered - Government:			
Financial assets	12	25 466	22 978
Property, plant and equipment	13	680	810
		<u>26 146</u>	<u>23 788</u>
Administered - Non-Government:			
Financial assets	12	39 665	41 245
Property, plant and equipment	13	1 085	896
		<u>40 750</u>	<u>42 141</u>
Total Non-Current Assets		<u>66 896</u>	<u>65 929</u>
Total Assets		<u>137 299</u>	<u>123 706</u>
CURRENT LIABILITIES:			
Administered - Government:			
Payables	14	2 173	1 270
Provision for employee entitlements	15	236	184
Other current liabilities	16(a)	409	322
		<u>2 818</u>	<u>1 776</u>
Administered - Non-Government:			
Payables	14	617	541
Other current liabilities	16(a)	22 622	20 796
		<u>23 239</u>	<u>21 337</u>
Total Current Liabilities		<u>26 057</u>	<u>23 113</u>
NON-CURRENT LIABILITIES:			
Administered - Government:			
Payables	14	76	46
Provision for employee entitlements	15	352	314
		<u>428</u>	<u>360</u>
Administered - Non-Government:			
Other non-current liabilities	16(a)	24 053	19 528
		<u>24 053</u>	<u>19 528</u>
Total Non-Current Liabilities		<u>24 481</u>	<u>19 888</u>
Total Liabilities		<u>50 538</u>	<u>43 001</u>
NET ASSETS		<u>86 761</u>	<u>80 705</u>
EQUITY:			
Accumulated surplus	17	84 653	76 594
Asset revaluation reserve	17	2 108	4 111
TOTAL EQUITY		<u>86 761</u>	<u>80 705</u>

Statement of Administered Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Revenues from government		630 629	586 322
Fees and charges		11 564	7 258
Other revenue		420 685	398 060
Total Receipts		1 062 878	991 640
PAYMENTS:			
Employees		(6 727)	(6 175)
Grants		(23 514)	(26 866)
Other		(1 017 369)	(941 878)
Total Payments		(1 047 610)	(974 919)
Net Cash provided by Operating Activities	18	15 268	16 721
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS:			
Payments for property, plant and equipment		(4 833)	(140)
Total Payments		(4 833)	(140)
Net Cash used in Investing Activities		(4 833)	(140)
CASH FLOWS FROM FINANCING ACTIVITIES:			
RECEIPTS:			
Restructuring activities		301	1 408
Total Receipts		301	1 408
Net Cash provided by Financing Activities		301	1 408
NET INCREASE IN CASH HELD		10 736	17 989
CASH AT 1 JULY		29 798	11 809
CASH AT 30 JUNE	18	40 534	29 798

Output Schedule of Administered Assets, Liabilities, Revenues and Expenses
for the year ended 30 June 2002

Outputs (Refer Note 3)	2.1 \$'000	2.2 \$'000	3.1 \$'000	5.2 \$'000	5.4 \$'000	5.5 \$'000	Justice Portfolio O/Head \$'000	General - Not Attributable \$'000	2002 Total \$'000
ADMINISTERED ASSETS:									
Current:									
Cash on hand and on deposit	20 179	-	173	-	-	899	-	19 283	40 534
Receivables	493	-	1	-	-	20 062	-	905	21 461
Other financial assets	-	-	-	-	-	1 387	-	6 925	8 312
Other current assets	41	-	1	-	-	19	-	35	96
Non-Current:									
Financial assets	-	-	-	-	-	25 466	-	39 665	65 131
Property, plant and equipment	680	-	-	-	-	-	-	1 085	1 765
Total Administered Assets	21 393	-	175	-	-	47 833	-	67 898	137 299
ADMINISTERED LIABILITIES:									
Current:									
Payables	(1 538)	(21)	-	-	(14)	(319)	-	(898)	(2 790)
Provision for employee entitlements	(171)	-	-	-	(65)	-	-	-	(236)
Other current liabilities	-	-	-	-	-	(409)	-	(22 622)	(23 031)
Non-Current:									
Payables	(44)	-	-	-	(32)	-	-	-	(76)
Provision for employee entitlements	(205)	-	-	-	(147)	-	-	-	(352)
Other non-current liabilities	-	-	-	-	-	-	-	(24 053)	(24 053)
Total Administered Liabilities	(1 958)	(21)	-	-	(258)	(728)	-	(47 573)	(50 538)
ADMINISTERED REVENUES:									
Revenues from government	(20 202)	(19 594)	-	(2 500)	(202)	(13 734)	(480)	(573 917)	(630 629)
Fees and charges	(6 013)	-	-	-	-	(5 637)	-	(276)	(11 926)
Other revenue	(1 722)	(9 683)	(32)	-	-	(245 464)	-	(163 551)	(420 452)
Total Administered Revenues	(27 937)	(29 277)	(32)	(2 500)	(202)	(264 835)	(480)	(737 744)	(1 063 007)
ADMINISTERED EXPENSES:									
Employees	3 526	-	-	-	217	-	480	2 638	6 861
Grants	1 456	19 095	-	2 500	-	-	-	463	23 514
Payment to Justice agencies	-	-	-	-	-	-	-	573 244	573 244
Payment to Treasury	200	10 028	-	-	-	242 169	-	838	253 235
Emergency Service Levy Payments	-	-	-	-	-	-	-	140 079	140 079
Depreciation and amortisation	154	-	-	-	-	-	-	252	406
Other	19 582	-	9	-	17	19 763	-	18 538	57 909
Total Administered Expenses	24 918	29 123	9	2 500	234	261 932	480	736 052	1 055 248
Net Increase in Administered Net Assets	(3 019)	(154)	(23)	-	32	(2 903)	-	(1 692)	(7 759)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

1.1 Objectives of the Attorney-General's Department

The Attorney-General's Department serves the Government and the people of South Australia by achieving excellence in the provision of legal services to the State Government, and in the provision of consumer law-related and regulatory services, and complaint handling function to the South Australian Community.

The Department believes that the following corporate objectives are critical to its operational success. The Department will:

- Recognise the importance of good leadership by managers, supervisors and team leaders;
- Facilitate and encourage open communications and participative decision making and provide easy access to all information and publications of relevance to staff;
- Foster client satisfaction by providing high quality services which meet their needs;
- Maintain high professional and management standards, including encouraging professional membership and participation of professional bodies, and provide identified training programs which are consistent with the strategic direction of Government and Departmental objectives;
- Recognise performance management and quality principles as tools which assist the organisation to evaluate the contribution of its people to day-to-day activities and which contributes to continuous performance improvement and learning;
- Recognise that through policy and planning the organisation's values are communicated, adopted and reinforced throughout the organisation;
- Facilitate a cooperative and participative industrial relations culture through the Enterprise Bargaining process.

The Department is structured to contribute to all four outcomes for which the Justice Portfolio is responsible for:

- A community in which justice is accessible and the rights of citizens are assured;
- A community in which people, property and the environment are protected and public safety is enhanced;
- A community in which fair trading for consumers and business is a priority;
- A public sector which contributes strongly to the effective and efficient provision of services.

1.2 Reporting Entity

Agency activities contributing toward these outcomes are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. Administered activities involve the management or oversight by the Department on behalf of the Government of items controlled or incurred by the Government.

For the purposes of accrual accounting and external financial reporting, the Ombudsman and the Police Complaints Authority are included in the financial reporting entity of the Attorney-General's Department. However, the Ombudsman and the Police Complaints Authority do undertake investigations into complaints or matters under their respective Acts without interference from the Attorney-General's Department and both report separately to Parliament on their operations.

Administered items are stated in Note 2.

1.3 Restructuring Activities

Workplace Services

In the Government Gazette (dated 4 December 2001), it was published that Workplace Services was transferred from the Department for Administrative and Information Services (DAIS) to the Attorney-General's Department. As part of a review of the structure of the government, Cabinet decided (in April 2002) that Workplace Services be transferred back to DAIS. Subsequently control of Workplace Services did not effectively pass from DAIS to the Attorney-General's Department, therefore the financial year's operations of Workplace Services will be included in DAIS's financial report.

SA Multicultural Affairs

In the Government Gazette (dated 27 June 2002), it was published that SA Multicultural Affairs was transferred from the Department of the Premier and Cabinet to the Attorney-General's Department, effective 1 July 2002.

1.4 Basis of Accounting

The financial statements are required by Treasurer's Instruction 19 issued pursuant to section 41 of the *Public Finance and Audit Act 1987* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Australian Accounting Standards and Accounting Interpretations issued by Australian Accounting Standards Boards;
- Other authoritative pronouncements of the Boards;
- Consensus Views of the Urgent Issues Group;
- Accounting Policy Statements and Treasurer's Instructions issued by the Department of Treasury and Finance;
- Statements of Accounting Concepts;

The Department's Statement of Financial Performance and Statement of Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets which, as noted are at valuation (written down current cost or deprival value). Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

1.4 Basis of Accounting (continued)

Assets and liabilities are recognised in the Department's Statement of Financial Position when and only when it is probable that future economic benefits will eventuate or be required and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Liabilities and assets which are unrecognised are reported in Note 19 'Contingent Obligations' and Note 23 'Expenditure Commitments'.

Revenues and expenses are recognised in the Department's Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

The continued existence of the Department in its present form, and with its present outputs, is dependent on Government policy and on continuing appropriations by Parliament for the Department's administration and outputs.

The Schedule of Administered Revenues and Expenses, Assets and Liabilities, and Cash Flows are prepared on the same basis and using the same policies as Departmental items, except where otherwise stated.

1.5 Revenues

Appropriations/Grants

Appropriations whether recurrent, capital, special or other are recognised as revenues when the Department obtains control over the assets comprising the contribution. Control over appropriations and granted assets is normally obtained upon their receipt.

Transactions by the Government

Net assets received under a restructuring of administrative arrangements are designated as contributions by owners and adjusted directly against equity. Net assets transferred are initially recognised at the amounts at which they were recognised by the transferring agency immediately prior to the transfer.

Other Revenue

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

1.6 Employee Entitlements

Leave

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting. The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2002 and is recognised at the nominal amount.

The liability for long service leave is recognised and measured at the actuarial assessment by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. This calculation is consistent with the Department's experience of employee retention and leave taken.

Workers Compensation

The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. The projected payments for 2003 are \$217 000, these are estimated payments on accidents with an accident date post 30 June 2002.

Superannuation

The Department made contributions of \$5.6 million (\$5.5 million) to the Department of Treasury and Finance towards the accruing government liability in respect of its employees. The Department retains no liability to employees for superannuation payments.

1.7 Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased asset.

Lease incentives taking the form of 'free' leasehold improvements and rent holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability.

1.8 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash on deposit represent funds held in a Special Deposit Account with the Reserve Bank. Investments represent funds deposited with the Public Trustee Office.

1.9 Financial Instruments

Accounting policies for financial instruments are stated at Note 24.

1.10 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

1.11 Property, Plant and Equipment*Asset Recognition Threshold*

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$2 000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

In accordance with current Accounting Policy Statements issued by the Department of Treasury and Finance, the Department has applied the Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis (that is deprival value methodology) while the relationship between fair value and the existing valuation basis in the South Australian public sector is examined further.

Land, buildings, infrastructure, plant and equipment, artwork and library collections are revalued progressively in accordance with the 'deprival' method of valuation in successive three year cycles, so that no asset has a value greater than three years old.

Furniture, leasehold improvements are revalued on an annual basis based on indices provided by the Department for Administrative and Information Services. As a result of a review of leasehold improvements, previously unidentified items have been recognised for the first time. An adjustment has been made direct to accumulated surplus.

In 2002 the library collection was revalued. In 2001, land, buildings, infrastructure, plant and equipment were revalued. As a consequence of the valuation undertaken in 2001, previously unidentified items of plant and equipment have been recognised for the first time. An adjustment was made direct to accumulated surplus.

In accordance with the deprival value methodology, land is measured at its current marked buying price. Property other than land, plant and equipment are measured at their depreciated replacement cost. Where assets are held which would not be replaced or are surplus to requirements, measurement is at net realisable value.

Depreciation and Amortisation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the Department using, in all cases, the straight line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvement or the unexpired period of the lease.

Depreciation/amortisation rates and methods are reviewed at each balance date and necessary adjustments are recognised in the current and future reporting periods as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

	Years
Buildings and other structures	20-50
Leasehold improvements	Life of lease
Plant and equipment	10
Information technology	3-5
Mobile transport assets	5-10
Library collections	10 to infinite

Human Resource Assets

The Department acknowledges that its employees are the Department's most valuable asset. These human resource assets have not been included in the Statement of Financial Position as their values cannot be reliably measured, thereby failing the asset recognition test, in accordance with Statement of Accounting Concept SAC 4 'Definition of Recognition of the Elements of Financial Statements'.

Database and Licensing Records

The Department has developed and maintains databases for the maintenance of records such as; retail shop leases, births, deaths and marriages, occupational licensing and incorporation of associations. These databases are not included as assets as their values cannot be measured reliably, thereby failing the asset recognition test, in accordance with SAC4.

Justice Information System

As a result of the transfer of the former Justice Information System Services (JISS) to the Department, the Department has brought to account all assets of the former JISS with the exception of the application software. The application has not been included as an asset as its value cannot be measured reliably, thereby failing the asset recognition test, in accordance with SAC4.

1.12 Taxation

The Department is exempt from all forms of taxation except payroll tax, fringe benefits tax and the goods and services tax.

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

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

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

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

1.13 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

1.14 Rounding

Amounts have been rounded to the nearest \$1 000 except in relation to remuneration of auditors.

2. Administered Items of the Department

Government

These include:

- Agents Indemnity Fund
- Bodies in the Barrels Case
- Child Abuse Project
- Child Abuse - Community Development Fund
- Compensation Companies Regulation (formerly Companies Code Fees)
- Companies Liquidation Account
- Cooperatives Liquidation Account
- Consumer Credit Fund
- Criminal Injuries Compensation Fund
- Community Emergency Services Fund
- Fines Enforcement Initiative
- Justice Portfolio appropriations
- Inter-agency Child Abuse Assessment Panel
- Legal Aid
- Legal Practitioners Act Fund
- Liquor Licensing refunds
- Liquor Licensing subsidy
- Native Title Unit
- Private plated vehicle contributions
- Racing services
- Remission - Fees and charges, Legal Services Commission
- Second Hand Vehicles Compensation Fund
- Special Act payments (Minister, Ombudsman, Solicitor-General)
- Taxation receipts (Casino, Gaming, Liquor)

Non-Government

These include:

- Crown Solicitor's Trust Account - used to record the receipts and disbursement of monies pertaining to the financial settlement of legal transactions between parties.
- Residential Tenancies Fund - used to record receipts and payments pertaining to security bonds lodged under residential tenancy agreements.
- Retail Shop Leases Fund - used to record the receipt and payment of security bonds lodged in relation to commercial and retail shop leases.

3. Outputs of the Department

Information about the Department's outputs and the revenues, expenses, assets and liabilities which are reliably attributable to those outputs is set out in the Outputs Schedule. Outputs themselves are defined as goods and services produced, provided to, or acquired for, external customers.

Output 1.2 Emergency Prevention Services

These services include public education and risk management services. Also included is fire cause investigations.

Output 1.3 Crime Prevention Support Services

This output is focused on services that support crime prevention and includes support for crime prevention programs in local government, and community policing services such as 'Watch' programs, Partnerships and 'Crime Stoppers'.

- Output 1.4 Information, Education and Training Services**
This output covers the production and dissemination of information, education and training. It also includes promotional services.
- Output 2.1 Legal Services**
This output includes legal advice, disputation, prosecutorial, commercial and property legal services
- Output 2.2 Court and Tribunal Case Resolution Services**
Included in this output are administrative services which support, and services which resolve, matters in the State's courts and tribunals.
- Output 2.3 Alternative Dispute Resolution Services**
This output includes family conferencing, mediation and negotiation services which are alternatives to the formal court process.
- Output 3.1 Coordination and Advice**
This output covers the development, monitoring and review of legislation and regulations and associated advice. It includes drafting for Parliament and all Ministers. It also covers all policy development and advice directly for and on behalf of the Ministers such as responses to Ministerial questions, briefings, speech notes, decision support and other support as determined. Also included is representation of the Ministers on State and national groups.
- Output 5.2 Penalty Management Services**
This output deals with penalties arising from court orders, the enforcement of court orders, recovery of debts and the administration and execution of warrants.
- Output 5.4 Complaint Investigation and Resolution Services**
This output covers the handling of inquiries, investigation and resolution of complaints for the general public, individuals, employees and employers.
- Output 5.5 Licensing and Regulatory Services**
This output includes issuing licences and monitoring conditions, surveillance and compliance for the liquor and gaming industries, citizens, businesses and government. It also includes the maintenance of civil registers.

Justice Portfolio Overhead

To provide effective and timely advisory and consultancy services in the areas of administration, finance, human resources management, information technology and clerical support to the Justice Portfolio.

General - Not Attributable

Information about the Department's revenues, expenses, assets and liabilities that are not attributable to the above outputs.

4.	Fees and Charges	2002	2001
	Fees and charges for the reporting period comprised:	\$'000	\$'000
	Legal services to various agencies	11 929	10 474
	Licence and regulatory fees	15 800	14 968
	Recovery of administration expenditure	7 007	4 765
	Other fees and charges	10 786	11 023
	Total Fees and Charges	45 522	41 230
5.	Proceeds and Expense from Disposal of Assets		
	Leasehold Improvements:		
	Proceeds from disposal of non-current assets	-	-
	Less: Written down value of non-current assets	38	768
	Net (Loss) on Disposal of Non-Current Assets	(38)	(768)
	Plant and Equipment:		
	Proceeds from disposal of non-current assets	-	3
	Less: Written down value of non-current assets	14	6
	Net (Loss) on Disposal of Non-Current Assets	(14)	(3)
	Information Technology:		
	Proceeds from disposal of non-current assets	-	5
	Less: Written down value of non-current assets	29	25
	Net (Loss) on Disposal of Non-Current Assets	(29)	(20)
	Total Assets:		
	Proceeds from disposal of non-current assets	-	8
	Less: Written down value of non-current assets	81	799
	Net (Loss) on Disposal of Non-Current Assets	(81)	(791)
6.	Other Revenues		
	Other revenues for the Department comprised:		
	Interest revenue	1 742	1 616
	Sundry recoveries	5 401	6 236
	Commonwealth Specific Purpose Grants	2 800	2 676
	Other revenue	113	1 358
	Total Other Revenues	10 056	11 886

6. Other Revenues (continued)		2002	2001
Administered items:		\$'000	\$'000
Interest revenue		7 852	6 631
Sundry recoveries		16 780	15 103
Commonwealth Specific Purpose Grants		20 740	19 871
Taxation receipts		229 064	204 093
Community Emergency Service Fund revenue		141 521	150 527
Agents Indemnity Fund revenue		3 429	3 584
Other revenue		1 066	1 454
Total Other Revenues		420 452	401 263
7. Employee Expenses			
Employee expenses for the reporting period comprised:			
Salaries and wages		47 643	44 624
Payroll tax and superannuation expenses		9 318	8 474
Long service leave expenses		1 994	1 707
Other employee related expenses		744	748
Total Employee and Related Expenses		56 699	55 553
8. Other Expenses			
Other expenses for the Department comprised:			
Staff payments		6 415	4 372
Consultancies		807	1 039
Legal fees		1 261	1 185
Motor vehicle expenses		1 135	919
Professional costs		474	615
Telephone related expenses		1 109	1 043
Promotion/Publications		998	846
Tax and taxable payments		527	634
Bad and doubtful debts		365	149
Other		12 511	7 234
Total Other Expenses		25 602	18 036
Administered items:			
Emergency Services Levy Collection Fees		7 624	8 123
Payments to Emergency Services		132 455	133 757
Total Emergency Services Levy Payments		140 079	141 880
9. Cash on Hand and on Deposit			
Cash on hand (including petty cash)		41	41
Special Deposit Accounts with Reserve Bank		28 495	35 807
Cash and cheques in transit		103	73
Total Cash on Hand and on Deposit		28 639	35 921
10. Receivables			
Current:			
Receivables in respect of fees and charges		4 356	5 044
Provision for doubtful debts		(351)	(585)
Accrued interest		84	473
GST receivable		994	2 538
Total Receivables		5 083	7 470
Administered items:			
Receivables in respect of fees and charges		20 857	20 558
Provision for doubtful debts		-	-
Accrued interest		604	367
Total Receivables		21 461	20 925
11. Other Current Assets			
Prepayments		246	115
Work in progress		476	204
Working accounts		(2)	222
Other		21	20
Total Other Current Assets		741	561
12. Financial Assets			
Administered Items:			
Financial Assets represent funds invested with the Public Trustee as follows:			
Residential Tenancies Fund		44 943	45 709
Retail Shop Leases Fund		1 647	1 624
Agents Indemnity Fund		25 160	22 023
Second Hand Motor Vehicles Compensation Fund		1 693	1 708
Total Financial Assets		73 443	71 064

13. (a) **Property, Plant and Equipment**

	Cost/ Valuation \$'000	Accumulated Depreciation/ Amortisation \$'000	Written Down Value 2002 \$'000	2001 \$'000
Land ⁽¹⁾	314	-	314	314
Buildings and other structures ⁽¹⁾	1 116	141	975	992
Leasehold improvements ⁽³⁾	8 370	3 871	4 499	5 165
Mobile transport assets ⁽²⁾	415	185	230	268
Information technology ⁽⁴⁾	7 814	4 056	3 758	3 395
Library collections ⁽⁶⁾	541	-	541	1 010
Plant and equipment ^{(2), (3) & (4)}	9 289	6 502	2 787	2 486
Collections and artworks at valuation ⁽⁵⁾	19	-	19	15
Plant and equipment under finance lease	19	15	4	8
	27 897	14 770	13 127	13 653
Administered Items:				
Leasehold improvements ⁽³⁾	1 579	521	1 058	1 062
Information technology ⁽⁴⁾	611	338	273	287
Plant and equipment ^{(2), (3) & (4)}	874	441	433	351
Plant and equipment under finance lease	23	22	1	6
	3 087	1 322	1 765	1 706

- (1) Valuations of land, buildings and infrastructure were performed by Mervyn Booth, AAPI, Certified Practising Valuer of the Australian Valuation Office as at 30 June 2001.
- (2) Valuations of mobile transport assets and specialised plant and equipment located at the Thebarton Laboratory were performed by Simon B O'Leary AAPI, MSAA, Certified Practising Valuer - Plant and machinery of the Australian Valuation Office as at 30 June 2001.
- (3) Valuations of leasehold improvements and furniture were done internally by the Department on a square metre basis using valuation indices. These indices were provided by the Department for Administrative and Information Services.
- (4) Valuations of other plant and equipment and information technology were conducted internally by the Department based on current replacement costs, in accordance with Treasury's policy on valuations of non-current assets.
- (5) Valuations of collections and artwork were performed by Peter F Scammell MSAA, REISA of Peter F Scammell and Associates as at 30 June 2001.
- (6) Library collections at valuation represents valuation as per M Treloar as at 15 May 2002.

(b) **Property, Plant and Equipment Movement Schedule**

Controlled	Asset Cost/Valuation						Closing Balance \$'000
	Opening Balance 1.7.01 \$'000	Additions \$'000	Disposals \$'000	Revalu- ation \$'000	Restruc- ture \$'000	Other \$'000	
Land	314	-	-	-	-	-	314
Total Land	314	-	-	-	-	-	314
Buildings and other structures	1 116	-	-	-	-	-	1 116
Leasehold improvements	8 461	719	108	(702)	-	-	8 370
Total Buildings	9 577	719	108	(702)	-	-	9 486
Total Land and Buildings	9 891	719	108	(702)	-	-	9 800
Plant and Equipment:							
Mobile transport assets	415	-	-	-	-	-	415
Information technology	6 359	2 026	639	-	-	68	7 814
Library collections	1 022	-	-	(481)	-	-	541
Plant and equipment	7 659	349	200	1 492	-	(11)	9 289
Collections and artworks	15	4	-	-	-	-	19
Total Plant and Equipment	15 470	2 379	839	1 011	-	57	18 078
Leased Plant and Equipment:							
Plant and equipment under finance lease	19	-	-	-	-	-	19
Total Leased Plant and Equipment	19	-	-	-	-	-	19
Total Plant and Equipment	15 489	2 379	839	1 011	-	57	18 097
TOTAL PROPERTY, PLANT AND EQUIPMENT	25 380	3 098	947	309	-	57	27 897

Land	Accumulated Depreciation				Closing Balance \$'000
	Opening Balance 1.7.01 \$'000	Charge \$'000	Disposals \$'000	Other \$'000	
Land	-	-	-	-	-
Total Land	-	-	-	-	-
Buildings and other structures	124	17	-	-	141
Leasehold improvements	3 296	808	69	(164)	3 871
Total Buildings	3 420	825	69	(164)	4 012
Total Land and Buildings	3 420	825	69	(164)	4 012

(b) **Property, Plant and Equipment Movement Schedule (continued)**

	Accumulated Depreciation				Closing Balance 30.6.02 \$'000
	Opening Balance 1.7.01 \$'000	Charge \$'000	Disposals \$'000	Other \$'000	
Plant and Equipment:					
Mobile transport assets	147	38	-	-	185
Information technology	2 964	1 629	610	73	4 056
Library collections	12	-	-	(12)	-
Plant and equipment	5 173	439	70	960	6 502
Collections and artworks	-	-	-	-	-
Total Plant and Equipment	8 296	2 106	680	1 021	10 743
Leased Plant and Equipment:					
Plant and equipment under finance lease	11	4	-	-	15
Total Leased Plant and Equipment	11	4	-	-	15
Total Plant and Equipment	8 307	2 110	680	1 021	10 758
TOTAL PROPERTY, PLANT AND EQUIPMENT	11 727	2 935	749	857	14 770

	Net Book Value	
	2002 Amount \$'000	2001 Amount \$'000
Land	314	314
Total Land	314	314
Buildings and other structures	975	992
Leasehold improvements	4 499	5 165
Total Buildings	5 474	6 157
Total Land and Buildings	5 788	6 471
Plant and Equipment:		
Mobile transport assets	230	268
Information technology	3 758	3 395
Library collections	541	1 010
Plant and equipment	2 787	2 486
Collections and artworks	19	15
Total Plant and Equipment	7 335	7 174
Leased Plant and Equipment:		
Plant and equipment under finance lease	4	8
Total Leased Plant and Equipment	4	8
Total Plant and Equipment	7 339	7 182
TOTAL PROPERTY, PLANT AND EQUIPMENT	13 127	13 653

	Asset Cost/Valuation					Closing Balance 30.6.02 \$'000
	Opening Balance 1.7.01 \$'000	Additions \$'000	Disposals \$'000	Revaluations \$'000	Other \$'000	
Leasehold Improvements	1 626	618	518	(147)	-	1 579
Total Buildings	1 626	618	518	(147)	-	1 579
Plant and Equipment:						
Information and technology	627	115	33	-	(98)	611
Plant and equipment	630	16	25	242	11	874
Total Plant and Equipment	1 257	131	58	242	(87)	1 485
Leased Plant and Equipment:						
Plant and equipment under finance lease	23	-	-	-	-	23
Total Leased Plant and Equipment	23	-	-	-	-	23
Total Plant and Equipment	1 280	131	58	242	(87)	1 508
TOTAL PROPERTY, PLANT AND EQUIPMENT	2 906	749	576	95	(87)	3 087

	Accumulated Depreciation					Closing Balance 30.6.02 \$'000
	Opening Balance 1.7.01 \$'000	Charge \$'000	Disposals \$'000	Revaluations \$'000	Other \$'000	
Leasehold Improvements	564	231	241	(33)	-	521
Total Buildings	564	231	241	(33)	-	521
Plant and Equipment:						
Information and technology	340	104	33	-	(73)	338
Plant and equipment	279	63	7	98	8	441
Total Plant and Equipment	619	167	40	98	(65)	779
Leased Plant and Equipment:						
Plant and equipment under finance lease	17	5	-	-	-	22
Total Leased Plant and Equipment	17	5	-	-	-	22
Total Plant and Equipment	636	172	40	98	(65)	801
TOTAL PROPERTY, PLANT AND EQUIPMENT	1 200	403	281	65	(65)	1 322

		Net Book Value	
		2002	2001
		\$'000	\$'000
(b)	Property, Plant and Equipment Movement Schedule (continued)		
	Administered property, plant and equipment movement schedule	1 058	1 062
	Leasehold Improvements	1 058	1 062
	Total Buildings	1 058	1 062
	Plant and Equipment:		
	Information and technology	273	287
	Plant and equipment	433	351
	Total Plant and Equipment	706	638
	Leased Plant and Equipment:		
	Plant and equipment under finance lease	1	6
	Total Leased Plant and Equipment	1	6
	Total Plant and Equipment	707	644
	TOTAL PROPERTY, PLANT AND EQUIPMENT	1 765	1 706
14.	Payables		
	Current:		
	Creditors	2 248	5 970
	Accruals - Employee on-costs	761	695
	Accruals	715	100
	Total Current Payables	3 724	6 765
	Non-Current:		
	Accruals - Employee on-costs	2 227	1 420
	Administered Items:		
	Current:		
	Creditors	2 699	1 736
	Accruals - Employee on-costs	51	37
	Accruals	40	38
	Total Current Payables	2 790	1 811
	Non-Current:		
	Accruals - Employee on-costs	76	46
15.	Provision for Employee Entitlements		
	Current:		
	Long service leave	654	514
	Annual leave	2 880	2 681
	Workers compensation	199	120
	Accrued salaries and wages	71	35
	Total Current Employee Entitlements	3 804	3 350
	Non-Current:		
	Long service leave	10 349	9 810
	Workers compensation	621	430
	Total Non-Current Employee Entitlements	10 970	10 240
	Administered Items:		
	Current:		
	Long service leave	13	8
	Annual leave	223	162
	Accrued salaries and wages	-	14
	Total Current Employee Entitlements	236	184
	Non-Current:		
	Long service leave	352	314
16.	(a) Other Liabilities		
	Current:		
	Finance lease (refer Note 16(b))	5	5
	Unearned revenue	7	10
	Lease incentive	592	591
	Control and working account balances	837	897
	Total Other Current Liabilities	1 441	1 503
	Non-Current:		
	Finance lease (refer Note 16(b))	-	5
	Lease incentive	1 882	2 474
	Total Other Non-Current Liabilities	1 882	2 479

16.	(a)	Other Liabilities (continued)	2002	2001
		Administered Items:	\$'000	\$'000
		Current:		
		Finance lease (refer Note 16(b))	1	7
		Unclaimed money	40	38
		Lease incentive	65	16
		Control and working account balances	369	283
		Security bond refunds	22 458	20 726
		Crown Solicitor's Trust	98	48
		Total Other Current Liabilities	23 031	21 118
		Non-Current:		
		Finance lease (refer Note 16(b))	-	1
		Lease incentive	180	246
		Security bonds lodged	18 282	17 631
		Crown Solicitor's Trust	5 591	1 650
		Total Other Non-Current Liabilities	24 053	19 528
	(b)	Finance Leases		
		At the reporting date, the Department had the following obligations under finance leases (the sum of which is recognised as a liability after deduction of future finance lease charges included in the obligation):		
		Payable no later than one year	5	6
		Payable later than one year but not later than five years	-	5
		Payable later than five years	-	-
		Total Finance Leases	5	11
		Minimum lease payments	5	11
		Less: Future finance charges	-	1
		Lease Liability	5	10
		Classified as:		
		Current	5	5
		Non-Current	-	5
			5	10
		Administered Items:		
		Payable no later than one year	1	7
		Payable later than one year but not later than five years	-	1
		Payable later than five years	-	-
		Total Finance leases	1	8
		Minimum lease payments	1	8
		Less: Future finance charges	-	-
		Leases Liability	1	8
		Classified as:		
		Current	1	7
		Non-Current	-	1
			1	8
		Finance leases exist in relation to certain office equipment assets. The leases are non-cancellable and for fixed terms of four years. The Department guarantees the residual values of all assets leased. There are no contingent rentals.		
17.		Equity		
		Equity represents the residual interest in the Department's net assets. The South Australian Government holds the equity interest in the Department on behalf of the community. Equity comprises:		
		Accumulated Surplus:	2002	2001
			\$'000	\$'000
		Balance as at 1 July	30 663	26 104
		Previously unidentified assets recognised for the first time	-	547
		Errors ⁽¹⁾	440	233
		Restructure transfers	-	237
		(Decrease) Increase in net assets resulting from operations	(8 977)	3 542
		Balance as at 30 June	22 126	30 663
		Asset Revaluation Reserve:		
		Balance as at 1 July	1 185	848
		Revaluation Adjustments:		
		Library	(314)	-
		Building furniture	545	337
		Balance as at 30 June	1 416	1 185
		Balance as at 30 June is made up of:		
		Land and buildings	504	504
		Building furniture	882	337
		Plant and equipment	30	30
		Library	-	314
		Balance as at 30 June	1 416	1 185

17.	Equity (continued)	2002	2001
	Administered Items:	\$'000	\$'000
	Accumulated Surplus:		
	Balance as at 1 July	76 594	66 765
	Previously unidentified assets recognised for the first time	-	(58)
	Revision of estimate	-	(16 472)
	Errors ⁽¹⁾	300	9 396
	Increase in net assets resulting from operations	7 759	16 963
	Balance as at 30 June	84 653	76 594
	Asset Revaluation Reserve:		
	Balance as at 1 July	4 111	3 119
	Revaluation Adjustments:		
	Investments	(2 032)	666
	Leasehold improvements	(115)	219
	Building furniture	144	107
	Balance as at 30 June	2 108	4 111
	Balance as at 30 June is made up of:		
	Investments	1 753	3 785
	Leasehold improvements	104	219
	Building furniture	251	107
	Balance as at 30 June	2 108	4 111

(1) In the current reporting period errors to previous financial reports were discovered. These errors have occurred as a result of mathematical mistakes, mistakes in applying accounting policies, misinterpretation of facts or oversight. These errors have been corrected in the current reporting period.

18.	Cash Flow Reconciliation	2002	2001
	Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows:	\$'000	\$'000
	Cash at year end per Statement of Cash Flows	28 639	35 921
	Statement of Financial Position items comprising above cash	28 639	35 921
	Reconciliation of Operating Deficit to Net Cash used in Operating Activities:		
	Net (deficit) surplus	(8 977)	3 542
	Less: Items classified as financing and investing activities:		
	Loss on disposal	81	791
	Add: Non-cash items:		
	Depreciation and amortisation	2 759	2 194
	Provision for doubtful debts	101	70
	Revaluation decrement	693	717
	Bad debt expense	-	(149)
	Change in assets and liabilities:		
	Increase in employee entitlements	1 184	1 328
	(Decrease) Increase in payables	(2 915)	4 032
	(Decrease) Increase in other liabilities	(296)	1 412
	Decrease (Increase) in receivables	2 152	(2 999)
	(Increase) Decrease in other assets	(406)	398
	Net Cash (used in) provided by Operating Activities	(5 624)	11 336
	Administered Items:		
	Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows:		
	Cash at year end per Statement of Cash Flows	40 534	29 798
	Statement of Financial Position items comprising above cash	40 534	29 798
	Reconciliation of Operating Surplus to Net Cash provided by Operating Activities:		
	Net surplus	7 759	16 963
	Less: Items classified as financing and investing activities:		
	Loss on disposal	276	-
	Add: Non-cash items:		
	Depreciation and amortisation	406	223
	Revaluation decrement	1 181	17
	Change in assets and liabilities:		
	Increase in employee entitlements	90	465
	Increase in payables	995	534
	Increase in other liabilities	6 452	2 337
	(Increase) Decrease in receivables	(362)	120
	(Increase) in other assets	(1 529)	(3 938)
	Net Cash provided by Operating Activities	15 268	16 721

19. **Contingent Obligations**
The Attorney-General's Department is not recognising any contingent liabilities.

Administered Items

The Agents Indemnity Fund has an estimated contingent obligation to pay \$17 million relating to current and expected claims against the Fund.

20. Remuneration of Auditors

The amount payable by the Department for audit services during the reporting period was \$162 800 (\$131 400). The amount payable for audit services for administered items during the reporting period was \$39 930 (\$37 900). No other services were provided by the Auditor-General.

21. Remuneration of Employees

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

	2002 Number of Employees	2001 Number of Employees
\$100 001 - \$110 000	13	16
\$110 001 - \$120 000	4	4
\$120 001 - \$130 000	6	17
\$130 001 - \$140 000	19	12
\$140 001 - \$150 000	2	4
\$150 001 - \$160 000	5	5
\$160 001 - \$170 000	6	6
\$170 001 - \$180 000	5	4
\$180 001 - \$190 000	3	3
\$190 001 - \$200 000	3	-
\$200 001 - \$210 000	1	1
\$210 001 - \$220 000	2	3
\$220 001 - \$230 000	1	-
\$230 001 - \$240 000	1	2
\$240 001 - \$250 000	1	4
\$250 001 - \$260 000	3	-
\$260 001 - \$270 000	-	-
\$270 001 - \$280 000	-	1
\$280 001 - \$290 000	-	-
\$290 001 - \$300 000	1	-

Total remuneration received or due and receivable by these employees was \$14.3 million (\$14.7 million).

22. Targeted Voluntary Separation Packages (TVSPs)

TVSPs paid to employees during the reporting period were
Recovery from the Department of the Premier and Cabinet in respect of TVSPs
Annual and long service leave accrued over the period of
employment for employees who received TVSPs

2002 \$'000	2001 \$'000
855	327
(855)	(327)
270	90

The number of employees who were paid TVSPs during the reporting period totalled 9 (8).

23. Expenditure Commitments

Operating Leases

Commitments under non-cancellable operating leases at the reporting date are payable as follows:

Payable no later than one year	6 797	5 827
Payable later than one year and not later than five years	21 004	20 754
Payable later than five years	4 766	8 126
Total Operating Leases	32 567	34 707

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

The accommodation and office equipment leases are non cancellable leases with rental payable monthly in advance. Contingent rental provisions within the accommodation lease agreements provide for the minimum lease payments to be increased on specified rent review dates. Options exist to renew the accommodation leases at the end of the term of the lease.

Other Commitments

	2002 \$'000	2001 \$'000
Motor vehicles ⁽¹⁾	811	1 039
Capital ⁽²⁾	68	19 399
Grants ⁽³⁾	27 919	37 538
Other ⁽⁴⁾	108	142
Total	28 906	58 118
Payable no later than one year	16 545	34 452
Payable later than one year and not later than five years	12 361	23 666
Payable later than five years	-	-
Total Operating Leases	28 906	58 118

(1) Agreements for the provision of motor vehicles to senior executive officer's or sections (ie pool vehicles) with Fleet SA, Department for Administrative and Information Services. There are no purchase options available to the Department.

(2) Outstanding contractual payments for building works under construction

(3) Grant amounts payable under agreements in respect of which the grantee has yet to provide the services required under the agreement. The grants cover the period 2002-04.

(4) Other commitments relates to purchase orders placed for goods before 30 June 2002.

24. Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Assets

- Cash and Deposits are available at call and are recorded at cost. Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance.
- Receivables are reported at amounts due to the Department. Receivables are due within 30 days of an invoice being raised.
- Investments are recorded at net fair value based upon valuation provided by the Public Trustee.

Financial Liabilities

- Payables and Accruals are raised from amounts unpaid and are settled within the normal terms of payment of 30 days, unless otherwise agreed.

(b) Interest Rate Risk

	2002			Weighted Average Interest Rate Percent	2001			Weighted Average Interest Rate Percent
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000		Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000	
Financial Assets:								
Cash on hand	-	41	41		-	41	41	
Cash at bank	28 495	-	28 495	4.39	35 807	-	35 807	5.77
Cash and cheques in transit	-	103	103		-	73	73	
Receivables	-	4 089	4 089		-	4 932	4 932	
Total	28 495	4 233	32 728		35 807	5 046	40 853	
Financial Liabilities:								
Payables	-	2 248	2 248		-	5 970	5 970	
Accruals	-	715	715		-	100	100	
Total	-	2 963	2 963		-	6 070	6 070	
Administered Items:								
Financial Assets:								
Cash at bank	40 534	-	40 534	4.39	29 798	-	29 798	5.77
Investments	73 443	-	73 443	1.2	71 064	-	71 064	6.5
Receivables	-	21 461	21 461		-	20 925	20 925	
Total	113 977	21 461	135 438		100 862	20 925	121 787	
Financial Liabilities:								
Payables	-	2 699	2 699		-	1 736	1 736	
Accruals	-	40	40		-	38	38	
Total	-	2 739	2 739		-	1 774	1 774	

(c) Net Fair Values

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value. The carrying amount of Financial Assets approximates net fair value due to their short term maturity or being receivable on demand. The carrying amount of financial Liabilities is considered to be a reasonable estimate of net fair value.

25. Consultants

	2002		2001	
	Number	\$'000	Number	\$'000
Below \$10 000	53	150	53	185
\$10 000 - \$50 000	19	440	24	519
Above \$50 000	1	217	4	335
Total	73	807	81	1 039
Administered Item:				
Below \$10 000	6	16	6	30
\$10 000 - \$50 000	-	-	6	132
Above \$50 000	1	86	1	86
Total	7	102	13	248

RESIDENTIAL TENANCIES FUND

The *Residential Tenancies Act 1995* regulates the relationship of landlords and tenants under residential tenancy agreements and provides for the establishment of the Residential Tenancies Fund and a Tribunal to resolve disputes.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Interest		2 941	3 026
Other	2	161	147
Total Revenue		3 102	3 173
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee	3	2 499	2 279
Accommodation		432	465
Executive/Country cross-charge		245	230
Depreciation	4	249	84
Disposal of Asset		276	-
Other	5	1 911	625
Total Expenses		5 612	3 683
NET OPERATING DEFICIT FROM ORDINARY ACTIVITIES		(2 510)	(510)
Net (debit) credit to asset revaluation reserve	13	(338)	702
Total revenues, expenses and valuation adjustments recognised directly in equity		(338)	702
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(2 848)	192

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash on hand and on deposit	6	40	(76)
Investments		6 569	5 812
Receivables	7	211	125
Other	8	-	175
Total Current Assets		6 820	6 036
NON-CURRENT ASSETS:			
Plant and equipment	9	1 085	896
Investments		38 373	39 896
Total Non-Current Assets		39 458	40 792
Total Assets		46 278	46 828
CURRENT LIABILITIES:			
Security bonds lodged	10	22 268	20 545
Payables	11	559	533
Other current liabilities	12	67	23
Total Current Liabilities		22 894	21 101
NON-CURRENT LIABILITIES:			
Security bonds lodged	10	16 760	16 189
Other non-current liabilities	12	180	246
Total Non-Current Liabilities		16 940	16 435
Total Liabilities		39 834	37 536
NET ASSETS		6 444	9 292
EQUITY			
Accumulated surplus	13	6 080	8 590
Asset revaluation reserve	13	364	702
TOTAL EQUITY		6 444	9 292

Statement of Cash Flows for the year ended 30 June 2002

		2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH RECEIVED:	Note		
Interest		726	703
Bond lodgements		24 562	23 386
Other		37	31
Total Receipts		25 325	24 120
CASH USED:			
Administration		(3 726)	(3 306)
Bond refunds		(22 268)	(21 790)
Other		(33)	(35)
Total Payments		(26 027)	(25 131)
Net Cash used in Operating Activities	14	(702)	(1 011)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH RECEIVED:			
Proceeds from investments		1 500	1 000
Total Receipts		1 500	1 000
CASH USED:			
Payments for non-current assets		(682)	(33)
Total Payments		(682)	(33)
Net Cash provided by Investing Activities		818	967
NET INCREASE (DECREASE) IN CASH HELD		116	(44)
CASH AT 1 JULY		(76)	(32)
CASH AT 30 JUNE	6	40	(76)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

1.1 Objectives of the Residential Tenancies Fund

The Residential Tenancies Fund (Fund) is established under the *Residential Tenancies Act 1995* (Act). The Fund is kept and administered by the Commissioner for Consumer Affairs. The Fund consists of amounts received by the Commissioner by way of security and other amounts paid into the Fund under the Act. The Commissioner will make repayments in respect of security bonds from the Fund. Income derived from investment of the Fund is applied towards the costs of administering and enforcing the Act, education of landlords and tenants about their statutory and contractual rights and obligations, and operations of the Residential Tenancies Tribunal.

1.2 Basis of Accounting

The financial statements are required by Treasurer's Instruction 19 issued pursuant to section 41 of the *Public Finance and Audit Act 1987* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Australian Accounting Standards and Accounting Interpretations issued by Australian Accounting Standards Boards;
- Other authoritative pronouncements of the Boards;
- Consensus Views of the Urgent Issues Group;
- Accounting Policy Statements and Treasurer's Instructions issued by the Department of Treasury and Finance;
- Statements of Accounting Concepts.

The Fund's Statement of Financial Performance and Statement of Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets which, as noted are at valuation (written down current cost or deprival value). Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Fund's Statement of Financial Position when and only when it is probable that future economic benefits will eventuate or be required and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard.

Revenues and expenses are recognised in the Fund's Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Bond Guarantee Scheme

Under the Bond Guarantee Scheme a guarantee for the bond is given to the landlord by the SA Housing Trust. In the event of a claim by a landlord, a payment is made by the Residential Tenancies Fund. The SA Housing Trust then reimburses the Residential Tenancies Fund. The value of bond guarantees lodged at 30 June 2002 is \$10.4 million (\$9.9 million).

The SA Housing Trust pays interest at an agreed market determined rate to the Residential Tenancies Fund based on the daily balance of bond guarantees issued.

Interest

Under the *Residential Tenancies Act*, interest is paid to tenants when a bond is repaid to them, interest is not paid when a bond is paid to landlords or third parties such as the SA Housing Trust. The interest has not been recorded as a liability, as the Fund does not have a present obligation until the tenant lodges a claim for the repayment of the bond. It is estimated that the interest liability as at 30 June 2002 is \$71 000 (\$61 000).

1.3 Employees

The liability for employee entitlements (provision for annual leave and long service leave) rests with the Attorney-General's Department. No provision has been made for sick leave as all sick leave is non-vesting.

1.4 Taxation

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

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

The net GST receivable from the Australian Taxation Office has been recognised in the Attorney-General's Department's Statement of Financial Position.

1.5 Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased asset.

Lease incentives taking the form of 'free' leasehold improvements and rent holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability.

1.6 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash on deposit represent funds held in a Special Deposit Account with the Reserve Bank. Investments represent funds deposited with the Public Trustee Office.

1.7 Financial Instruments

Accounting policies for financial instruments are stated at Note 18.

1.8 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

1.9 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$2 000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

In accordance with current Accounting Policy Statements issued by the Department of Treasury and Finance, the Fund has applied the Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis (that is deprival value methodology) while the relationship between fair value and the existing valuation basis in the South Australian public sector is examined further.

Furniture and leasehold improvements are revalued on an annual basis based on indices provided by the Department for Administrative and Information Services.

Where assets are held which would not be replaced or are surplus to requirements, measurement is at net realisable value.

Depreciation and Amortisation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the Fund using, in all cases, the straight line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvement or the unexpired period of the lease.

Depreciation/amortisation rates and methods are reviewed at each balance date and necessary adjustments are recognised in the current or future reporting periods as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

	Years
Leasehold improvements	Life of lease
Plant and equipment	10
Information technology	3 - 5

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4.

1.10 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements were required.

1.11 Rounding

Amounts have been rounded to the nearest \$1 000.

2. Other Revenue	2002	2001
Other revenues for the Fund comprised:	\$'000	\$'000
Management fee recovery	125	116
Trainee salary recovery	36	31
Total Other Revenues	161	147
3. Employee Expenses		
Employee expenses for the reporting period comprised:		
Salaries and wages	2 011	1 869
Payroll tax and superannuation expenses	374	338
Long service leave expenses	112	57
Other employee related expenses	2	15
Total Employee and Related Expenses	2 499	2 279
4. Depreciation and Amortisation		
Depreciation and amortisation expenses for the reporting period comprised:		
Leasehold improvements	173	18
Plant and equipment	52	38
Information technology	18	22
Plant and equipment under finance lease	6	6
Total Depreciation and Amortisation	249	84
5. Other Expenses		
Other expenses for the Fund comprised:		
Administration	632	505
Staff payments	9	48
Consultancies	1 131	-
Computing and communication	139	72
Total Other Expenses	1 911	625
6. Cash on Hand and on Deposit		
Special Deposit Accounts with Reserve Bank	40	(76)
Total Cash on Hand and on Deposit	40	(76)
7. Receivables		
Accrued interest	209	125
Other receivable	2	-
Total Receivables	211	125
8. Other Current Assets		
Lease incentive	-	196
Working accounts	-	(21)
Total Other Current Assets	-	175

9. (a) **Property, Plant and Equipment**

	2002 Cost/ Valuation \$'000	2002 Accumulated Depreciation/ Amortisation \$'000	2002 Written Down Value \$'000	2001 Written Down Value \$'000
Leasehold improvements ⁽¹⁾	1 126	406	720	557
Information technology ⁽²⁾	117	46	71	41
Plant and equipment ⁽²⁾	699	406	293	291
Plant and equipment under finance lease	23	22	1	7
	1 965	880	1 085	896

(1) Valuations of leasehold improvements and furniture were done internally by the Attorney-General's Department on a square metre basis using valuation indices. These indices were provided by the Department for Administrative and Information Services.

(2) Valuations of other plant and equipment and information technology were conducted internally by the Attorney-General's Department based on current replacement costs, in accordance with Treasury's policy on valuations of non-current assets.

(b) **Property, Plant and Equipment Movement Schedule**

	Asset Cost/Valuation					Closing Balance 30.6.02 \$'000
	Opening Balance 1.7.01 \$'000	Additions \$'000	Disposals \$'000	Revalu- ations \$'000	Other \$'000	
Leasehold improvements at valuation	1 046	618	517	(21)	-	1 126
Total Buildings	1 046	618	517	(21)	-	1 126
Plant and Equipment:						
Information technology	79	53	-	-	(15)	117
Plant and equipment at valuation	563	15	25	146	-	699
Total Plant and Equipment	642	68	25	146	(15)	816
Leased Plant and Equipment:						
Plant and equipment under finance lease	23	-	-	-	-	23
Total Leased Plant and Equipment	23	-	-	-	-	23
Total Plant and Equipment	665	68	25	146	(15)	839
TOTAL PROPERTY, PLANT AND EQUIPMENT	1 711	686	542	125	(15)	1 965

	Accumulated Depreciation					Closing Balance 30.6.02 \$'000
	Opening Balance 1.7.01 \$'000	Charge \$'000	Disposals \$'000	Revalu- ations \$'000	Other \$'000	
Leasehold improvements at valuation	489	104	172	(15)	-	406
Total Buildings	489	104	172	(15)	-	406
Plant and Equipment:						
Information technology	38	8	-	-	-	46
Plant and equipment at valuation	272	55	7	86	-	406
Total Plant and Equipment	310	63	7	86	-	452
Leased Plant and Equipment:						
Plant and equipment under finance lease	16	6	-	-	-	22
Total Leased Plant and Equipment	16	6	-	-	-	22
Total Plant and Equipment	326	69	7	86	-	474
TOTAL PROPERTY, PLANT AND EQUIPMENT	815	173	179	71	-	880

	Net Book Value	
	2002 \$'000	2001 \$'000
Leasehold improvements at valuation	720	557
Total Buildings	720	557
Plant and Equipment:		
Information technology	71	41
Plant and equipment at valuation	293	291
Total Plant and Equipment	364	332
Leased Plant and Equipment:		
Plant and equipment under finance lease	1	7
Total Leased Plant and Equipment	1	7
Total Plant and Equipment	365	339
TOTAL PROPERTY, PLANT AND EQUIPMENT	1 085	896

10. Security Bonds Lodged	2002	2001
Current:	\$'000	\$'000
Bonds lodged	22 254	20 531
Sale of goods	12	12
Rent held pursuant to tribunal direction	2	2
	22 268	20 545
Non-Current:		
Bonds lodged	16 760	16 189
11. Payables		
Current:		
Creditors	535	514
Accruals	24	19
Total Current Payables	559	533
12. (a) Other Liabilities		
Current:		
Finance lease (refer Note 12(b))	1	7
Lease incentive	66	16
Total Other Current Liabilities	67	23
Non-Current:		
Finance lease (refer Note 12(b))	-	1
Lease incentive	180	245
Total Other Non-Current Liabilities	180	246
(b) Finance Leases		
At the reporting date, the Fund had the following obligations under finance leases (the sum of which is recognised as a liability after deduction of future finance lease charges included in the obligation):		
Payable no later than one year	1	7
Payable later than one year and not later than five years	-	1
Payable later than five years	-	-
Total Finance Leases	1	8
Minimum lease payments	1	8
Less: Future finance charges	-	-
Lease Liability	1	8
Classified as:		
Current	1	7
Non-current	-	1
	1	8
Finance leases exist in relation to certain office equipment assets. The leases are non-cancellable and for fixed terms of four years. The Fund guarantees the residual values of all assets leased. There are no contingent rentals.		
13. Equity		
Equity represents the residual interest in the Fund's net assets. The South Australian Government holds the equity interest in the Fund on behalf of the community. Equity comprises:		
	2002	2001
	\$'000	\$'000
Accumulated Surplus		
Balance as at 1 July	8 590	9 100
Net operating deficit from ordinary activities	(2 510)	(510)
Balance as at 30 June	6 080	8 590
Asset Revaluation Reserve		
Balance as at 1 July	702	-
Revaluation Adjustments:		
Investments	(392)	392
Building fixtures and fittings	(6)	203
Building furniture	60	107
Balance as at 30 June	364	702
Balance as at 30 June is made up of:		
Investments	-	392
Building fixtures and fittings	197	203
Building furniture	167	107
Balance as at 30 June	364	702

14. Cash Flow Reconciliation	2002	2001
Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows	\$'000	\$'000
Cash at year end per Statement of Cash Flows	40	(76)
Statement of Financial Position items comprising above cash	40	(76)

Reconciliation of Operating Deficit to Net Cash used in Operating Activities

Net operating deficit	(2 510)	(510)
Add: Non-cash items:		
Depreciation and amortisation	249	84
Revaluation decrement	1 131	-
Disposal of asset	276	-
Change in assets and liabilities		
Movement in bonds	2 294	1 596
Increase in payables	21	181
Increase in other liabilities	-	77
(Increase) Decrease in receivables	(86)	59
Decrease in other assets	180	-
Movement in investments	(2 257)	(2 498)
Net Cash used in Operating Activities	(702)	(1 011)

15. Contingent Obligations
The Fund has no contingent obligations.

16. Remuneration of Auditors
The amount payable by the Fund for audit services during the reporting period was \$24 000 (\$19 000). No other services were provided by the Auditor-General.

17. Average Staffing Levels	2002	2001
	Number	Number
The average staffing levels for the business operation during the year were	48	46

18. Financial Instruments

(a) Terms, Conditions and Accounting Policies.

Financial Assets

- Cash and Deposits are available at call and are recorded at cost. Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance.
- Receivables are reported at amounts due to the Fund. Receivables are due within 30 days of an invoice being raised.
- Investments are recorded at net fair value based upon valuation provided by the Public Trustee.

Financial Liabilities

- Payables and Accruals are raised from amounts unpaid and are settled within the normal terms of payment of 30 days, unless otherwise agreed.

(b) Interest Rate Risk

	2002			Weighted Average Interest Rate Percent	2001			Weighted Average Interest Rate Percent
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000		Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000	
Financial Assets:								
Cash at bank	40	-	40	4.39	(76)	-	(76)	5.77
Investments	44 942	-	44 942	1.6	45 708	-	45 708	6.5
Receivables	-	211	211		-	125	125	
Total	44 982	211	45 193		45 632	125	45 757	
Financial Liabilities:								
Payables	-	559	559		-	533	533	
Total	-	559	559		-	533	533	

(c) Net Fair Values

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value. The carrying amount of Financial Assets approximates net fair value due to their short term maturity or being receivable on demand. The carrying amount of Financial Liabilities is considered to be a reasonable estimate of net fair value.

PUBLIC TRUSTEE SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Public Trustee Act 1995

The Public Trustee is a body corporate established pursuant to the provisions of the *Public Trustee Act 1995*. The duties and responsibilities of the Public Trustee which include administering the estates of deceased and protected persons are detailed in the Act. Those obligations include to:

- provide comprehensive, value added trustee, estate management, will-making and related services to clients;
- ensure that clients have prudent investment strategies based on an effective funds management structure which optimises returns on those investments;
- ensure that clients receive quality legal representation, advice and legal services in compliance with relevant legislation.

Trustee (Investment Powers) Amendment Act 1995

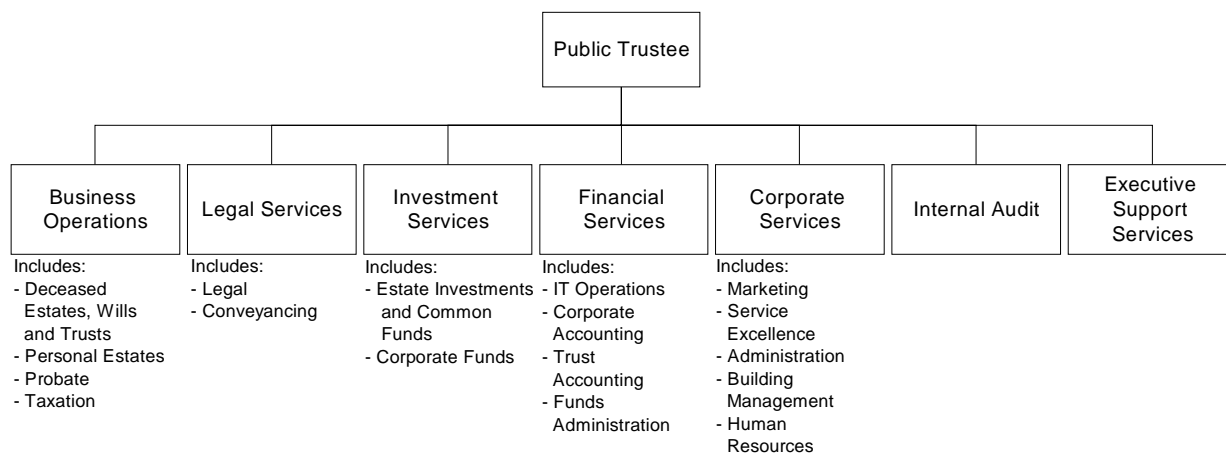
The Public Trustee has, in accordance with the *Trustee (Investment Powers) Amendment Act 1995*, a diversified funds management operation.

The Public Trustee has in place the following sector common funds investment structure:

- Cash Common Fund
- Short Term Fixed Interest Common Fund
- Long Term Fixed Interest Common Fund
- Australian Shares Common Fund
- Listed Property Securities Common Fund
- Overseas Shares Common Fund
- Overseas Fixed Interest Common Fund.

Organisation Structure

The structure of the Public Trustee Office is shown in the following diagram:



SIGNIFICANT FEATURES

Corporate Operations

- The profit from ordinary activities before notional tax was \$2.8 million (\$2.9 million).
- Total distributions available to the State Government were \$2.2 million (\$2.5 million).

Statement of Trusts

- Total trust funds under administration decreased by \$16.1 million (2.4 percent) to \$644.3 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsections 26(2), 30(2) and 50(2) of the *Public Trustee Act 1995*, provide for the Auditor-General to audit the accounts of the Public Trustee in respect of each financial year.

Scope of Audit

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

During 2001-02 the following areas were the subject of audit attention:

Corporate Operations:

- | | |
|-----------------------------------|------------------|
| • budgetary control | • salaries |
| • accounts payable | • investments |
| • revenue, receipting and banking | • general ledger |
| • accounts receivable | • fixed assets. |

Estate Operations:

- | | |
|---------------|----------------|
| • revenue | • assets |
| • expenditure | • liabilities. |

Common Funds:

- | | |
|---|---------------------------------------|
| • investment policy and strategy | • management reporting and monitoring |
| • investments (purchases and sales, valuation and income) | • expenditure |
| • custodial and fund management | • distributions |
| | • contributor funds. |

Investment Advisory Board Minutes.

In addition, Audit reviewed:

- the work undertaken by the Internal Audit division;
- procurement practices.

Audit Communications to Management

A management letter communicating issues arising from the audit was forwarded to the Public Trustee in September 2002. The main issue raised by Audit related to procurement practices and relationships with key agencies. Further comments are included in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

An assessment of the extent and nature of the Public Trustee's internal control structure, conducted as part of the audit planning process, found the level of controls to be satisfactory. This assessment was made prior to the performance of audit testing and, was confirmed by the results of the audit for the 2001-02 year. The assessment took into account the extent of coverage given by Internal Audit to Public Trustee operations.

Procurement Review

As part of the audit of the Public Trustee a review was conducted into Public Trustee procurement practices and relationships with key agencies.

It was disclosed that the Public Trustee did not form part of the Department of Justice Accredited Purchasing Unit and did not have direct accreditation from the State Supply Board. Reliance for exemption from the *State Supply Act 1995* (the Act) had been placed on provisions of the *Public Trustee Act 1995*.

Shortly after Audit's preliminary review, Crown Law advice was received indicating that the provisions of the Act applied to many of the activities of the Public Trustee. As a result, the Public Trustee has sought further legal opinion on specific applications of the Act in light of the requirements of the *Public Trustee Act 1995*.

Audit understands that the Public Trustee intends to work with, and be included in the Department of Justice Accredited Purchasing Unit for future procurement activities that fall within the requirements of the Act.

CONTROLS OPINION

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

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

FINANCIAL STATEMENTS

The Financial Statements are divided into three separate reporting entities, being the:

- Corporate Statements
- Statement of Trusts being Administered
- Common Funds Statements.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Corporate Statements

Statement of Financial Performance

Operating Result

The profit from ordinary activities before notional tax remained stable at \$2.8 million (\$2.9 million). This result reflects corresponding increases in revenue and expenditure from ordinary activities.

The after tax profit was \$2 million (\$1.8 million).

Of the \$12.5 million incurred on expenses from ordinary activities, 64 percent represents salaries and related payments.

Statement of Trusts Being Administered

Trust funds administered by the Public Trustee decreased to \$644.3 million (\$660.4 million), of which 41 percent (43 percent) relates to the administration of protected estates and aged and infirmed persons. Further, of the total funds being administered, 77 percent (76 percent) were invested in the various common funds, the remaining 23 percent (24 percent) represents estate assets.

Common Funds

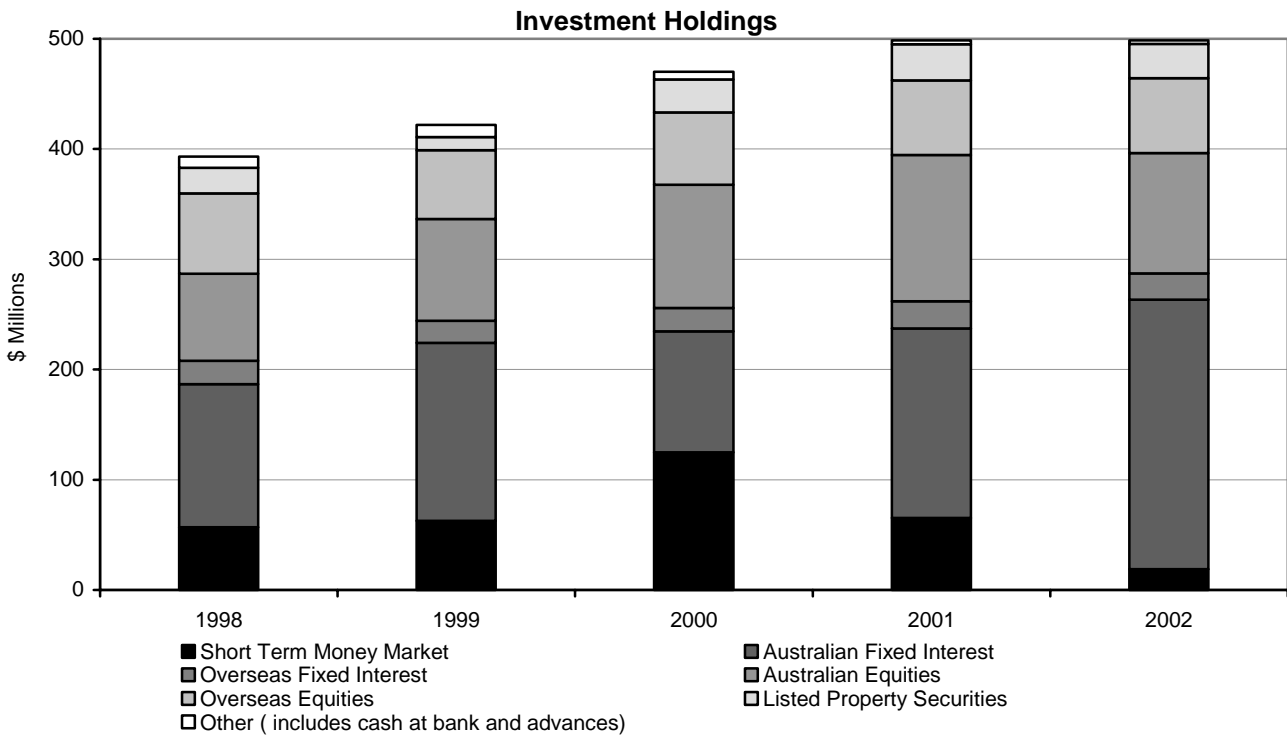
Statement of Financial Performance

All common funds, with the exception of the Australian Shares and Overseas Shares common funds, made an operating surplus for the year. The operating deficits for the Australian Shares and Overseas Shares common funds were \$7 million (operating surplus \$13.4 million) and \$19.8 million (operating deficit \$4.4 million), respectively. The operating deficits reflects the decrease in the market value of equities during the year.

Under section 20 of the *Public Trustee Act 1995*, the Public Trustee has the ability to accept investments from persons other than estates. Investments from persons other than estates represents 15.6 percent (14.3 percent) of the total trust funds being administered.

Financial assets comprising the common funds are valued at market value as disclosed in Note 1.3 to the financial statements.

The common funds are invested in various securities. The level of holdings for each of these investments for the last five years is illustrated in the following chart.



CORPORATE STATEMENTS

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Core activities	2.1	13 756	12 584
Other activities	2.2	1 552	1 474
Total Revenue		15 308	14 058
EXPENDITURE FROM ORDINARY ACTIVITIES:			
Salaries and related payments	3.1,3.2,3.3	7 993	7 368
Goods and services	3.4,3.5	2 545	2 218
Building expenses		428	390
Depreciation and amortisation		898	812
Unrealised loss on investments		147	340
Loss on disposal of investments		517	11
Total Expenditure		12 528	11 139
PROFIT FROM ORDINARY ACTIVITIES BEFORE NOTIONAL TAX		2 780	2 919
Income tax equivalent	1.3	(795)	(1 108)
PROFIT FROM ORDINARY ACTIVITIES AFTER NOTIONAL TAX		1 985	1 811
NET PROFIT		1 985	1 811
Net increase in asset revaluation reserve	11	13	188
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		1 998	1 999

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets		4 531	1 407
Receivables	4	553	665
Investments	5	-	997
Total Current Assets		5 084	3 069
NON-CURRENT ASSETS:			
Investments	5	7 284	8 985
Property, plant and equipment	7	7 425	7 669
Other	8	14	14
Total Non-Current Assets		14 723	16 668
Total Assets		19 807	19 737
CURRENT LIABILITIES:			
Payables	9	2 344	2 937
Provision for employee entitlements	10	463	478
Total Current Liabilities		2 807	3 415
NON-CURRENT LIABILITIES:			
Payables	9	241	243
Provision for employee entitlements	10	1 671	1 647
Total Non-Current Liabilities		1 912	1 890
Total Liabilities		4 719	5 305
NET ASSETS		15 088	14 432
EQUITY:			
Reserves	11	6 356	6 399
Retained profits	14	8 732	8 033
TOTAL EQUITY		15 088	14 432

Statement of Cash Flows for the year ended 30 June 2002

		2002	2001
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Fees and commissions received		13 781	12 584
Rent and sundry income received		761	757
Interest received		422	357
Dividends/distributions received		69	369
Grant received		278	-
GST collected on revenue		1 484	1 327
Cash Receipts from Operating Activities		16 795	15 394
Payment to suppliers, clients and employees		(11 128)	(10 403)
Income tax equivalent paid to State Government		(1 164)	(884)
GST paid to suppliers		(362)	(376)
GST paid to ATO		(1 046)	(717)
Cash Payments in the Course of Operations		(13 700)	(12 380)
Net Cash provided by Operating Activities	12	3 095	3 014
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of equipment		3	218
Sale/redemption of shares and fixed interest securities		19 989	3 400
Payment for shares and fixed interest securities		(17 955)	(4 908)
Payment for plant and equipment		(640)	(1 204)
Net Cash provided by (used in) Investing Activities		1 397	(2 494)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividend distribution to State Government		(1 368)	(1 147)
Net Cash used in Financing Activities		(1 368)	(1 147)
NET INCREASE (DECREASE) IN CASH HELD		3 124	(627)
CASH AT 1 JULY		1 407	2 034
CASH AT 30 JUNE	13	4 531	1 407

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Principal Accounting Policies

1.1 General

The Public Trustee is a body corporate established pursuant to provisions of the *Public Trustee Act 1995*. The duties and responsibilities of the Public Trustee, which include administering the estates of deceased and protected persons, are detailed in that Act.

1.2 Basis of Accounting

The corporate financial statements are a general purpose financial report and have been prepared in accordance with Treasurer's Instructions issued pursuant to the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and Urgent Issues Group Consensus Views. The financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied, unless otherwise stated. Comparative figures have been adjusted to conform to changes in presentations where required by the above authorities.

1.3 Distribution to Government

The *Public Trustee Act 1995*, through the provision of sections 47 and 48, provides for the payment to Government of taxation equivalents and dividends. Under agreement with the Department of Treasury and Finance, the Public Trustee applies the Accounting Profits Tax Model, which includes payment for an Income Tax Equivalent of \$795 000 (\$1 108 000).

1.4 Basis of Valuation

Non-current assets and liabilities with the exception of property, plant and equipment are carried at net fair value.

Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or at independent valuation, less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Property, plant and equipment excluding land are depreciated or amortised on a straight-line basis over their estimated useful lives, commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Assets:	Depreciation Rate Percent
Building	2.17
Machines and equipment	20-27
Office furniture and fittings	33.33

Financial Instruments

Financial instruments are carried at net fair value determined as below:

Cash – is valued at nominal amounts. This asset consists of cash at bank and on hand.

Investments – on acquisition are brought to account at cost and subsequently revalued at the balance date to market value. Fixed Interest Investments are valued at their current market value based on independently obtained market yields applying at the balance date. Australian and International equities are valued at the redemption prices established by the managers of the collective investment vehicles in which Public Trustee has invested.

Other Non-Current Assets – are valued at market value based on the present value of expected future cash flows.

Receivables and Creditors – are valued on an historical cost basis and it is considered that carrying value approximates market value.

1.5 Employee Entitlements

Provision has been made in the Financial Statements, where stated, for Public Trustee's liability for employee entitlements arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees (viz payroll tax and superannuation contributions) have been included under 'payables'. (Refer Note 9).

Annual Leave

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

Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by Public Trustee employees up to balance date. The liability has been calculated at nominal amounts based on current salary rates. The Department of Treasury and Finance have advised that a benchmark of eight years can be used for a shorthand estimation of long service leave liability in accordance with the provisions of the Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. This advice has been adopted and the long service leave liability has been calculated on that basis. The current liability portion has been based on the past history of annual payments.

Sick Leave

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

1.6 Insurance

Public Trustee has insured for risks through the State Government's insurers SAICORP.

1.7 Accounting for the Goods and Services Tax (GST)

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

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

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

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

1.8 Rounding

Amounts have been rounded to the nearest \$1 000.

2. Revenue		2002	2001
2.1 Core Operating Activities Comprise		\$'000	\$'000
Commissions ⁽¹⁾		7 328	6 617
Fees and charges ⁽¹⁾		1 530	1 284
Management fees ⁽²⁾		4 898	4 683
		13 756	12 584
2.2 Other Operating Activities Comprise		2002	2001
		\$'000	\$'000
Rent and other building income		751	745
Sundry income		4	13
Interest on operating and reserve accounts		63	87
Interest on fixed term investments ⁽¹⁾		366	280
Distributions from trusts ⁽²⁾		87	248
Grant income ⁽³⁾		278	-
Gain on disposal of fixed assets ⁽⁴⁾		3	2
Gain on disposal of investments		-	99
		1 552	1 474

(1) Commissions and fees are charged against estates pursuant to section 45 of the *Public Trustee Act 1995*.

(2) A management fee is charged against common funds at the rate of one-twelfth of one percent of the value of each fund as at the first business day of the month.

2.2 Other Operating Activities Comprise (continued)

- (1) Interest on Fixed Interest Investments includes amortisation of acquisition discounts and premiums on a straight line basis.
- (2) Distributions from trusts are recognised on a present entitlement basis.
- (3) Grant received for reporting software.
- (4) The gain or loss on disposal of all fixed assets, including revalued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in operating profit before income tax in the year of disposal. Any realised valuation increment relating to the disposed asset, which is included in the revaluation reserves, is transferred to reserves.

3. Expenditure

3.1 Superannuation

During 2001-02 Public Trustee paid an amount of \$738 000 (\$702 000) to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of its employees.

3.2 Remuneration of Employees

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

	2002 Number of Employees	2001 Number of Employees
\$100 001 - \$110 000	-	1
\$130 001 - \$140 000	-	1
\$200 001 - \$210 000	1	-

Total remuneration received or due and receivable by employees was \$205 000 (\$242 000).

3.3 Targeted Voluntary Separation Packages (TVSPs)

	2002 \$'000	2001 \$'000
TVSPs paid to employees during the reporting period	279	111
Recovery from the Department of the Premier and Cabinet in respect of TVSPs	303	87
Annual and long service leave accrued over the period of employment paid to the employees who received TVSPs	83	57

The number of employees who were paid TVSPs during the reporting period totalled 5 (2).

3.4 Auditors' Remuneration

Amounts paid to auditors during the year for auditing the accounts.

87	83
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3.5 Payments to Consultants

Below \$10 000: 29 (17) consultancies	25	52
Between \$10 000 and \$50 000: 2 (3) consultancies	39	61
	64	113

4. Receivables

Debtors	427	530
Accrued investment income	98	73
Prepayments	28	62
	553	665

5. Investments

Public Trustee is required pursuant to subsection 46(2)(c) of the *Public Trustee Act 1995* to obtain the Treasurer's approval as to the manner of investment of corporate funds.

Short term investments	-	997
Australian fixed interest	4 377	4 428
International equities	658	1 850
Australian equities	2 249	2 707
	7 284	9 982

6. Financial Instruments

6.1 Market Value of Financial Assets and Liabilities

Financial instruments are carried at market value based upon the valuation policies set out in Note 1.4. The aggregate carrying amounts for each class of financial instrument are as disclosed within the Notes to the Financial Statements.

Investments in Australian Fixed Interest are readily traded on organised markets in standardised form. The value of these investments is disclosed in Note 5.

Other classes of financial instruments are not readily traded on organised markets in standardised form.

6.2 Investment in Collective Investment Vehicles

In addition to holding financial instruments directly, Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and International Equities. The managers of such vehicles will have invested in a variety of financial instruments, including derivatives, which expose Public Trustee to investment risks, including market risk, credit risk, interest rate risk and currency risk. The Public Trustee has assessed the investment rules of these collective investments and determined their suitability as investments.

Disclosures in subsequent subsections of this Note do not include exposures to financial instruments held within these collective investment vehicles.

6.3 Credit Risk

The maximum exposure to credit risk, excluding any collateral or other security, at the balance date to financial instruments is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

Public Trustee has no exposure to derivative instruments.

Credit risk arises primarily with the following classes of counterparties: Banking Corporations

6.4 Interest Rate Risk

Financial assets and liabilities subject to interest rate risk are disclosed below. All other financial instruments are non-interest bearing.

	Weighted Average Interest Rate		Instruments Maturing or Re-ricing Within					
			1 Year or Less		1-5 Years		Over 5 Years	
	2002 Percent	2001 Percent	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Cash	4.17	4.65	4 531	1 407	-	-	-	-
Short term investments	-	5.04	-	997	-	-	-	-
Australian fixed interest	5.55	5.85	1 999	1 997	-	-	2 378	2 431

7. Property, Plant and Equipment	2002 \$'000	2001 \$'000
Machines and equipment at historical cost	3 491	3 935
Less: Accumulated depreciation	2 537	2 917
	954	1 018
Office furniture and fittings at historical cost	1 561	1 404
Less: Accumulated depreciation	1 010	673
	551	731
Land at independent valuation as at 30 June	850	650
Building at independent valuation as at 30 June	5 070	5 270
Total Property, Plant and Equipment	7 425	7 669

During the year, the Public Trustee building was revalued to recoverable amount. The value of land and building was established by an independent valuation performed by Colliers Jardine as at 30 June 2002. This resulted in an increment to the valuation totalling \$13 000 (increment \$239 000) which was adjusted against the revaluation reserve.

8. Other Non-Current Assets

During 1995-96 an amount of \$14 000 became payable to Public Trustee from the State Superannuation Fund for superannuation held on behalf of an ex-employee, payable 12 January 2003.

9. Payables

	2002 \$'000	2001 \$'000
Current Liabilities:		
Trade creditors	342	599
Goods and Services Tax	309	233
Dividend due to State Government	1 342	1 368
On-costs on employee entitlements	111	127
Income tax equivalent due	240	610
	2 344	2 937
Non-Current Liability:		
On-costs on employee entitlements	241	243

10. Provision for Employee Entitlements

	2002 \$'000	2001 \$'000
Current Liabilities:		
Provision for long service leave	167	200
Accrued recreation leave	296	278
	463	478
Non-Current Liability:		
Provision for long service leave	1 671	1 647

11. Reserves

The balance of reserves, and the transfers to (from) reserves, which were brought through the Statement of Financial Position is as follows:

	Balance 1.7.01 \$'000	Transfers to (from) 2001-02 \$'000	Balance 30.6.02 \$'000
Other Reserves comprise:			
Reserve for deficits and other losses ⁽¹⁾	626	(69)	557
Workers compensation reserve ⁽²⁾	343	13	356
Transferred to retained profits	969	(56)	913
Revaluation Reserve comprises:			
Land and building revaluation reserve ⁽³⁾	4 571	13	4 584
Machines and equipment revaluation reserve	859	-	859
Total Reserves	6 399	(43)	6 356

(1) Payments amounting to \$69 000 (\$43 000) were made from the Reserve for Deficits and Other Losses.

(2) Public Trustee has established a reserve for workers compensation to cover the expenses incurred during the first two years of any claim, the balance being met by Government Workers Rehabilitation and Compensation Office. The yearly increment to the reserve is the nominal premium that would otherwise be paid to WorkCover. Workers Compensation reserve transfer represent the increment to the reserve of \$28 000 (\$26 000) less claims of \$15 000(\$19 000).

(3) Land and Building was revalued to recoverable amount as at 30 June 2002.

12.	Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Notional Tax	2002	2001
		\$'000	\$'000
	Operating Profit after Notional Tax	1 985	1 811
	Non-cash flows in operating profit after notional tax:		
	Depreciation and amortisation	898	812
	(Gain) on sale of equipment	(3)	(2)
	Unrealised loss on revaluation of investments	147	340
	Net (gain) loss on sale of investments	517	(88)
	Change in assets and liabilities:		
	Decrease in sundry debtors	112	33
	(Decrease) in sundry creditors	(231)	(147)
	Increase in provision for employee entitlements and on-costs	39	31
	(Decrease) Increase in provision for income tax	(369)	224
	Net Cash provided by Operating Activities	3 095	3 014

13. Reconciliation of Cash
For the purpose of the Statement of Cash Flows, cash comprises the Statement of Financial Position item of Cash.

14.	Retained Profits	2002	2001
		\$'000	\$'000
	Retained profits at 1 July	8 033	7 554
	Net profit	1 985	1 811
	Transfers from reserves	56	36
	Special dividend provided for	(1 342)	(1 368)
	Retained Profits at 30 June	8 732	8 033

STATEMENT OF TRUSTS BEING ADMINISTERED

Statement of Trusts being Administered as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
TRUST FUNDS UNDER ADMINISTRATION WERE:	3		
Deceased estates		108 048	100 993
Trusts		85 083	90 998
Administration matters		4 309	4 916
Court award orders		31 019	34 341
Protected estates		112 079	120 258
Aged and infirmed persons		151 981	162 055
Workers compensation awards		119	350
Powers of attorney		50 965	52 225
Investors		100 714	94 210
Suspense		23	62
TOTAL FUNDS		644 340	660 408
THESE FUNDS WERE REPRESENTED BY:			
INVESTMENT IN COMMON FUNDS:	1,3,2		
NON-CURRENT ASSETS:			
Australian equities		109 036	132 589
International equities		67 955	67 613
Listed property securities		31 158	33 002
Australian fixed interest investments		161 844	141 965
International fixed interest investments		23 969	22 710
		393 962	397 879
CURRENT ASSETS:			
Cash at bank		608	1 485
Short-term money market		18 944	65 460
Australian fixed interest investments		82 522	29 744
International fixed interest investments		-	2 036
Advances to estates		1 729	1 822
Sundry debtors		5 774	6 830
Distributions chargeable against future income		-	148
		109 577	107 525
CURRENT LIABILITIES:			
Bank overdraft		2 632	1 542
Income distribution payable		1 882	1 261
Sundry creditors		450	353
		4 964	3 156
NET INVESTMENT IN COMMON FUNDS		498 575	502 248
ESTATE ASSETS:	1,2		
NON-CURRENT ASSETS:			
Real estate		114 835	112 602
Personal chattels		11 685	11 444
Australian equities		8 311	22 658
Fixed interest and cash assets		13 355	13 425
Mortgages		780	784
		148 966	160 913
CURRENT ASSETS:			
Sundry debtors		735	973
CURRENT LIABILITIES:			
Sundry creditors		3 936	3 726
NET ESTATE ASSETS		145 765	158 160
NET ASSETS		644 340	660 408

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENT

1. Statement of Principal Accounting Policies

1.1 *Format of the Accounts*

The Statement of Trusts Being Administered and related Notes are a special purpose financial report prepared to provide information on the value and nature of trusts being administered. The statement consolidates all trusts being administered by Public Trustee. As this Statement is a special purpose financial report, there is no requirement to apply Accounting Standards and other mandatory reporting requirements in the preparation and presentation of this statement.

Public Trustee has prepared the statement in accordance with Treasurer's instructions issued pursuant to the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and Urgent Issues Group Consensus Views with the exception of :

AASB 1018	Statement of Financial Performance
AASB 1026	Statement of Cash Flows
AASB 1040	Statement of Financial Position.

Statements required by these standards are not prepared.

1.1 Format of the Accounts (continued)

The Statement of Trusts being administered has been prepared using the accrual basis of accounting. Dividend income is recognised on the date that shares are quoted as ex-dividend. Distributions from trusts are recognised on a present entitlement basis.

1.2 Basis of Valuation for Estate Assets

Real Estate – for deceased estates, valuation as at date of death; in other matters, valuation as at date of Public Trustee being appointed manager, administrator or new trustee. Public Trustee revalues all real estate other than accommodation bonds every three years wherever a current valuation is not held. Such revaluations are determined by reference to valuations established by the Valuer-General, with a revaluation last being carried out as at 30 June 2001. Accommodation bonds are revalued annually by reference to the terms of the Residential Services Agreements.

Personal Chattels – for deceased estates, valuation as at date of death; in other matters, valuation as at date of Public Trustee being appointed manager, administrator or new trustee. In the case of some sundry minor assets, nominal values are used for valuation purposes.

Investment by Estates in Common Funds – valuation of estate investment in common funds is based on the underlying net asset value of common funds as at balance date.

Other Estate Investments – investments other than equities are shown at their face value. Valuation is performed at the date of the Public Trustee being appointed manager, administrator, new trustee or at the date of death in the case of deceased estates. Equities are valued at market value as at the balance date.

1.3 Basis of Valuation of Common Fund Assets and Liabilities

Australian Equities and Listed Property Trusts – are valued at market value based on the Australian Stock Exchange listed last sale price at the balance date. Investments in pooled investment funds are valued in accordance with unit prices at the balance date as advised by the managers of the funds.

International Equities – discretely held investments are valued at market value by Public Trustee's external custodian using independently sourced prices and foreign exchange rates. Investments in pooled investment funds are valued in accordance with unit prices at the balance date as advised by the managers of the funds.

Australian Fixed Interest Investments – are valued at market value based on independently obtained market yields applying at the balance date.

International Fixed Interest Investments – consists of investments in pooled funds which are valued in accordance with prices at the balance date as advised by the managers of the funds.

Advances to Estates – are carried at their nominal amounts. Public Trustee is authorised by the *Public Trustee Act 1995* to advance monies where an estate has insufficient monies to make payments as authorised or required to administer the estate, usually on a short term basis. Funds advanced are a first charge on the estate's property vested under the control of the Public Trustee. The Interest rate on advances was last fixed on 7 June 2002 by the Public Trustee.

Cash at Bank – is carried at nominal amounts, translated at prevailing exchange rates where applicable. This asset consists of cash at bank and on hand.

Short Term Money Market – deposits are carried at their nominal amounts. Bills of exchange are valued at net fair value, based on independently sourced market yields prevailing at the balance date.

Sundry Debtors and Creditors – are carried at their nominal amounts.

Derivative Instruments – open positions in derivative instruments such as futures, options and forward exchange contracts are valued at market prices prevailing at the balance date. Derivative instruments are recorded in the common funds' Statements of Financial Position against the asset classes appropriate to the nature of asset they are replicating. Unrealised gains and losses arising on the revaluation of derivative instruments are brought to account as part of change in the net market value of investments in the common funds' Statements of Financial Performance.

2. Operation of the Common Fund

Common funds managed by Public Trustee have been established pursuant to section 29 of the *Public Trustee Act 1995*, or its predecessor legislation. Financial statements for each common fund are presented within the annual report of the Public Trustee.

Investment in common funds (with the exception of direct investment in the Cash Common Fund) is by way of notional unit holdings in the common funds. Contributors may invest in the Cash Common Fund or alternately investment in a selection of common funds in proportions determined by one or more of the following standard investment strategies provided by Public Trustee:

- Capital stable
- Balanced
- Growth
- Equities

3. Trust Funds under Administration	Number		Value	
	2002	2001	2002 \$'000	2001 \$'000
Deceased Estates:				
Monies and assets held under the administration of the Public Trustee pursuant to the provision of the <i>Public Trustee Act 1995</i> .	1 334	1 434	108 048	100 993
Trusts:				
Monies and assets held under the administration of the Public Trustee pursuant to the terms of a Will or a Deed of Trust.	1 305	1 345	85 083	90 998
Administration Matters:				
Monies paid and assets transferred to the Public Trustee on account of minor beneficiaries pursuant to <i>Public Trustee Act 1995</i> .	129	147	4 309	4 916
Court Award Orders:				
Monies directed by the Court to be paid to the Public Trustee on behalf of clients and invested and applied by the Public Trustee as the Court directs.	691	706	31 019	34 341
Aged and Infirm Persons':				
Monies administered by the Public Trustee under the <i>Aged and Infirm Persons' Property Act 1940</i> .	241	230	151 981	162 055
Protected Estates:				
Monies administered by the Public Trustee under the <i>Guardianship and Administration Act 1993</i> .	2 483	2 488	112 079	120 258
Workers Compensation Awards:				
Monies directed by the Court to be paid to the Public Trustee on behalf of widows and minors and invested and applied by the Public Trustee as the Court directs.	9	13	119	350
Powers of Attorney:				
Monies and assets held on behalf of donors who have appointed the Public Trustee to act on their behalf.	609	646	50 965	52 225
Investors:				
Monies invested in common funds pursuant to section 29(1) of the <i>Public Trustee Act 1995</i> , by classes of persons approved by the Minister.	362	248	100 714	94 210
	7 163	7 257	644 317	660 346

4. **Unclaimed Monies**

During the reporting period, unclaimed monies totalling \$32 000 (\$250 000) in respect of estates were paid to the Consolidated Account pursuant to section 32(1) of the *Public Trustee Act 1995*.

COMMON FUNDS STATEMENTS
CASH COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
INCOME:			
Interest	2	8 689	10 411
Realised gain on disposal of investments	3	8	1 021
Other income		1	-
Total Income		8 698	11 432
EXPENDITURE:			
Public Trustee management fees	5	1 753	1 721
Government fees and charges		80	99
Legal and advisory expenses		22	34
Realised loss on disposal of investments	3	233	1 023
Other expenses		44	43
Total Expenditure		2 132	2 920
Change in the net market value of investments	4	(375)	294
OPERATING SURPLUS		6 191	8 806
Undistributed income brought forward		17	2
Transfers from funds employed to determine distributable income	10	600	(293)
FUNDS AVAILABLE FOR DISTRIBUTION		6 808	8 515
Less: Distributions made	6	6 789	8 498
INCOME HELD AWAITING DISTRIBUTION		19	17

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash at bank		24	22
Short-term money market		18 944	65 460
Australian fixed interest investments		80 011	29 744
Advances to estates		1 729	1 822
Advances to other common funds		371	437
Sundry debtors		1 954	909
		103 033	98 394
NON-CURRENT ASSETS:			
Australian fixed interest investments		83 341	56 570
Total Assets		186 374	154 964
CURRENT LIABILITIES:			
Income distribution payable		19	17
Bank overdraft		2 632	1 542
Sundry creditors		445	326
Total Liabilities		3 096	1 885
NET ASSETS		183 278	153 079
FUNDS EMPLOYED:			
Contributors funds	10	168 196	140 840
Funds deposited by other common funds		15 880	12 437
Reserves		(798)	(198)
TOTAL FUNDS EMPLOYED		183 278	153 079

Statement of Cash Flows for the year ended 30 June 2002

		2002	2001
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Interest received		8 266	10 561
Other income		1	-
Payments for expenses		(1 910)	(1 911)
Net Cash provided by Operating Activities	11.1	6 357	8 650
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net repayments of advances to estates	11.4	93	188
Payments for Australian fixed interest investments		(101 846)	(51 515)
Proceeds from realisations of Australian fixed interest investments		32 750	12 000
Payments for short term money market investments		(93 334)	(83 975)
Proceeds from realisations of short term money market investments		130 690	142 972
Net Cash (used in) provided by Investing Activities		(31 647)	19 670
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net contributions from contributors	11.4	27 482	2 070
Net contributions from (to) other common funds	11.4	3 509	(22 709)
Distributions paid		(6 789)	(8 498)
Net Cash provided by (used in) Financing Activities		24 202	(29 137)
NET DECREASE IN CASH HELD		(1 088)	(817)
CASH AT 1 JULY	11.2	(1 520)	(703)
CASH AT 30 JUNE	11.2	(2 608)	(1 520)

SHORT-TERM FIXED INTEREST COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2002

		2002	2001
INCOME:	Note	\$'000	\$'000
Interest	2	1 856	1 967
Realised gain on disposal of investments	3	-	491
Total Income		1 856	2 458
EXPENDITURE:			
Public Trustee management fees	5	260	255
Government fees and charges		-	9
Legal and advisory expenses		3	5
Realised loss on disposal of investments	3	32	458
Total Expenditure		295	727
Change in the net market value of investments	4	(36)	2
OPERATING SURPLUS		1 525	1 733
Undistributed income brought forward		-	1
Transfers from funds employed to determine distributable income	10	68	(35)
FUNDS AVAILABLE FOR DISTRIBUTION		1 593	1 699
Less: Distributions made	6	1 592	1 699
INCOME HELD AWAITING DISTRIBUTION		1	-

Statement of Financial Position as at 30 June 2002

		2002	2001
CURRENT ASSETS:	Note	\$'000	\$'000
Deposits with cash common fund		12 903	6 155
Australian fixed interest investments		2 511	-
Sundry debtors		225	377
		15 639	6 532
NON-CURRENT ASSETS:			
Australian fixed interest investments		18 558	28 128
Total Assets		34 197	34 660
CURRENT LIABILITIES:			
Income distribution payable		1	-
Sundry creditors		-	2
Total Liabilities		1	2
NET ASSETS		34 196	34 658
FUNDS EMPLOYED:	10		
Contributors funds		34 889	35 283
Reserves		(693)	(625)
TOTAL FUNDS EMPLOYED		34 196	34 658

Statement of Cash Flows for the year ended 30 June 2002

		2002 Inflows (Outflows)	2001 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Interest received		2 257	2 745
Payments for expenses		(264)	(270)
Net Cash provided by Operating Activities	11.1	1 993	2 475
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Australian fixed interest investments		(3 259)	(18 794)
Proceeds from realisations of Australian fixed interest investments		10 000	16 240
Proceeds from repayments of mortgages		-	170
Net Cash provided by (used in) Investing Activities		6 741	(2 384)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		3 879	8 444
Redemptions paid to contributors		(4 273)	(6 833)
Distributions paid		(1 592)	(1 698)
Net Cash used in Financing Activities		(1 986)	(87)
NET INCREASE IN CASH HELD		6 748	4
CASH AT 1 JULY	11.2	6 155	6 151
CASH AT 30 JUNE	11.2	12 903	6 155

LONG TERM FIXED INTEREST COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2002

		2002 \$'000	2001 \$'000
INCOME:	Note	\$'000	\$'000
Interest	2	3 696	3 756
Realised gain on disposal of investments	3	-	113
Total Income		3 696	3 869
EXPENDITURE:			
Public Trustee management fees	5	619	478
Government fees and charges		-	6
Legal and advisory expenses		8	10
Realised loss on disposal of investments	3	19	59
Total Expenditure		646	553
Change in the net market value of investments	4	99	(171)
OPERATING SURPLUS		3 149	3 145
Undistributed income brought forward		-	2
Transfers from funds employed to determine distributable income	10	(80)	118
FUNDS AVAILABLE FOR DISTRIBUTION		3 069	3 265
Less: Distributions made	6	3 068	3 265
INCOME HELD AWAITING DISTRIBUTION		1	-

Statement of Financial Position as at 30 June 2002

		2002 \$'000	2001 \$'000
CURRENT ASSETS:	Note	\$'000	\$'000
Deposits with cash common fund		1 198	4 353
Sundry debtors		863	897
		2 061	5 250
NON-CURRENT ASSETS:			
Australian fixed interest investments		59 945	57 267
Total Assets		59 945	57 267
		62 006	62 517
CURRENT LIABILITIES:			
Income distribution payable		1	-
Sundry creditors		1	4
Total Liabilities		2	4
NET ASSETS		62 004	62 513
FUNDS EMPLOYED:	10		
Contributors funds		62 447	63 037
Reserves		(443)	(524)
TOTAL FUNDS EMPLOYED		62 004	62 513

Statement of Cash Flows for the year ended 30 June 2002

		2002	2001
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Interest received		4 326	4 190
Payments for expenses		(630)	(500)
Net Cash provided by Operating Activities	11.1	3 696	3 690
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Australian fixed interest investments		(5 193)	(28 073)
Proceeds from realisations of Australian fixed interest investments		2 000	7 061
Net Cash used in Investing Activities		(3 193)	(21 012)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		7 440	17 719
Redemptions paid to contributors		(8 030)	(18 436)
Distributions paid		(3 068)	(3 264)
Net Cash used in Financing Activities		(3 658)	(3 981)
NET DECREASE IN CASH HELD		(3 155)	(21 303)
CASH AT 1 JULY	11.2	4 353	25 656
CASH AT 30 JUNE	11.2	1 198	4 353

OVERSEAS FIXED INTEREST COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2002

		2002	2001
INCOME:	Note	\$'000	\$'000
Interest	2	1 153	1 116
Realised gain on disposal of investments	3	35	3 334
Other income		6	3
Total Income		1 194	4 453
EXPENDITURE:			
Public Trustee management fees	5	267	258
Legal and advisory expenses		3	5
Realised loss on disposal of investments	3	3	606
Other expenses		1	9
Total Expenditure		274	878
Change in the net market value of investments	4	280	(1 173)
OPERATING SURPLUS		1 200	2 402
Transfers (to) from funds employed to determine distributable income	10	(328)	809
FUNDS AVAILABLE FOR DISTRIBUTION		872	3 211
Less: Distributions made	6	871	3 211
INCOME HELD AWAITING DISTRIBUTION		1	-

Statement of Financial Position as at 30 June 2002

		2002	2001
CURRENT ASSETS:	Note	\$'000	\$'000
Sundry debtors		1 118	2 040
NON-CURRENT ASSETS:			
International fixed interest investments		23 968	22 710
Total Assets		25 086	24 750
CURRENT LIABILITIES:			
Income distributions payable		1	-
Borrowings from cash common fund		362	437
Sundry creditors		-	3
Total Liabilities		363	440
NET ASSETS		24 723	24 310
FUNDS EMPLOYED:	10		
Contributors funds		25 565	25 480
Reserves		(842)	(1 170)
TOTAL FUNDS EMPLOYED		24 723	24 310

Statement of Cash Flows for the year ended 30 June 2002

		2002 Inflows (Outflows)	2001 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Interest received		2 073	835
Payments for expenses		(272)	(274)
Net Cash provided by Operating Activities	11.1	1 801	561
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for international fixed interest investments		(2 040)	(35 256)
Proceeds from realisations of international fixed interest investments		1 100	32 308
Net Cash used in Investing Activities		(940)	(2 948)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		3 130	7 096
Redemptions paid to contributors		(3 045)	(6 515)
Distributions paid		(871)	(3 210)
Net Cash used in Financing Activities		(786)	(2 629)
NET INCREASE (DECREASE) IN CASH HELD		75	(5 016)
CASH AT 1 JULY	11.2	(437)	4 086
Effect of exchange rate changes on foreign cash holdings		-	493
CASH AT 30 JUNE	11.2	(362)	(437)

AUSTRALIAN SHARES COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2002

		2002	2001
INCOME:	Note	\$'000	\$'000
Dividends	2	5 705	4 278
Distributions	2	172	1 039
Interest	2	55	101
Realised gain on disposal of investments	3	2 969	1 661
Other income		18	6
Total Income		8 919	7 085
EXPENDITURE:			
Public Trustee management fees	5	1 318	1 240
Government fees and charges		-	6
Legal and advisory expenses		17	26
Realised loss on disposal of investments	3	5 319	2 276
Other expenses		10	-
Total Expenditure		6 664	3 548
Change in net market value of investments	4	(9 256)	9 823
OPERATING (DEFICIT) SURPLUS		(7 001)	13 360
Undistributed income brought forward		11	3
Transfers from (to) funds employed to determine distributable income	10	15 833	(9 836)
FUNDS AVAILABLE FOR DISTRIBUTION		8 843	3 527
Less: Distributions made	6	8 842	3 516
INCOME HELD AWAITING DISTRIBUTION		1	11

Statement of Financial Position as at 30 June 2002

		2002	2001
CURRENT ASSETS:	Note	\$'000	\$'000
Deposits with cash common fund		-	275
Sundry debtors		754	1 494
		754	1 769
NON-CURRENT ASSETS:			
Australian equities		109 036	132 589
		109 036	132 589
Total Assets		109 790	134 358
CURRENT LIABILITIES:			
Income distribution payable		1	11
Borrowings from cash common fund		9	-
Sundry creditors		1	8
Total Liabilities		11	19
NET ASSETS		109 779	134 339
FUNDS EMPLOYED:	10		
Contributors funds		87 359	96 087
Reserves		22 420	38 252
TOTAL FUNDS EMPLOYED		109 779	134 339

Statement of Cash Flows for the year ended 30 June 2002

		2002	2001
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Dividends and distributions received	Note 11.3	\$'000 5 166	\$'000 3 632
Interest received		55	101
Other income		12	4
Payments for expenses		(1 350)	(1 285)
Net Cash provided by Operating Activities	11.1	3 883	2 452
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Australian equities		(24 125)	(15 726)
Proceeds from realisations of Australian equities		37 528	5 490
Net Cash provided by (used in) Investing Activities		13 403	(10 236)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		13 607	27 102
Redemptions paid to contributors		(22 335)	(15 500)
Distributions paid		(8 842)	(3 516)
Net Cash (used in) provided by Financing Activities		(17 570)	8 086
NET (DECREASE) INCREASE IN CASH HELD		(284)	302
CASH AT 1 JULY	11.2	275	(27)
CASH AT 30 JUNE	11.2	(9)	275

OVERSEAS SHARES COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2002

		2002	2001
		\$'000	\$'000
INCOME:			
Dividends	Note 2	684	655
Distributions	2	349	-
Interest	2	90	89
Realised gain on disposal of investments	3	707	664
Other income		93	106
Total Income		1 923	1 514
EXPENDITURE:			
Public Trustee management fees	5	713	769
Government fees and charges		-	1
Legal and advisory expenses		9	16
Realised loss on disposal of investments	3	6 091	363
Other expenses		134	143
Total Expenditure		6 947	1 292
Change in the net market value of investments	4	(14 753)	(4 640)
OPERATING DEFICIT		(19 777)	(4 418)
Undistributed income brought forward		(148)	(69)
Transfers from funds employed to determine distributable income	10	21 164	4 699
FUNDS AVAILABLE FOR DISTRIBUTION		1 239	212
Less: Distributions made	6	1 238	360
INCOME HELD AWAITING DISTRIBUTION		1	(148)

Statement of Financial Position as at 30 June 2002

		2002	2001
		\$'000	\$'000
CURRENT ASSETS:			
Cash at bank	Note	584	1 463
Deposits with cash common fund		11	922
International fixed interest investments		-	2 036
Distributions chargeable against future income		-	148
Sundry debtors		455	604
		1 050	5 173
NON-CURRENT ASSETS:			
International equities		67 955	67 613
Total Assets		69 005	72 786
CURRENT LIABILITIES:			
Income distribution payable		1	-
Sundry creditors		3	8
Total Liabilities		4	8
NET ASSETS		69 001	72 778
FUNDS EMPLOYED:			
Contributors funds	10	74 401	57 014
Reserves		(5 400)	15 764
TOTAL FUNDS EMPLOYED		69 001	72 778

Statement of Cash Flows for the year ended 30 June 2002

		2002	2001
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
Dividends received		676	2 588
Interest received		90	89
Sundry income		11	6
Payments for expenses		(860)	(939)
Net Cash (used in) provided by Operating Activities	11.1	(83)	1 744
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for international equities		(40 965)	(9 003)
Proceeds from realisations of international equities		21 057	2 307
Payments for international fixed interest investments		-	(1 836)
Proceeds from realisations of international fixed interest investments		2 019	1 555
Net Cash used in Investing Activities		(17 889)	(6 977)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		23 917	17 315
Redemptions paid to contributors		(6 529)	(11 472)
Distributions paid		(1 238)	(360)
Net Cash provided by Financing Activities		16 150	5 483
NET (DECREASE) INCREASE IN CASH HELD		(1 822)	250
CASH AT 1 JULY	11.2	2 385	1 900
Effect of exchange rate changes on foreign cash holdings		32	235
CASH AT 30 JUNE	11.2	595	2 385

LISTED PROPERTY SECURITIES COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2002

		2002	2001
		\$'000	\$'000
INCOME:	Note		
Distributions	2	2 493	2 457
Interest	2	20	39
Realised gain on disposal of investments	3	478	833
Total Income		2 991	3 329
EXPENDITURE:			
Public Trustee management fee	5	358	331
Government fees and charges		-	6
Legal and advisory expenses		5	7
Realised loss on disposal of investments	3	36	427
Total Expenditure		399	771
Change in the net market value of investments	4	2 025	1 133
OPERATING SURPLUS		4 617	3 691
Undistributed income brought forward		1 233	1 473
Transfers to funds employed to determine distributable income	10	(1 529)	(1 139)
FUNDS AVAILABLE FOR DISTRIBUTION		4 321	4 025
Less: Distributions made	6	2 463	2 792
INCOME HELD AWAITING DISTRIBUTION		1 858	1 233

Statement of Financial Position as at 30 June 2002

		2002	2001
		\$'000	\$'000
CURRENT ASSETS:	Note		
Deposits with cash common fund		1 768	731
Sundry debtors		405	509
		2 173	1 240
NON-CURRENT ASSETS:			
Listed property securities		31 158	33 002
Total Assets		33 331	34 242
CURRENT LIABILITIES:			
Income distribution payable		1 858	1 233
Sundry creditors		-	2
Total Liabilities		1 858	1 235
NET ASSETS		31 473	33 007
FUNDS EMPLOYED:	10		
Contributors funds		27 240	30 304
Reserves		4 233	2 703
TOTAL FUNDS EMPLOYED		31 473	33 007

Statement of Cash Flows for the year ended 30 June 2002

		2002	2001
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Dividends and distributions received	Note	\$'000	\$'000
Interest received		2 580	1 431
Payments for expenses		20	40
Net Cash provided by Operating Activities	11.1	(347)	(364)
		2 253	1 107
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for listed property trusts		(3 818)	(7 802)
Proceeds from realisations of listed property trusts		8 129	7 205
Net Cash provided by (used in) Investing Activities		4 311	(597)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		3 705	8 068
Redemptions paid to contributors		(6 769)	(6 813)
Distributions paid		(2 463)	(2 792)
Net Cash used in Financing Activities		(5 527)	(1 537)
NET INCREASE (DECREASE) IN CASH HELD		1 037	(1 027)
CASH AT 1 JULY	11.2	731	1 758
CASH AT 30 JUNE	11.2	1 768	731

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Principal Accounting Policies

1.1 *Format of the Accounts*

The statements of Public Trustee's Common Funds and related Notes are a general purpose financial report and have been prepared in accordance with Treasurer's Instructions issued pursuant to the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and Urgent Issues Group Consensus Views.

The statements of the Common Funds have been prepared using the accrual basis of accounting.

1.2 *Operation of the Common Funds*

The Common Funds have been established pursuant to the *Public Trustee Act 1995* or its predecessor legislation. The following Common Funds were active for the whole of the current and comparative reporting periods:

- Cash Common Fund
- Short-Term Fixed Interest Common Fund
- Long-Term Fixed Interest Common Fund
- Overseas Fixed Interest Common Fund
- Australian Shares Common Fund
- Overseas Shares Common Fund
- Listed Property Securities Common Fund.

The Inflation Linked Investments Common Fund was again dormant throughout 2001-02, has nil assets and liabilities and has not been reported.

Investment in common funds (with the exception of direct investment in the Cash Common Fund) is by way of notional unit holdings in the common funds. Contributors may invest in the Cash Common Fund or alternately invest in a selection of common funds in proportions determined by one or more of the following standard investment strategies provided by Public Trustee:

- Capital Stable
- Balanced
- Growth
- Equities.

Management of common fund investments is undertaken by Public Trustee. External advisers have been appointed to assist with the management of some common fund assets. The following advisers were employed at 30 June 2002:

Adviser:
Dresdner Bank

Assets on which advice is taken:
International Equities

National Australia Bank Custodial Services was custodian for the period 1 July 2001 to 30 June 2002 and provides accounting and settlement services in relation to those international investments.

Australian and international equity investments, together with overseas fixed interest investments have also been made using Australian domiciled pooled funds. At 30 June 2002, the following pooled fund investments were held:

- Dresdner RCM International Equities Fund
- NCIT Capital International - Global Share Trust
- BIAM Australia Fixed International Equities Fund

1.2 Operation of the Common Funds (continued)

- BIAM Australia Fixed Interest Fund
- BNP Paribas FFTW Global Fixed Income Fund
- Investors Mutual Australian Smaller Companies Fund
- Perennial Value Smaller Companies Trust

1.3 Basis of Valuation of Common Fund Assets and Liabilities

Australian Equities and Listed Property Securities – are valued at market value based on the Australian Stock Exchange listed last sale price at the balance date. Investments in pooled investment funds are valued in accordance with unit prices at the balance date advised by the managers of the funds.

International Equities – discretely held investments are valued at market value by Public Trustee's external custodian using independently sourced prices and foreign exchange rates. Investments in pooled investment funds are valued in accordance with unit prices at the balance date as advised by the managers of the funds.

Australian Fixed Interest Investments – are valued at market value based on independently obtained market yields applying at the balance date.

International Fixed Interest Investments – consist of investments in pooled funds which are valued in accordance with prices at the balance date as advised by the managers of the funds.

Advances to Estates – are carried at their nominal amounts. Public Trustee is authorised by the *Public Trustee Act 1995*, to advance monies where an estate has insufficient monies to make payments as authorised or required to administer the estate, usually on a short term basis. Funds advanced are a first charge on the estate's property vested under the control of the Public Trustee. Interest rates on advances are fixed from time to time by the Public Trustee.

Cash at Bank – is carried at nominal amounts, translated at prevailing exchange rates where applicable. This asset consists of cash at bank and on hand.

Short Term Money Market – deposits are carried at their nominal amounts. Bills of exchange are valued at market value, based on independently sourced market yields prevailing at the balance date.

Sundry Debtors and Creditors – are carried at their nominal amounts.

Derivative Instruments – open positions in derivative instruments such as futures, options and forward exchange contracts are valued at market prices prevailing at the balance date. Derivative instruments are recorded in the common funds' Statements of Financial Position against the asset classes appropriate to the nature of asset they are replicating. Unrealised gains and losses arising on the revaluation of derivative instruments are brought to account as part of Change in the Net Market Value of Investments in the common funds' Statements of Financial Performance.

1.4 Common Fund Foreign Exchange Gains and Losses

Transactions denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and currency, together with any accrued income, are translated at the exchange rates prevailing at the balance date. Unrealised exchange gains and losses arising on the revaluation of investments are brought to account as part of Change in the Net Market Value of Investments in the common funds' Statements of Financial Performance.

2. Recognition of Revenue

Dividend income is recognised on the date that shares are quoted as ex-dividend. Distributions from trusts are recognised on a present entitlement basis. Interest income is recognised on a time proportionate basis that takes into account the amortisation of acquisition discounts and premiums on interest bearing investments.

All revenue items including realised and unrealised gains on investments arise from the operating activities of the Common Funds.

3. Realised Gains and Losses on Disposal of Investments

Realised Gains and Losses on Disposal of Investments represents realised gains and losses over the carrying value determined on an average cost basis. Carrying value is marked to market value at the balance dates. Consequently, the carrying value of an investment at the time of its disposal is the weighted average of market value at the commencement of the reporting period and acquisition cost of investments acquired during the period.

4. Recognition of Unrealised Gains and Losses

Assets of the common funds have been measured at net market values after allowing for the costs of realisation. The Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' provides that public sector borrowing/financing entities may recognise unrealised gains or losses arising from the measurement of financial assets at market values as revenues or expenses in the periods in which the changes occur. Public Trustee has brought changes in the net market value of assets to account in the Statements of Financial Performance in the periods in which they occur. Unrealised gains are not distributed and are transferred to Reserves.

5. Management Fees

A management fee is charged against each common fund at a rate of 1/12 of 1 percent of the value of the fund as at the first business day of each month and is authorised by the *Public Trustee Act 1995*.

6. Distributions

Common fund distributions are made to contributors as at 31 December and 30 June each year. With the exception of the Listed Property Securities Common Fund, distributions are paid as at these dates. Contributors to the Listed Property Securities Common Fund are presently entitled to the income and capital distributions payable at the balance date. Payment is not made until after the balance date as advice of distribution entitlements from underlying investments is not received by Public Trustee until after the balance date.

6. Distributions (continued)

Realised capital losses are not distributed to contributors but are retained in Reserves to be offset against any realised capital gains. Where realised capital gains exceed realised capital losses (both losses in the current distribution period and those brought forward from previous distribution periods), the excess is distributed.

In respect of direct client investment in the Cash Common Fund, if the administration of an estate is completed during the year, an income entitlement is determined to the date of completion of the estate. Final entitlements to other common fund distributions are paid at normal distribution dates.

7. Taxation

Under current taxation legislation, the common funds are not liable to income tax as net income is fully distributed to estates and investors each year. No income taxation expense is therefore recognised within the common funds' financial statements.

The common funds are registered entities under the Goods and Services Tax (GST) legislation. Investments in Public Trustee's common funds are classified as input taxed financial supplies and no GST is charged on such supplies. As suppliers of financial supplies, the common funds are able to claim a tax credit for three-quarters of the liability incurred in respect of certain expenses (reduced input tax credits). The majority of expenses incurred by Public Trustee's common funds including Public Trustee management fees, brokerage charges and custody fees are eligible for reduced input tax credits. The net impact of the GST on expenses incurred by the common funds is approximately 2.5 percent rather than the full 10 percent rate.

8. Financial Instruments**8.1 Net Market Value of Financial Assets and Liabilities**

All assets and liabilities of the common funds are financial instruments as defined by the Australian Accounting Standard AASB 1033, 'Presentation and Disclosure of Financial Instruments'. All assets and liabilities of the common funds are carried at net market value based upon the valuation policies set out in Note 1.3. The aggregate carrying amounts for each class of financial instrument are as disclosed in the Statements of Financial Position.

The following classes of financial instruments are readily traded on organised markets in standardised form:

- Short Term Money Market
- Australian Fixed Interest Investments
- Australian Equities other than investments of \$11 964 000 (\$8 997 000) in a collective investment vehicle, disposal of which is by means of redemption by the vehicle manager
- Listed Property Securities
- International Equities other than investments of \$31 068 000 (\$24 334 000) in collective investment vehicles, disposals of which are by means of redemption by the vehicle managers.

Other classes of financial instruments are not readily traded on organised markets in standardised form.

8.2 Investment in Collective Investment Vehicles

In addition to holding financial instruments directly, common funds may also invest in collective investment vehicles such as unit trusts or other common funds operated by Public Trustee. The manager of such vehicles will have invested in a variety of financial instruments, including derivatives, which expose the common funds to investment risks, including market risk, credit risk, interest rate risk and currency risk. The Public Trustee has assessed the investment rules of collective investments held by the Common Funds and determined their suitability as investments of the Common Funds.

Disclosures in subsequent subsections of this Note do not include the Common Funds' exposures to financial instruments held by the collective investment vehicles in which they have invested.

8.3 Credit Risk

The maximum exposure to credit risk, excluding any collateral or other security, at the balance date to financial instruments is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statements of Financial Position and Notes to the Financial Statements.

Credit risk for derivative instruments arises from the potential failure by counterparties to the contracts to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts as disclosed in Note 8.6.

Credit risk arises primarily with the following classes of instruments and counterparties:

Sovereign debt of the Australian Commonwealth and State Governments;
Sovereign debt of the foreign governments;
Banking corporations;
Corporate debt of investment grade;
Futures contracts conducted on recognised exchanges;
Pooled investment funds.

Internal operating guidelines have been established to manage credit exposure to any one counterparty or groups of counterparties with similar characteristics.

8.4 Interest Rate Risk

Financial assets and liabilities subject to interest rate risk are disclosed below. All other assets and liabilities of the Common Funds are non-interest bearing.

	Weighted Average Interest Rate		Instruments Maturing or Re-pricing Within					
	2002 Percent	2001 Percent	1 Year or Less		1 to 5 Years		Over 5 Years	
			2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<i>Cash Common Fund</i>								
Cash at bank	-	-	24	22	-	-	-	-
Short-term deposits	4.70	4.99	3 600	2 450	-	-	-	-
Bank bills	5.05	5.02	15 344	63 010	-	-	-	-
Floating rate notes	5.30	5.39	59 819	51 575	-	-	-	-
Australian fixed interest	5.47	5.28	56 015	24 748	47 518	9 991	-	-
Advances to common funds	4.00	4.20	371	437	-	-	-	-
Advances to estates	7.25	7.50	1 729	1 822	-	-	-	-
			136 902	144 064	47 518	9 991	-	-
Bank overdraft	7.45	7.45	2 632	1 542	-	-	-	-
<i>Short-Term Fixed Interest Common Fund:</i>								
Deposits with cash common fund	4.00	4.20	12 903	6 155	-	-	-	-
Australian fixed interest	5.72	5.50	2 511	10 140	17 369	17 988	1 189	-
			15 414	16 295	17 369	17 988	1 189	-
<i>Long-Term Fixed Interest Common Fund:</i>								
Deposits with cash common fund	4.00	4.20	1 198	4 353	-	-	-	-
Australian fixed interest	5.98	5.89	-	2 031	29 898	46 691	30 047	8 545
			1 198	6 384	29 898	46 691	30 047	8 545
<i>Overseas Fixed Interest Common Fund:</i>								
Borrowings from cash common fund	4.00	4.20	362	437	-	-	-	-
<i>Australian Shares Common Fund</i>								
Deposits with cash common fund	-	4.20	-	275	-	-	-	-
Borrowings from cash common fund	4.00	-	9	-	-	-	-	-
<i>Overseas Shares Common Fund</i>								
Deposits with cash common fund	4.00	4.20	11	922	-	-	-	-
Cash at bank	0.45	4.70	584	1 463	-	-	-	-
International fixed interest	-	3.63	-	2 036	-	-	-	-
			595	4 421	-	-	-	-
<i>Listed Property Securities Common Fund</i>								
Deposits with cash common fund	4.00	4.20	1 768	731	-	-	-	-

8.5 Derivative Instruments

Derivative instruments may be used by the Australian Shares, Overseas Shares and Overseas Fixed Interest Common Funds for purposes of investing funds or for hedging or otherwise managing risks associated with share and fixed interest markets. Where used for the purpose of investing funds, the notional exposure created by the holding of derivatives may not exceed the amount held as cash or an equivalent such as short term money market investments or deposits with other common funds.

No common fund held open futures contracts at the balance dates of the current or prior periods.

8.6 Forward Exchange Contracts

The investment objectives of the Overseas Shares Common Fund provide for the fund to normally operate in an unhedged manner, that is, there is an intended exposure to exchange rate movements between the Australian dollar and other currencies. Within the discretely managed portion of the fund, forward exchange contracts may be used to manage currency exposures between foreign currencies, for example between the United States Dollar and the Japanese Yen. No forward exchange contracts were held at the balance dates of the current or prior periods.

9. Common Fund Unit Prices

Unit prices are based upon the net asset valuations of the common funds. A spread between purchase and redemption prices may be applied to reflect transaction costs associated with the investment of contributions or the disposal of investments to fund redemptions. The Cash Common Fund operates on a deposit at call basis. Investments in this Fund are redeemed at entry value. All redemptions during the current and prior financial years were made at entry value.

	2002		2001	
	Purchase Price	Redemption Price	Purchase Price	Redemption Price
Common Fund Unit Prices at 30 June:				
Short-term fixed interest	0.9994	0.9964	1.0010	0.9980
Long-term fixed interest	1.0162	1.0132	1.0143	1.0113
Overseas fixed interest	1.0144	1.0134	1.0005	1.0005
Australian shares	1.8539	1.8502	2.1237	2.1110
Overseas shares	1.0487	1.0414	1.4042	1.3944
Listed property securities	1.1101	1.1068	1.0635	1.0572

9. **Common Fund Unit Prices (continued)**
Movements in Common Funds Units

	Short-Term Fixed Interest		Common Fund Long-Term Fixed Interest		Overseas Fixed Interest	
	2002	2001	2002	2001	2002	2001
	'000	'000	'000	'000	'000	'000
Contributor Units:						
Opening balance	34 675	33 082	61 721	62 433	24 298	23 761
Contributions	3 857	8 418	7 257	17 283	3 038	6 622
Redemptions	(4 265)	(6 825)	(7 870)	(17 995)	(2 953)	(6 085)
Closing Balance	34 267	34 675	61 108	61 721	24 383	24 298

	Common Fund				Listed Property Securities	
	Australian Shares		Overseas Shares		2002	2001
	2002	2001	2002	2001	2002	2001
Contributor Units:						
Opening balance	63 638	57 711	52 087	48 241	31 221	30 012
Contributions	6 761	13 862	19 541	11 625	3 377	7 740
Redemptions	(11 065)	(7 935)	(5 371)	(7 779)	(6 162)	(6 531)
Closing Balance	59 334	63 638	66 257	52 087	28 436	31 221

10. **Movements in Funds Employed**

	Common Fund							
	Cash		Short-Term Fixed Interest		Long-Term Fixed Interest		Overseas Fixed Interest	
	2002	2001	2002	2001	2002	2001	2002	2001
Contributor Funds:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	140 840	138 646	35 283	33 672	63 037	63 754	25 480	24 899
Contributions ⁽¹⁾	27 356	2 194	3 879	8 444	7 440	17 719	3 130	7 096
Redemptions	-	-	(4 273)	(6 833)	(8 030)	(18 436)	(3 045)	(6 515)
Closing Balance	168 196	140 840	34 889	35 283	62 447	63 037	25 565	25 480
Reserves:								
Opening balance	(198)	(490)	(625)	(660)	(523)	(406)	(1 170)	(362)
Realised gains	8	1 021	-	491	-	113	35	1 584
Realised losses	(233)	(1 023)	(32)	(458)	(19)	(59)	(3)	(606)
Capital distribution received	-	-	-	-	-	-	38	1 750
Unrealised gains (losses)	(375)	294	(36)	2	99	(171)	280	(1 173)
Capital distribution paid/ transferred	-	-	-	-	-	-	(22)	(2 363)
Closing Balance	(798)	(198)	(693)	(625)	(443)	(523)	(842)	(1 170)

	Common Fund				Listed Property Securities	
	Australian Shares		Overseas Shares		2002	2001
	2002	2001	2002	2001	2002	2001
Contributor Funds:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	96 087	84 485	57 014	51 170	30 304	29 049
Contributions	13 607	27 102	23 917	17 316	3 705	8 068
Redemptions	(22 335)	(15 500)	(6 530)	(11 472)	(6 769)	(6 813)
Closing Balance	87 359	96 087	74 401	57 014	27 240	30 304
Reserves:						
Opening balance	38 252	28 416	15 764	20 463	2 703	1 564
Realised gains	2 969	1 661	707	664	478	833
Realised losses	(5 319)	(2 276)	(6 091)	(363)	(36)	(427)
Capital distributions received ⁽²⁾	34	787	-	-	120	230
Unrealised gains	(9 256)	9 823	(14 753)	(4 640)	2 025	1 133
Capital distribution paid or payable	(4 260)	(159)	(1 027)	(360)	(1 057)	(630)
Closing Balance	22 420	38 252	(5 400)	15 764	4 233	2 703

- (1) A net movement in contributor funds is reported for the Cash Common Fund. This Fund is the primary working account for trust administration operations. Contributor funds movements are typically high volume, low value transactions.
- (2) The amounts reported as capital distributions received and capital distributions paid or payable by the Listed Property Securities Common Fund are provisional and may be subject to revision. Public Trustee is not in receipt of detailed information as to the elements of all distributions received or receivable from listed property trusts at the time these statements have been prepared.

11. **Statement of Cash Flows**

	2002	2001
11.1 Reconciliation of Net Cash provided by Operating Activities to Operating Surplus	\$'000	\$'000
<i>Cash Common Fund</i>		
Operating surplus	6 191	8 806
Non-cash flows in operating surplus:		
Change in the net market value of investments	375	(294)
Net realised loss on disposal of investments	225	2
Amortisation of discounts and premiums	618	569
Change in assets and liabilities:		
(Increase) in sundry debtors	(1 045)	(434)
(Decrease) Increase in sundry creditors	(7)	1
Net Cash provided by Operating Activities	6 357	8 650

11.1	Reconciliation of Net Cash provided by Operating Activities to Operating Surplus (continued)	2002	2001
		\$'000	\$'000
	<i>Short-Term Fixed Interest Common Fund</i>		
	Operating surplus	1 525	1 733
	Non-cash flows in operating surplus:		
	Change in the net market value of investments	36	(2)
	Net realised loss (gain) on disposal of investments	32	(33)
	Amortisation of discounts and premiums	250	493
	Change in assets and liabilities:		
	Decrease in sundry debtors	152	284
	(Decrease) in sundry creditors	(2)	-
	Net Cash provided by Operating Activities	1 993	2 475
	<i>Long-Term Fixed Interest Common Fund</i>		
	Operating surplus	3 149	3 145
	Non-cash flows in operating surplus:		
	Change in the net market value of investments	(99)	171
	Net realised loss (gain) on disposal of investments	19	(54)
	Amortisation of discounts and premiums	596	554
	Change in assets and liabilities:		
	Decrease (Increase) in sundry debtors	34	(125)
	(Decrease) in sundry creditors	(3)	(1)
	Net Cash provided by Operating Activities	3 696	3 690
	<i>Overseas Fixed Interest Common Fund</i>		
	Operating surplus	1 200	2 402
	Non-cash flows in operating surplus:		
	Change in the net market value of investments	(280)	1 173
	Net realised (gain) on disposal of investments	(32)	(978)
	Income reinvested and not received in cash	(6)	(3)
	Amortisation of discounts and premiums	-	(21)
	Change in assets and liabilities:		
	Decrease (Increase) in sundry debtors	922	(2 011)
	(Decrease) in sundry creditors	(3)	(1)
	Net Cash provided by Operating Activities	1 801	561
	<i>Australian Shares Common Fund</i>		
	Operating (deficit) surplus	(7 001)	13 360
	Non-cash flows in operating surplus:		
	Change in the net market value of investments	9 256	(9 823)
	Net realised loss on disposal of investments	2 350	615
	Dividends and other income reinvested and not received in cash	(1 455)	(1 358)
	Change in assets and liabilities:		
	Decrease (Increase) in sundry debtors	740	(343)
	(Decrease) Increase in sundry creditors	(7)	1
	Net Cash provided by Operating Activities	3 883	2 452
	<i>Overseas Shares Common Fund</i>		
	Operating deficit	(19 777)	(4 418)
	Non-cash flows in operating surplus:		
	Change in the net market value of investments	14 753	4 640
	Net realised loss (gain) on disposal of investments	5 384	(301)
	Income reinvested and not received in cash	(80)	(80)
	Change in assets and liabilities:		
	(Increase) Decrease in sundry debtors	(358)	1 901
	(Decrease) Increase in sundry creditors	(5)	2
	Net Cash (used in) provided by Operating Activities	(83)	1 744
	<i>Listed Property Securities Common Fund</i>		
	Operating surplus	4 617	3 691
	Non-cash flows in operating surplus:		
	Change in the net market value of investments	(2 025)	(1 133)
	Net realised (gain) on disposal of investments	(442)	(406)
	Distributions reinvested and not received in cash	1	(957)
	Change in assets and liabilities:		
	Decrease (Increase) in sundry debtors	104	(89)
	(Decrease) Increase in sundry creditors	(2)	1
	Net Cash provided by Operating Activities	2 253	1 107

11.2 Reconciliation of Cash

For the Cash Common Fund, for the purposes of the Statement of Cash Flows, cash comprises Cash at Bank and Bank Overdraft as disclosed in the Statement of Financial Position.

For other Common Funds, for the purpose of the Statement of Cash Flows, cash comprises Deposits with or Borrowings from other Common Funds and Cash at Bank or Bank Overdraft as disclosed in the Statements of Financial Position.

11.3 Non-Cash Activities

Within the Cash Common Fund, realisations of financial securities with capital proceeds totalling \$141 869 000 (\$358 068 000) were rolled into other financial instruments without the exchange of cash. Payments made by the Cash Common Fund on behalf of other common funds totalled \$11 000 (\$274 000).

Within the Australian Shares Common Fund, dividends totalling \$1 451 000 (\$1 357 000) were reinvested under dividend reinvestment plans. Management fee rebates of \$5 000 (\$1 800) received by this vehicle from pooled fund managers were also re-invested without the exchange of cash. The Cash Common Fund received consideration in the form of scrip valued at \$1 399 000 (\$nil) for takeover offers accepted.

The Overseas Shares and Overseas Fixed Interest Common Funds received management fee rebates of \$80 000 (\$80 000) and \$7 000 (\$3 000) respectively from pooled fund managers and reinvested these rebates without the exchange of cash.

11.4 Cash Flows presented on a Net Basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- Contributor deposits and withdrawals from the Cash Common Fund;
- Deposits and withdrawals from the Cash Common Fund made by other Common Funds;
- Advances to estates made by the Cash Common Fund;
- Realised gains and losses on disposal of investments.

DEPARTMENT FOR CORRECTIONAL SERVICES

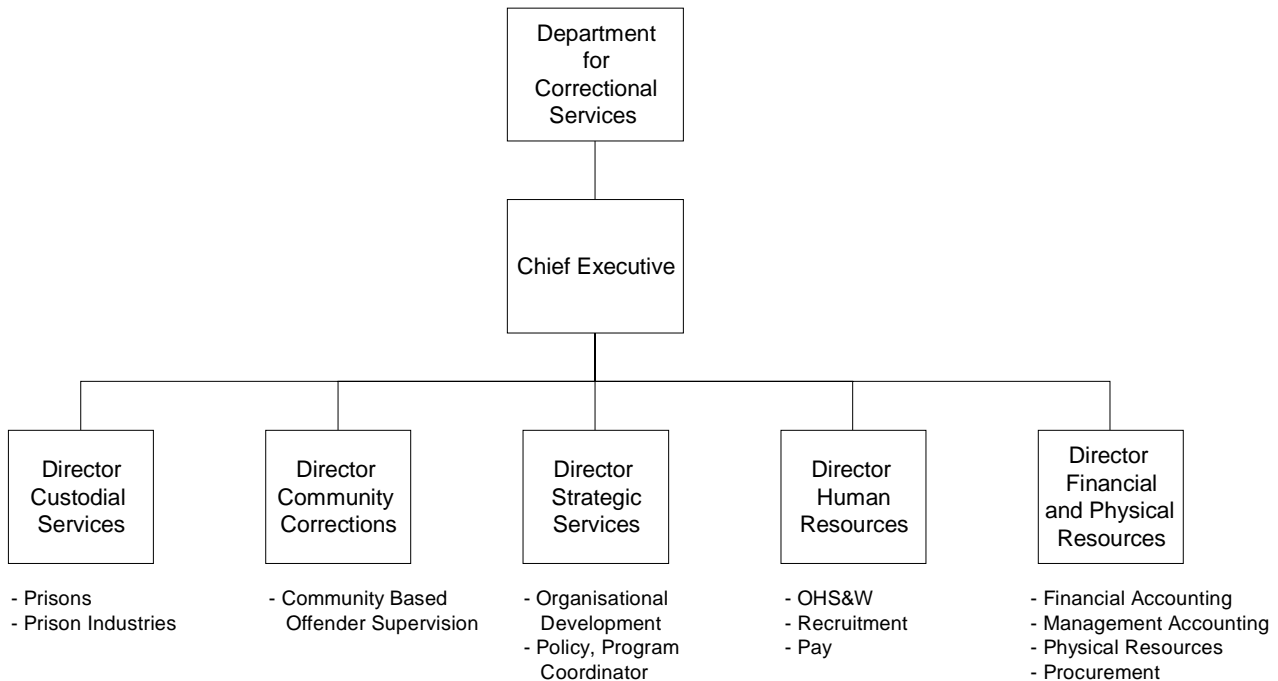
FUNCTIONAL RESPONSIBILITY AND STRUCTURE

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

The Department has responsibility for the care and custody of adult offenders. These responsibilities are discharged by:

- the provision of custodial accommodation, including the opportunity for training and education, for both sentenced and remand inmates;
- non-custodial supervision of sentenced offenders through the probation and parole function, the Community Service Order Scheme and the Home Detention Scheme.

The structure of the Department is shown in the following diagram:



AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

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

The annual audit process includes a review of the Department's operations both at Head Office and across the various Institutions and Community Correction Centres.

The following financial activities and business functions of the Department were reviewed during 2001-02:

- budgetary control and management reporting
- general ledger
- payroll
- operating expenditure
- revenue
- prisoner finances
- fixed assets
- inventories, including:
 - general stores
 - canteen
 - prison industries (PRIME SA)
- contract administration.

In addition, in the latter part of the year Audit commenced a review of some key security and control aspects of the Department's use of the Justice Information System.

Audit Communications to Management

Management letters communicating issues arising from the audit were forwarded to the Chief Executive and a satisfactory response was received. Comments on material issues referred to the Department are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The audit included an assessment of the adequacy of controls and the test verification of financial transactions processed and recorded during the year. The audit identified a number of instances where internal control procedures required improvement. The key issues relate to:

Budgetary Control

The Department's progression of the implementation of the Financial Management Framework has yet to generate policies and procedures in relation to budgetary control.

The Department needs to define its budgetary control framework, encapsulate this framework into documented policies and procedures and then promulgate these policies and procedures to relevant staff in a timely manner.

The Department has responded that while policies and procedures in relation to budgetary control are yet to be documented, it considers that the budgeting process and financial management reporting has been significantly improved.

Fixed Assets

Periodic production, review and reconciliation of reports available from the Asset Register was found to be occurring on an ad hoc and infrequent basis. Audit recommended that the production, review and reconciliation of such reports occur on a monthly basis.

The audit also highlighted that the Asset Register contained incomplete and/or inaccurate data. Audit recommended that the Asset Register be reviewed and amended for incomplete and/or inaccurate data as part of the Department's intended stocktake.

Payroll

Improvements are required to strengthen the controls over processes which ensure the validity of payroll data. Audit has recommended that the Department document policies and procedures in relation to certain processes as a matter of priority.

In addition, the audit revealed that applications for leave taken are not being completed and submitted to the payroll section on a timely basis nor are outstanding leave forms being followed up on a timely basis. Audit recommended that the Department:

- ensure all outstanding leave forms are received and updated to the Concept Payroll System to ensure that leave is authorised and within an employees entitlement, the correct payment is made to employees on termination, and that the correct leave liability is reflected in the Department's financial statements
- establish procedures that will ensure the timely receipt of leave applications from all employees
- establish and implement adequate follow up procedures for outstanding leave forms.

Operating Expenditure

The audit disclosed that expenditure limits in the Masterpiece Accounts Payable Module are inconsistent with those set out in the Department's Schedule of Financial and Purchasing Delegations for supply officers. This inconsistency coupled with the procedures carried out by these officers allows for expenditure to be incurred in excess of the supply officers' delegation without further management approval. In addition, the supply officers can also receipt the goods into the system, thereby authorising the payment of the related invoice.

Audit recommended that the functionality of the Masterpiece Accounts Payable Module be employed by the Department to ensure adequate segregation of duties.

The Department has responded that it considers the primary control for purchasing delegation is that officers exercise their delegations in accordance with the Schedule of Financial and Purchasing Delegations and that the current system-based controls are sufficient.

Prisoner Finances

Section 31 of the *Correctional Services Act 1982* provides for allowances to be paid to prisoners. The basis for paying allowances to prisoners including the rates to be paid are outlined in the Department's System Operating Procedure No.9 (SOP9) 'Allowances for Prisoners'.

The audit review identified the following issues in relation to allowances paid to prisoners:

- institutions are not complying with SOP9 with respect to bonus payments being paid to prisoners;
- where bonus payments exceed the amounts outlined in SOP9, Audit was unable to sight any authority for the payment of the bonus amount;
- the need for the Department to formalise and document the review and assessment process in determining a prisoners skill and performance level;
- the need for the Department to establish procedures that will ensure that Institution staff responsible for paying prisoners, document the reason for payments outside of those allowances detailed in SOP 9.

Departmental Response

The response received from the Department to the matters raised by Audit is considered satisfactory.

It is pointed out that while there were a number of control issues raised by Audit, substantive testing of transactions processed by the Department did not reveal any material errors in the sample of transactions tested.

Commentary on Computer Information Systems (CIS) Environment

In the latter part of the year Audit commenced a review of some key security and control aspects of the Department's use of the Justice Information System. The review forms part of the 2001-02 Audit program of Information Technology review activities identified as part of this Department's increased focus on agency computer processing environments and key system security controls.

Audit's review process essentially covers security policies and user access arrangements to the Justice Information System and is complementary to Audit review work being undertaken at the EDS processing bureau at Glenside with respect to a number of Justice agencies.

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

CONTROLS OPINION

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

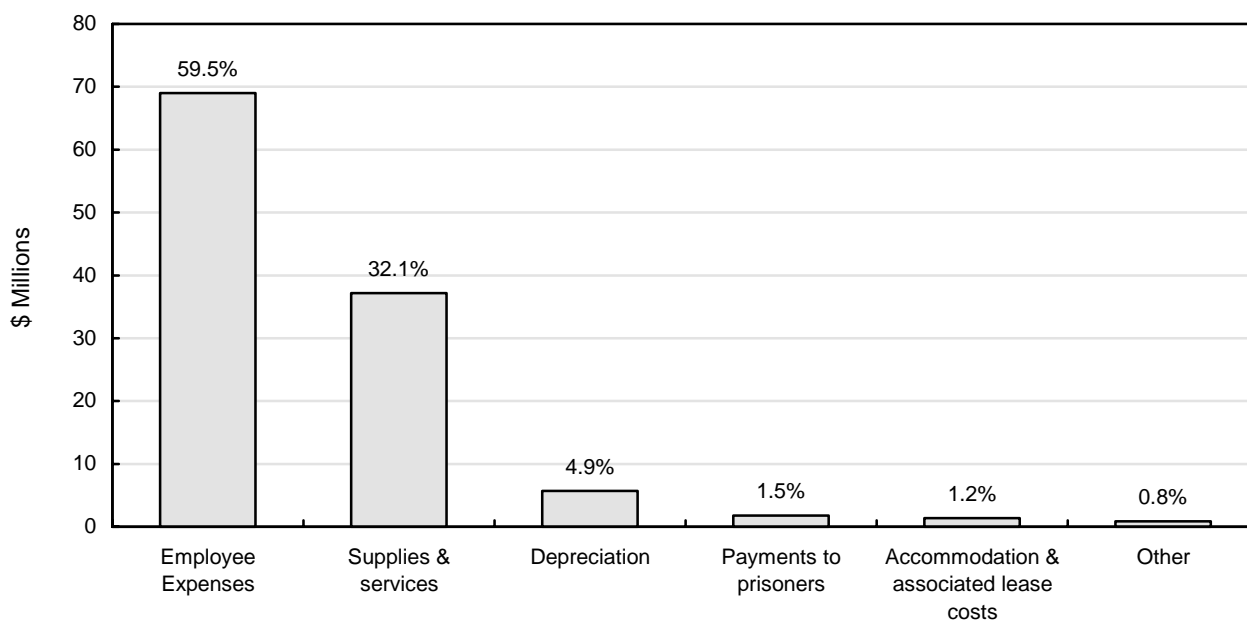
Audit formed the opinion that the controls exercised by the Department for Correctional Services in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, except for the matters outlined under 'Audit Findings and Comments',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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

The year's operations resulted in a net deficit of \$1.1 million compared with a deficit last year of \$7.1 million. The reduced deficit reflects the increased revenue from the Government of \$8.2 million, which totalled \$104.6 million (\$96.4 million).

The areas in which expenditure incurred in 2001-02 was spent is depicted in the following chart.

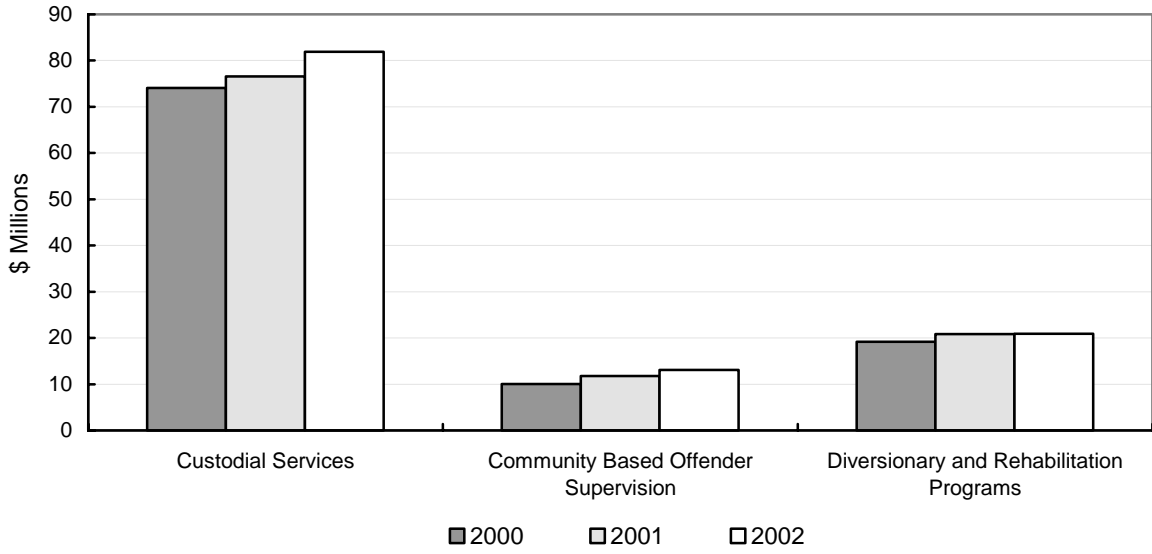


Output Schedule of Expenses and Revenues

The outputs of the Department are identified and described in Note 3 to the Financial Statements.

Total operating expenses for the year were \$115.9 million, of which \$81.9 million (71 percent) was spent on Custodial Services.

The following chart shows expenditure by output for the last three years.



FURTHER COMMENTARY ON OPERATIONS

During the year, the South Australian Prisoner Movement and In Court Management (SAPMICM) Contract was extended and subsequently renewed with the same service provider for a period of five years from 1 July 2002 at an indexed cost of \$5.1 million per annum.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Revenues from prison labour	7	3 188	3 190
Salaries and goods and services recoups		2 519	1 533
Interest		398	305
Commonwealth and Northern Territory grants and recoups		343	749
Other	8	3 750	2 839
Proceeds from disposals of non-current assets	9	35	37
Total Revenues		10 233	8 653
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	4(a)	69 018	66 956
Supplies and services	5	37 179	35 682
Depreciation	6	5 681	5 508
Payments to prisoners		1 787	1 677
Accommodation and associated lease costs		1 367	1 416
Grants		516	537
Other		294	315
Disposals of non-current assets	9	81	60
Total Expenses		115 923	112 151
NET COST OF SERVICES		105 690	103 498
REVENUES FROM GOVERNMENT		104 588	96 381
NET DEFICIT		(1 102)	(7 117)
Net (Debit) Credit to asset revaluation reserve		(1 427)	1 052
Total revenues, expenses and valuation adjustments recognised directly in equity		(1 427)	1 052
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(2 529)	(6 065)

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash at bank and on hand	10	6 587	5 650
Receivables	11	615	1 037
Inventories	12	740	786
Current tax assets		371	586
Other	13	20	5
Total Current Assets		8 333	8 064
NON-CURRENT ASSETS:			
Property, plant and equipment	14	158 974	162 796
Total Non-Current Assets		158 974	162 796
SELF GENERATING AND REGENERATING ASSETS:			
Livestock		84	67
Total Self Generating and Regenerating Assets		84	67
Total Assets		167 391	170 927
CURRENT LIABILITIES:			
Payables	15	2 650	4 964
Provision for employee entitlements	4(b)	4 026	5 807
Other	16	3 782	3 506
Total Current Liabilities		10 458	14 277
NON-CURRENT LIABILITIES:			
Payables	15	1 273	995
Provision for employee entitlements	4(b)	10 405	8 234
Other	16	11 961	11 598
Total Non-Current Liabilities		23 639	20 827
Total Liabilities		34 097	35 104
NET ASSETS		133 294	135 823
EQUITY:			
Accumulated surplus	17	122 139	123 239
Amenities fund reserve	18	100	102
Asset revaluation reserve	24	11 055	12 482
TOTAL EQUITY		133 294	135 823
Commitments for Expenditure	22		
Contingent Liabilities	23		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
From prison labour		3 188	3 113
Interest received		407	338
Other		7 025	4 640
GST receipts on sales		552	523
GST receipts from taxation authority		3 590	2 688
Recurrent appropriation		104 588	96 381
PAYMENTS:			
Employees wages and salaries		(69 457)	(65 265)
Suppliers		(39 099)	(34 318)
Prisoners		(1 787)	(1 677)
Grants paid		(516)	(596)
GST payments on purchases		(3 419)	(3 324)
GST payments to taxation authority		(547)	(472)
Other		(293)	(265)
Net Cash provided by Operating Activities	19	4 232	1 766
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		(3 330)	(5 824)
Proceeds from sale of property, plant and equipment		35	37
Net Cash used in Investing Activities		(3 295)	(5 787)
NET INCREASE (DECREASE) IN CASH HELD		937	(4 021)
CASH AT 1 JULY		5 650	9 671
CASH AT 30 JUNE		6 587	5 650

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

	Outputs (refer Note 3)	2002			Total \$'000
		Custodial Services	Community Based Offender Supervision	Diversions and Rehabilita- tion Programs	
REVENUES FROM ORDINARY ACTIVITIES:		6.1 \$'000	6.2 \$'000	1.1 \$'000	
Revenues from prison labour		-	-	3 188	3 188
Salaries and goods and services recoups		1 343	223	953	2 519
Interest revenue		268	52	78	398
Commonwealth and Northern Territory grants and recoups		343	-	-	343
Other		3 320	148	282	3 750
Revenue from sale of assets		12	-	23	35
Revenues from government		75 825	12 549	16 214	104 588
Total Revenues		81 111	12 972	20 738	114 821
EXPENSES FROM ORDINARY ACTIVITIES:					
Employee expenses		46 317	9 302	13 399	69 018
Supplies and services		28 378	2 910	5 891	37 179
Depreciation		4 783	182	716	5 681
Payments to prisoners		1 447	-	340	1 787
Accommodation and associated lease costs		441	516	410	1 367
Grants		285	148	83	516
Other		212	33	49	294
Asset disposals		48	14	19	81
Total Expenses		81 911	13 105	20 907	115 923
NET DEFICIT		800	133	169	1 102

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Departmental Objectives

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

The Department contributes to a safer community by working in partnership with other criminal justice organisations and the community to prevent crime and reduce repeat offending.

The Department securely and humanely manages people ordered by the courts to serve a community based or prison sanction and to provide them with opportunities to lead law-abiding and productive lives.

2. Significant Accounting Policies

(a) Basis of Accounting

The general purpose financial statements have been prepared in accordance with Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Policy Statements issued by the Department of Treasury and Finance, Australian Accounting Standards, Urgent Issues Group Consensus Views and other mandatory professional pronouncements where applicable.

(b) The Reporting Entity

Controlled Resources

The Department is predominately funded by Parliamentary appropriations. Revenues are also derived from prison industry sales, prisoner canteen sales and recouping community service supervision costs.

The Department's financial activities are conducted through a Special Deposit Account established pursuant to section 8 of the *Public Finance and Audit Act 1987*. The Special Deposit Account is credited with funds provided by State Government appropriations together with revenues from other sources.

Administered Resources

The Department administers but does not control certain resources on behalf of the Attorney-General (Victims of Crime Levy). It is accountable for the transactions involving these administered resources but does not have the discretion to deploy these resources for the achievement of the Department's objectives. Transactions and balances relating to these administered resources are not recognised as Departmental revenues, expenses, assets or liabilities. The following is a summary of the transactions performed on behalf of the Attorney-General:

	2002 \$'000	2001 \$'000
Balance as at 1 July	12	-
Add: Receipts	67	44
	<u>79</u>	<u>44</u>
Less: Payments	58	32
Balance as at 30 June	<u><u>21</u></u>	<u><u>12</u></u>

Trust Funds

The Department holds prisoner monies in a trustee capacity. These monies are excluded from the financial statements, as the Department cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account:

	2002 \$'000	2001 \$'000
Balance as at 1 July	252	199
Add: Receipts	3 374	3 040
	<u>3 626</u>	<u>3 239</u>
Less: Payments	3 374	2 987
Balance as at 30 June	<u><u>252</u></u>	<u><u>252</u></u>

(c) Appropriations

Appropriations from the Consolidated Account are recognised as revenue when the Department obtains control over the assets comprising the contributions. Control over appropriations is normally obtained upon their receipt.

(d) Non-Current Assets

The cost method of accounting is used for the initial recording of all acquisitions controlled by the Department. Cost is determined as the fair value of the assets, which is represented by the purchase consideration plus costs incidental to the acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction. Assets acquired at no cost or for nominal consideration are initially recorded at their fair value at the date of acquisition.

Since the Department controls a large number of low value items, the cost of accounting for the capitalisation of items costing less than \$10 000 is expected to outweigh the benefits that would be gained from reporting this information. As a result, items with an acquisition cost less than \$10 000 are expensed in the period in which they are acquired, with the exception of computing assets. Computing assets are expensed in the period in which they are acquired if they have an acquisition cost less than \$1 000, unless in aggregate they cost over \$1 000.

All computing assets over \$1 000 and all other assets over \$10 000 have been accounted for in the financial statements. The inclusion of aggregate computing assets in the financial statements is in accordance with Accounting Standard AASB 1031 'Materiality'.

Capital Works in progress are recognised as the cumulative costs of capital projects to balance date. Projects completed during the year have been recognised as buildings, plant or equipment and valued at cost.

(e) Revaluation of Non-Current Assets

In accordance with current Accounting Policy Statements issued by the Department of Treasury and Finance, the Department has applied the Accounting Standard AASB 1041 'Revaluation of Non-current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis (that is deprival value methodology) while the relationship between fair value and the existing valuation basis in the South Australian public sector is examined further.

Non-current Assets are revalued in accordance with Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' every three years. Property, plant and equipment are brought to account at cost or independent valuation. Valuations are based on deprival value.

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

During 1998-99 the Department engaged the services of Andrew James Robertson at Mason Gray Strange (through Nicholas Carr Consulting Services Pty Ltd) to value various plant and equipment over \$10 000 included on the asset register where there was no valuation documentation available. The Department also, in 1998-99, engaged the services of Andrew J Lucas, from Valcorp Aust Pty Ltd to undertake valuations of Community Correction Centres at Adelaide, Mount Gambier, Murray Bridge, Noarlunga Centre and Holden Hill.

During 1999-00, the Department engaged the services of Andrew J Lucas at Valcorp to revalue the Community Correction Centres at Marla and Coober Pedy, as well as the Adelaide Remand Centre, Cadell Training Centre, Mobilong Prison, Port Augusta Prison, Yatala Labour Prison and the Dog Squad.

During 2000-01, the Department engaged the services of Andrew J Lucas at Valcorp to revalue the Community Correction Centres at Mount Gambier, Murray Bridge, North East, Noarlunga and Adelaide, in addition to the Adelaide Women's Prison, Adelaide Pre Release Centre and Port Lincoln Prison.

During 2001-02, the Department engaged the services of Andrew J Lucas, from Valcorp, to revalue the Mount Gambier Prison.

The names, addresses and qualifications of those valuers are detailed below:

Valcorp	Andrew J Lucas MBA B App Sc (Val) Dip Acc AVLE (Val) ASA	20 Waymouth St Adelaide SA 5000
Plant & Equipment Valuations	Andrew James Robertson MSAA (Master), API (P&M)	115 Carrington St Adelaide SA 5000

(f) Depreciation of Non-Current Assets

All non-current assets are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation is provided for on a straight line basis, using rates which are reviewed annually. Major depreciation periods are:

	Years
Vehicles	6-20
Plant and equipment	4-15
Buildings (including prisons)	60
Hard Wired Infrastructure	10-20
Security Infrastructure	10

(g) Employee Entitlements

(i) Salaries and Annual Leave

Liabilities for salaries and annual leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' service to that date.

(ii) Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by Department employees to balance date. The liability has been calculated at nominal rates based on current salary rates. The Department of Treasury and Finance have advised that a benchmark of eight years can be used for a short hand estimation of long service leave liability in accordance with Accounting Standard AASB 1028 'Accounting for Employee Entitlements'. This advice has been adopted and the long service leave liability has been calculated on that basis.

(iii) Sick Leave

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

(iv) Superannuation

The Department has no liability for superannuation benefits as these are assumed by the Superannuation Funds. The Department has made contributions of \$5.4 million (\$5.5 million) to Employer contribution accounts administered by the South Australian Superannuation Board in respect of future superannuation liabilities in 2001-02.

(v) Unclaimed Salaries and Wages

Unclaimed salaries and wages have been included as a current liability for employee entitlements.

(vi) Employment On-Costs

Employment on-costs relating to employee entitlements owing are recognised as liabilities in the Statement of Financial Position. Employee entitlements and employee on-costs accruing during the reporting period are treated as an expense in the Statement of Financial Performance.

(vii) Workers Compensation

The Department records a liability in respect of workers compensation claims based on an actuarial valuation of claims performed by Taylor Fry Consulting Actuaries and provided to the Public Sector Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet, refer Note 16.

(h) Leases

The Department has entered into a number of operating lease agreements for buildings and motor vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the operating statement over the lease term as this is representative of the pattern of benefits derived from the leased property.

The Department does not have any finance lease agreements.

- (i) **Provision for Doubtful Debts**
A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date.
- (j) **Inventories**
Stock in institutional stores are held for consumption and are carried at cost. Prison canteen stock is carried at cost. Both the stores and canteen stock values of inventory are assigned on the basis of average cost. PRIME inventories are valued at historical cost.
- (k) **Livestock**
Livestock is valued at current market value. The Department accounts for this item in accordance with Accounting Standard AASB 1037 'Self Generating and Regenerating Assets'.
- (l) **Prisoner Amenities Fund**
Proceeds from the sale of canteen goods to prisoners are used for the acquisition of items for the benefit of prisoners.
- (m) **Prisoner Payments**
These include payments made on behalf of prisoners and payments made to prisoners upon discharge.
- (n) **Grants**
The Department contributes to a small number of organisations by way of grant payments. For the year ended 30 June 2002, recipients included:
- Offenders Aid and Rehabilitation Services (OARS)
 - Joint Chaplaincy Committee
 - University of South Australia - Forensic Psychology Department.
- (o) **Financial Instruments**
The Department's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2002, are as follows:
- (i) **Financial Assets**
Cash at Bank includes a Special Deposit Account with the Department of Treasury and Finance. Interest revenues are recognised as they accrue. Interest rates are based on the average of the 90 day bank bill and have fluctuated between 4.11 percent and 4.85 percent for the year ended 30 June 2002. The balance of Cash at Bank relates to Prison bank advance accounts held at the various institutions. These are deposited in individual 'at call' bank accounts and as a result details of interest rates are not readily available.
- Receivables in respect of sales of produce and other goods are recorded at their recoverable amount. At the end of each reporting period these receivable balances are reviewed and a provision is raised in respect of any balance where recovery is considered doubtful.
- (ii) **Financial Liabilities**
Creditors are raised for amounts payable by the Department as at 30 June 2002.
- All financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximates net fair value.
- (p) **Accounting for the Goods and Services Tax (GST)**
In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:
- the amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
 - receivables and payables are stated with the amount of GST included.
- The net GST receivable to the Australian Taxation Office has been recognised as a receivable in the Statement of Financial Position.

3. Outputs of the Department

The identity and purpose of each output produced by the Department is summarised below. Financial information relating to the Department's outputs is reported in the Output Schedule.

- Output 6.1 Custodial Services**
The Department provides secure containment and supervision for adults on remand and those sentenced by the courts to serve a custodial sanction. The Custodial Services output includes costs associated with operating the State's prison system, the humane treatment of prisoners while in custody and the secure movement of prisoners.
- Output 6.2 Community Based Offender Supervision**
The Department case manages and supervises offenders in the community on probation, parole or under home detention and clients on supervised bail.
- Output 1.1 Diversionary and Rehabilitation Services**
The Department provides a range of educational, vocational and rehabilitative programs designed to assist offenders to address their offending behaviour and provide them with opportunities to lead law abiding and productive lives. This includes pre-court, court based and prison based activities and services.

4.	Employee Entitlements	2002	2001
	(a) Employee Expenses	\$'000	\$'000
	Salaries and wages	55 273	51 807
	Superannuation and payroll tax expenses	8 696	8 875
	Workers compensation salary payments	2 815	4 005
	Annual and long service leave expenses	384	1 568
	Termination payments	1 598	446
	WorkCover levy payments	252	255
		69 018	66 956
	(b) Provision for Employee Entitlements		
	Current:		
	Annual leave	2 703	3 486
	Long service leave	1 054	2 058
	Accrued salaries	265	260
	Unclaimed salaries and wages	4	3
		4 026	5 807
	Non-Current:		
	Annual leave	915	-
	Long service leave	9 490	8 234
		10 405	8 234
	(c) Remuneration of Employees		
	Amounts received or receivable by employees of the Department whose remuneration is greater than \$100 000. The amounts include salaries and related payments, superannuation benefits and motor vehicle benefits.		
	The number of employees of the Department whose remuneration falls within the following bands:		
		2002	2001
		Number of	Number of
		Employees	Employees
	\$100 001 - \$110 000	-	3
	\$110 001 - \$120 000	2	-
	\$120 001 - \$130 000	2	3
	\$130 001 - \$140 000	1	-
	\$140 001 - \$150 000	1	-
	\$190 001 - \$200 000	-	1
	\$200 001 - \$210 000	1	-
	The aggregate remuneration for all employees referred to above was \$957 000 (\$882 000). Remuneration includes salary and non-monetary benefits.		
	(d) Targeted Voluntary Separation Packages (TVSPs)	2002	2001
		\$'000	\$'000
	TVSPs paid to employees during the reporting period	851	-
	Recovery from the Department of the Premier and Cabinet	(851)	-
	Annual leave and long service leave accrued over the period of employment of those who received TVSPs	211	-
	The number of employees who were paid TVSPs during 2001-02 was 10 (nil).		
5.	Supplies and Services		
	Contracts	9 284	8 658
	Works and equipment costs	3 738	4 103
	Offender related costs	4 297	3 915
	Stationery and printing	886	860
	Utilities	3 044	2 751
	Cost of goods sold	3 757	3 602
	Maintenance land and buildings	1 355	1 427
	Staff related costs	1 891	2 397
	Workers compensation related payments	3 234	2 594
	JIS network charges	1 843	1 872
	Sundry other expenses	3 850	3 503
		37 179	35 682
6.	Depreciation		
	Depreciation was charged in respect of:		
	Buildings and improvements	4 910	4 677
	Plant and equipment	771	831
		5 681	5 508

7.	Net Revenue from Prison Labour	Yatala Labour Prison		Mobilong Prison		Cadell Training Centre		Adelaide Women's Prison/ Pre-release Centre		Port Augusta Prison		Port Lincoln Prison		Total	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
	Revenue	1 368	1 390	896	777	552	473	159	269	114	167	99	114	3 188	3 190
	Less: Cost of goods sold	884	891	707	592	270	283	20	35	98	178	30	39	2 009	2 018
	Net Revenue	484	499	189	185	282	190	139	234	16	(11)	69	75	1 179	1 172
8.	Other Revenue													2002 \$'000	2001 \$'000
	Canteen and kitchen sales*													1 767	1 564
	Grants - Other													150	153
	Prisoner telephone receipts													633	512
	Other revenues													1 200	610
														3 750	2 839
	* Canteen and kitchen sales													1 767	1 564
	Less: Cost of goods sold													1 616	1 485
	Net Revenue													151	79
9.	Disposal of Non-Current Assets														
	Proceeds from sale of non-current assets													35	37
	Less: Written down value													81	60
	Net Loss from Disposal of Non-Current Assets													(46)	(23)
10.	Cash at Bank and on Hand														
	Cash with the Department of Treasury and Finance													6 280	5 387
	Prison general bank accounts													211	171
	Head office imprest accounts													61	61
	Prison imprest accounts													28	24
	Petty cash													7	7
														6 587	5 650
11.	Receivables														
	Accounts receivable													677	1 168
	Less: Provision for doubtful debts													72	150
														605	1 018
	Accrued interest													10	19
														615	1 037
12.	Inventories														
	Raw materials and work in progress													214	258
	Finished goods													117	117
	Stores													409	411
														740	786
13.	Other Current Assets														
	Prepayments													20	5
14.	Property, Plant and Equipment														
	Gross Carrying Amount:														
	Balance at 1 July					232 665	24		7 764					240 453	
	Adjustment to opening balance					(1 367)	32		(212)					(1 547)	
	Adjusted opening balance					231 298	56		7 552					238 906	
	Additions/Transfers					2 897	14		485					3 396	
	Disposals					-	-		(1 583)					(1 583)	
	Net revaluation decrements					(458)	-		-					(458)	
	Balance at 30 June					233 737	70		6 454					240 261	
	Accumulated Depreciation/Amortisation:														
	Balance at 1 July					73 112	18		4 527					77 657	
	Adjustment to opening balance					(398)	-		(142)					(540)	
	Adjusted opening balance					72 714	18		4 385					77 117	
	Additions/Transfers					67	-		(76)					(9)	
	Disposals					-	-		(1 502)					(1 502)	
	Depreciation expense					4 910	6		765					5 681	
	Balance at 30 June					77 691	24		3 572					81 287	
	Net Book Value:														
	As at 30 June 2002					156 046	46		2 882					158 974	
	As at 30 June 2001					159 553	6		3 237					162 796	

Correctional Services

15. Payables		2002	2001
Current:		\$'000	\$'000
Creditors		1 344	3 324
Employee related expenses		1 306	1 640
		<u>2 650</u>	<u>4 964</u>
Non-Current:			
Employee related expenses		1 273	995
		<u>1 273</u>	<u>995</u>
16. Other Liabilities			
Current:			
Workers compensation - Medical and other costs		1 888	1 796
Workers compensation - Income maintenance		1 894	1 710
		<u>3 782</u>	<u>3 506</u>
Non-Current:			
Workers compensation - Medical and other costs		5 798	4 476
Workers compensation - Income maintenance		6 163	7 122
		<u>11 961</u>	<u>11 598</u>
17. Accumulated Surplus			
Balance as at 1 July		123 239	130 358
Prior year rounding		-	(2)
Net Deficit		(1 100)	(7 117)
Balance as at 30 June		<u>122 139</u>	<u>123 239</u>
18. Amenities Fund Reserve			
Balance as at 1 July		102	102
Add: Receipts		127	103
		<u>229</u>	<u>205</u>
Less: Payments		129	103
Balance as at 30 June		<u>100</u>	<u>102</u>
19. Reconciliation of Net Deficit to Net Cash provided by Operating Activities			
Net deficit		(1 102)	(7 117)
Add: Non-cash items:			
Net loss on disposal of non-current assets		46	23
Depreciation expense		5 681	5 508
Change in operating assets and liabilities:			
Decrease (Increase) in receivables		593	(1 102)
Decrease in inventories		45	91
(Increase) in prepayments		(15)	-
(Increase) in livestock		(17)	(4)
(Decrease) Increase in payables		(1 973)	1 208
Increase in provision for employee entitlements		335	1 638
Increase in provision for workers compensation		639	1 521
Net Cash provided by Operating Activities		<u>4 232</u>	<u>1 766</u>
20. Consultancy Fees		2002	2001
During the year the Department engaged 14 (25) consultants to assist in its operations. The cost of these consultancies was \$332 000 (\$189 000). The number of consultancies whose payments fell within the following bands were:		Number of	Number of
		Consultancies	Consultancies
\$0 - \$10 000		8	20
\$10 001 - \$50 000		4	4
\$50 001 and above		2	1
The purpose and cost of each consultancy in excess of \$10 000 is outlined below:			
Consultant	Purpose of Consultancy		2002
			\$'000
University of South Australia	Forensic Psychology consultants		91
Capworks Management (SA) Pty Ltd	Towards Corrections 2020 Project		26
Hallet Shueard Consulting Services	Review and update hazardous substances registers		15
McPhee Andrewartha Pty Ltd	Performance Development and Management		27
Occupational Services	Consultancy and Offender Assessment		26
PricewaterhouseCoopers	Business case re procurement of services for sentenced and remand female prisoners		106
21. Remuneration of Auditors		2002	2001
		\$'000	\$'000
Amounts paid and payable to the Auditor-General's Department for auditing services		108	99

22. Commitments for Expenditure**(a) Operating Leases**

At 30 June 2002, the Department had the following accommodation obligations under non-cancellable operating leases (these obligations are not recognised as liabilities in the Statement of Financial Position):

	2002 \$'000	2001 \$'000
Not later than one year	597	661
Later than one year and not later than five years	1 668	2 025
Later than five years	571	1 240
	<u>2 836</u>	<u>3 926</u>

The accommodation obligations are payable monthly in advance.

(b) Contracted Services

The contract for the management of Mount Gambier Prison and the Prisoner Movement and In-Court Management and Home Detention Monitoring Contracts extend beyond 30 June 2002 (the Prisoner Movement and In-Court Management Contract was renewed for five years commencing 1 July 2002). These three contracts have provisions for termination by the Crown without penalty to the Crown. However, a termination for convenience by the Crown would attract variable payments and reimbursements specified in the contract depending on the circumstance and amount of termination notice. The ongoing cancellable commitments (which have not been recognised as liabilities) are as follows:

	2002 \$'000	2001 \$'000
Not later than one year	8 925	5 693
Later than one year and not later than five years	27 881	10 735
	<u>36 806</u>	<u>16 428</u>

The figures above are:

- subject to an escalation based on indices not yet published by the Australian Bureau of Statistics and as a result, are not adjusted for inflation and are based on 2001-02 prisoner populations;
- exclusive of goods and services tax.

23. Contingent Liabilities

The Department has a number of common law claims against it made by various claimants. The maximum exposure facing the Department in respect of these claims is \$244 000 (\$175 000). The Department also has a potential financial exposure in respect of a pay claim made by the Public Service Association on behalf of a group of custodial specialists regarding alleged under payment of penalty rates. The financial exposure cannot be reliably quantified at 30 June 2002. These contingent liabilities are not actual liabilities and have therefore not been included in the financial statements. They represent a potential financial obligation in circumstances which have been deemed to be possible but not probable.

24. Asset Revaluation Reserve

The reserve includes the revaluation decrement of Mount Gambier Prison which amounted to \$458 000. This reserve also includes an adjustment for prior years of \$969 000.

COUNTRY FIRE SERVICE BOARD

FUNCTIONAL RESPONSIBILITY AND ORGANISATION STRUCTURE

The Country Fire Service (CFS) Board was established pursuant to the *Country Fires Act 1989*.

The Board is responsible to the Minister for Emergency Services for the administration of the *Country Fires Act 1989*. Its main functions are to:

- approve the Strategic Plan, providing clear goals and direction;
- consider business plans and approve performance measures and broad resource allocations;
- provide overall policy guidance and ensure that appropriate measures are in place to manage risk and volunteer support;
- monitor operational and financial performance, environmental and occupational health, safety and welfare performance, legal compliance and ethical behaviour.

The Board is a decentralised organisation supporting six regions.

The Emergency Services Administrative Unit (ESAU) provides various services in support of the Board's primary functions, including strategic risk management, financial management and accounting services. These were subject to corporate service level agreements.

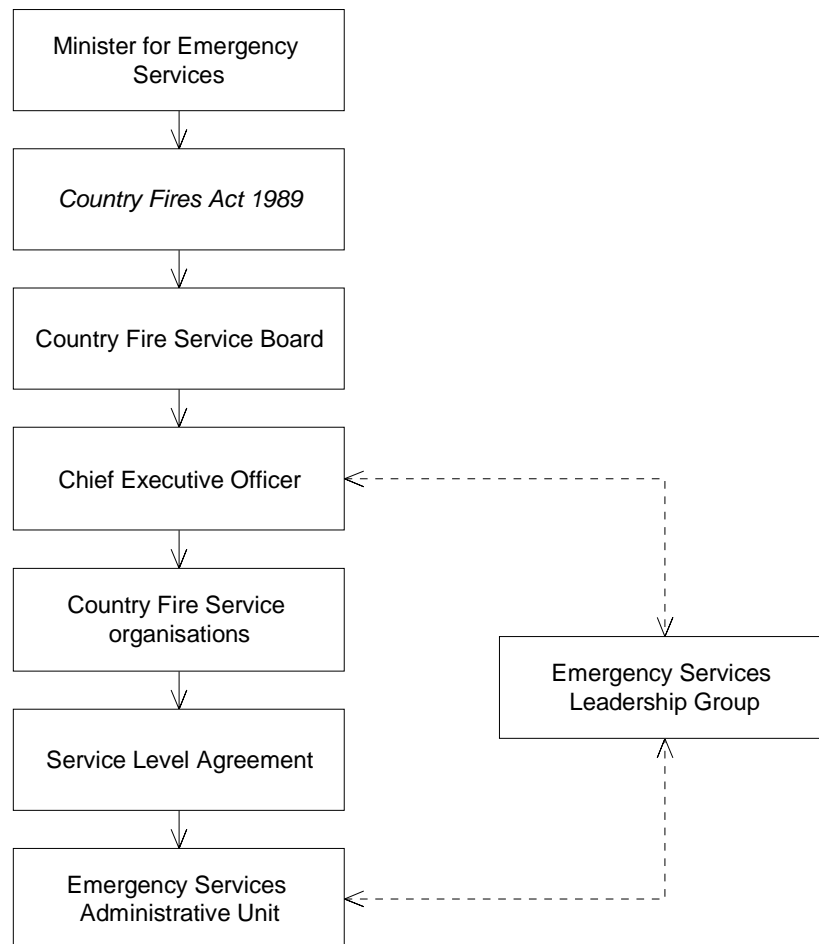
The Board's financial management is heavily reliant on information and reporting provided by ESAU.

An Emergency Services Leadership Group (ESLG) which comprises the chief executive officers of the CFS, the South Australian Metropolitan Fire Service (SAMFS), ESAU and the Director, State Emergency Services (a division of ESAU) has been established. Some of the key roles of the ESLG are to ensure that emergency services operate in an integrated manner and that appropriate strategic and business plans consistent with the Government's priorities are established, maintained and implemented.

The ESLG, through the Chief Executive Officer of ESAU, reports to a [Department of] Justice Leadership Team. There is in turn a lineage of reporting responsibilities from the Justice Leadership Team to the Minister for Emergency Services.

As a member of the ESLG, the Chief Executive Officer of the CFS has a responsibility to report back to the Board of which he is also a member. This represents another tier in the decision making processes relating to the Board. It is relevant to note that while the Board is responsible to the Minister for the administration of the *Country Fires Act 1989*, it is not able to be directed by the Minister.

A diagrammatic depiction of these major relationships is as follows:



SIGNIFICANT FEATURES

Country Fire Service

- Net cost of services increased by \$4.4 million to \$38.1 million.
- Non-current assets with a written down value of \$9.8 million were transferred for no consideration from local government .

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 21(3) of the *Country Fires Act 1989* provides for the Auditor-General to audit the accounts of the Board in respect of each financial year.

Scope of Audit

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

The audit of the Board during 2001-02 required Audit to direct much of its focus to the audit of the 'centralised accounting' structure maintained by ESAU and to test transactions at this level.

During 2001-02 specific areas of Audit attention included:

- expenditure systems, including accounts payable and payroll
- general ledger
- management reporting and budgetary control
- plant and equipment, including the adequacy of asset registers
- revenue, including debtors and cash receipting
- investments.

Audit Communications to Management

During the year several letters communicating issues arising from the audit were forwarded to the Chief Executive Officer. Satisfactory responses have been received in relation to the matters raised.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control environment was assessed as satisfactory with considerable improvement being achieved in a range of areas identified by Audit, as requiring attention, in previous years. Notwithstanding this improvement, there remained a number of areas where Audit considered that there was room for improvement. These areas are outlined below.

Corporate Governance

The audit revealed the need to ensure that budgetary processes were clearly documented and understood by staff. Audit also observed that strategic and business plans were not up to date and that there was no mechanism for monitoring the plans on a regular basis.

Regarding the management of the Service Level Agreements established with ESAU, Audit noted that there was a need for regular monitoring of the achievement of the performance standards embodied in the Agreements.

In response the Board indicated that a process was in place to update and monitor strategic and business plans and Service Level Agreements and that documentation to assist in the understanding of the budgetary processes will be prepared.

Accounts Payable and Purchasing

The audit of the accounts payable function revealed that there was room for improvement in the documentation of, and compliance with, purchasing procedures, timely payment of invoices and authorisation processes for the use of locally managed funds.

In response the Board indicated that revised procedures have been implemented to address the issues raised by Audit.

Credit Cards

The audit of the use of credit cards revealed the need to ensure that approval was obtained for the issue of new cards and increases in card limits. Further, Audit observed that procedures need to be implemented to ensure the monthly statements were approved by management.

The Board has advised that procedures have been strengthened to ensure that appropriate approvals are obtained in relation to the issue and use of credit cards.

Payroll

The audit of the payroll function revealed the need for improvement in the timeliness of advice of staff movements, terminations and appointments. Audit also noted that bona fide certificates are not used to ensure that only authorised employees are paid, and that time worked as reflected on timesheets was not always in accordance with the provisions of the CFS Industrial Agreement.

In response the Board indicated that action will be implemented to address the issues raised, in particular additional training will be provided to staff to reinforce their responsibilities with respect to payroll procedures.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Country Fire Service

Statement of Financial Performance

Net Cost of Services

The net cost of services increased by \$4.4 million to \$38.1 million mainly as a result of an increase in depreciation expense of \$3.1 million. Depreciation expense has increased due to the transfer of assets over the last two years from local government and the government radio network.

Statement of Financial Position

Non-Current Assets

The written down value of property, plant and equipment assets increased by \$12.7 million to \$62.2 million primarily as a result of the transfer of assets from local government (\$9.8 million) and additional capital expenditure of \$7.6 million, offset by depreciation expense of \$4.6 million.

Statement of Financial Performance for the year ended 30 June 2002

		Consolidated 2002	Country Fire Service 2002	2001
	Note	\$'000	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:				
Fees and charges for services	3	1 830	1 830	1 115
Interest		98	95	136
Other revenue	4	537	350	344
Total Revenues		2 465	2 275	1 595
EXPENSES FROM ORDINARY ACTIVITIES:				
Employee entitlements	5	5 909	5 909	5 297
Depreciation	6	4 614	4 614	1 508
Emergency Services Administrative Unit recharge		5 125	5 125	4 716
Government radio network costs	7	9 752	9 752	9 241
Supplies and services	8	14 849	14 943	14 519
Total Expenses		40 249	40 343	35 281
NET COST OF SERVICES		37 784	38 068	33 686
REVENUES FROM GOVERNMENT:				
Contributions from the Community Emergency Services Fund		41 148	41 148	39 731
Total Revenues from Government		41 148	41 148	39 731
Net revenues from disposal of non-current assets	9	44	44	71
Net revenues from the transfer of assets from the Government Radio Network		-	-	6 436
SURPLUS FROM ORDINARY ACTIVITIES		3 408	3 124	12 552
NON-OWNER TRANSACTION CHANGES IN EQUITY:				
Net revenues from the transfer of assets from local government	10	9 793	9 793	16 723
Total revenues and expenses recognised directly into equity		9 793	9 793	16 723
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		13 201	12 917	29 275

Statement of Financial Position as at 30 June 2002

		Consolidated 2002	Country Fire Service 2002	2001
	Note	\$'000	\$'000	\$'000
CURRENT ASSETS:				
Cash assets	11	2 136	1 851	1 329
Receivables	12	1 042	1 042	1 088
Total Current Assets		3 178	2 893	2 417
NON-CURRENT ASSETS:				
Property, plant and equipment	13	62 236	62 236	49 537
Total Non-Current Assets		62 236	62 236	49 537
Total Assets		65 414	65 129	51 954
CURRENT LIABILITIES:				
Payables	14	1 803	1 802	1 876
Provision for employee entitlements	15	723	723	607
Total Current Liabilities		2 526	2 525	2 483
NON-CURRENT LIABILITIES:				
Payables	14	74	74	60
Provision for employee entitlements	15	2 170	2 170	1 968
Total Non-Current Liabilities		2 244	2 244	2 028
Total Liabilities		4 770	4 769	4 511
NET ASSETS		60 644	60 360	47 443
EQUITY:				
Accumulated surplus	16	60 644	60 360	47 443
TOTAL EQUITY		60 644	60 360	47 443
Commitments and Contingent Liabilities	17			

Statement of Cash Flows for the year ended 30 June 2001

	Consolidated 2002	Country Fire Service 2002	Country Fire Service 2001
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee entitlements	(5 564)	(5 564)	(4 290)
Supplies and services	(14 935)	(15 030)	(14 005)
Government Radio Network costs	(9 752)	(9 752)	(9 241)
Emergency Service Administrative Unit recharge	(5 125)	(5 125)	(4 716)
Total Payments	(35 376)	(35 471)	(32 252)
RECEIPTS:			
Fees and charges for services	1 876	1 876	352
Interest on investments	98	95	125
Other revenue	537	350	109
Total Receipts	2 511	2 321	586
CASH FLOWS FROM GOVERNMENT:			
Contributions from the Community Emergency Services Fund	41 148	41 148	39 731
Net Cash provided by Operating Activities	8 283	7 998	8 065
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of non-current assets	123	123	145
Payments for non-current assets	(7 599)	(7 599)	(8 373)
Net Cash used in Investing Activities	(7 476)	(7 476)	(8 228)
NET INCREASE (DECREASE) IN CASH HELD	807	522	(163)
CASH AT 1 JULY	1 329	1 329	1 492
CASH AT 30 JUNE	2 136	1 851	1 329

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Objectives and Funding**
 - (a) **Objectives**
The Country Fire Service Board (the Board) is established under the *Country Fires Act 1989* and is responsible under the Act for the following:
 - Prevention, control and suppression of fires in the country.
 - Protection of life and property in fire and other emergencies occurring in the country.
 - (b) **Funding and Administrative Arrangements**
Funding of the Board is derived from the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*, for the cost of its operational services in the protection of South Australian citizens and their property and the cost of strategic and administrative services delivered to it by the Emergency Services Administrative Unit (ESAU).
2. **Significant Accounting Policies**
 - (a) **Basis of Accounting**
The financial report is a general purpose financial report prepared in accordance with Treasurer's Instructions and Accounting Policy Statements under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards, and mandatory professional reporting requirements (Urgent Issues Group Consensus Views). It has been prepared on the accrual basis of accounting using the historical cost accounting method, with the exception of certain major non-current assets which have been revalued to their current deprival value.
 - (b) **Principles of Consolidation**
The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Board as at 30 June 2002 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full. Refer to Note 26.
 - (c) **State Government Funding**
The financial report is prepared under the assumption of ongoing financial support being provided to the Board by the State Government.
 - (d) **Valuation of Non-Current Assets**
Property, plant and equipment are carried at cost or deprival value.

Assets transferred from local government are initially recognised at their fair value at the date of acquisition.

Capital work in progress represents costs accumulated during the construction or development of an asset and is valued at cost.
 - (e) **Depreciation of Non-Current Assets**
Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets with annual reassessments for major items.

(e)	Depreciation of Non-Current Assets (continued)	Useful Lives Years
	Asset Class:	
	Communications equipment	10
	Vehicles	5-20
	Plant and equipment	6-10
	Computer equipment	5
	Buildings	30

(f) Employee Entitlements**(i) Salaries and Annual Leave**

Liabilities for salaries and annual leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employee's service to that date. Relevant employment on-costs are shown under 'Payables'.

(ii) Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by Board employees to balance date. The liability has been calculated at nominal amounts based on current salaries and wages rates using a benchmark of eight years as advised by the Department of Treasury and Finance. Relevant employment on-costs are shown under 'Payables'.

(iii) Sick Leave

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

(iv) Superannuation

Contributions are made by the Board to a number of State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. The Board has 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 superannuation schemes.

(v) Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability according to the Board's experience of claim numbers and payments. A separate valuation of liabilities of the Board has not been undertaken and if such a valuation was performed it may result in a different assessed liability. The Board fully funds this provision for both employees and volunteers.

(g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis.

(h) Revenue Recognition

All revenues are recognised when services are provided at the fair value of the consideration received or receivable.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

The gross proceeds of non-current asset sales are included as revenue at the date control of assets passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(i) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and investments.

3. Fees and Charges for Services

	Consolidated 2002 \$'000	Country Fire Service 2002 \$'000	2001 \$'000
Fees and charges for services for the reporting period comprised:			
Government Radio Network recovery	1 154	1 154	-
Training and other recoveries	202	202	199
Incident cost recoveries	422	422	453
Other	52	52	463
	1 830	1 830	1 115

4. Other Revenue

	Consolidated 2002 \$'000	Country Fire Service 2002 \$'000	2001 \$'000
Other revenue for the reporting period comprised:			
Donations	193	6	2
Rent received	36	36	27
Fuel Rebate	50	50	-
Grants from Commonwealth Government	16	16	-
Other	242	242	315
	537	350	344

	Consolidated 2002 \$'000	Country Fire Service 2002 \$'000	2001 \$'000
5. Employee Entitlements			
Employee entitlement expenses for the reporting period comprised:			
Salaries and wages	4 332	4 332	3 486
Payroll tax and superannuation	571	571	453
Long service leave	201	201	86
Workers compensation	657	657	1 108
Other employee related expenses	148	148	164
	5 909	5 909	5 297
6. Depreciation			
Depreciation expenses for the reporting period were charged in respect of:			
Communications equipment	1 198	1 198	414
Vehicles	2 848	2 848	622
Plant and equipment	264	264	296
Computer equipment	122	122	111
Buildings	182	182	65
	4 614	4 614	1 508
7. Government Radio Network Costs			
The Board has been charged by the Department for Administrative and Information Services for costs associated with the provision of emergency communication services, including voice, paging and data transmission using the Government Radio Network (GRN).			
	Consolidated 2002 \$'000	Country Fire Service 2002 \$'000	2001 \$'000
Government radio network expenses for the reporting period comprised:			
Contribution towards GRN - Voice	7 687	7 687	7 809
Contribution towards GRN - Paging	1 646	1 646	1 429
Other GRN costs	419	419	3
	9 752	9 752	9 241
8. Supplies and Services			
Supplies and services for the reporting period comprised:			
Consumables and minor purchases	2 995	2 995	2 934
Repairs and maintenance	2 433	2 433	2 081
Operating lease costs	1 195	1 195	1 127
Aerial support costs	831	831	1 206
Operational costs	387	387	1 074
Uniforms and protective clothing	1 547	1 547	1 476
Communication expenses	1 873	1 873	1 263
Energy	225	225	214
Travel and training	1 172	1 172	989
Other expenses	2 191	2 285	2 155
	14 849	14 943	14 519
9. Net Revenues from Disposal of Non-Current Assets			
Proceeds from disposal of non-current assets	123	123	145
Less: Written down value of non-current assets	79	79	74
Net Revenues from Disposal of Non-Current Assets	44	44	71
10. Transfer of Assets from Local Government			
A process is being undertaken to identify and transfer land, buildings, equipment and motor vehicle assets from local government to the Minister for Emergency Services. As at 30 June 2002, approximately 95 percent of vehicles and appliances had been transferred, and approximately 55 percent of land and buildings. Some operational costs in the servicing of these non-transferred assets have been incurred over the course of 2001-02.			
11. Cash Assets	Consolidated 2002 \$'000	Country Fire Service 2002 \$'000	2001 \$'000
Cash on hand	2	2	2
Cash at bank	878	761	1 155
Investments	1 256	1 088	172
	2 136	1 851	1 329
12. Receivables			
Current:			
Sundry debtors	269	269	836
Less: Allowance for doubtful debts	-	-	(33)
	269	269	803
GST refunds	773	773	285
	1 042	1 042	1 088

13. Non-Current Assets (a) <i>Property, Plant and Equipment</i>	Consolidated	Country Fire Service	
	2002	2002	2001
	\$'000	\$'000	\$'000
Land at independent valuation	780	780	-
Land at cost	1 917	1 917	1 889
Total Land	2 697	2 697	1 889
Buildings at independent valuation	7 224	7 224	-
Less: Accumulated depreciation	137	137	-
	7 087	7 087	-
Buildings at cost	5 757	5 757	4 695
Less: Accumulated depreciation	610	610	396
	5 147	5 147	4 299
Total Buildings	12 234	12 234	4 299
Total Property	14 931	14 931	6 188
Vehicles at independent valuation	34 541	34 541	30 642
Less: Accumulated depreciation	17 713	17 713	13 919
	16 828	16 828	16 723
Vehicles at cost	21 694	21 694	20 154
Less: Accumulated depreciation	6 576	6 576	5 551
	15 118	15 118	14 603
Total Vehicles	31 946	31 946	31 326
Communications equipment at cost	16 992	16 992	13 524
Less: Accumulated depreciation	5 339	5 339	4 394
Total Communications Equipment	11 653	11 653	9 130
Computer equipment at cost	1 437	1 437	1 255
Less: Accumulated depreciation	1 100	1 100	916
Total Computer Equipment	337	337	339
Plant and equipment at cost	3 308	3 308	3 585
Less: Accumulated depreciation	2 274	2 274	2 189
Total Plant and Equipment	1 034	1 034	1 396
Total work in progress at cost	2 335	2 335	1 158
Total Property, Plant and Equipment	62 236	62 236	49 537

(b) *Asset Movement Schedule*

	2002						
	Land and Buildings	Vehicles	Communications Equipment	Computer Equipment	Plant and Equipment	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying Amount:							
Balance at 1 July 2001	6 584	50 796	13 524	1 255	3 585	1 158	76 902
Transfer of work in progress	985	1 282	3 786	12	23	(6 088)	-
Asset reclassification	106	53	52	83	(294)	-	-
Transfer from local government councils	8 003	4 385	-	-	-	-	12 388
Additions	-	244	-	87	-	7 265	7 596
Disposals	-	(525)	(370)	-	(6)	-	(901)
Balance at 30 June 2002	15 678	56 235	16 992	1 437	3 308	2 335	95 985
Accumulated Depreciation:							
Balance at 1 July 2001	(396)	(19 470)	(4 394)	(916)	(2 189)	-	(27 365)
Asset reclassification	(45)	(10)	(57)	(62)	174	-	-
Disposals	-	510	310	-	5	-	825
Transfer from local government councils	(124)	(2 471)	-	-	-	-	(2 595)
Depreciation expense	(182)	(2 848)	(1 198)	(122)	(264)	-	(4 614)
Balance at 30 June 2002	(747)	(24 289)	(5 339)	(1 100)	(2 274)	-	(33 749)
Net Book Value at 30 June 2002	14 931	31 946	11 653	337	1 034	2 335	62 236

(b) *Asset Movement Schedule*

	2001						
	Land and Buildings	Vehicles	Communications Equipment	Computer Equipment	Plant and Equipment	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying Amount:							
Balance at 1 July 2000	3 636	12 355	6 330	1 004	3 455	5 013	31 793
Transfer from work in progress	2 782	7 774	714	95	214	(11 579)	-
Transfer from local government councils	-	30 642	-	-	-	-	30 642
Additions	215	179	6 502	156	32	7 724	14 808
Disposals	(49)	(154)	(22)	-	(116)	-	(341)
Balance at 30 June 2001	6 584	50 796	13 524	1 255	3 585	1 158	76 902

(b) Asset Movement Schedule (continued)

	2001						
	Land and Buildings	Vehicles	Communic- ations Equipment	Computer Equipment	Plant and Equipment	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accumulated Depreciation:							
Balance at 1 July 2000	(357)	(5 036)	(4 000)	(806)	(2 007)	-	(12 206)
Disposals	26	107	20	1	114	-	268
Transfer from local government councils	-	(13 919)	-	-	-	-	(13 919)
Depreciation expense	(65)	(622)	(414)	(111)	(296)	-	(1 508)
Balance at 30 June 2001	(396)	(19 470)	(4 394)	(916)	(2 189)	-	(27 365)
Net Book Value at 30 June 2001	6 188	31 326	9 130	339	1 396	1 158	49 537

14. Payables

	Consolidated 2002 \$'000	Country Fire Service 2002 \$'000	2001 \$'000
Payables comprise the following:			
Current Liabilities:			
On-costs re employee entitlement provisions and accruals	40	40	27
Creditors	1 763	1 762	1 849
	1 803	1 802	1 876
Non-Current Liabilities:			
On-costs re employee entitlement provisions and accruals	74	74	60

15. Provision for Employee Entitlements

Employee entitlements for the reporting period comprised:

	Consolidated 2002 \$'000	Country Fire Service 2002 \$'000	2001 \$'000
Current Liabilities:			
Annual leave	205	205	130
Long service leave	20	20	20
Workers compensation	498	498	457
	723	723	607
Non-Current Liabilities:			
Long service leave	621	621	496
Workers compensation	1 549	1 549	1 472
	2 170	2 170	1 968

16. Accumulated Surplus

	Consolidated 2002 \$'000	Country Fire Service 2002 \$'000	2001 \$'000
Balance at 1 July	47 443	47 443	18 168
Changes during period:			
Surplus from ordinary activities	3 408	3 124	12 552
Net revenues from the transfer of assets from local government	9 793	9 793	16 723
Balance at 30 June	60 644	60 360	47 443

17. Commitments and Contingent Liabilities**(a) Commitments for Capital Expenditure**

As at the reporting date the Board had entered into contracts for the following capital expenditures which are not included in the financial statements.

These projects are due for completion within one year:

Vehicles	1 061	1 061	631
Fire stations and other equipment	466	466	2 496
	1 527	1 527	3 127

(b) Operating Leases

Commitments under non-cancellable operating leases at the reporting date are payable as follows:

Payable not later than one year	833	833	589
Payable later than one year and not later than five years	1 435	1 435	1 237
Payable later than five years	871	871	180
	3 139	3 139	2 006

The abovementioned operating lease payments are not recognised in the financial statements as liabilities.

These non-cancellable leases are property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased annually based on CPI movement.

(c) Contingent Liabilities

At the end of the reporting period there were no known contingent liabilities.

(d) Contractual Commitments

At the end of the reporting period the Board had the following commitments on contracts:

	Consolidated 2002 \$'000	Country Fire Service 2002 \$'000	2001 \$'000
Payable not later than one year	1 034	1 034	1 374
Payable later than one year and not later than five years	-	-	1 262
	1 034	1 034	2 636

Contractual commitments relate to aerial bombing and cleaning services.

18. Reconciliation of Surplus from Ordinary Activities to Net Cash provided by Operating Activities	<table border="0"> <tr> <td style="text-align: right;">Consolidated</td> <td style="text-align: right;">Country Fire Service</td> <td></td> </tr> <tr> <td style="text-align: right;">2002</td> <td style="text-align: right;">2002</td> <td style="text-align: right;">2001</td> </tr> <tr> <td style="text-align: right;">\$'000</td> <td style="text-align: right;">\$'000</td> <td style="text-align: right;">\$'000</td> </tr> <tr> <td style="text-align: right;">Surplus from Ordinary Activities</td> <td style="text-align: right;">3 408</td> <td style="text-align: right;">12 552</td> </tr> <tr> <td style="text-align: right;">Depreciation</td> <td style="text-align: right;">4 614</td> <td style="text-align: right;">1 508</td> </tr> <tr> <td style="text-align: right;">Net revenue from disposal of non-current assets</td> <td style="text-align: right;">(44)</td> <td style="text-align: right;">(71)</td> </tr> <tr> <td style="text-align: right;">Net revenue from transfer of assets from GRN</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(6 436)</td> </tr> <tr> <td style="text-align: right;">Increase in employee entitlements</td> <td style="text-align: right;">318</td> <td style="text-align: right;">1 007</td> </tr> <tr> <td style="text-align: right;">Increase (Decrease) in payables</td> <td style="text-align: right;">(59)</td> <td style="text-align: right;">514</td> </tr> <tr> <td style="text-align: right;">(Increase) Decrease in receivables</td> <td style="text-align: right;">46</td> <td style="text-align: right;">(1 009)</td> </tr> <tr> <td style="text-align: right;">Net Cash provided by Operating Activities</td> <td style="text-align: right;">8 283</td> <td style="text-align: right;">8 065</td> </tr> </table>	Consolidated	Country Fire Service		2002	2002	2001	\$'000	\$'000	\$'000	Surplus from Ordinary Activities	3 408	12 552	Depreciation	4 614	1 508	Net revenue from disposal of non-current assets	(44)	(71)	Net revenue from transfer of assets from GRN	-	(6 436)	Increase in employee entitlements	318	1 007	Increase (Decrease) in payables	(59)	514	(Increase) Decrease in receivables	46	(1 009)	Net Cash provided by Operating Activities	8 283	8 065
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22. Remuneration of Employees	<table border="0"> <tr> <td style="text-align: right;">Consolidated</td> <td style="text-align: right;">Country Fire Service</td> <td></td> </tr> <tr> <td style="text-align: right;">2002</td> <td style="text-align: right;">2002</td> <td style="text-align: right;">2001</td> </tr> <tr> <td style="text-align: right;">Number of</td> <td style="text-align: right;">Number of</td> <td style="text-align: right;">Number of</td> </tr> <tr> <td style="text-align: right;">Employees</td> <td style="text-align: right;">Employees</td> <td style="text-align: right;">Employees</td> </tr> <tr> <td style="text-align: right;">The number of employees whose remuneration received or receivable fell within the following bands were:</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">\$110 001 - \$120 000</td> <td style="text-align: right;">-</td> <td style="text-align: right;">1</td> </tr> </table> <p>The aggregate remuneration for all employees referred to above was \$Nil (\$114 000).</p>	Consolidated	Country Fire Service		2002	2002	2001	Number of	Number of	Number of	Employees	Employees	Employees	The number of employees whose remuneration received or receivable fell within the following bands were:			\$110 001 - \$120 000	-	1															
Consolidated	Country Fire Service																																	
2002	2002	2001																																
Number of	Number of	Number of																																
Employees	Employees	Employees																																
The number of employees whose remuneration received or receivable fell within the following bands were:																																		
\$110 001 - \$120 000	-	1																																
23. Board Members' Remuneration	<p>The names of persons who held office as a member of the Board during the course of the reporting period were:</p> <table border="0"> <tr> <td>Mr K McHugh</td> <td>Mr P J Forster - commenced May 2002</td> </tr> <tr> <td>Mr R Branson</td> <td>Mr S Ellis - ceased December 2001</td> </tr> <tr> <td>Ms D Erwin</td> <td>Ms V Monaghan</td> </tr> <tr> <td>Mr J Cook</td> <td>Mr V Monterola</td> </tr> </table> <p>Mr Monterola is employed as Chief Executive of the Country Fire Service and does not receive board member fees. Likewise, Mr Ellis, as the Chief Executive of the Country Fire Service for the period up to December 2001, did not receive Board Member fees.</p> <table border="0"> <tr> <td style="text-align: right;">The number of members whose income from the Country Fire Service Board falls within the following bands was:</td> <td style="text-align: right;">2002</td> <td style="text-align: right;">2001</td> </tr> <tr> <td></td> <td style="text-align: right;">Number of</td> <td style="text-align: right;">Number of</td> </tr> <tr> <td></td> <td style="text-align: right;">Members</td> <td style="text-align: right;">Members</td> </tr> <tr> <td style="text-align: right;">\$1 - \$10 000</td> <td style="text-align: right;">5</td> <td style="text-align: right;">8</td> </tr> <tr> <td style="text-align: right;">\$10 001 - \$20 000</td> <td style="text-align: right;">1</td> <td style="text-align: right;">2</td> </tr> <tr> <td style="text-align: right;">\$60 001 - \$70 000</td> <td style="text-align: right;">1</td> <td style="text-align: right;">-</td> </tr> <tr> <td style="text-align: right;">\$80 001 - \$90 000</td> <td style="text-align: right;">1</td> <td style="text-align: right;">-</td> </tr> <tr> <td style="text-align: right;">\$110 001 - \$120 000</td> <td style="text-align: right;">-</td> <td style="text-align: right;">1</td> </tr> </table> <p>Total remuneration received by those members was \$202 000 (\$187 000), which includes fringe benefits and superannuation contributions. These figures include Mr V Monterola, the Chief Executive, as well as the previous Chief Executive, Mr S Ellis.</p>	Mr K McHugh	Mr P J Forster - commenced May 2002	Mr R Branson	Mr S Ellis - ceased December 2001	Ms D Erwin	Ms V Monaghan	Mr J Cook	Mr V Monterola	The number of members whose income from the Country Fire Service Board falls within the following bands was:	2002	2001		Number of	Number of		Members	Members	\$1 - \$10 000	5	8	\$10 001 - \$20 000	1	2	\$60 001 - \$70 000	1	-	\$80 001 - \$90 000	1	-	\$110 001 - \$120 000	-	1	
Mr K McHugh	Mr P J Forster - commenced May 2002																																	
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\$80 001 - \$90 000	1	-																																
\$110 001 - \$120 000	-	1																																

24. Financial Instruments

(a) Terms and Conditions

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash at bank	11	Cash at bank comprises cash held in a Department of Treasury and Finance Deposit Account and a deposit account held at Westpac. Interest revenue is recorded on an accrual basis.	Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance and is based on the average daily balance of the Deposit Account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts, which varied between 4.06 percent and 4.80 percent during 2001-02 (5.06 percent and 6.10 percent in 2000-01). Interest on cash at bank is calculated on a quarterly basis for the Society Cheque Fund. Interest rates for the Society Cheque Fund have varied from 0.05 percent to 0.30 percent during 2001-02.
Investments	11	The Board holds cash deposits with the South Australian Government Financing Authority and Westpac. Interest revenue is recorded on an accrual basis.	Interest on deposits is credited monthly and is calculated on the average daily balance of the account. The rate of interest is based on the overnight cash rate less a margin of 0.10 percent and during the reporting period varied between 4.15 percent and 4.90 percent (4.90 percent and 6.15 percent in 2000-01). Interest rates for the Westpac Term Deposit Account have varied from 3.80 percent to 3.90 percent during 2001-02. Interest is calculated on a monthly basis for the Term Deposit Account.
Receivables	12	Receivables are recorded at the amounts due to the Board, less an allowance for doubtful debts. They are recorded when goods have been supplied and services completed.	Receivables are due within 30 days of the rendering of an account.
Financial Liabilities			
Payables	14	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided to the Board.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

Financial Instrument	Consolidated				Country Fire Service			
	Weighted Average Interest Rate Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	2002 Total \$'000	Weighted Average Interest Rate Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	2002 Total \$'000
Financial Assets:								
Cash on hand		-	2	2		-	2	2
Cash at bank	1.14	878	-	878	1.27	761	-	761
Investments	4.55	1 256	-	1 256	4.65	1 088	-	1 088
Receivables		-	1 042	1 042		-	1 042	1 042
Total Financial Assets		2 134	1 044	3 178		1 849	1 044	2 893
Financial Liabilities:								
Payables		-	1 877	1 877		-	1 876	1 876
Total Financial Liabilities		-	1 877	1 877		-	1 876	1 876

Financial Instrument	2001 Country Fire Service			
	Weighted Average Interest Rate Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	2001 Total \$'000
Financial Assets:				
Cash on hand		-	2	2
Cash at bank	4.85	1 155	-	1 155
Investments	4.90	172	-	172
Receivables		-	1 088	1 088
Total Financial Assets		1 327	1 090	2 417
Financial Liabilities:				
Payables		-	1 936	1 936
Total Financial Liabilities		-	1 936	1 936

(c) Net Fair Values of Financial Assets and Liabilities

		Consolidated		Country Fire Service	
		Total	Net	Total	Net Fair
		Carrying	Fair Value	Carrying	Value
		Amount		Amount	
		\$'000	\$'000	\$'000	\$'000
Financial Instrument					
<i>Financial Assets:</i>	Note				
Cash on hand	11	2	2	2	2
Cash at bank	11	878	878	761	761
Investments	11	1 256	1 256	1 088	1 088
Receivables	12	1 042	1 042	1 042	1 042
Total Financial Assets		3 178	3 178	2 893	2 893
<i>Financial Liabilities:</i>					
Payables	14	1 877	1 877	1 876	1 876
Total Financial Liabilities		1 877	1 877	1 876	1 876

		2001	
		Total	Net
		Carrying	Fair Value
		Amount	
		\$'000	\$'000
Financial Instrument			
<i>Financial Assets:</i>	Note		
Cash on hand	11	2	2
Cash at bank	11	1 155	1 155
Investments	11	172	172
Receivables	12	1 088	1 088
Total Financial Assets		2 417	2 417
<i>Financial Liabilities:</i>			
Payables	14	1 936	1 936
Total Financial Liabilities		1 936	1 936

(d) Credit Risk Exposure

The Board's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Board has no significant exposures to any concentrations of credit risk.

25. Related Party Transactions

Members of the Board, or their member-related entities, conduct transactions with the Country Fire Service within a normal supplier relationship on terms no more favourable than those with which it is reasonable to expect Country Fire Service would have adopted with the member or member-related entity at arms-length in similar circumstances.

26. Controlled Entity

The consolidated financial statements at 30 June 2002 include the following controlled entity:

<i>Name of Controlled Entity</i>	<i>Place of Incorporation</i>
The Country Fire Service Foundation	Australia

The Country Fire Service Foundation (the Foundation) was incorporated on 22 November 2001 under the *Associations Incorporations Act 1985*. The Foundation was established for the following purposes:

- To support CFS Volunteers and members of the public, and to relieve them from poverty, sickness, destitution, suffering or misfortune arising from fires and other emergencies in the country.
- To provide money, property or benefits to Deductible Gift Recipients or for the establishment of Deductible Gift Recipients.

COURTS ADMINISTRATION AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

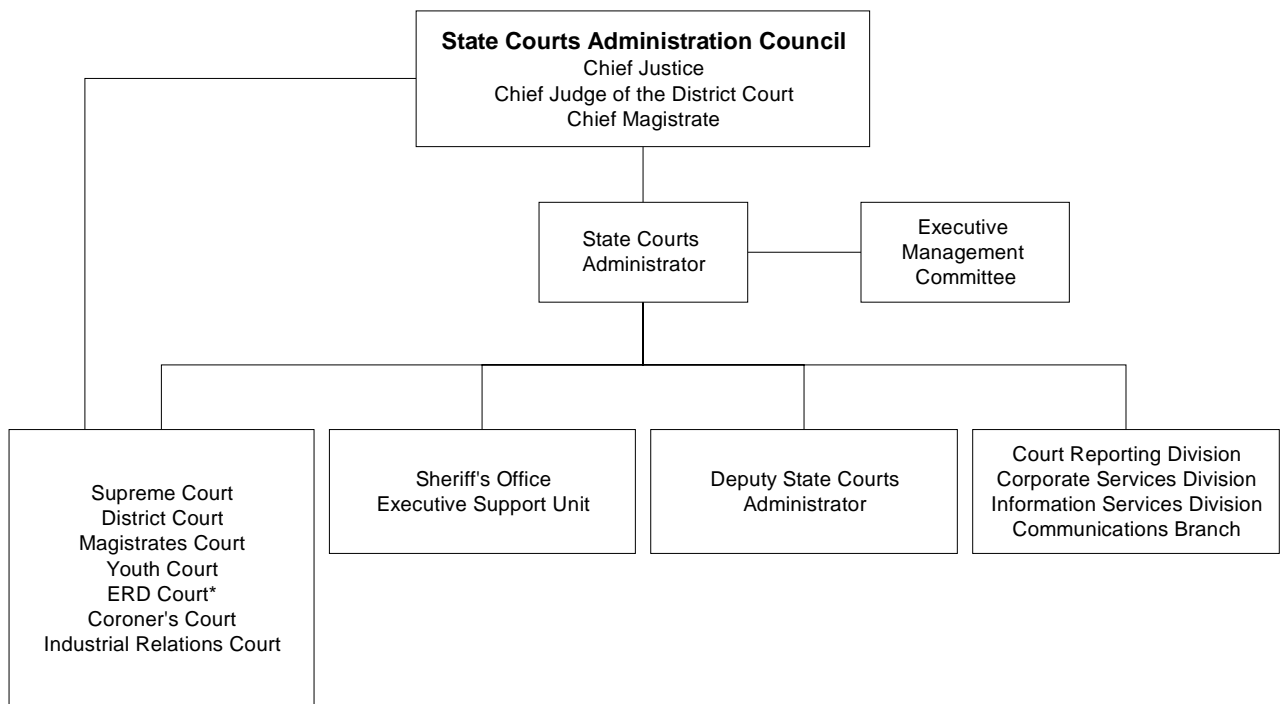
The Authority was established pursuant to the *Courts Administration Act 1993*.

The Authority is independent of the legislative and executive arms of government. It is the means by which the judiciary of this State, acting independently of the Executive Government, controls the provision of the administrative services and facilities that the courts of the State require to discharge their judicial functions.

The State Courts Administrator is responsible to the State Courts Administration Council (the Council) for the management of the Authority's assets and staff. The Council, Administrator and staff are collectively referred to as the 'Courts Administration Authority'.

The judiciary are not regarded as being part of the Authority. However, their salaries and some salary related payments are included under Administered Items.

The structure of the Authority is shown in the following diagram:



* Environment Resources and Development Court

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 27 of the *Courts Administration Act 1993* provides for the Auditor-General to audit the accounts of the Council in respect of each financial year.

Scope of Audit

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

During 2001-02, Head Office functions that were the subject of audit attention included:

- budgetary control and management reporting
- general ledger and journals
- capital works
- assets
- payroll
- expenditure
- revenue
- accounts receivable.

The audit also incorporated a review of the:

- Court Case Management System (CCMS), the CRIMCASE/FATE System and the Fines Payment Unit at Port Adelaide Magistrates and Berri Court;
- Suitor's Fund operations at the Supreme, Magistrates and District Courts and the Sheriff's Office trust account;
- management and operation of the Courts Circuits;
- Jury Election and Management Financial System.

In addition, in the latter part of the year Audit commenced a review of key security and control aspects of the Authority's CRIMCASE and FATE systems and use of the Justice Information System. The status of this review is referred to later under the heading 'Commentary on Computer Information Systems (CIS) Environment'.

Audit Communications to Management

A management letter communicating issues arising from the audit was forwarded to the Acting State Courts Administrator and a satisfactory response was received. The main issues raised by Audit are detailed in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The audit reviews undertaken involved an assessment of the adequacy of accounting, record keeping and control, and the test verification of financial transactions processed and recorded during the year. The review identified a number of instances where internal control procedures either required improvement or were not applied consistently over the year.

While there were a number of control issues raised by Audit, substantive testing of transactions processed by the Authority did not reveal any material errors in the sample of transactions tested.

The main issues identified by Audit relate to:

Fixed Assets

The audit review highlighted that information contained in the Authority's Fixed Asset Register was not up to date in relation to the location of computer and office equipment.

The Authority has responded that a stocktake undertaken by the Authority has assisted in addressing the location of equipment.

Bank Reconciliations

The audit review highlighted that bank reconciliations were not being performed on a timely basis and that the investigation and correction of variances remained outstanding for some time.

The Authority has advised that reconciliations are to be performed on a timely basis.

Commentary on Computer Information Systems (CIS) Environment

In the latter part of the year Audit commenced a review of key security and control aspects of the Authority's CRIMCASE and FATE systems and use of the Justice Information System. The review forms part of the 2001-02 Audit program of Information Technology review activities identified as part of this Department's increased focus on agency computer processing environments and key system security controls.

Regarding the above systems, Audit's review processes essentially considers security policies and user access arrangements and is complementary to audit review work being undertaken at the EDS processing bureau at Glenside with respect to a number of Justice agencies.

At the time of preparation of this Report, the review was at a stage of finalisation. The outcome from the review will be communicated to the Authority and included in a subsequent Report to Parliament, along with outcomes relating to other agency reviews presently in progress.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Government appropriation of \$52.6 million (\$53.7 million) to the Authority in 2001-02 was 83.2 percent of the Authority's total funding sources as compared with 87.7 percent in the previous year.

The Authority's expenses from ordinary activities include the costs incurred to collect significant revenue on behalf of the Government with respect to Court fines and fees, \$27.6 million in 2001-02, which is directly credited to the Consolidated Account. This revenue is reported under Administered Revenues.

Statement of Cash Flows

The decrease in Cash by \$4.3 million is due mainly to payments in relation to the refurbishment of the Supreme Court (\$2.5 million), the majority of funding for which was provided in 2001-02.

Administered Items

The Authority in cooperation with other Justice agencies established the Fines Enforcement System, the legislation for which was proclaimed on 6 March 2000, to improve the collection of outstanding fees and fines which at 30 June 2002 totalled \$72.2 million (\$68.9 million). Refer Note 1.17.

The Authority received \$2.4 million (\$2.4 million) from the Attorney-General's Department Administered Account towards the cost of operating the Fines Enforcement System. This amount is reflected in the Authority's Revenues from Ordinary Activities.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Grants	2	3 278	3 277
Fees for service	3	3 140	2 905
Proceeds from disposal of assets	4	1	57
Other	5	4 209	1 178
Total Revenues		10 628	7 417
EXPENSES FROM ORDINARY ACTIVITIES:			
Employees	6	36 866	32 223
Supplies and services	7	23 501	23 447
Depreciation and amortisation	8	4 606	4 563
Finance lease		1 453	1 487
Disposal of assets	4	1	12
Other	9	626	598
Total Expenses		67 053	62 330
NET COST OF SERVICES		(56 425)	(54 913)
REVENUES FROM GOVERNMENT		52 635	53 718
Net expenses from write down of non-current assets	10	(8 975)	-
NET DEFICIT FROM OPERATING ACTIVITIES		(12 765)	(1 195)
Net debit to asset revaluation reserve		-	(1 010)
Total Revenue, Expenses and Valuation Adjustments Recognised Directly in Equity		-	(1 010)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(12 765)	(2 205)

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash on hand and on deposit	11	6 013	10 302
Receivables	12	652	895
Prepayments	13	419	418
Inventory	14	6	18
Total Current Assets		7 090	11 633
NON-CURRENT ASSETS:			
Property, plant and equipment	15	115 209	124 716
Total Non-Current Assets		115 209	124 716
Total Assets		122 299	136 349
CURRENT LIABILITIES:			
Payables	16	2 124	2 886
Employee entitlements	17	1 787	1 957
Finance lease	18	657	621
Other	19	276	243
Total Current Liabilities		4 844	5 707
NON-CURRENT LIABILITIES:			
Payables	16	537	609
Employee entitlements	17	4 622	4 347
Finance lease	18	24 905	25 563
Other	19	909	876
Total Non-Current Liabilities		30 973	31 395
Total Liabilities		35 817	37 102
NET ASSETS		86 482	99 247
EQUITY:			
Accumulated surplus		81 685	94 450
Asset revaluation reserve		4 797	4 797
	20	86 482	99 247
Commitments	21		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Appropriations		52 635	53 718
Grants		3 278	3 277
Fees for service		3 179	2 927
GST receipts from taxation authority		2 425	1 720
Other		4 209	1 238
PAYMENTS:			
Employees		(37 099)	(32 518)
Supplies and services		(23 896)	(22 140)
GST payments on purchases		(2 226)	(2 513)
Finance lease		(1 473)	(1 487)
Other		(625)	(598)
Net Cash provided by Operating Activities	22	407	3 624
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Proceeds from sales of property, plant and equipment		1	57
PAYMENTS:			
Purchase of property, plant and equipment		(4 076)	(7 637)
Net Cash used in Investing Activities		(4 075)	(7 580)
CASH FLOWS FROM FINANCING ACTIVITIES:			
PAYMENTS:			
Repayment of finance lease		(621)	(587)
Net Cash used in Financing Activities		(621)	(587)
NET DECREASE IN CASH HELD		(4 289)	(4 543)
CASH AT 1 JULY		10 302	14 845
CASH AT 30 JUNE		6 013	10 302

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

	(Outputs refer Note 1.19)	2002		2001	Total
		2.2 \$'000	2.3 \$'000	5.2 \$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:					
Grants		650	249	2 379	3 278
Fees for service		660	20	2 460	3 140
Proceeds from disposal of assets		1	-	-	1
Other		4 127	19	63	4 209
Total Revenues		5 438	288	4 902	10 628
EXPENSES FROM ORDINARY ACTIVITIES:					
Employees		30 089	1 820	4 957	36 866
Supplies and services		19 752	622	3 127	23 501
Depreciation and amortisation		4 260	83	263	4 606
Finance lease		1 453	-	-	1 453
Disposal of assets		1	-	-	1
Other		486	70	70	626
Total Expenses		56 041	2 595	8 417	67 053
NET COST OF SERVICES		(50 603)	(2 307)	(3 515)	(56 425)
Revenues from government		47 204	2 151	3 280	52 635
Net expenses from write down of non-current assets		(8 049)	(367)	(559)	(8 975)
NET DEFICIT FROM OPERATING ACTIVITIES		(11 448)	(523)	(794)	(12 765)

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

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Fines		14 895	15 876
Revenues from government		19 387	18 334
Court fees		12 681	12 752
Transfer revenues		3 994	4 183
Transcript fees		967	1 099
Total Revenues		51 924	52 244
EXPENSES FROM ORDINARY ACTIVITIES:			
Judicial salary and related expenses	29	18 903	17 887
Transfer expenses		3 994	4 190
Other judicial expenses		840	843
Total Expenses		23 737	22 920
CASH TRANSFERRED TO CONSOLIDATED ACCOUNT		28 532	29 766
NET DECREASE IN ADMINISTERED NET ASSETS		(345)	(442)

Schedule of Administered Assets and Liabilities as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
ADMINISTERED ASSETS:			
Current:			
Cash	30	363	375
Receivables	31	422	363
Total Administered Assets		785	738
ADMINISTERED LIABILITIES:			
Current:			
Payables	32	1 169	1 280
Judicial entitlements	33	1 203	1 256
Non-Current:			
Payables	32	767	674
Judicial entitlements	33	3 823	3 360
Total Administered Liabilities		6 962	6 570
Equity:			
Accumulated funds		(6 177)	(5 832)
Total Equity	34	(6 177)	(5 832)

Schedule of Administered Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Fines		14 895	15 876
Receipts from government		19 387	18 334
Court fees		12 670	12 818
Transfer receipts		3 994	4 183
Transcript fees		967	1 099
Total Receipts		51 913	52 310
PAYMENTS:			
Judicial salary and related payments		(18 547)	(17 518)
Payments to Government		(28 532)	(29 766)
Transfer payments		(4 006)	(4 190)
Other judicial payments		(840)	(843)
Total Payments		(51 925)	(52 317)
Net Cash used in Operating Activities	35	(12)	(7)
NET DECREASE IN CASH HELD		(12)	(7)
CASH AT 1 JULY		375	382
CASH AT 30 JUNE		363	375

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

	2002			Total
	2.2 \$'000	2.3 \$'000	5.2 \$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:				
Fines	-	-	14 895	14 895
Revenues from Government	19 387	-	-	19 387
Court fees	6 029	-	6 652	12 681
Transfer revenues	411	-	3 583	3 994
Transcript fees	967	-	-	967
Total Revenues	26 794	-	25 130	51 924
EXPENSES FROM ORDINARY ACTIVITIES:				
Judicial salary and related expenses	18 903	-	-	18 903
Transfer expenses	441	-	3 553	3 994
Other judicial expenses	840	-	-	840
Total Expenses	20 184	-	3 553	23 737
CASH TRANSFERRED TO CONSOLIDATED ACCOUNT	6 996	-	21 536	28 532
NET (DECREASE) INCREASE IN ADMINISTERED NET ASSETS	(386)	-	41	(345)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

1.1 Objectives and Funding

The Courts Administration Authority (the Authority) operates within the *Courts Administration Act 1993*.

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

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

- increase the community's understanding of the operations of the courts and provide new and increased avenues for community feedback into the operations of the courts;
- improve court facilities and other aspects of dealing with the courts;
- foster an environment and a management framework wherein 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 the improved performance of the courts system;
- cooperate with other parts of the justice system to improve access to justice and to improve performance of the justice system overall.

Financial Arrangements

The Authority is predominantly funded by Parliamentary appropriations. However, some services are provided on a fee-for-service basis. The major activities conducted on a fee-for-service basis include:

- Sheriff's officer fees;
- reminder fees;
- sale of electronic information.

The financial activities of the Authority are primarily conducted through a Deposit Account with the Department of Treasury and Finance pursuant to section 21 of the *Public Finance and Audit Act 1987*. The Deposit Account is used for funds provided by Parliamentary appropriation together with revenues from fees-for-service. Refer to Notes 1.17 and 1.18 for accounting arrangements relating to Administered Items.

1.2 Basis of Accounting

The general purpose financial report has been prepared in accordance with:

- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board;
- Statements of Accounting Concepts;
- Consensus Views of the Urgent Issues Group;
- Treasurer's Instructions and Accounting Policy Statements issued by the Department of Treasury and Finance.

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets which, as noted, are at valuation. No allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits embodied in the asset or sacrifices will eventuate and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets which are unrecognised are reported as commitments in Note 21.

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flows or consumptions or loss of economic benefits has occurred and can be reliably measured. Some revenues are recognised when cash is received because only at this time can the Authority be certain about the amounts to be collected. These items include administered revenues such as fines, revenues received on behalf of other government agencies and the Authority's fee-for-service revenue such as reminder notice fees attached to fine penalty notices.

The continued existence of the Authority in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Authority's administration and programs.

The Schedule of Administered Revenues and Expenses, Assets and Liabilities and Cash Flows are prepared on the same basis and using the same policies as for operating items, except where otherwise stated at Notes 1.17 and 1.18.

1.3 Changes in Accounting Policy

(a) Library Collections

During 2001-02 the Authority engaged the services of Michael Treloar, Licensed Valuer, to determine the fair value of the Authority's library collection to comply with the whole-of-government move to adopting fair value as the valuation basis for non-current assets. Previously, the library collection was valued at deprival value.

The net decrement made against the value of library collections is \$8.5 million.

(b) Office Furniture and Equipment

Under the previous capitalisation policy of the Authority, all items with an individual cost of not less than \$1 000 were capitalised as depreciated assets. The exceptions were certain items of office furniture and equipment whose individual value was less than \$1 000 but as a group exceeded \$1 000. The Authority has decided to amend this policy to now expense all items with an individual value of less than \$1 000, regardless of whether it forms part of a larger group asset, where these groups are not significant to the total value of the Authority's assets.

- (b) *Office Furniture and Equipment (continued)*
The net decrement made against the value of office furniture and equipment is \$351 000, reflecting the expensing of such assets capitalised to 30 June 2001.

All other accounting policies used in the preparation of these financial statements are consistent with those used in 2000-01.

1.4 **Revenue**

The revenues described in this Note are revenues relating to the core operating activities of the Authority.

- (a) *Revenue from Government-Agency Appropriations*
Control over appropriations and grants is normally obtained upon their receipt.
- (b) *Resources Received Free of Charge*
Assets donated, gifted or bequeathed are recorded as an asset at their fair values at the time control passes to the Authority. Assets received in this way are disclosed as revenue in the Statement of Financial Performance.
- (c) *Other Revenue*
The Authority provides some services on a fee-for-service basis. The major activities conducted on a fee-for-service basis include:
- Sheriff's officer fees;
 - Reminder fees;
 - Sale of electronic information.

The Authority also recovers the cost of goods and services incurred where appropriate.

Most of this revenue is recognised at the time the cash is received because only at this time can the Authority be certain about the amounts to be collected. However, some revenues are recognised at the time that service is provided.

1.5 **Employee Entitlements**

- (a) *Leave*
A provision is raised at the end of the reporting period to reflect employee entitlements to annual leave and long service leave. These entitlements are calculated by multiplying each employee's entitlement by the remuneration rate current at the reporting date. Where leave loadings are paid, they are included in the calculation.

In calculating long service leave entitlements the Authority takes into account, as a benchmark, an actuarial assessment prepared by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. The benchmark is currently eight years.

The Authority's employees' entitlement to sick leave is non-vesting. Sick leave is only recognised as a liability at reporting date to the extent it is probable that sick leave expected to be taken in future periods will be greater than entitlements which are expected to accrue in those future periods.

Employment on-costs relating to employee entitlements owing, are recognised as liabilities in the Statement of Financial Position. Employee entitlements and employment on-costs accruing during the reporting period are treated as an expense in the Statement of Financial Performance.

- (b) *Superannuation*
The Authority made contributions of \$6.1 million (\$5.6 million) to Employer Contribution Accounts administered by the South Australian Superannuation Board, in respect of future superannuation liabilities.
- (c) *Workers Compensation*
The Authority records a liability in respect of workers compensation claims based on an actuarial valuation of claims performed by Taylor Fry Consulting Actuaries and provided to the Public Sector Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet.

1.6 **Leases**

The Authority has entered into a number of operating lease agreements for the provision of photocopiers where the lessors effectively retain all of the risks and benefits incidental to ownership of these items. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term, as this is representative of the pattern of benefits to be derived from the leased property. Details of commitments under non-cancellable operating leases are disclosed in Note 21.

The Authority's rights and obligations under finance leases, which are leases that effectively transfer to the Authority substantially all of the risks and benefits incidental to ownership of the leased items, are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as 'Building under finance lease', and are amortised to the Statement of Financial Performance over the period during which the Authority is expected to benefit from the use of the leased assets.

Minimum lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease. Details of finance leases are disclosed in Note 18.

1.7 **Cash**

Cash comprises Deposit Accounts with the Department of Treasury and Finance as well as cash on hand.

1.8 Financial Instruments

Accounting policies for financial instruments are stated at Notes 28 and 36.

1.9 Acquisitions of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

1.10 Property (Land and Buildings), Plant and Equipment*Asset Recognition Threshold*

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases with an individual value of less than \$1 000 which are expensed in the Statement of Financial Performance at the time they are acquired.

Revaluations

Land and buildings and improvements controlled by the Authority are recorded at amounts based on valuations and cost. Valuations are prepared by Colliers Jardine, licensed valuers. Land, buildings and improvements are revalued every three years with the current valuations reflecting valuations performed as at 30 June 2000.

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

Valuations of works of art and collections were performed by Theodore Bruce Auctions Pty Ltd., Licensed Valuers. Works of art and collections are measured at their market value and are not depreciated. The valuations currently brought to account for works of art and collections were made as at 30 June 1996. Heritage assets are not disclosed by a specific heritage type but form part of the aggregate value of property, plant and equipment and are included within the category 'Works of art and collections'.

The balance brought to account for library collections represents the fair value as at 30 June 2002 based on information provided by Michael Treloar, Licensed Valuer (also Refer Note 1.3(a)).

Non-current assets are measured at current cost, with assets other than land, library collections and works of art and collections having a deduction to reflect the portion of economic benefits that had been consumed since the asset was acquired ie 'depreciated current cost'.

Depreciation and Amortisation

All non-current assets, with the exception of land, works of art and collections and library collections, have a limited useful life and are systematically depreciated in a manner which reflects the consumption of service potential. The depreciation rates are reviewed annually. The major asset categories are subject to straight line depreciation over the following periods:

	Years
Buildings and improvements	60
Computing	3-5
Office furniture and equipment	10
Library collections	Infinite
Leasehold improvements	10-25
In-house developed computer software*	10
Other (general equipment)	5-10

* The Authority, through the Information Services Division, has developed a Courts Case Management System. This development is classified as a non-current asset as it is expected to provide future economic benefits to the Authority. This asset is treated as a 'network asset' for depreciation purposes. As a result, monthly costs are capitalised and assigned a common date upon which the useful life of the entire asset is expected to expire.

1.11 Inventories

The balance in this account reflects undisbursed items and are valued at their current purchase price.

1.12 Goods and Services Tax

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

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

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

GST does not apply to the finance lease liability of the Authority.

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

1.13 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of transaction. No foreign currency receivables and payables existed as at balance date.

1.14 Insurance

The Authority has insured for risks through the South Australia Government Captive Insurance Corporation (SAICORP).

1.15 Comparative Figures

Where applicable, comparative figures have been adjusted to conform with changes in the current year.

1.16 Rounding

Amounts have been rounded to the nearest \$1 000.

1.17 Administered Revenue

All revenues described in this Note are revenues relating to the operating activities performed by the Agency on behalf of the Government and other government agencies.

- (a) *Revenue from Government - Administered Appropriations*
Appropriations for Administered Expenses represents funding required to meet judicial expenses. Control over these appropriations are normally obtained upon their receipt.
- (b) *Fines*
The Authority receives revenue from infringements issued to offenders committing offences under various acts and regulations, principally the *Road Traffic Act 1961*.
- (c) *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 and sales of transcript and evidence.
- (d) *Revenue Received on Behalf of/for Other Government Agencies*
The Authority receives revenue of behalf of other government agencies, which it forwards to them on a regular basis. An example of this is revenue received in respect of the victims of crime levy which is paid to the Attorney-General's Department.

The administered funds receivable balance, recorded in the Schedule of Administered Assets and Liabilities, includes amounts due in respect of sales of transcript and certain court fees. The remaining administered receivables are not recorded in the Schedule of Administered Assets and Liabilities due to the uncertainty of the amounts to be received by the Authority. Total administered receivables owing to the Authority, but not recorded totalled \$72.2 million (\$68.9 million). This amount includes outstanding court fees and fines which may be converted to community service orders, detentions served in lieu of payment and time payment options granted, therefore giving rise to the uncertainty of amounts to be collected. However, arrangements associated with the Fines Payment Unit will increase the percentage of revenue recovered in respect of this debt.

In addition, the Authority receives reimbursement from other government agencies for items such as witness expenses which it receives from the Attorney-General's Department.

1.18 Administered Expenses

- (a) *Payments to Consolidated Account*
Administered Fees and Fines collected by the Authority are paid directly to the Consolidated Account.
- (b) *Judicial Expenses*
The Authority makes payments pursuant to the *Remuneration Act 1990* for members of the judiciary. These expenses include judicial salaries and related on-costs, judicial vehicle expenses and Fringe Benefits Tax.

1.19 Outputs of the Authority

Information about the output classes to which the Authority contributes is provided as follows:

- Output 2.2 Court and Tribunal Case Resolution Services*
The resolution of criminal, civil, appellate, coronial and probate matters in the State's courts and tribunals.
- Output 2.3 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.
- Output 5.2 Enforcement 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.

2. Grants

Grants for the reporting period comprised:	2002	2001
	\$'000	\$'000
Fines Payment Unit	2 379	2 379
R v Bunting et al	391	197
Drug Court	249	385
Mental Impairment Diversion Program	-	213
Other	259	103
	3 278	3 277

		2002	2001
		\$'000	\$'000
3. Fees for Service			
Fees and charges for the reporting period comprised:	Note		
Licence disqualification fees		903	595
Reminder notice fees		758	771
Sheriff's officer fees		688	778
Rent recoups		191	176
Sale of electronic information		129	141
Library levy		124	125
Photocopying		92	92
Sheriff's fees		46	37
Coronial recoups		12	14
Other		197	176
		<u>3 140</u>	<u>2 905</u>
4. Proceeds and Expenses from Disposal of Assets			
Revenue (proceeds) from sale		1	57
Written down value		1	12
		<u>-</u>	<u>45</u>
5. Other Revenues			
Other revenues for the reporting period comprised:			
ETVSP Recoup		3 620	283
Interest revenue		365	626
Recovery of supplies and services		176	235
Miscellaneous commissions		13	13
Other		35	21
		<u>4 209</u>	<u>1 178</u>
6. Employee Expenses			
Employee expenses for the reporting period comprised:			
Salaries and wages		27 242	26 246
Payroll tax and superannuation expenses		4 423	4 674
Long service leave expenses		1 254	725
Enhanced Targeted Voluntary Separation Packages		3 620	283
Other		327	295
		<u>36 866</u>	<u>32 223</u>
7. Supplies and Service Expenses			
Supplies and services expenses for the reporting period comprised:			
Accommodation expenses		8 104	7 973
Administration expenses		7 796	7 933
Computing and communications		4 006	3 866
Coronial charges		1 868	1 991
Jurors' expenses		1 037	1 006
Bailiff fee reimbursements		690	678
		<u>23 501</u>	<u>23 447</u>
8. Depreciation and Amortisation			
Depreciation and amortisation expenses for the reporting period were charged in respect of:			
Buildings and improvements		1 628	1 553
In-house computer developed software		1 153	1 003
Computing		859	966
Finance lease on building		830	830
Office furniture and equipment		105	180
Leasehold improvements		31	31
		<u>4 606</u>	<u>4 563</u>
9. Other Expenses			
Other expenses for the reporting period comprised:			
Operating lease payments		460	470
Other		166	128
		<u>626</u>	<u>598</u>
10. Net Write Down of Non-Current Assets			
Net write down for the reporting period comprised:			
Revaluation decrement/change in valuation policy on Library Collections	1.3(a)	(8 488)	-
Change in capitalisation policy on Office Furniture and Equipment	1.3(b)	(351)	-
Stocktake*		(136)	-
Total		<u>(8 975)</u>	<u>-</u>
* During 2001-02, the Authority undertook a stocktake of office furniture and equipment and computing equipment. The stocktake resulted in the updating of the asset register for assets which had previously been salvaged as well as other assets which had been retired.			
11. Cash on Hand and on Deposit			
Cash on hand and on deposit comprised:			
Deposit accounts with the Department of Treasury and Finance		5 980	10 269
Cash on hand (including petty cash)		33	33
		<u>6 013</u>	<u>10 302</u>

12. Receivables		2002	2001
Receivables comprised:		\$'000	\$'000
GST receivable		594	793
Fees for service		44	83
Employee expenses		14	19
		652	895
13. Prepayments			
Prepayments comprised:			
Finance lease		372	352
Supplies and services		47	66
		419	418
14. Inventories			
Stationery store		6	18

15. Property, Plant and Equipment		2002		
(a) Summary of Balances		Cost/	Accumulated	Written Down Value
		Valuation	Depreciation/	2002
		\$'000	Amortisation/	2001
			\$'000	\$'000
Land at valuation		11 151	-	11 151
Buildings and improvements at valuation		101 137	(33 919)	67 218
Buildings and improvements at cost		5 814	(99)	5 715
Building under construction at cost		3 199	-	3 199
Building under finance lease		33 191	(15 766)	17 425
Leasehold improvements at cost		509	(143)	366
Computing at cost		6 969	(5 310)	1 659
Office furniture and equipment at cost		1 405	(781)	624
In-house computer developed software at cost		7 688	(3 626)	4 062
Library collections at valuation		3 292	-	3 292
Library collections at cost		-	-	-
Works of art and collections at valuation		498	-	498
		174 853	(59 644)	115 209
				124 716

(b) Analysis of Property, Plant and Equipment

	Land	Buildings and Improvements	Building under Finance Lease	Building under Construction	Buildings-Leasehold Improvements	Total Land and Buildings
	\$000	\$000	\$000	\$000	\$000	\$000
Gross value as at 1 July	11 152	106 422	33 191	673	509	151 947
Additions: Purchase of assets	-	-	-	3 055	-	3 055
Assets transferred in (out)	-	529	-	(529)	-	-
Adjustments (refer Note 10)	-	-	-	-	-	-
Disposals	(1)	-	-	-	-	(1)
Gross Value at 30 June	11 151	106 951	33 191	3 199	509	155 001
Accumulated depreciation/amortisation at 1 July	-	(32 390)	(14 936)	-	(112)	(47 438)
Depreciation/amortisation for year	-	(1 628)	(830)	-	(31)	(2 489)
Adjustments (refer Note 10)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Accumulated Depreciation/Amortisation as at 30 June	-	(34 018)	(15 766)	-	(143)	(49 927)
Net Book Values as at 30 June 2002	11 151	72 933	17 425	3 199	366	105 074
Net Book Values as at 30 June 2001	11 152	74 032	18 255	673	397	104 509

	Computing	Office Furniture & Equipment	In-house Computer Development Software	Library Collections	Works of Art and Collections	Total Plant, Equipment and Collections	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Gross value as at 1 July	9 788	4 776	7 688	11 276	498	34 026	185 973
Additions: Purchase of assets	369	148	-	504	-	1 021	4 076
Assets transferred in (out)	-	-	-	-	-	-	-
Revaluations (write downs)	(3 043)	(3 519)	-	(8 488)	-	(15 050)	(15 050)
Disposals	(145)	-	-	-	-	(145)	(146)
Gross Value at 30 June	6 969	1 405	7 688	3 292	498	19 852	174 853
Accumulated depreciation/amortisation at 1 July	(7 658)	(3 688)	(2 473)	-	-	(13 819)	(61 257)
Depreciation/amortisation for year	(859)	(105)	(1 153)	-	-	(2 117)	(4 606)
Revaluations (write downs)	3 062	3 012	-	-	-	6 074	6 074
Disposals	145	-	-	-	-	145	145
Accumulated Depreciation/Amortisation as at 30 June	(5 310)	(781)	(3 626)	-	-	(9 717)	(59 644)
Net Book Values as at 30 June 2002	1 659	624	4 062	3 292	498	10 135	115 209
Net Book Values as at 30 June 2001	2 130	1 088	5 215	11 276	498	20 207	124 716

16. Payables				2002	2001
Current:				\$'000	\$'000
Creditors and accruals				1 859	2 578
On-costs on provision for employee entitlements				265	308
				2 124	2 886
Non-Current:					
On-costs on provision for employee entitlements				537	609
17. Employee Entitlements					
Current:					
Long service leave				608	789
Annual leave				1 179	1 168
				1 787	1 957
Non-Current:					
Long service leave				4 507	4 347
Annual leave				115	-
				4 622	4 347
18. Finance Lease					
Finance lease commitments:					
Payable no later than one year				4 599	4 489
Payable later than one year and not later than five years				18 395	17 956
Payable later than five years				73 580	76 315
Minimum lease payments				96 574	98 760
Less: Future finance charges and contingent rentals				71 012	72 576
Lease Liability				25 562	26 184
Classified as:					
Current				657	621
Non-current				24 905	25 563
				25 562	26 184
A finance lease exists in relation to the Sir Samuel Way Building. This lease is non-cancellable for a term of 40 years.					
19. Other Liabilities					
Workers Compensation liabilities advised by the Public Sector Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet comprised:				2002	2001
Current:				\$'000	\$'000
Income maintenance				176	156
Other				100	87
				276	243
Non-Current:					
Income maintenance				574	647
Other				335	229
				909	876
20. Equity					
			Asset Revaluation		
	Accumulated Surplus		Reserve	Total Equity	
	2002	2001	2002	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	94 450	95 645	4 797	99 247	101 452
Net deficit from operating activities	(12 765)	(1 195)	-	(12 765)	(1 195)
Adjustment to prior years revaluation increment	-	-	-	-	(1 010)
Balance at 30 June	81 685	94 450	4 797	86 482	99 247
21. Commitments				2002	2001
BY TYPE:				\$'000	\$'000
Capital Commitments:					
Land and buildings ⁽¹⁾				8 933	4 113
Total Capital Commitments				8 933	4 113
Other Commitments:					
Operating leases ⁽²⁾				306	173
Total Other Commitments				306	173
Net Commitments				9 239	4 286

21. Commitments (continued)	2002	2001
BY MATURITY:	\$'000	\$'000
All Net Commitments:		
One year or less	2 005	4 194
From one to five years	7 234	92
Net Commitments	9 239	4 286
Operating Lease Commitments:		
One year or less	112	81
From one to five years	194	92
Total Operating Lease Commitments	306	173

Commitments are GST inclusive where relevant.

- (1) Outstanding contractual arrangements for buildings under construction.
- (2) Operating leases are effectively non-cancellable and relate to photocopiers used by the Authority. Rental is payable monthly in arrears generally for a four year term with an option to renew at the end of the term.

22. Cash Flow Reconciliation	2002	2001
Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows:	\$'000	\$'000
Cash at year end per Statement of Cash Flows	6 013	10 302
Statement of Financial Position item comprising above cash – 'Cash on hand and on deposit'	6 013	10 302
Reconciliation of net deficit to net cash provided by operating activities:		
Net deficit	(12 765)	(1 195)
Depreciation/amortisation	4 606	4 563
Net expenses from write down of non-current assets	8 975	-
Profit on disposal of assets	-	(45)
Decrease (Increase) in receivables	243	(711)
Decrease in inventories	12	27
(Increase) Decrease in prepayments	(1)	91
Increase (Decrease) in employee entitlements	105	(83)
(Decrease) Increase in payables	(834)	817
Increase in other liabilities	66	160
Net Cash provided by Operating Activities	407	3 624

23. Remuneration of Employees and Judiciary	2002	2001
Employees	Number of	Number of
Remuneration includes salary, termination payments (excluding Enhanced Targeted Voluntary Separation Packages) and non-monetary benefits. The number of employees whose remuneration received or receivable fell within the following bands were:	Employees	Employees
Recurrent Salaries:		
\$100 001 - \$110 000	1	-
\$110 001 - \$120 000	-	2
\$120 001 - \$130 000	2	*1
\$130 001 - \$140 000	2	-
\$140 001 - \$150 000	-	1
\$150 001 - \$160 000	-	1
\$160 001 - \$170 000	*3	1
\$180 001 - \$190 000	-	1
\$190 001 - \$200 000	-	1
\$200 001 - \$210 000	1	-

* Includes employees who received accrued leave entitlements upon resignation.

Note that the above figures include the State Coroner and four ERD Commissioners who served during 2001-02. The aggregate remuneration for all employees referred to above was \$1.3 million (\$1.2 million).

Judiciary	2002	2001
Remuneration includes salary, termination payments (excluding Enhanced Targeted Voluntary Separation Packages) and non-monetary benefits. The number of judicial officers whose remuneration received or receivable fell within the following bands were:	Number of	Number of
Special Acts:	Judicial	Judicial
\$120 001 - \$130 000	Officers	Officers
\$140 001 - \$150 000	*1	-
\$150 001 - \$160 000	1	4
\$160 001 - \$170 000	8	*13
\$170 001 - \$180 000	13	11
\$180 001 - \$190 000	7	8
\$190 001 - \$200 000	5	2
\$200 001 - \$210 000	3	-
\$210 001 - \$220 000	1	1
\$220 001 - \$230 000	1	-
\$230 001 - \$240 000	-	3
\$240 001 - \$250 000	-	*22
\$250 001 - \$260 000	24	-
\$260 001 - \$270 000	-	1
\$270 001 - \$280 000	-	12
\$280 001 - \$290 000	12	1
\$290 001 - \$300 000	*2	-
\$300 001 - \$310 000	-	1
\$330 001 - \$340 000	1	-

* Includes officers who received accrued leave entitlements upon retirement.

The aggregate remuneration for all the judicial officers referred to above was \$17.3 million (\$16.6 million).

24. Enhanced Targeted Voluntary Separation Packages (ETVSPs)	2002	2001
ETVSPs paid to employees during the reporting period were:	\$'000	\$'000
ETVSP payments	3 620	283
Recovery from the Department of the Premier and Cabinet in respect of ETVSPs	3 620	283
Annual and long service leave accrued over the period of employment		
paid to employees who received ETVSPs	769	51

Number of Employees	Number of Employees
59	5

The number of employees who received ETVSPs

25. Related Party Disclosures
No transactions have been entered into by the Authority with any board/staff member of a company in which a board/staff member has either a direct or indirect pecuniary interest.

26. Consultancies		2002
Total expenditure on consultancies amounted to \$110 000 (\$248 000).		\$'000
Individual consultancies costing more than \$50 000:		\$'000
No consultancies exceeded \$50 000.		-

Individual consultancies costing between \$10 000 and \$50 000:			
Project:	Consultants:		
Assess EDS high tech court proposal	Ernst & Young		27
Design of information pack for jurors	IKD Design Solutions		26
Data Modelling – Court Resourcing	J Plan		26
Public Relations and Resource Review	B W Johns		21
Total cost of consultancies less than \$10 000:			
5 consultancies			10

27. Remuneration of Auditors	2002	2001
	\$'000	\$'000
Auditors' remuneration – Auditing services	90	88

No other services were provided by the Auditor-General.

28. Financial Instruments			
(a) Terms, Conditions and Accounting Policies			
Financial Instrument	Note	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)

Financial Assets			
		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash		Deposits are recognised at their nominal amounts. Interest is credited as it accrues.	Cash comprises Deposit Accounts at the Department of Treasury and Finance. Interest is earned on the average daily balance based on the average of the 90 day bank bill. Interest rates fluctuated between 4.06 percent and 4.80 percent for the year ended 30 June 2002.
Receivables	12	These receivables are recognised at their nominal amounts less any provision for doubtful debts.	Credit terms are net 30 days.
Financial Liabilities			
		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Finance lease liabilities	18	Liabilities are recognised at the present value of the minimum lease payments at the beginning of the lease. The discount rates used are estimates of the interest rate implicit in the lease.	At the reporting date, the Authority had a finance lease with a 40 year term. The interest rate implicit in this lease is 5.61 percent.
Payables	16	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is normally made net 30 days.

		2002							2002 Total	Weighted Average Effective Interest Rate Percent
		Floating Interest Rate	Fixed Interest Rate Maturities				Non-Interest Bearing			
		\$'000	1 year or less \$'000	1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000	\$'000	\$'000		
Financial Assets:	Note									
Cash		5 980	-	-	-	-	33	6 013	4.3	
Receivables	12	-	-	-	-	-	652	652	-	
Total Financial Assets		5 980	-	-	-	-	685	6 665		
Total Assets								122 299		
Financial Liabilities:										
Finance lease	18	-	657	695	2 334	21 876	-	25 562	5.6	
Payables	16	-	-	-	-	-	1 859	1 859	-	
Total Financial Liabilities		-	657	695	2 334	21 876	1 859	27 421		
Total Liabilities								35 817		

		2001							2001 Total	Weighted Average Effective Interest Rate Percent
		Floating Interest Rate	Fixed Interest Rate Maturities				Non-Interest Bearing			
		\$'000	1 year or less \$'000	1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000	\$'000	\$'000		
Financial Assets:	Note									
Cash		10 269	-	-	-	-	33	10 302	5.8	
Receivables	12	-	-	-	-	-	895	895	-	
Total Financial Assets		10 269	-	-	-	-	928	11 197		
Total Assets								136 349		
Financial Liabilities:										
Finance lease	18	-	621	657	2 207	22 699	-	26 184	5.8	
Payables	16	-	-	-	-	-	2 578	2 578	-	
Total Financial Liabilities		-	621	657	2 207	22 699	2 578	28 762		
Total Liabilities								37 102		

(c) Net Fair Values of Financial Assets and Liabilities

Financial Assets

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

Financial Liabilities

The net fair values for finance leases and trade creditors are approximated by their carrying amounts.

(d) Credit Risk Exposure

The Authority's maximum exposure to credit risk at the reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Authority has no significant exposures to any concentrations of credit risk.

29. Judicial Salary and Related Expenses		2002	2001
Judicial salary and related expenses comprised:		\$'000	\$'000
Salaries and wages		13 080	12 523
Payroll tax and superannuation expenses		4 168	4 087
Long service leave expenses		1 137	714
Other		518	563
		18 903	17 887
30. Administered Cash			
Administered cash comprised:			
Deposit account with the Department of Treasury and Finance		363	375
31. Administered Receivables			
Fees		314	303
Transfer expenses yet to be claimed		98	55
GST receivable		10	5
		422	363
32. Administered Payables			
Current:			
Creditors and accruals		421	506
Transfer revenue received and not forwarded		462	430
On-costs on provision for judicial entitlements		286	344
		1 169	1 280
Non-Current:			
On-costs on provision for judicial entitlements		767	674

33. Judicial Entitlements		2002	2001
Current:		\$'000	\$'000
Long service leave		562	512
Annual leave		641	744
		1 203	1 256
Non-Current:			
Long service leave		3 587	3 262
Annual leave		236	98
		3 823	3 360
34. Administered Equity			
Balance at 1 July		(5 832)	(5 390)
Net decrease in administered net assets		(345)	(442)
Balance at 30 June		(6 177)	(5 832)
35. Administered Cash Flow Reconciliation			
Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows			
Cash at year end per Statement of Cash Flows		363	375
Statement of Financial Position item comprising above cash – Cash		363	375
Reconciliation of net decrease in administered net assets to net cash (used in) administered activities:			
Net decrease in administered net assets		(345)	(442)
(Increase) Decrease in receivables		(59)	153
Increase in judicial entitlements		410	107
(Decrease) Increase in payables		(18)	175
Net Cash used in administered activities		(12)	(7)

36. Administered Financial Instruments
(a) Terms, Conditions and Accounting Policies

Financial Instrument	Note	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
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Financial Assets			
		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash		Deposits are recognised at their nominal amounts.	Cash comprises Deposit Accounts at the Department of Treasury and Finance. The administered cash balance is non-interest bearing.
Receivables	31	These receivables are recognised at their nominal amounts less any provision for doubtful debts.	Credit terms are net 30 days.
Financial Liabilities			
		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Payables	32	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is normally made net 30 days.

(b) Interest Rate Risk

	Note	2002					Non Interest Bearing	2002 Total \$'000	Weighted Average Effective Interest Rate Percent
		Floating Interest Rate \$'000	Fixed Interest Rate 1 year or less \$'000	1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000			
Financial Assets:									
Cash		-	-	-	-	-	363	363	
Receivables	31	-	-	-	-	-	422	422	
Total Financial Assets		-	-	-	-	-	785	785	
Total Assets							785		
Financial Liabilities:									
Payables	32	-	-	-	-	-	883	883	
Total Financial Liabilities		-	-	-	-	-	883	-	
Total Liabilities							6 962		

(b) Interest Rate Risk (continued)

	Note	Floating Interest Rate \$'000	2001 Fixed Interest Rate Maturities				Non Interest Bearing \$'000	2001 Total \$'000	Weighted Average Effective Interest Rate Percent
			1 year or less \$'000	1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000			
Financial Assets:									
Cash		-	-	-	-	-	375	375	
Receivables	31	-	-	-	-	-	363	363	
Total Financial Assets		-	-	-	-	-	738	738	
Total Assets							738		
Financial Liabilities:									
Payables	32	-	-	-	-	-	936	936	
Total Financial Liabilities		-	-	-	-	-	936	936	
Total Liabilities							6 570		

(c) Net Fair Values of Financial Assets and Liabilities

Financial Assets

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

Financial Liabilities

The net fair value for trade creditors is approximated by it's carrying value.

37. Trust Monies

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

Supreme Court Suitor Account

	2002 \$'000	2001 \$'000
Balance at 1 July	19 823	10 297
Receipts	6 589	10 673
	26 412	20 970
Less: Payments	6 482	1 147
Balance at 30 June	19 930	19 823

District Court Suitor Account

	2002 \$'000	2001 \$'000
Balance at 1 July	499	426
Receipts	1 674	440
	2 173	866
Less: Payments	457	367
Balance at 30 June	1 716	499

Sheriff's Office Trust Account

	2002 \$'000	2001 \$'000
Balance at 1 July	267	122
Receipts	933	628
	1 200	750
Less: Payments	883	483
Balance at 30 June	317	267

Magistrates' Courts Suitor Accounts

	2002 \$'000	2001 \$'000
Balance at 1 July	946	1 034
Receipts	7 292	8 509
	8 238	9 543
Less: Payments	6 505	8 597
Balance at 30 June	1 733	946

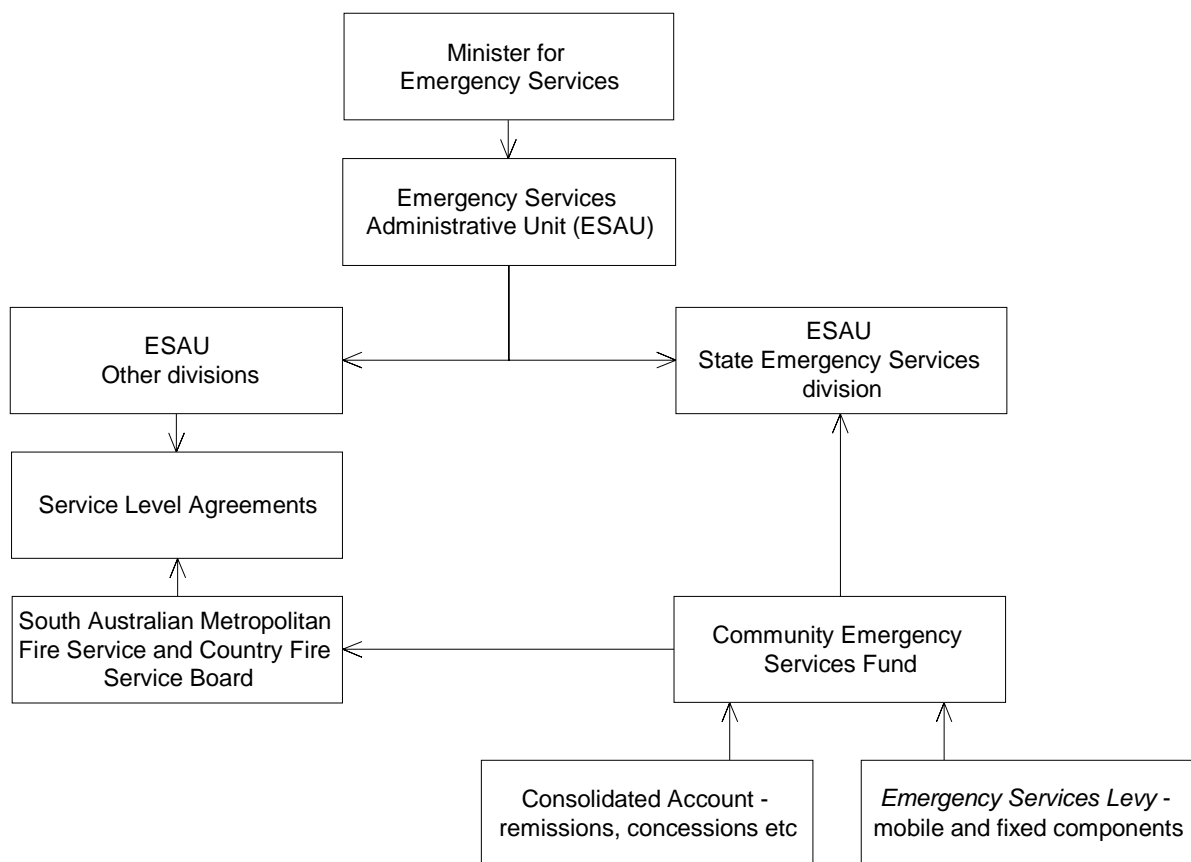
EMERGENCY SERVICES ADMINISTRATIVE UNIT

FUNCTIONAL RESPONSIBILITY AND ORGANISATION STRUCTURE

The Emergency Services Administrative Unit (ESAU) is an Administrative Unit established pursuant to subsection 7(2) of the *Public Sector Management Act 1995*. Its primary objectives are:

- to provide strategic, corporate and support services to the South Australian emergency services, namely the South Australian Metropolitan Fire Service (SAMFS), the Country Fire Service (CFS) and the State Emergency Service (SES);
- through the SES, to provide a local incident emergency response service, and significant participation in State Disaster emergency management, planning and training.

The organisation structure and funding arrangements are overviewed in the following diagram:



Changes to Agency Structure

Responsibility for the administration of the Office of Volunteers was transferred on 1 December 2001 from the Department of Environment and Heritage to ESAU.

Agency Funding

The funding of ESAU is derived through recharges to the SAMFS and the CFS for services rendered. The Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*, provides funding direct to those organisations.

The SES is directly financed by the Fund for the cost of its operational services in the protection of South Australian citizens and their property. The SES also receives funding from the same source for the cost of strategic and administrative services delivered to it by ESAU.

The strategic and administrative services delivered by ESAU include financial, human resources, asset management and procurement, risk management, volunteer management, occupational health, safety and prevention and strategic and knowledge management services. These deliverables are funded by the CFS and the SAMFS under Service Level Agreements.

SIGNIFICANT FEATURES

- Contributions from the Community Emergency Services Fund totalled \$10 million (\$9.6 million).
- Recharges to emergency service agencies totalled \$8.6 million (\$8.3 million).
- Assets with a written down value of \$652 000 (\$1.4 million) were transferred from local government to ESAU.

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

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

During 2001-02 specific areas of Audit attention included:

- expenditure, including accounts payable and salaries and wages
- plant and equipment, including the adequacy of asset register maintenance
- revenue, debtors, receipting and banking
- service level agreements
- general ledger.

Audit Communications to Management

During the year several letters communicating issues arising from the audit were forwarded to the Chief Executive Officer. Satisfactory responses have been received in relation to the matters raised.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

In previous years Audit has commented on the need for considerable improvement in the internal control environment operating in ESAU. Over the last two years significant improvement has been achieved. Notwithstanding, Audit considers that opportunities remain for improvement in internal controls in a number of areas. These are outlined below.

Payroll

The audit of the payroll function revealed that improvements could be achieved with regard to the documentation of policies and procedures, the administration of flexitime arrangements and the independent review of payroll processes.

In response ESAU indicated that a comprehensive review of the payroll function will be undertaken in conjunction with the implementation of the CHRIS payroll system early in the 2002-03 financial year.

Revenue

The audit revealed that there was room for improvement in cash receipting procedures, authorisation of credit notes and accountability for invoices raised.

In response ESAU advised that revised procedures would be implemented to address the issues raised by Audit.

Accounts Payable and Purchasing

The audit of the accounts payable function revealed that there was room for improvement in the timely performance of bank reconciliations, the reconciliation between the accounts payable subsidiary system and the general ledger and the timely payment of accounts.

Regarding the purchasing function the results of the audit revealed that policies and procedures were not always adhered to and adequate documentation to support purchases from locally held funds was not always provided.

ESAU advised that reconciliations of bank accounts and the general ledger and subsidiary systems would be undertaken on a timely basis and that procedures would be improved to ensure the timely payment of accounts.

In relation to the purchasing function ESAU indicated that staff would be reminded of the need to adhere to procedures and to provide adequate documentation in support of purchases from locally held funds.

Credit Cards

The audit of the use of credit cards revealed the need for improvements in the processes for issuing and terminating credit cards. Also the approval of credit card statements and the provision of adequate supporting documentation were matters commented on by Audit.

Further, Audit commented that procedures for processing credit card payments could be improved by the use of a clearing account.

In response ESAU advised that revised procedures would be implemented for issuing and terminating credit cards and that staff would be reminded of the need to appropriately authorise and support purchases made.

Regarding the processing of credit card payments, ESAU advised that a clearing account has been established.

Corporate Governance

Audit identified the need for improvement in the monitoring of strategic, business and risk plans, the provision of clear guidelines regarding the budget process, the timely finalisation of various Service Level Agreements with the Emergency Service agencies and the implementation of regular monitoring of those agreements. The establishment of a central contracts register for control and information purposes was also recommended by Audit.

In response ESAU indicated that action has been taken to ensure adequate monitoring of plans at all levels and the timely finalisation of Service Level Agreements. ESAU also advised that a contract register is being established.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Position

Non-Current Assets

The written down value of property, plant and equipment increased by \$1.5 million to \$8.7 million due mainly to the transfer of assets from local government with a written down value of \$652 000 and additions to assets totalling \$1.6 million, offset by depreciation expense of \$760 000.

The majority of assets held by ESAU relate to the operations of the State Emergency Service with the major components being vehicles with a written down value of \$4.5 million and communications equipment with a written down value of \$1.7 million.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges for services	3	551	430
Interest		15	25
Emergency Services Administrative Unit recharge		8 563	8 250
Other revenue	4	1 839	1 493
Total Revenues		10 968	10 198
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee entitlements	5	9 620	7 912
Depreciation	6	760	274
Government Radio Network costs	7	1 569	1 541
Supplies and services	8	7 371	9 569
Total Expenses		19 320	19 296
NET COST OF SERVICES			
		8 352	9 098
REVENUES FROM STATE GOVERNMENT:			
Contributions from the Community Emergency Services Fund		10 029	9 583
Total Revenues from Government		10 029	9 583
Net revenues (costs) from restructuring	9	(167)	1 428
Net revenues (losses) on disposal of non-current assets	10	(40)	6
SURPLUS FROM ORDINARY ACTIVITIES		1 470	1 919
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net revenues from the transfer of assets from Local Government	11	652	1 434
Total revenues, expenses and restructuring adjustments recognised directly in equity		652	1 434
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		2 122	3 353

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets	12	404	49
Receivables	13	651	776
Total Current Assets		1 055	825
NON-CURRENT ASSETS:			
Property, plant and equipment	14	8 744	7 268
Total Non-Current Assets		8 744	7 268
Total Assets		9 799	8 093
CURRENT LIABILITIES:			
Payables	15	859	1 560
Provision for employee entitlements	16	466	455
Total Current Liabilities		1 325	2 015
NON-CURRENT LIABILITIES:			
Payables	15	218	187
Provision for employee entitlements	16	1 954	1 711
Total Non-Current Liabilities		2 172	1 898
Total Liabilities		3 497	3 913
NET ASSETS			
		6 302	4 180
EQUITY:			
Accumulated surplus	17	6 302	4 180
TOTAL EQUITY		6 302	4 180
Commitments and Contingent Liabilities	18		

Statement of Cash Flows for the year ended 30 June 2002

		2002	2001
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
	Note	\$'000	\$'000
Employee entitlements		(9 524)	(7 582)
Supplies and services		(8 079)	(10 908)
Government Radio Network costs		(1 569)	(1 541)
		<u>(19 172)</u>	<u>(20 031)</u>
RECEIPTS:			
Fees and charges for services		551	147
Emergency Services Administrative Unit recharges		8 563	8 250
Other revenue		1 964	1 097
Interest		15	25
		<u>11 093</u>	<u>9 519</u>
CASH FLOWS FROM GOVERNMENT:			
Contributions from the Community Emergency Services Fund		10 029	9 583
Net Cash provided by (used in) Operating Activities	19	<u>1 950</u>	<u>(929)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of non-current assets		50	6
Payments for non-current assets		(1 645)	(1 497)
Net Cash used in Investing Activities		<u>(1 595)</u>	<u>(1 491)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		-	2 000
Repayment of borrowings		-	(2 000)
Net Cash provided by (used in) Financing Activities		<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH HELD		<u>355</u>	<u>(2 420)</u>
CASH AT 1 JULY		<u>49</u>	<u>2 469</u>
CASH AT 30 JUNE	12	<u>404</u>	<u>49</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) Objectives

The Emergency Services Administrative Unit (ESAU) was established on 1 July 1999 with the following objectives:

- To provide strategic, corporate and support services to the South Australian emergency services namely, the SA Metropolitan Fire Service (SAMFS), the Country Fire Service (CFS) and the State Emergency Service (SES).
- To provide a local incident emergency response service, and significant participation in State Disaster emergency management, planning and training to the State Emergency Service (SES).

(b) Funding and Administrative Arrangements

The funding of ESAU is derived from the Community Emergency Services Fund (the Fund) which was established by the *Emergency Services Funding Act 1998*.

The SES is directly funded from the Fund for the cost of its operational services in the protection of South Australian citizens and their property. The SES also receives funds from the same source for the cost of strategic and administrative services delivered to it by ESAU.

2. Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report prepared in accordance with Treasurer's Instructions and Accounting Policy Statements under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards and mandatory professional reporting requirements (Urgent Issues Group Consensus Views). It has been prepared on the accrual basis of accounting using the historical cost accounting method, with the exception of certain major non-current assets which have been revalued to their current deprival value.

(b) Valuation of Non-Current Assets

Property, plant and equipment, except those assets transferred from Local Government, are carried at cost.

Assets transferred from Local Government are initially recognised at their fair value at the date of acquisition.

(c) Depreciation of Non-Current Assets

Depreciation on property, plant and equipment, excluding freehold land, is calculated on a straight-line basis, based on the expected useful lives of the assets which are reviewed annually. Major depreciation periods are:

	Years
Buildings	25
Vehicles	5-15
Communications equipment	3-10
Plant and equipment	5-15
Computer equipment	3

(d) Employee Entitlements**(i) Wages and Salaries and Annual Leave**

Liabilities for salaries and annual leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employee's service to that date.

(ii) Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by employees to balance date. The liability has been calculated at nominal amounts based on current salaries and wages rates using a benchmark of eight years as advised by the Department of Treasury and Finance. Relevant employment on-costs are shown under the item 'Payables'.

(iii) Sick Leave

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

(iv) Superannuation

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

(v) Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability according to ESAU's experience of claim numbers and payments. A separate valuation of the liabilities of ESAU has not been undertaken and if such a valuation was performed it may result in a different assessed liability. ESAU fully funds this provision. Liability with respect to SES Volunteers is currently held and managed by the Office for the Commissioner for Public Employment.

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis.

(f) Revenue Recognition

All revenues are recognised when services are provided, at fair value of the consideration received.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

The gross proceeds of non-current asset sales are included as revenue at the date control of assets passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(g) Cash

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

3. Fees and Charges for Services		2002	2001
Fees and charges for services comprised:		\$'000	\$'000
Administrative services provided		529	378
Other		22	52
		551	430
4. Other Revenue			
Other revenue comprised:			
Commonwealth grant - State Disaster Committee		536	10
Commonwealth grant - Other		252	1 087
Reimbursement for Government Radio Network installation and registration		539	-
Subsidy for GST implementation		-	291
Targeted Voluntary Separation Package expenses recovered		419	48
Other		93	57
		1 839	1 493
5. Employee Entitlements			
Employee entitlement expenses for the reporting period comprised:			
Salaries and wages		7 622	6 325
Payroll tax and superannuation		1 115	1 023
Long service leave expenses		353	378
Other employee related costs		530	186
		9 620	7 912

Emergency Services Administrative Unit

6. Depreciation	2002	2001
Depreciation expenses for the reporting period were charged in respect of:	\$'000	\$'000
Communications equipment	192	44
Vehicles	357	79
Plant and equipment	69	67
Buildings	49	16
Computer equipment	93	68
	<hr/> 760 <hr/>	<hr/> 274 <hr/>

7. Government Radio Network (GRN) Costs
 The Emergency Services Administrative Unit has been charged by the Department for Administrative and Information Services (DAIS) for costs associated with the provision to SES of emergency communication services, including voice, paging and data transmission using the Government Radio Network.

Contributions towards the GRN expenses for the reporting period were charged in respect of:	2002	2001
	\$'000	\$'000
Contribution towards GRN - Voice	1 398	1 407
Contribution towards GRN - Paging	146	128
Other GRN costs	25	6
	<hr/> 1 569 <hr/>	<hr/> 1 541 <hr/>

8. Supplies and Services		
Supplies and services for the reporting period comprised:		
Computing expenses	845	1 021
Consumables and minor purchases	1 168	1 510
Repairs and maintenance	552	511
Accommodation	53	124
Uniforms and protective clothing	238	358
Communication expenses	495	479
Energy	37	26
Light vehicle expenses	44	34
Travel and training	695	625
Consultancy fees, legal fees and other expenses	1 362	1 958
Minister's Grants Program	885	1 504
Leases	997	779
Interest	-	6
Volunteer Marine Rescue Grants Program*	-	539
GST compliance costs	-	95
	<hr/> 7 371 <hr/>	<hr/> 9 569 <hr/>

* In 2000-01 ESAU was responsible for administering the financial transactions relating to the operations of volunteer marine rescue units. In 2001-02 this function was administered by the Attorney-General's Department.

9. Net Costs from Restructuring
 As a result of a restructuring of administrative arrangements, ESAU assumed responsibility for the Office of Volunteers as at 1 December 2001. Assets assumed by ESAU as a result of the transfer are recognised in the Statement of Financial Position at the carrying amount of those assets in the transferor Department's (Department of Environment and Heritage) Statement of Financial Position immediately prior to the transfer.

In respect of the Office of Volunteers, the Department of Environment and Heritage has recognised expenses of \$306 000 in its Statement of Financial Performance for the period ended 30 June 2002. The total revenues and expenses in respect of the Office of Volunteers recognised by ESAU for the year ended 30 June 2002 are \$1 499 000 and \$1 199 000 respectively.

During the period ended 30 June 2001, GRN Communications Equipment was transferred from DAIS to the SES.

In respect of the activities assumed, the following assets and liabilities were recognised:

Office of Volunteers	2002	2001
Non-Current Assets:	\$'000	\$'000
Computer equipment	8	-
Plant and equipment	21	-
	<hr/> 29 <hr/>	<hr/> - <hr/>
Current Liabilities:		
Payables	7	-
Provision for annual leave	31	-
	<hr/> 38 <hr/>	<hr/> - <hr/>
Non-Current Liabilities:		
Payables	31	-
Provision for Long Service Leave	127	-
	<hr/> 158 <hr/>	<hr/> - <hr/>
Net Costs from Restructuring	<hr/> 167 <hr/>	<hr/> - <hr/>
Government Radio Network		
Non-Current Assets:		
Communications Equipment	-	1 428
	<hr/> - <hr/>	<hr/> 1 428 <hr/>
Net Revenue from Restructuring	<hr/> - <hr/>	<hr/> 1 428 <hr/>

Emergency Services Administrative Unit

15.	Payables	2002	2001
	Current:	\$'000	\$'000
	On-costs re employee entitlement provisions	73	70
	Creditors	786	1 490
		<u>859</u>	<u>1 560</u>
	Non-Current:		
	On-costs re employee entitlement provisions	218	187
		<u>218</u>	<u>187</u>
16.	Provision for Employee Entitlements		
	Provision for employee entitlements consists of the following:		
	Current:		
	Annual leave	367	359
	Long service leave	66	66
	Workers compensation	33	30
		<u>466</u>	<u>455</u>
	Non-Current:		
	Long service leave	1 851	1 613
	Workers compensation	103	98
		<u>1 954</u>	<u>1 711</u>
17.	Accumulated Surplus		
	Balance at 1 July	4 180	827
	Change during period:		
	Surplus from ordinary activities	1 470	1 919
	Net revenues from the transfer of assets from Local Government	652	1 434
	Balance at 30 June	<u>6 302</u>	<u>4 180</u>
18.	Commitments and Contingent Liabilities		
	(a) Commitments for Capital Expenditure		
	As at the reporting date ESAU had entered into contracts for the following capital expenditures which are not included in the financial statements.		
	These amounts are due for payment:	2002	2001
	Not later than one year	\$'000	\$'000
		530	1 158
		<u>530</u>	<u>1 158</u>
	(b) Operating Leases		
	Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
	Payable not later than one year	724	575
	Payable later than one year and not later than five years	2 189	2 007
	Payable later than five years	1 385	768
		<u>4 298</u>	<u>3 350</u>
	These operating leases are not recognised in the Statement of Financial Position as liabilities.		
	The non-cancellable leases are property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased annually based on CPI movement.		
	Options exist to renew the leases at the end of the term of the leases.		
	(c) Contingent Liabilities		
	At the end of the reporting period there were no known contingent liabilities.		
19.	Reconciliation of Surplus from Ordinary Activities to Net Cash provided by Operating Activities	2002	2001
	Surplus from ordinary activities	\$'000	\$'000
	Depreciation	1 470	1 919
	Net revenue from restructuring	760	274
	Net (revenue) loss from disposal of non-current assets	(29)	(1 428)
	Increase in employee entitlements	40	(6)
	Increase in employee entitlements	254	330
	Decrease in payables	(670)	(1 339)
	(Increase) Decrease in receivables	125	(679)
	Net Cash provided by (used in) Operating Activities	<u>1 950</u>	<u>(929)</u>
20.	Remuneration of Auditors		
	The amount due and payable for audit services provided by the Auditor-General's Department was	68	60
	The auditors provided no other services.	<u>68</u>	<u>60</u>
21.	Consultancies	Number of	Number of
	Total expenditure (excluding GST) on 10 (17) consultancies in 2001-02 amounted to \$206 000 (\$1 256 000).	Consultants	Consultants
	Less than \$10 000	7	7
	\$10 000 - \$50 000	2	6
	Greater than \$50 000	1	4

22. Remuneration of Employees	The number of employees whose remuneration received or receivable fell within the following bands were:	Number of Employees	Number of Employees
	\$100 001 - \$110 000	1	-
	\$110 001 - \$120 000	1	-
	\$140 001 - \$150 000	-	1
	\$160 001 - \$170 000	1	-

The aggregate remuneration for the employees referred to above was \$390 000 (\$147 000).

23. Targeted Voluntary Separation Package (TVSP) Scheme		2002	2001
		Number of Employees	Number of Employees
	Number of employees paid TVSPs	5	1
	Amounts paid to these employees:	\$'000	\$'000
	TVSP	419	48
Accrued annual leave and long service leave	171	8	
	590	56	
Amount recovered from the Department of the Premier and Cabinet	419	48	

24. **Financial Instruments**
(a) Terms and Conditions

Financial Instrument	Note	Accounting Policies and Methods	Nature of underlying instrument
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Financial Assets:

Cash at bank	12	Cash at bank comprises cash held in a Department of Treasury and Finance Deposit Account. Interest revenue is recorded on an accrual basis.	Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance and is based on the average daily balance of the Deposit Account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts, which varied between 4.06 percent and 4.80 percent during 2001-02. (5.06 percent and 6.10 percent in 2000-01).
Receivables	13	Sundry debtors are recorded at the amounts due to ESAU. They are recorded when goods have been supplied and services completed.	Sundry debtors are due within 30 days of the rendering of an account.

Financial Liabilities:

Payables	15	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided to ESAU.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
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(b) Interest Rate Risk

Financial Instrument	Effective Interest Rate	2002			Effective Interest Rate	2001		
		Interest Bearing	Non-Interest Bearing	2002 Total		Interest Bearing	Non-Interest Bearing	2001 Total
	Percent	\$'000	\$'000	\$'000	Percent	\$'000	\$'000	\$'000
Financial Assets:								
Cash on hand		-	4	4		-	3	3
Cash at bank	4.12	400	-	400	5.06	46	-	46
Receivables		-	651	651		-	776	776
Total Financial Assets		400	655	1 055		46	779	825
Financial Liabilities:								
Payables		-	1 077	1 077		-	1 747	1 747
Total Financial Liabilities		-	1 077	1 077		-	1 747	1 747

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument	Note	2002		2001	
		Total Carrying Amount	Net Fair Value	Total Carrying Amount	Net Fair Value
		\$'000	\$'000	\$'000	\$'000
Financial Assets:					
Cash on hand	12	4	4	3	3
Cash at bank	12	400	400	46	46
Receivables	13	651	651	776	776
		1 055	1 055	825	825
Financial Liabilities:					
Payables	15	1 077	1 077	1 747	1 747
		1 077	1 077	1 747	1 747

(d) Credit Risk Exposure

ESAU's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. ESAU has no significant exposures to any concentrations of credit risk.

LEGAL SERVICES COMMISSION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Legal Services Commission (the Commission) is a body corporate established pursuant to subsection 6(1) of the *Legal Services Commission Act 1977*. As determined by subsection 6(3) of the Act the Commission is not an instrumentality of the Crown and is independent of the Government.

The Commission provides legal assistance throughout the State to people who, in matters arising under either Commonwealth or State laws, are in need of legal assistance. Assistance is provided both by Commission staff, and by referrals to private practitioners.

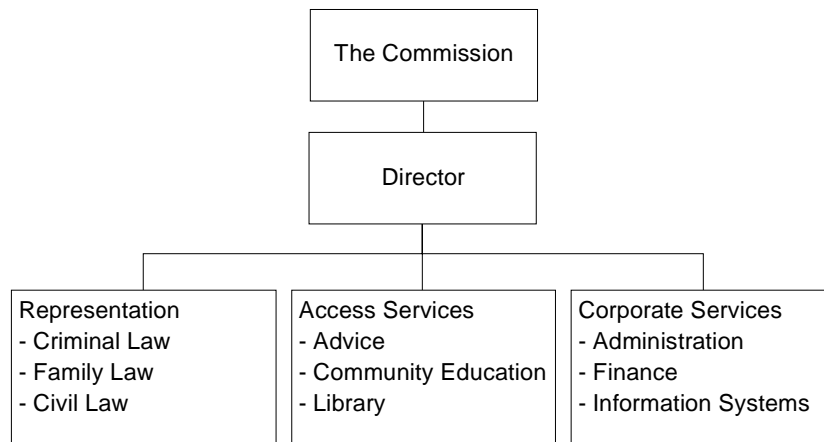
In meeting the cost of providing legal aid, the Commission is funded by the Commonwealth in accordance with an agreement between the Commonwealth and State Governments. The agreement commenced on 1 July 2000 and covers a four year period to 30 June 2004.

The funding provided by the State is determined through the budgetary process of the South Australian Government.

The Commonwealth grants received by the Commission are expended in accordance with the agreement between the Commonwealth and State Governments. Legal assistance is only to be provided within South Australia for matters arising under Commonwealth law, and being a matter of priority. The matters of priority are predominantly in the areas of family law, criminal law, and certain civil matters.

The State grants received by the Commission are expended on State Law matters and these are predominately criminal cases, and community advice and education.

The structure of the Commission is:



SIGNIFICANT FEATURES

- Operating Surplus from Ordinary Activities decreased by \$1.4 million from \$2.3 million to \$900 000.
- Grants from Commonwealth and State Governments increased by \$1.7 million from \$20.6 million to \$22.3 million. This increase is principally attributable to general grant funding received from both the State and Commonwealth Government.
- Total legal expenses increased by \$1.1 million from \$11.1 million to \$12.2 million due primarily to an increase in expenditure in solicitor fees, council fees and disbursements to private practitioners reflecting an increase in the scale of fees and activity (ie referrals).

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 25 of the *Legal Services Commission Act 1977* provides for the Auditor-General to audit the accounts of the Commission in respect of each financial year.

Scope of Audit

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

The scope of the audit for 2001-02 included:

- payroll
- legal expenses and commitments
- administrative expenses
- revenue
- cash receipting and banking
- accounts receivable
- non-current assets.

In addition, audit coverage included a review of the status of the implementation of some strategic mandatory elements of the Financial Management Framework for the Commission.

Audit Communications to Management

During the year a management letter communicating the results of the audit was forwarded to the Chairperson of the Commission and a satisfactory response was received. Issues raised and relevant responses are summarised in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on Financial Management Framework

The 1999-2000 and 2000-01 audits included a review of the Commission's progress with respect to implementing the prescribed principles set out in the Financial Management Framework (FMF). The audits revealed that the Commission was progressing satisfactorily with respect to the Asset and Liability Management, Reporting and Transaction Processing components of the FMF, but that there was a need for further attention to the Planning and Analysis and Control components.

Audit coverage for 2001-02 included a follow-up of the progress made by the Commission relating to the implementation of the FMF. The follow-up revealed that the Commission continued to build on the progress achieved in previous years and, in Audit's opinion, there continued to be scope for further improvement in relation to the implementation of the Control component of the FMF.

Control - Risk Management

The 2001-02 audit revealed that at the time of the audit, responsible Commission staff were in the process of finalising a review of the Risk Management Plan with results of the review to be reported to the Commission in early 2002-03 once the review has been finalised. Audit also noted Commission staff developed a risk management reporting framework which was to include the annual reporting of the status of risk management strategies implemented to address identified risks. At the time of the audit this framework had not been documented or presented to the Commission for endorsement.

Audit recommended that the risk management reporting framework be appropriately documented and formally endorsed by the Commission.

Response

The Commission will consider the outcomes of a recent extensive review of its Risk Management Plan at its next corporate planning day. The amended Risk Management Plan will then be submitted to the Commission for formal endorsement.

Control - Monitoring and Reporting

The Commission's Audit Committee, with specific terms of reference, was established in June 1988 and was to meet approximately six times a year. The 2000-01 audit revealed that the terms of reference of the Audit Committee were not revised to reflect current practice. Further, Audit noted that the Commission had not reviewed the scope of the internal audit function to reflect the current control environment.

Audit follow-up conducted as part of the 2001-02 audit revealed that the Commission had progressed work regarding review of its Internal Audit Charter. It was noted, however, that

- the Commission had not finalised its review of the internal audit function
- the terms of reference for the Audit Committee had not been reviewed and appropriately updated
- no officer was allocated with responsibility for the internal audit function, hence no internal audit reviews were performed.

The lack of an internal audit function may have a significant impact on agencies control environment and it is important to ensure that internal audit contributes to a cost effective control environment. Audit noted the Commission facilitated the finalisation of a draft Internal Audit Plan for 2002, however, at the time of the audit the plan had not been considered and approved by the Audit Committee nor had the Commission finalised resourcing arrangements with respect to undertaking the projects included in the plan.

Audit recommended the Commission review the requirements for an internal audit function and the terms of reference for the Audit Committee. Such review should include consideration of cost effective risk management. Subsequent to review, Audit recommended that the Commission finalise resourcing arrangements consistent with the outcome of the review.

Response

The Commission has been working with the Justice Portfolio and a consultant to develop a risk based internal audit plan. The results of this work will be considered by the Audit Committee and subsequently presented to the Commission. The Commission will then consider options for resourcing the internal audit function based on the established plan.

Control - Control Environment

The 2000-01 audit revealed that the Justice Portfolio was in the process of writing a set of policies and procedures to be utilised by agencies within the portfolio and the Commission intended to utilise certain policies and procedures developed by the Justice Portfolio. Audit recommended the Commission consider formulating a framework for the adoption/development, documentation, promulgation and regular review of its policies, practices and procedures.

Audit follow-up conducted as part of the 2001-02 audit revealed that, in August 2002 the Commission finalised a register of Commission policies and procedures. The Commission, however, had not established a framework for the approval and review of its policies and procedures. In this regard, it was noted that the Commission's delegations of authority were silent regarding the approval of policies and procedures. It is considered good practice for the Commission's delegations of authority to specify who has delegated authority to approve Commission policies and procedures.

Audit recommended the Commission give consideration to establishing a framework for the approval and regular review of its policies and procedures. Also, Audit recommended that consideration be given to updating the Commission's delegations of authority to include details of who has delegated authority to approve policies and procedures.

Response

The Commission will consider the creation of a project to address Audit's recommendation.

Commentary on General Financial Controls

The audit of the Commission's general control environment revealed that internal controls were operating satisfactorily. Notwithstanding this observation, Audit identified opportunities to enhance the existing controls. These matters were raised with the Commission for consideration and a satisfactory response was received.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

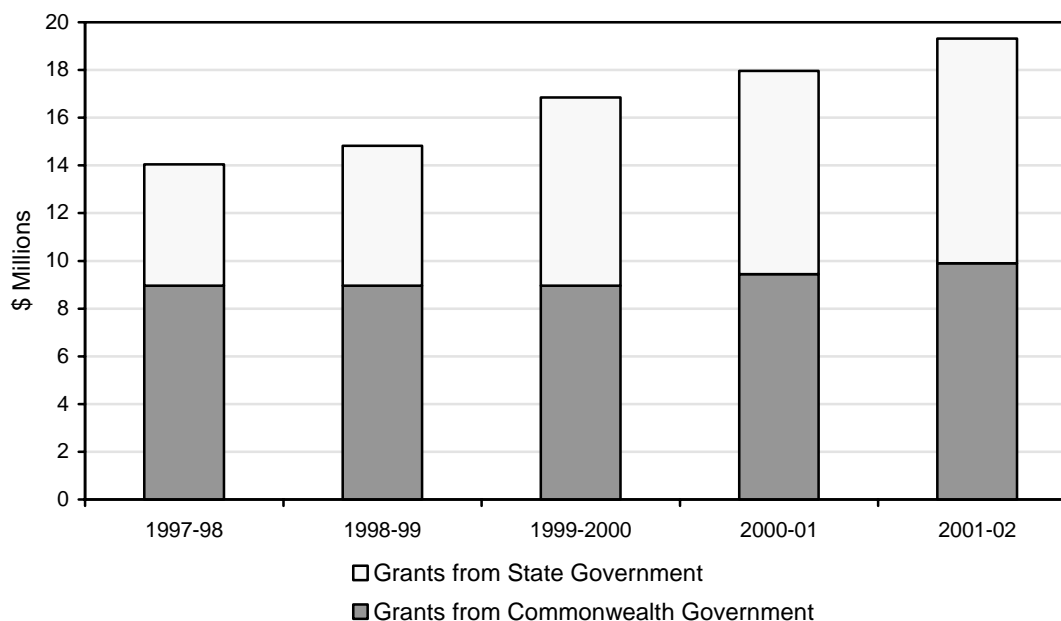
Statement of Financial Performance

The Statement of Financial Performance for the year ended 30 June 2002 reports total Revenues from Ordinary Activities of \$25.5 million (\$24.5 million) and total Expenses from Ordinary Activities of \$24.6 million (\$22.3 million), resulting in an Operating Surplus from Ordinary Activities of \$900 000 (\$2.3 million).

Revenues from Government

General grants from the State Government and Commonwealth Government provided in accordance with the funding agreement (excluding specific State grants for expensive cases of \$2.6 million and specific Commonwealth grants provided for primary dispute resolution of \$82 000 and child support of \$325 000), totalled \$19.3 million (\$18 million) and comprised 76 percent (73 percent) of total Revenues from Ordinary Activities of the Commission.

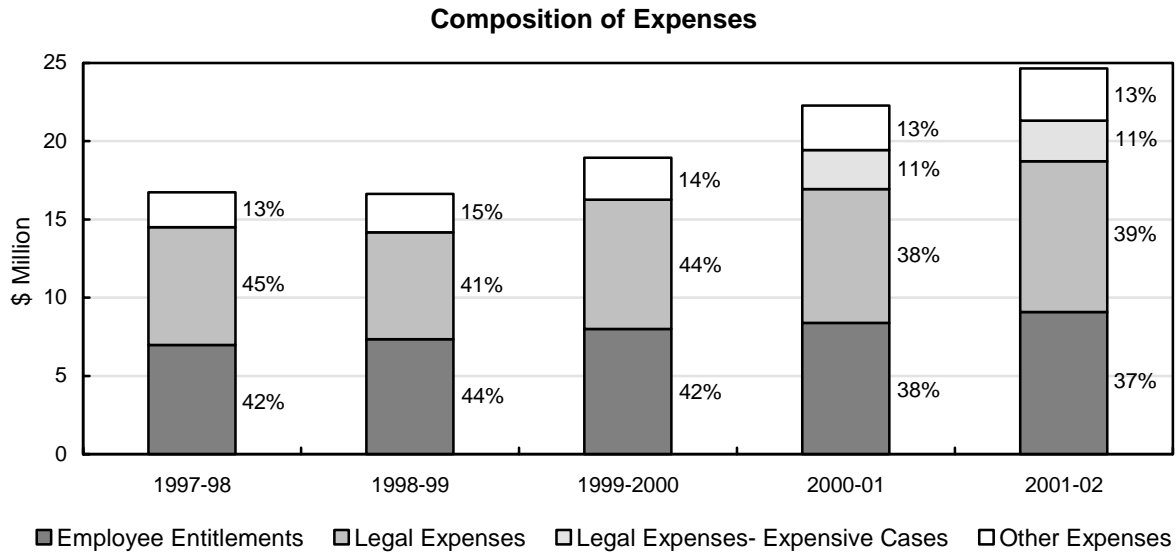
Grants provided by the State Government and Commonwealth Government



The above graph illustrates for the past five years, the proportions of State and Commonwealth funding provided in accordance with the agreement between the Governments (excluding specific grants for expensive cases, primary dispute resolution and child support).

Expenses from Ordinary Activities

The following chart shows the changing composition of the Commission’s expenses over the past five years.



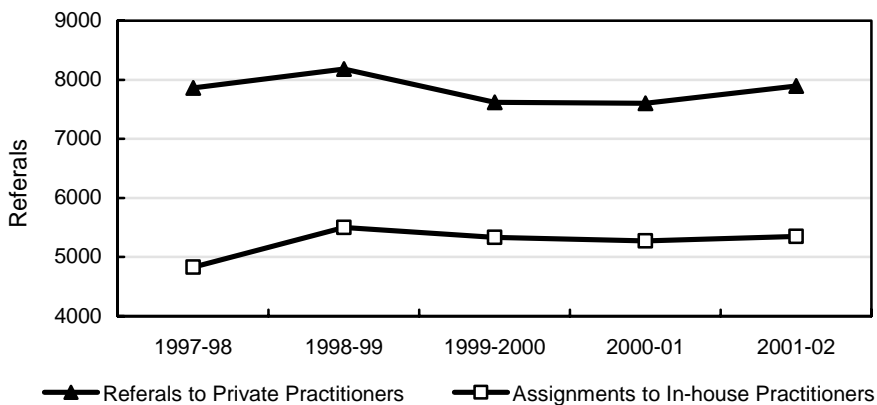
The graph illustrates that the composition of the Commission’s expenses has remained relatively constant for the three years up to 1999-2000, however, with the increased expenditure on expensive cases in the past two years, there has been a small decrease in employee entitlements and general legal expenses as a proportion of total Commission expenses.

Referrals to Private and In-house Practitioners

Referrals to private practitioners for the 2001-02 year totalled 7895 (7605) or 60 percent (59 percent) of approvals. Fees to private legal practitioners for these cases (legal expenses) amounted to \$9.6 million (\$8.6 million) and comprised 39 percent (38 percent) of total Expenses from Ordinary Activities.

Applications assigned to the in-house practice totalled 5347 (5275) or 40 percent (41 percent).

The following graph shows the trend in referrals to private practitioners and assignment to in-house practitioners over the past five years.



Statement of Financial Position

As at 30 June 2002 the Commission had:

- cash at bank and on hand of \$6.5 million (\$5.7 million);
- legal creditors of \$991 000 (\$709 000);
- reserves for expensive cases of \$800 000 (\$920 000);
- a commitment of \$2.6 million (\$2.2 million) on legal cases referred to private legal practitioners.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Grants from Commonwealth Government:			
General	1.2	9 901	9 450
Primary dispute resolution funding	1.2	82	133
Child support - Stage One matters	1.2	325	-
Grants from State Government:			
General	1.2	9 412	8 514
Expensive cases	1.2	2 593	2 514
Legal Practitioners Act revenue	3	1 449	1 786
Costs recovered and contributions	4	244	241
Other revenue	5,6	1 540	1 910
Total Revenues from Ordinary Activities		25 546	24 548
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	2.2	9 082	8 390
Legal expenses	7	9 637	8 557
Legal expenses - State Government expensive cases		2 599	2 495
Other expenses	8	2 634	2 421
Depreciation expense		265	381
Bad and doubtful debt expense		129	44
Commonwealth Expensive Case Refund		300	-
Total Expenses from Ordinary Activities		24 646	22 288
OPERATING SURPLUS FROM ORDINARY ACTIVITIES		900	2 260
Increase in Asset Revaluation Reserve		121	-
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		121	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		1 021	2 260

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash at bank and on hand	10	6 502	5 718
Receivables	11	841	677
Other	12	120	96
Total Current Assets		7 463	6 491
NON-CURRENT ASSETS:			
Library	2,13	333	212
Computers and other equipment	2.1,14	952	689
Statutory charge debtors	24	2 250	2 204
Total Non-Current Assets		3 535	3 105
Total Assets		10 998	9 596
CURRENT LIABILITIES:			
Legal creditors	2.4	991	709
Employee provisions	2.2,15	520	584
Creditors		258	278
Total Current Liabilities		1 769	1 571
NON-CURRENT LIABILITIES:			
Employee provisions	2.2,15	1 322	1 139
Total Non-Current Liabilities		1 322	1 139
Total Liabilities		3 091	2 710
NET ASSETS		7 907	6 886
EQUITY:			
Reserves	2.3,16	1 839	2 163
Accumulated funds	17	6 068	4 723
TOTAL EQUITY		7 907	6 886
Commitments, Contingent Liabilities	1.2,18,19,23		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee benefits		(8 930)	(8 403)
Suppliers		(2 655)	(2 524)
Private practitioners		(9 468)	(8 856)
Private practitioners - State Government expensive cases		(2 599)	(2 495)
Commonwealth Government expensive case refund		(300)	-
Total		(23 952)	(22 278)
RECEIPTS:			
Commonwealth Government:			
Funding agreement		9 901	9 450
Child support - Stage One matters		325	-
Other		82	133
State Government:			
Funding		9 412	8 514
Other - Expensive Cases		2 593	2 514
Legal Practitioners Act receipts		1 343	1 769
Costs recovered and contributions		267	203
Statutory charge receipts		610	297
Other		860	984
Total		25 393	23 864
Net Cash provided by Operating Activities	20	1 441	1 586
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchase of equipment		(657)	(110)
Proceeds from equipment sales		-	32
Net Cash used in Investing Activities		(657)	(78)
NET INCREASE IN CASH HELD		784	1 508
CASH AT 1 JULY		5 718	4 210
CASH AT 30 JUNE	10	6 502	5 718

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Function and Funding Arrangements

1.1 Function

The Legal Services Commission (the Commission) was established under the *Legal Services Commission Act 1977* (the Act) to provide, or arrange for the provision of legal assistance in accordance with the Act.

1.2 Funding Arrangements

Commonwealth Government

A new Commonwealth Government Legal Assistance Agreement was entered into between the Commonwealth and State Governments for the provision of legal assistance. The Agreement was effective from 1 July 2000. Pursuant to that Agreement:

- The Commonwealth is required to contribute \$9 450 000, \$9 901 000, \$10 351 000 and \$10 802 000 for the years 2000-01, 2001-02, 2002-03 and 2003-04 respectively. These funds purchase agreed levels of outputs at agreed prices for outputs. An inclusive fee of \$475 000 for strategic services is included in Commonwealth funds provided in 2001-02;
- In addition the Commonwealth provided specific funding of \$82 000 (\$133 000) for primary dispute resolutions.
- The Commonwealth Government entered into a separate agreement for the provision of Legal Assistance in Stage 1 Carer-Parent Matters. The Agreement is effective from 18 February 2002. Pursuant to the Agreement funding of \$750 000 will be provided in the first year of operation with funding yet to be determined for 2002-03 and 2003-04.

State Government

- The State Government increased funding in the normal budget process to maintain the Legal Services Commission overall funding and to provide a scale of fee increase for Private Practitioners and provide for other expenses;
- The State Government provided \$2 593 000 (\$2 514 000) to a specific State Expensive Case during 2001-02.

Future Commitments

The Commission has a future commitment for legal matters referred to external practitioners. Legal matters are identified as State and Commonwealth responsibilities. At 30 June 2002, the Commission has a future Commonwealth legal commitment of \$1 120 000 (\$1 008 000) and a future State legal commitment of \$1 504 000 (\$1 181 000).

The commitments of \$2 624 000 (\$2 189 000) have not been recognised as a liability but are disclosed as a commitment in Note 18.

2. Statement of Accounting Policies

The Commission has prepared the financial report on an accrual basis.

The General Purpose financial report has been prepared in accordance with Statements of Accounting Concepts, Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Department of Treasury and Finance Accounting Policy Statements and Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*. The financial report has also been prepared on the historical cost basis except for the valuation of the library which is at an independent valuation.

2.1 Depreciation

All computers and other equipment that have a limited useful life are systematically depreciated over their useful lives, in a manner which reflects the consumption of their service potential. Computers and other equipment are depreciated using the straight line method. The useful lives used for each class of assets are as follows:

	Years
Computers	3-5
Office equipment	5-13
Furniture and fittings	13
Leasehold improvements	10

The library is not depreciated as the cost of maintaining it is expensed during the year.

2.2 Employee Benefits

Employee benefits include benefits to salaries and contract fees, long service leave, annual leave and superannuation benefits.

Long service leave and annual leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. Liabilities in respect of these entitlements have been calculated at nominal amounts based on current salary rates. In accordance with Department of Treasury and Finance's Accounting Policy Statements, related on-costs are included in creditors. The Department of Treasury and Finance have advised that a benchmark of eight years can be used for a shorthand estimation of long service leave liability in accordance with the provisions of Australian Accounting Standard AASB 1028 'Accounting for Employee Entitlements'. This advice has been adopted and the long service leave liability has been calculated on that basis.

Sick leave is not provided for as it is non-vesting, however, entitlements are accumulated.

The superannuation expense included in the Commission's financial report comprises Commonwealth and State components:

- (1) The Commission paid an amount to 'Comsuper' towards the accruing government liability in respect of currently employed contributors to the Commonwealth Superannuation Fund. Payments amounted to \$67 000 (\$69 000).
- (2) During 2001-02 the Commission paid \$766 000 (\$795 000) to the South Australian Department of Treasury and Finance towards the accruing government liability for superannuation in respect of all employees.

The Commission has no responsibility for benefits in relation to future superannuation payments to employees.

2.3 Reserves

The Commission has established the following reserves (refer Note 16):

Asset Revaluation Reserve

The asset revaluation reserve includes net revaluation increments and decrements arising from the revaluation of non-current assets.

Asset Replacement Reserve

The Commission has established an asset replacement reserve to continue implementing an Asset Replacement Plan. During 2001-02 major leasehold improvements occurred on two new Chambers situated at Holden Hill and Port Adelaide. In addition the Elizabeth office was expanded and upgraded. All personal computers were replaced and software applications upgraded. As at 30 June 2002 the balance of the reserve was \$529 000. This amount represents the planned expenditure for the 2002-03 year. The Commission will upgrade and expand the Noarlunga office, upgrade servers and continue to upgrade software applications.

Commonwealth Expensive Case Reserve

The Commission has established a Commonwealth Expensive Case Reserve for specific Commonwealth matters that exceed the cap. The Commission refunded \$300 000 to the Commonwealth from the reserve. Also, an amount of \$20 000 was transferred from the reserve for a specific case. As at 30 June 2002 the balance of the reserve was \$400 000.

State Expensive Case Reserve

The Commission has established a State Expensive Case Reserve for specific state matters that exceed the State guideline cap. As at 30 June 2002 the balance of the reserve was \$400 000.

State Legal Assistance Scheme Reserve

The Legal Assistance Scheme reserve has been established to fund specific future State Law matters, as determined by agreement with the Law Society of SA.

2.4 Financial Instruments

The Commission's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2002, are as follows:

Financial Assets

Cash at Bank (Note 10) comprises deposits at call with the South Australian Government Financing Authority and are recorded at cost. Interest revenues are recognised as they accrue. Interest rates are at market rates and have fluctuated between 4.15 percent and 4.95 percent for the year ended 30 June 2002 (4.90 percent and 6.41 percent for the year ended 30 June 2001).

Receivables (Note 11) include client debtors and other debtors and are reported at amounts due.

The Commission is exposed to credit risk associated with amounts due from clients with respect to contributions for legal aid and other sundry charges. The credit risk relating to the financial asset recognised in the Statement of Financial Position is the carrying amount net of any provision for doubtful debts.

Financial Liabilities

Legal creditors are raised for amounts billed from private practitioners for approved cases undertaken but unpaid. They are normally settled within 30 days.

Creditors are raised for amounts billed but unpaid and are normally settled within 30 days.

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

2.5 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- (a) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (b) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

2.6 Comparative Figures

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

2.7 Workers Compensation

The Commission has no exposure to workers compensation liability at 30 June 2002.

2.8 Revenues

The Commission is funded by the State and Commonwealth Government on a three monthly basis, paid in advance. Other revenues are reported on an accrual basis in the period the revenue was earned.

3.	Legal Practitioners Act Revenue	2002	2001
	In accordance with the <i>Legal Practitioners Act 1981</i> the Commission acquired revenue from funds administered by the Law Society of South Australia. Amounts related to the:	\$'000	\$'000
	Statutory interest account	653	815
	Interest on Legal Practitioners Trust Accounts	795	970
	Legal Practitioners Guarantee Fund	1	1
		1 449	1 786
4.	Costs Recovered and Contributions		
	Costs recovered	53	42
	Contributions*	191	199
		244	241
5.	Other Revenue		
	Statutory charges	688	629
	Legal Assistance Scheme	-	389
	Interest	403	439
	Other*	449	453
		1 540	1 910
6.	Net Gain or Loss from the Disposal of Non-Current Assets		
	Proceeds from the disposal of non-current assets	-	32
	Less: Written down value of those assets	69	21
		(69)	11
7.	Legal Expenses		
	Comprise solicitor's fees, counsel fees and disbursements due to private practitioners for approved cases undertaken during the year.		

* In addition contributions of \$377 000 (\$280 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.

* Includes net gain from disposal of non-current assets (refer to Note 6).

8. Other Expenses	2002	2001
Accommodation:	\$'000	\$'000
Rental	618	693
Other	283	272
Computer maintenance and processing, etc	464	487
Telephone and postage, etc	307	263
Travel	135	148
Office requisites	233	138
Loss on disposal of assets (refer to Note 6)	69	-
Library (refer to Note 13)	149	132
Other*	376	288
	2 634	2 421

* Includes Auditor's remuneration of \$39 000 (\$40 000), for auditing the accounts. The auditors provided no other services and received no other benefits.

9. Consulting Fees
No consulting fees were incurred in 2001-02.

10. Cash at Bank and On Hand	2002	2001
For the purposes of the Statement of Cash Flows, cash includes cash at bank and on hand and deposits at call with the South Australian Government Financing Authority (SAFA).	\$'000	\$'000
Deposits at call with SAFA	6 430	5 660
Cash held in trust on behalf of clients	24	26
Cash at bank and on hand	72	58
	6 526	5 744
Less: Cash held in trust on behalf of clients	24	26
	6 502	5 718

11. Receivables	2002		2001	
	\$'000	\$'000	\$'000	\$'000
<i>Legal Practitioners Act</i>		555		450
Goods and Services Tax		192		133
Client debtors and other debtors	107		107	
Less: Provision for bad debts	13		13	
		94		94
		841		677

12. Other	2002	2001
Prepayments	\$'000	\$'000
	120	96

13. Library
In October 2001, the Commission obtained an independent revaluation of the library at market or market replacement value. The library collection which comprises reports/major works, journals, loose-leaf services and a mix of dictionaries, encyclopaedias, statutes etc. The revaluation was undertaken by Lawyers Books, which valued the library at \$333 000.

14. Computers and Other Equipment	2002		2001	
	\$'000	\$'000	\$'000	\$'000
Computer - Major hardware equipment at cost	149		337	
Less: Accumulated depreciation	68		326	
		81		11
Computer - Software and applications at cost	427		547	
Less: Accumulated depreciation	216		261	
		211		286
Computer - Minor hardware at cost	407		374	
Less: Accumulated depreciation	119		213	
		288		161
Office equipment at cost	169		159	
Less: Accumulated depreciation	80		58	
		89		101
Furniture and fittings at cost	65		35	
Less: Accumulated depreciation	22		18	
		43		17
Leasehold improvements at cost	256		113	
Less: Accumulated depreciation	16		-	
		240		113
		952		689

14.1 Computers and Other Equipment Movement Schedule

	Major Computer Hardware \$'000	Computer Software \$'000	Minor Computer Hardware \$'000	Office Equipment \$'000	Furniture And Fittings \$'000	Leasehold Improvements \$'000	Total \$'000
Balance at 30 June 2001	337	547	374	159	35	113	1 565
Add: Additions	36	93	273	10	30	143	585
Less: Disposals	318	213	146	-	-	-	677
Add (Less) Adjustments	94	-	(94)	-	-	-	-
Balance at 30 June 2002	149	427	407	169	65	256	1 473
Accumulated Depreciation:							
Balance at 30 June 2001	326	261	213	58	18	-	876
Less: Disposals	318	145	157	-	-	-	620
Add: Depreciation expense	31	100	92	22	4	16	265
Add (Less) Adjustments	29	-	(29)	-	-	-	-
Balance at 30 June 2002	68	216	119	80	22	16	521
Net Book Value:							
As at 30 June 2001	11	286	161	101	17	113	689
As at 30 June 2002	81	211	288	89	43	240	952

15. Employee Provisions		2002	2001
Current Liabilities:		\$'000	\$'000
Annual leave		441	413
Long service leave		79	171
		520	584
Non-Current Liability:			
Long service leave		1 322	1 139
		1 842	1 723

16. Reserves			
Movements during the year were:			
Asset Replacement Reserve:			
Balance at 1 July		854	-
Less: Transfer to accumulated funds		665	-
Add: Transfer from accumulated funds		340	854
Balance at 30 June		529	854
Commonwealth Expensive Case Reserve:			
Balance at 1 July		720	400
Less: Transfer to accumulated funds		320	400
Add: Transfer from accumulated funds		-	720
Balance at 30 June		400	720
State Expensive Cases Reserve:			
Balance at 1 July		200	-
Add: Transfer from accumulated funds		200	200
Balance at 30 June		400	200
State Legal Assistance Scheme Reserve:			
Balance at 1 July		389	-
Add: Transfer from accumulated funds		-	389
Balance at 30 June		389	389
Asset Revaluation Reserve:			
Balance at 1 July		-	-
Library revaluation increment		121	-
Balance at 30 June		121	-
Total Reserves		1 839	2 163

17. Accumulated Funds			
Balance at 1 July		4 723	3 343
Add: Transfer from reserve		985	1 283
Less: Transfer to reserve		540	2 163
Operating surplus from ordinary activities		900	2 260
Balance at 30 June		6 068	4 723

18. Legal Expense Commitments

Legal Cases Referred

As at 30 June 2002, the Commission has a future commitment of \$2 624 000 (\$2 189 000) on legal cases referred to private practitioners which are still to be finalised.

The Commission reviewed outstanding legal commitment and determined that commitment would only be recognised for amounts raised since December 2000 (ie the previous 18 months). Commitment raised prior to this date has been dismissed. If any file prior to this date is reactivated, new commitment will be raised.

In the normal course of business, further commitment may be required on recognised legal cases. It is not possible to quantify that amount.

19. Operating Leases Commitments

At the reporting date the Commission had the following obligations under non-cancellable operating leases. The obligations are not recognised as liabilities in the Statement of Financial Position. The operating leases held by the Commission are property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. The leases are payable one month in advance. The option to renew the lease is held by the Commission. There are no existing or contingent rental provisions.

Commitments payable:	2002	2001
	\$'000	\$'000
Not later than one year	62	61
Later than one year but not later than five years	81	168
	143	229

20. Reconciliation of Operating Surplus from Ordinary Activities to Net Cash provided by Operating Activities

Operating surplus from ordinary activities	900	2 260
(Increase) in statutory charge debtors	(46)	(368)
(Increase) in receivables	(164)	(7)
Increase (Decrease) in legal creditors	282	(295)
Increase (Decrease) in creditors	40	(259)
Depreciation	265	381
Increase (Decrease) in employee provisions	119	(114)
Loss (Profit) on disposal of equipment	69	(12)
(Increase) in prepayments	(24)	-
Net Cash provided by Operating Activities	1 441	1 586

21. Related Party Disclosures

The members of the Commission who have held office during the financial year are:

Mr Brian Withers (Chairman)	Mr Ray Bown (Resigned 23 September 2001)
Mr Kym Pennifold (Commenced 1 November 2001)	Ms Marilyn Lennon
Ms Dymphna Eszenyi	Mr David Bulloch
Mr Gordon Barrett	Mr Hugh Gilmore
Mr Michael Burgess	Ms Deborah McCulloch
Mr David Meyer	

The members of the Commission are appointed by the Governor in accordance with the provisions of the *Legal Services Commission Act 1977* and include partners of legal firms. In the ordinary course of business the Commission enters into transactions with legal firms, some of which are associated with members of the Commission. Payments made to these firms are in accordance with the Commission's scale of fees and are payments that apply to practitioners generally.

The number of members whose remuneration received or receivable fell within the following bands was:	2002	2001
	Number of	Number of
	Members	Members
\$nil	1	3
\$1 - \$10 000	8	6
\$10 001 - \$20 000	2	1

The total remuneration received or due and receivable by these members was \$90 000 (\$71 000). Two Commissioners, who did not receive remuneration in 2000-01, were back-paid in 2001-02.

22. Remuneration of Employees

Amounts received or receivable by employees of the Commission whose remuneration is greater than \$100 000. The amounts include salaries and related payments, superannuation benefits and motor vehicle benefits.

The number of employees whose remuneration received or receivable fell within the following bands was:	2002	2001
	Number of	Number of
	Employees	Employees
\$100 001 - \$110 000	5	3
\$110 001 - \$120 000	2	3
\$120 001 - \$130 000	2	-
\$170 001 - \$180 000	1	2
\$180 001 - \$190 000	1	-
\$190 001 - \$200 000	-	1
\$200 001 - \$210 000	1	-

The total remuneration received or due and receivable by these employees was \$1 548 000 (\$1 198 000).

23. Contingent Liabilities

At balance date and at the date of the certification of this financial report by the Commission, there were no known contingent liabilities of a material nature.

24. Statutory Charge Debtors

Statutory charge debtors are raised as a result of the Commission registering charges over property owned by some recipients of legal aid to secure legal costs owed on cases undertaken and are reported at amounts due. Debts are recovered when the property is refinanced or sold.

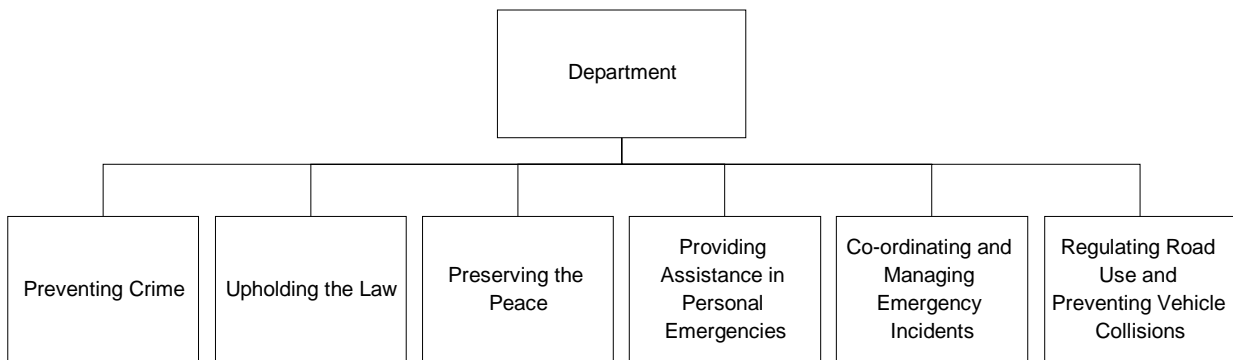
Statutory charge debtors	2002	2001
	\$'000	\$'000
	2 350	2 204
Less: Provision for doubtful debts	100	-
	2 250	2 204

POLICE DEPARTMENT

FUNCTIONAL RESPONSIBILITY

The Police Department, an administrative unit established under the *Public Sector Management Act 1995*, is primarily responsible for providing a service that will reassure and protect the community of South Australia from crime and disorder and, that is responsive to the community's needs and expectations.

The principal functions of the Department are represented as follows:



SIGNIFICANT FEATURES

Controlled Activities

- Net assets after tax equivalent payments decreased by \$22.0 million (decrease of \$19 million).
- The State Government provided an equity contribution of \$9.9 million for capital works.
- Cash assets increased by \$5 million to \$38.8 million.
- The Department revalued its land, buildings and leasehold improvements resulting in a revaluation increment of \$22.7 million.

Administered Items

- Expiation fees collected were \$51.1 million (\$42.8 million).
- Approximately 5260 expiation notices issued since mid 1999 with estimated fees of \$1.1 million were withdrawn as a result of the Department not promptly addressing the problems associated with the transfer process to the Courts Administration Authority.

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

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

The specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- property, plant, equipment and capital works
- expiation notices
- firearm registration and licence fees
- Police security services fees and costs.

The scope of the audit also included a review of the Police Department's processes for managing sick leave and key control aspects of the Police Department's Camera Adjudication and Reporting System (CARS) and security of the Justice Information System.

Audit Communications to Management

During the year a number of management letters were forwarded to the Department communicating issues arising from the audit. The main issues related to opportunities for improvement in the control environment and processes for managing sick leave. Satisfactory responses were received. Further details relating to these issues are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall assessment of the Department's control structure was that it was satisfactory, although there were opportunities for improvement in the control environment. The Department has undertaken a number of initiatives to improve the control environment including the progressive documentation of policies and procedures for all major financial activities and the establishment of an audit committee. The audit committee has implemented a process to ensure audit recommendations are actioned and plans to expand the Department's internal audit processes to review the internal controls over all operations.

Expiation Notices

Last year Audit commented that no action was being taken on unpaid expiation notices that had not been successfully transferred from the Expiation Notice System to the Courts Administration Authority for enforcement.

The Department responded that steps would be taken to successfully transfer the notices to the Courts Administration Authority and that difficulties with the computerised transfer process would be remedied.

The audit this year revealed that action was taken to remedy the difficulties with the transfer process in April 2002. Those notices older than seven months were withdrawn as the statutory time frame for enforcement had expired. According to the Department there were approximately 5260 notices issued since mid 1999 with estimated fees of \$1.1 million that were withdrawn as a result of the Department not promptly addressing the problems with the transfer process.

Withdrawn Expiation Notices

Expiation notices completed by police officers with incorrect or incomplete hand written information are withdrawn.

In the past, withdrawn notices were replaced with another notice, however, this practice was stopped when the Magistrates Court determined in October 2001 that expiation notices with incorrect or incomplete information were invalid and could not be replaced with another notice. The Crown Solicitor's subsequent advice to the Department recommended that legislation be amended to enable replacement notices to be issued.

A review by Audit revealed the legislative amendments had not been sought and those withdrawn notices older than seven months had exceeded the statutory time frame for enforcement.

The Department responded that the legislative amendments have now been sought and an interim policy implemented such that notices will only be withdrawn depending on the nature of the error.

The review by Audit also revealed opportunities to reduce the number of withdrawn notices by improving processes to ensure officers who issue incorrect notices are promptly advised of errors, including the use of incorrect expiation fee rates.

The Department responded that a number of initiatives to improve processes will be considered, including the notification of errors to Assistant Commissioners and Local Service Area Commanders, inclusion of shading on notices and a reduction in the number of offence codes and number of fine amounts.

Monitoring of Capital Projects

Last year Audit commented that reporting to senior management focussed on the reporting of annual costs against annual budgets for major capital projects, without indicating whether each project would be finished by its scheduled completion date, and whether its total cost over its entire life would exceed the approved budget.

The Department responded that this information would be provided in future reports to senior management.

The audit this year revealed limited progress towards providing this information to senior management.

The Department responded that it will review its milestone reporting process and explore opportunities to improve reporting of major capital works to senior management.

MANAGEMENT OF SICK LEAVE

Audit Comment

In early 2002 audit undertook a review of the processes and procedures used at the Police Department to manage sick leave. The management of leave, including sick leave, is considered to be an important element in maintaining the efficiency and effectiveness of policing services in South Australia given the Police Department's reliance on human resources to deliver policing services. That reliance is reflected by the following:

- Employment of 4686 full time equivalent staff (FTEs): comprising 3846 police officers (sworn officers); and 840 unsworn officers who are mainly employed under the *Public Sector Management (PSM) Act 1995*.
- Annual employee expenses of \$304.4 million in 2001-02.

In a management letter to the Commissioner of Police dated 15 February 2002 audit reported there was:

- a need for improvements in systems and processes to provide management with timely and reliable information on sick leave trends and patterns to effectively manage sick leave;
- a relatively high level of sick leave for Police Department employees according to the Australasian Police Agencies HR Benchmarking Report of 2000-01 notwithstanding that the reliable comparison of sick leave trends of police officers to interstate Police Departments is dependent on sick leave information being produced on a consistent basis by all Police Departments and there is a need to improve the consistency and comparability of data provided in that Report;
- the average number of paid sick leave days taken by unsworn officers (who are mainly PSM Act employees) is higher than the average number of sick leave days taken by PSM Act employees of all administrative units;
- that over the three year period 1998-99 to 2000-01, unsworn officers took approximately 25 percent more uncertified single paid days sick leave on Monday than any other day of the work week. (Uncertified sick leave refers to applications for sick leave not supported by a medical certificate from a medical practitioner).

Timely and reliable information on sick leave trends and patterns is considered by Audit to be a key element in the effective management of sick leave, particularly for the identification of unfavourable trends requiring investigation and improvement. Strategies for improvement can be developed in-house or adopted from those agencies with better strategies and more favourable sick leave trends. Such agencies can be identified by comparison of sick leave trends of the Department's PSM Act employees to other administrative units, and comparison of sick leave trends of police officers to interstate Police Departments.

Departmental Response

The Police Department had previously recognised the importance of managing sick leave and has reflected the requirement in the SA Police Enterprise Agreement (signed in November 2001) that strategies to improve the management of absenteeism of police officers be developed by November 2002. In response to the audit management letter the Police Department advised the development of the strategies commenced in early 2002 when the Department established a working party to:

- draft a sick leave policy;
- develop more accurate sick leave data definitions;
- liaise with the Western Australian Police Service, who produce the Australasian Police Agencies HR Benchmarking Report, to improve the consistency and comparability of data provided in that Report;
- design a sick leave report that includes performance indicators for use by branch managers and senior executive;
- identify at corporate and local level, work sites or individuals of concern.

The working party has also been developing strategies for the local management of sick leave.

In August 2002, the Department further advised Audit that it will implement improved reporting of sick leave trends and patterns at a corporate level together with reporting to identify individuals taking excessive sick leave. The Department also advised that a lack of query and report writing software has made the collection of information on sick leave trends and patterns very time-consuming and it is intended that a new human resource management system will be implemented with better report writing tools.

Commentary on Computer Information Systems (CIS) Environment

Review of Computing Environment and Operations

During the year, Audit undertook a review of key control aspects of the Police Department's Camera Adjudication and Reporting System (CARS) and security of the Justice Information System.

In respect to the CARS system the review focused on aspects of information security access controls, operational and business continuity considerations. In addition, the review addressed certain computer processing environment control areas for the CARS system environment at the Police Department. Regarding the Justice Information System, the review covered security policies and user access to the Justice Information System, and was complementary to an Audit review undertaken at the EDS Bureau at Glenside with respect to a number of Justice agencies.

At the time of preparation of this Report, both reviews were at a stage of finalisation. The outcomes from the reviews will be communicated to the Police Department and included in a subsequent Report to Parliament, along with outcomes relating to other agency reviews presently in progress.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Expenses and Revenues

Employee benefit expenses increased by \$15.8 million to \$304.4 million due mainly to increases in salaries and wages expenses as a result of enterprise bargaining pay increases for police officers operative from 1 July 2001 and for other staff operative from 1 October 2001.

Revenues from the State Government increased by \$23.1 million to \$357.7 million principally to fund the salary and wages increases.

Net expenses from the disposal of non-current assets was \$9.3 million due mainly to the write-off of assets with a carrying value of \$6.2 million in accordance with the Department's revised capitalisation policy as detailed in Notes 2(c) and 9 to the financial statements.

Overall there was a decrease of \$22.0 million (decrease of \$19 million) in net assets after tax equivalent payments.

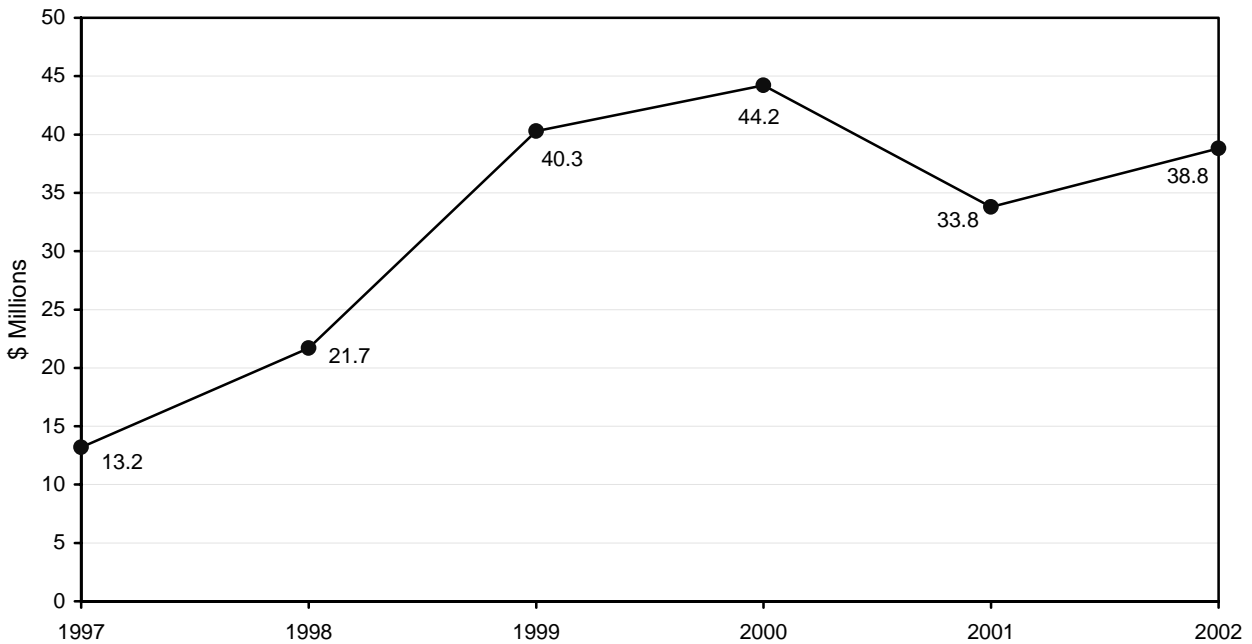
Statement of Financial Position

The Department revalued its land, buildings and leasehold improvements resulting in a revaluation increment of \$22.7 million.

The State Government provided an equity contribution of \$9.9 million for capital works.

Cash assets increased by \$5 million to \$38.8 million due mainly to a delay in progressing major capital projects.

The following graph reflects the movement in cash assets over the last six years.



The increase in cash assets prior to 2001 and in 2002 mainly reflects slippage in progressing major capital projects. As detailed in the section 'Monitoring of Capital Projects', Audit has commented that the Department needs to improve reporting to senior management on whether each project would be finished by its scheduled completion date.

Employee benefits increased by \$9.2 million to \$81.3 million due mainly to an increase in the Department's long service leave liability. The increase in long service leave liability results from a reduction in the benchmark number of service years used to calculate the long service liability and the enterprise bargaining pay increases during the year for employees.

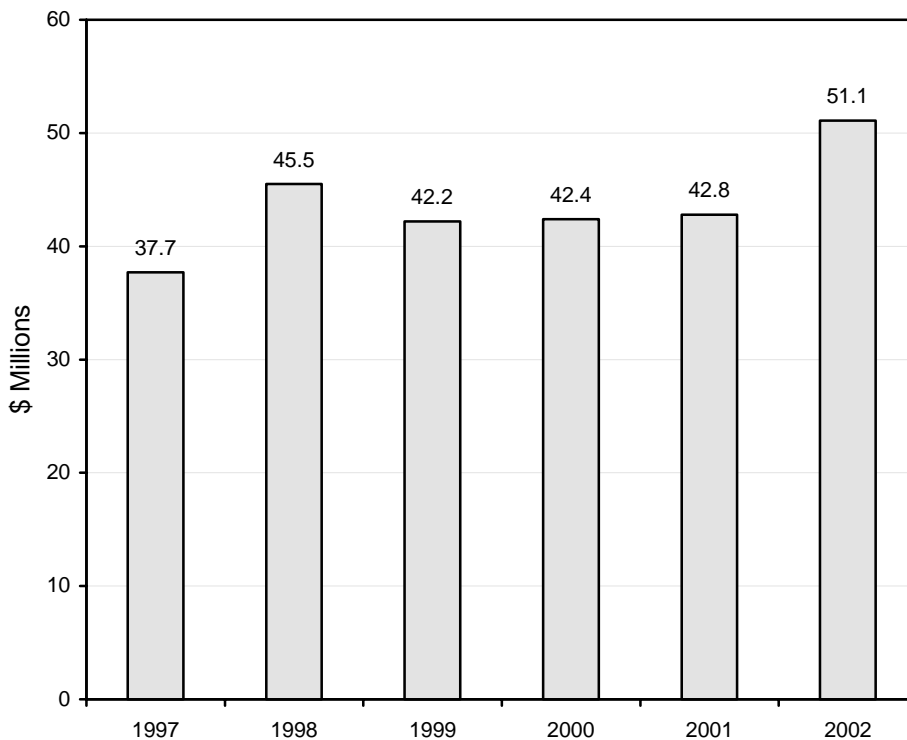
Administered Items

The Department paid \$1.9 million on behalf of the Minister for the Audio Management System. The amount is reflected as a payable under the Minister for Police administered liabilities and recognised as a receivable by the Department. The Audio Management System is mainly designed to replace the telephone call handling and radio console systems to enable the current computer aided despatch systems to connect to the Government Radio Network.

Expiation Fees

Expiation fees collected by the Department and paid into the Consolidated Account, as reflected in the following graph, increased by \$8.3 million in 2001-02 due mainly to the use of 12 additional red light cameras at 25 additional sites from April 2001. As a result of the additional cameras, expiation fees from red light cameras increased by \$5.4 million to \$7.4 million.

Expiation Fees Collected by the Department



Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	4	304 391	289 227
Goods and services	5	80 777	67 061
Depreciation	6	8 470	9 444
Total Expenses		393 638	365 732
REVENUES FROM ORDINARY ACTIVITIES:			
Operating Revenues:			
Fees and charges	7	12 053	11 833
Other revenues	8	11 247	9 102
Total Operating Revenues		23 300	20 935
NET COST OF SERVICES		370 338	344 797
REVENUES FROM STATE GOVERNMENT:			
Intra-Sector Grants:			
Purchase of outputs		326 405	302 025
Other		-	1 367
Contributions from the Community Emergency Services Fund		16 605	16 492
Contributions for traffic policing services		14 700	14 700
Total Revenues from State Government		357 710	334 584
DECREASE IN NET ASSETS		(12 628)	(10 213)
Net expenses from disposal and write down of non-current assets	9	(9 272)	(8 684)
DECREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES BEFORE TAX EQUIVALENT PAYMENTS		(21 900)	(18 897)
Tax equivalent payments	2(k)	55	67
DECREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES AFTER TAX EQUIVALENT PAYMENTS		(21 955)	(18 964)
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net Increase in asset revaluation reserve	13,19	22 655	-
Total revenues, expenses and valuation adjustments recognised in equity		22 655	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		700	(18 964)

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets	10	38 784	33 784
Receivables	11	7 447	9 927
Inventories		239	354
Other	12	1 137	613
Total Current Assets		47 607	44 678
NON-CURRENT ASSETS:			
Property, plant and equipment	13	178 139	157 124
Total Non-Current Assets		178 139	157 124
Total Assets		225 746	201 802
CURRENT LIABILITIES:			
Payables	14	14 913	12 455
Employee benefits	15	17 093	16 137
Workers compensation	2(h)	5 714	5 225
Total Current Liabilities		37 720	33 817
NON-CURRENT LIABILITIES:			
Borrowings		-	200
Payables	14	7 262	6 739
Employee benefits	15	64 224	55 850
Workers compensation	2(h)	18 063	17 276
Total Non-Current Liabilities		89 549	80 065
Total Liabilities		127 269	113 882
NET ASSETS		98 477	87 920
EQUITY:			
Accumulated surplus		50 753	72 708
Asset revaluation reserve		22 655	-
Equity contribution		25 069	15 212
TOTAL EQUITY	19	98 477	87 920
Commitments and Contingent Liabilities	20,21,22		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee benefits		(289 113)	(273 173)
Goods and services		(72 932)	(66 254)
GST payments on purchases		(9 480)	(8 630)
Total Payments		(371 525)	(348 057)
RECEIPTS:			
State Government:			
Intra-Sector Grants - Recurrent		326 405	302 025
Contributions from the Community Emergency Services Fund		16 605	15 805
Contribution for traffic policing services		18 375	11 025
User charges and fees		9 895	10 738
Interest received		1 541	1 727
GST receipts from taxation authority		8 930	4 466
GST receipts on sales		1 723	1 080
Other		4 146	4 213
Total Receipts		387 620	351 079
Net Cash provided by Operating Activities	25	16 095	3 022
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS:			
Purchase of non-current assets	13	(21 903)	(29 522)
Total Payments		(21 903)	(29 522)
RECEIPTS:			
Disposal of non-current assets	9	951	828
Total Receipts		951	828
Net Cash used in Investing Activities		(20 952)	(28 694)
CASH FLOWS FROM FINANCING ACTIVITIES:			
RECEIPTS:			
Equity contribution		9 857	15 212
Total Receipts		9 857	15 212
Net Cash provided by Financing Activities		9 857	15 212
NET INCREASE (DECREASE) IN CASH HELD		5 000	(10 460)
CASH AT 1 JULY		33 784	44 244
CASH AT 30 JUNE	10	38 784	33 784

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

Output Classes (refer Note 3)	2002					2002 Total \$'000	2001 Total \$'000
	1	2	3	4	5		
	Community Police Services	Crime Mngmt	Traffic Services	Emergency Response Mngmt and Coordinn	Criminal Justice Support		
EXPENSES FROM ORDINARY ACTIVITIES:							
Employee benefits	119 932	99 749	28 247	21 557	34 906	304 391	289 227
Goods and services	30 276	25 291	8 851	8 336	8 023	80 777	67 061
Depreciation	3 624	2 311	883	887	765	8 470	9 444
Total Expenses	153 832	127 351	37 981	30 780	43 694	393 638	365 732
REVENUES FROM ORDINARY ACTIVITIES:							
Operating Revenues:							
Fees and charges	6 297	2 925	2 220	-	611	12 053	11 833
Other revenues	4 816	3 904	1 189	-	1 338	11 247	9 102
Total Operating Revenues	11 113	6 829	3 409	-	1 949	23 300	20 935
NET COST OF SERVICES	142 719	120 522	34 572	30 780	41 745	370 338	344 797
REVENUES FROM STATE GOVERNMENT	138 149	115 948	33 433	30 034	40 146	357 710	334 584
DECREASE IN NET ASSETS	(4 570)	(4 574)	(1 139)	(746)	(1 599)	(12 628)	(10 213)
Net expenses from disposal and write down of non-current assets	(3 968)	(2 529)	(966)	(971)	(838)	(9 272)	(8 684)
DECREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES BEFORE TAX EQUIVALENT PAYMENTS	(8 538)	(7 103)	(2 105)	(1 717)	(2 437)	(21 900)	(18 897)
Tax equivalent payments	42	-	13	-	-	55	67
DECREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES AFTER TAX EQUIVALENT PAYMENTS	(8 580)	(7 103)	(2 118)	(1 717)	(2 437)	(21 955)	(18 964)

An Output Schedule of Police Department Assets and Liabilities has not been produced as that information is not readily available.

The allocation of resources to output classes is based upon both work activity surveys from a representative sample of four major Local Service Areas in April 2002 and surveys completed by Service Areas. The Criminal Justice Output class has, for the first time, been separately surveyed. Therefore Local Service Area's resource allocations reflect a shift away from the Crime Management Output class to the Criminal Justice Support Output class. This reclassification and therefore the 2001-02 output information is not readily comparable to 2000-01 figures due to change in methodology.

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

	Firearms Buyback Scheme \$'000	Special Acts \$'000	Expiation Fees \$'000	Provision of Helicopter Service \$'000	CIC Levy \$'000	Minister for Police Payments \$'000	Other \$'000	2002 Total \$'000	2001 Total \$'000
ADMINISTERED EXPENSES:									
Minister for Police payments (Note 26)	-	-	-	-	-	977	-	977	1 415
Employee benefits	-	254	-	-	-	-	-	254	227
Goods and services	8	-	-	-	-	-	-	8	20
Depreciation	-	-	-	-	-	-	-	-	5
Asset write-off	-	-	-	-	-	-	-	-	22
Firearms compensation	304	-	-	-	-	-	-	304	301
Payments to Consolidated Account	-	-	51 071	763	13	-	-	51 847	43 268
Provision of helicopter service	-	-	-	3 178	-	-	-	3 178	2 715
Criminal injury compensation levy	-	-	-	-	2 293	-	-	2 293	1 949
National Crime Authority secondments/references	-	-	-	-	-	-	6	6	26
Total	312	254	51 071	3 941	2 306	977	6	58 867	49 948
ADMINISTERED REVENUES:									
State Government appropriations	8	254	-	3 015	-	2 055	6	5 338	4 394
Expiation fees	-	-	51 071	-	-	-	-	51 071	42 750
Helicopter service - Recovery of costs and sponsorships	-	-	-	1 502	-	-	-	1 502	453
Criminal injury compensation levy	-	-	-	-	2 136	-	-	2 136	1 967
Ambulance licence renewals	-	-	-	-	-	2	-	2	-
Total	8	254	51 071	4 517	2 136	2 057	6	60 049	49 564
REVENUES LESS EXPENSES	(304)	-	-	576	(170)	1 080	-	1 182	(384)

Schedule of Administered Assets and Liabilities as at 30 June 2002

	Minister for Police Items \$'000	Firearms Buyback Scheme \$'000	Provision of Helicopter Service \$'000	CIC Levy \$'000	2002 Total \$'000	2001 Total \$'000
ADMINISTERED ASSETS:						
Cash assets	-	51	576	134	761	525
Receivables	-	-	21	-	21	21
Plant and equipment	2 979	-	-	-	2 979	-
Total	2 979	51	597	134	3 761	546
ADMINISTERED LIABILITIES:						
Payables	1 899	-	-	134	2 033	-
Total	1 899	-	-	134	2 033	-
NET ASSETS	1 080	51	597	-	1 728	546

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives

The Police Department (SAPOL) operates within the *Police Act 1998*, the *Police Regulations 1999*, and the *Public Sector Management Act 1995*.

The mission statement of SAPOL, as set out in the 2001-02 business plan, is 'working together to reassure and protect the community from crime and disorder'. This mission statement is reflected in the following core strategies:

- Sustain community support for the delivery of police services.
- Adopt a problem solving approach for the delivery of police services.
- Establish police services which are reasonably accessible to the community.
- Respond efficiently and effectively to emergencies and calls for assistance.
- Deploy personnel for the effective detection and deterrence of public order, road traffic and criminal offences.
- Establish systems and structures for the efficient and effective investigation of public order, road traffic and criminal offences.

2. Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards, Statements of Accounting Concepts, Urgent Issues Group Consensus Views, the Treasurer's Instructions, and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987* and other mandatory reporting requirements. The financial report has been prepared on the accrual basis of accounting and is in accordance with the historic cost convention except where detailed in the Notes.

(b) The Reporting Entity

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account titled 'SA Police Operating Account'. SAPOL's principal source of funds consists of monies appropriated by Parliament provided by way of intra-sector grants through the Department of Justice.

Administered Resources

SAPOL administers on behalf of the Government of South Australia certain resources over which it does not have control. Although accountable for the transactions relating to these administered resources, SAPOL does not have control or discretion to apply these resources to achieve its objectives.

Transactions and balances relating to these administered resources are not recognised as SAPOL's revenues, expenses, assets or liabilities, but are disclosed separately in the Schedule of Administered Expenses and Revenues, and the Schedule of Administered Assets and Liabilities as appropriate.

(c) Property, Plant and Equipment

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

Land and Buildings controlled by SAPOL were revalued, as at 30 June 2002, following an independent valuation prepared by Colliers International Consultancy and Valuation Pty Limited using the deprival value methodology. Other non-current assets have been valued at their written down historic cost.

SAPOL's capitalisation policy was reviewed in 2001-02. As a consequence, items with an individual value of less than \$10 000 are expensed at the time they are acquired. This has been revised from \$2 000 in 2000-01. Refer Note 9 for the financial affect of the policy change.

Heritage assets are not disclosed by a specific heritage type but form part of the aggregate value of property, plant and equipment and are included within their specific category.

(d) Depreciation and Amortisation of Non-Current Assets

Depreciation is calculated on a straight-line basis to write-off the net cost or valued amount of each depreciable non-current asset over its expected useful life. Estimates of the remaining useful lives are made on a regular basis for all assets. The estimated useful lives of each asset class are as follows:

	Years
Buildings and improvements	15-60
Vehicles and transport vessels	3-10
Computers and communications equipment	3-7
Office furniture and equipment	10
Weaponry	2
Other plant and equipment	10

Leasehold improvements are amortised over the life of the lease.

(e) Fees and Charges

Fees and charges controlled by SAPOL are recognised as revenues. Fees and charges are deemed to be controlled where they can be deployed for the achievement of SAPOL objectives. Such amounts are not required to be paid to the Consolidated Account or other Funds not controlled by SAPOL.

Fees and charges collected by SAPOL but not controlled by it are not recognised as revenues, but are reported as administered revenues in the Schedule of Administered Expenses and Revenues. Such amounts are required to be paid to the Consolidated Account or other Funds not controlled by SAPOL.

(f) Appropriations

The Government provides appropriations to the Department of Justice. Agencies within the Justice Portfolio receive operating funds via intra-sector grants provided by the Department of Justice. These grants are recognised as revenues when SAPOL obtains the right to receive these contributions.

Appropriations to SAPOL designated as an 'Equity Contribution' are recognised directly in Equity in accordance with Treasurer's Instruction 3 'Appropriation'.

(g) Employee Benefits**(i) Annual Leave**

A provision is raised at the end of the reporting period to reflect employee entitlements to annual leave. Liabilities for annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employee's services up to that date.

(ii) Long Service Leave

A provision is raised at the end of the reporting period to reflect employee entitlements to long service leave. The provision for long service leave represents the amount which SAPOL has as a present obligation to pay resulting from employees' services provided up to the reporting date.

The provision has been calculated at nominal amounts based on current salaries and wages rates using an independent actuarial assessment benchmark of 12 years service as a shorthand estimation of long service leave liability. The Department of Treasury and Finance provided the actuarial benchmark in 2002. Last year the benchmark was 15 years. Long service leave expense increased by \$4 million as a result of the adoption of the revised actuarial benchmark in 2001-02. Related on-costs of payroll tax and superannuation are shown under Payables employment on-costs (refer Note 14). This policy is consistent with the requirements of Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

- (iii) **Sick Leave**
No provision has been made for sick leave as entitlements are non-vesting and it is considered that sick leave is taken from the current year's entitlement.
- (iv) **Superannuation**
Contributions are made by SAPOL to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they occur. SAPOL is not liable for the payments to beneficiaries as this is the responsibility of the superannuation schemes.

(h) **Workers Compensation**

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation liability, which was based on an actuarial assessment, was provided by the Public Sector Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet.

The amounts recorded reflect an apportionment of the whole-of-government estimate of workers compensation according to SAPOL's experience of claim numbers and payments over the period 1 July 1988 - 30 June 2002. A separate valuation of the liabilities of this agency has not been undertaken and if such a valuation was performed it may result in a different assessed liability.

A whole-of-government estimate was prepared by Taylor Fry Consulting and submitted to the Public Sector Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet.

(i) **Leases**

SAPOL has entered into a number of operating lease agreements for buildings, vehicles and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items. Operating lease payments are representative of the pattern of benefits to be derived from the leased items and accordingly are charged to the Statement of Financial Performance in the period in which they are incurred (refer Note 20).

(j) **Cash**

For the purpose of the Statement of Cash Flows, cash includes cash deposits which are used in the cash management function on a day to day basis. Administered cash is not included in the Statement of Cash Flows.

(k) **Tax Equivalent Payments**

In accordance with the National Competition Policy principles, it was agreed that State Government Business Enterprises (GBEs) in competition with private industry would be liable for payment of Commonwealth, State and Local Government taxes. Although GBEs cannot legally pay the income tax, an equivalent payment is made to the Department of Treasury and Finance. For the purpose of determining Income Tax Equivalent payments, which are applicable only to the Police Security Services Branch of SAPOL's operations, the Income Tax liability is deemed to be equal to 30 percent of the net profit for the Police Security Services Branch.

(l) **Accounting for Goods and Services Tax (GST)**

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

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

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

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

(m) **Rounding**

All amounts are rounded to the nearest thousand dollars.

3. **Output Classes of SAPOL**

SAPOL has identified five major classes of outputs that it delivers to the community and the Minister for Police. The outputs themselves are defined as goods and services produced, provided to or acquired for external customers. The identity and description of each major output class of SAPOL during the year ended 30 June 2002 are summarised below. Financial information relating to each output class is reported in the Output Class Schedule of Department's Expenses and Revenues.

Output Class 1 Community Police Services

Community Police Services are those services which SAPOL provides to the community in order to reduce crime, uphold the law, preserve the peace, assist in times of personal emergency, coordinate and manage emergency incidents and increase road safety. They involve the provision of advice, information, assistance and reassurance through the delivery of services which are accessible, visible, responsive and founded on a problem solving approach.

The outputs in this class include community patrols, police station services, community programs, information services and event management.

Police Department

8. Other Revenues	2002	2001
Other Revenues include:	\$'000	\$'000
Employee benefits recoveries	2 934	2 708
Interest revenue	1 544	1 662
Grants	1 163	778
Contributed (donated) asset revenue	938	10
Other	4 668	3 944
	11 247	9 102
9. Net Expenses from Disposal and Write Down of Non-Current Assets		
Proceeds from disposal of non-current assets	951	828
Less: Written down value of non-current assets sold	1 365	794
(Expense) Revenue from disposal of non-current assets	(414)	34
Assets transferred to DAIS*	1 672	1 650
Write down of non-current assets - Capitalisation policy**	6 156	4 649
Write down of non-current assets - Stocktake	231	2 419
Write down of non-current assets - City Watch House***	1 141	-
Assets identified as part of stocktake	(342)	-
	(9 272)	(8 684)

* \$452 000 worth of buildings and improvements were transferred to the Department for Administrative and Information Services (DAIS) as part of the Government Radio Network. An additional \$1.2 million worth of buildings, improvements and land were transferred to DAIS as part of the Government's commitment to provide property (Glenelg Police Station) to the Holdfast Shore Developer.

** \$6.2 million worth of assets were expensed as these related to items with an original purchase price of less than \$10 000. This is in accordance with the change in the non-current asset policy of expensing items with an individual value of less than \$10 000. Refer Note 2(c).

*** \$1.1 million worth of assets were expensed in relation to the part demolition of the City Watch House.

10. Cash Assets	2002	2001
	\$'000	\$'000
Cash at bank	38 380	33 366
Cash held in imprest account and petty cash	404	418
	38 784	33 784
11. Receivables		
Receivables	7 450	10 060
Less: Provision for doubtful debts	3	133
	7 447	9 927
12. Other Current Assets		
Prepayments	976	461
Accrued interest	126	123
Accrued revenue	35	29
	1 137	613

13. Property, Plant and Equipment	2002									
		Buildings and Improve- ments ¹	Leasehold Improve- ments ²	Weap- onry	Computers and Comun- ications Equipmnt	Office Furniture and Equipmnt	Vehicles and Transport Vessels	Other	Work in Progress	Total
	Land ¹	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value as at 1 July 2001	16 840	169 845	-	1 319	20 543	13 009	5 819	13 966	22 862	264 203
Additions - Purchase of assets	-	1 250	14 626	205	1 518	-	873	820	2 611	21 903
Asset revaluation adjustment	6 694	3 267	(233)	-	-	-	-	-	-	9 728
Assets transferred between classes	-	10 841	15 428	-	1 013	(10 691)	239	19	(16 848)	1
Contributed (donated) assets	780	158	-	-	-	-	-	-	-	938
Non-current asset write-offs/ transfers	(1 137)	(5 011)	-	(625)	(15 866)	(1 756)	(293)	(6 756)	-	(31 444)³
Non-current assets sold	(190)	(2 371)	-	-	-	-	(553)	-	-	(3 114)
Assets identified as part of stocktake	-	-	-	627	-	-	387	370	-	1 384
Works in progress expensed	-	-	-	-	-	-	-	-	(5 790)	(5 790)
Gross value as at 30 June 2002	22 987	177 979	29 821	1 526	7 208	562	6 472	8 419	2 835	257 809
Accumulated depreciation as at 1 July 2001	-	69 709	-	1 296	15 147	11 994	2 950	5 983	-	107 079
Asset revaluation adjustment	-	(9 235)	(3 692)	-	-	-	-	-	-	(12 927)
Non-current assets sold	-	(1 528)	-	-	-	-	(221)	-	-	(1 749)
Non-current asset write-offs/ transfers	-	(3 264)	-	(617)	(12 507)	(1 431)	(122)	(4 303)	-	(22 244)³
Depreciation expense for the year	-	2 361	2 705	97	1 472	152	541	1 142	-	8 470
Assets transferred between classes	-	(362)	10 245	(1)	344	(10 245)	(1)	19	-	(1)
Assets identified as part of stocktake	-	-	-	570	-	-	194	278	-	1 042
Accumulated depreciation as at 30 June 2002	-	57 681	9 258	1 345	4 456	470	3 341	3 119	-	79 670
Net Book Value as at 30 June 2002	22 987	120 298	20 563	181	2 752	92	3 131	5 300	2 835	178 139
Net Book Value as at 1 July 2001	16 840	100 136	-	23	5 396	1 015	2 869	7 983	22 862	157 124

13. Property, Plant and Equipment (continued)

1. Land, buildings and improvements were revalued as at 30 June 2002 by the following officers from Colliers International Consultancy and Valuation Pty Limited:
 - Richard Wood, AAPI, Certified Practising Valuer B.App.Sc PRM (Valuation), John Conrick, APPI, Certified Practising Valuer B.App.Sc PRM (Valuation), Tracy Gornall, AAPI, B.Bus Property Hons.
2. Leasehold improvements were revalued on a deprival basis at 30 June 2002 by SAPOL Management (Physical Assets Service Branch).
3. Refer Note 9.

14. Payables	2002	2001
Current:	\$'000	\$'000
Creditors	8 016	5 812
Accrued employee entitlements	3 675	3 224
Payables employment on-costs	2 576	2 786
Accrued employment on-costs	646	633
	14 913	12 455
Non-Current:		
Payables employment on-costs	7 262	6 739

15. Employee Benefits

Current:		
Annual leave	10 722	9 519
Long service leave	6 371	6 618
	17 093	16 137
Non-Current:		
Long service leave	64 224	55 850

16. Targeted Voluntary Separation Packages (TVSPs)

Transactions on account of TVSPs for the reporting period were:		
TVSP payments	449	247
Recoveries from the Department of the Premier and Cabinet in respect of TVSPs	603	43
Annual and long service leave accrued over the period of employment paid to employees who received TVSPs.	245	72

Recoveries from the Department of the Premier and Cabinet in respect of TVSPs includes \$154 000 received in 2001-02 for TVSP payments made in 2000-01. The number of employees who were paid TVSPs during 2001-02 totalled 3 (7).

17. Remuneration of Employees

The number of employees whose total normal remuneration paid or payable fell within the following bands was:	2002	2001
	Number of	Number of
	Employees	Employees
\$100 000 - \$109 999	10	10
\$110 000 - \$119 999	3	2
\$120 000 - \$129 999	1	-
\$130 000 - \$139 999	-	2
\$140 000 - \$149 999	4	3
\$190 000 - \$199 999	1	1
\$220 000 - \$229 999	-	1
\$240 000 - \$249 999	1	-
	20	19

The total normal remuneration paid or payable to these employees, was \$2.5 million (\$2.4 million) which includes nine current executive positions, ten senior management positions and one secondment to the East Timor Peacekeeping Force.

18. Payments to Consultants

SAPOL engaged consultants during the year and incurred expenses (inclusive of GST) of \$271 000 (\$252 000). This amount is included in the item 'Other Administrative Expenses' disclosed in Note 5.

19. Equity and Changes in Equity

Accumulated surplus represents the residual interest in SAPOL's equity (net assets). The South Australian Government holds the accumulated surplus interest in SAPOL on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

	2002	2001
	\$'000	\$'000
Balance at 1 July	87 920	91 672
Decrease in net assets resulting from ordinary activities after tax equivalent payments	(21 955)	(18 964)
Increase in equity resulting from the revaluation of non-current assets	22 655	-
Appropriations in the form of an equity contribution	9 857	15 212
Balance at 30 June	98 477	87 920

20. Commitments for Operating Leases	2002	2001
At the reporting date, SAPOL had the following obligations under non-cancellable operating leases:	\$'000	\$'000
Payable no later than one year	13 310	13 300
Payable later than one year and not later than five years	38 245	38 144
Payable later than five years	9 470	8 901
Total Operating Lease Commitments (including GST)	61 025	60 345
GST included in Operating Lease Commitments	5 548	5 486

Operating lease commitments are not recorded as a liability in the financial statements.

The property leases are non-cancellable leases, with rental payable in advance. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased periodically and generally in line with CPI movements and market conditions. Options exist to renew the leases at the end of the term of the leases.

21. Commitments for Capital and Recurrent Expenditure

At the end of the reporting period SAPOL had commitments for capital and recurrent expenditure which is not taken up in the Statement of Financial Position. This expenditure is due for payment:

Not later than one year	2002	2001
	\$'000	\$'000
	4 003	6 168
Total (including GST)	4 003	6 168
GST included in Capital and Recurrent Commitments	364	561

22. Contingent Liabilities

As at 30 June 2002 the value of outstanding rewards for unsolved murders was \$2.9 million (\$2.9 million). No provision has been made in the financial report for this amount as there exists considerable doubt as to the amount and timing of rewards that will actually be paid.

23. Auditors' Remuneration

The amount payable by SAPOL for audit services (inclusive of GST) during the reporting period was \$135 000 (\$130 000). The auditors provided no other services.

24. Financial Instruments

(a) Terms and Conditions

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash at bank	10	Cash at bank comprises cash held in a Department of Treasury and Finance Special Deposit Account and cash held in a Department of Treasury and Finance Accrual Appropriation Excess Funds Deposit Account. Interest revenue is recorded on an accrual basis.	Interest on cash at bank within the Special Deposit Account is calculated quarterly by the Department of Treasury and Finance and is based on the average daily balance of the account. The interest rate is the Treasurer's Approved Rate of Interest on Special Deposit Accounts which is 4.17 percent as at 30 June 2002 (5.06 percent). Interest on cash at bank within the Accrual Appropriation Excess Funds Deposit Account is calculated annually by the Department of Treasury and Finance and is based on the average daily balance of the account. The interest rate is the Treasurer's Approved Rate of Interest on Accrual Appropriation Excess Funds Deposit Accounts which is 4.52 percent for the 2001-02 financial year (5.83 percent).
Receivables	11	Receivables are recorded at the amounts due to SAPOL, less a provision for doubtful debts. They are recorded when goods and services have been provided.	Receivables are due within 30 days of an invoice being raised.
Financial Liabilities			
Creditors	14	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided to SAPOL.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
Borrowings		SAPOL previously maintained an imprest amount of \$200 000 representing monies advanced by the Department of Treasury and Finance.	The advance from the Department of Treasury and Finance was interest free.

(b) Interest Rate Risk

<i>Financial Instrument</i>	Effective Interest Rate at 30.6.02 Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	2002 Total \$'000
Financial Assets:				
Cash at bank	4.17	38 380	-	38 380
Cash held in imprest account and petty cash		-	404	404
Receivables		-	7 447	7 447
		38 380	7 851	46 231
Financial Liabilities:				
Creditors		-	8 016	8 016
		-	8 016	8 016

<i>Financial Instrument</i>	Effective Interest Rate at 30.6.01 Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	2001 Total \$'000
Financial Assets:				
Cash at bank	5.06	33 366	-	33 366
Cash held in imprest account and petty cash		-	418	418
Receivables		-	9 927	9 927
		33 366	10 345	43 711
Financial Liabilities:				
Creditors		-	5 812	5 812
Borrowings: Advance from Department of Treasury and Finance		-	200	200
		-	6 012	6 012

(c) Net Fair Values of Financial Assets and Liabilities

Financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximate the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

(d) Credit Risk Exposure

SAPOL's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. SAPOL has no significant exposures to any concentrations of credit risk.

25. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services

	2002	2001
	\$'000	\$'000
Net cash provided by operating activities	16 095	3 022
Intra Sector Grants - Recurrent	(326 405)	(302 025)
- Other	-	(1 367)
Contributions from the Community Emergency Services Fund	(16 605)	(16 492)
Contribution for traffic policing services	(14 700)	(14 700)
Depreciation	(8 470)	(9 444)
Tax equivalent payments	55	67
Work in progress expensed	(5 790)	(59)
Contributed (donated) assets	938	1 036
Asset transfers	2	-
Change in assets and liabilities:		
(Decrease) Increase in receivables	(2 480)	7 624
Increase (Decrease) in other current assets	524	(798)
Decrease in inventories	(115)	(156)
(Increase) Decrease in payables, accruals and borrowings	(2 781)	668
(Increase) in provisions	(10 606)	(12 173)
Net Cost of Services	(370 338)	(344 797)

26. Other Minister for Police Payments

Fire Equipment Service	754	1 198
Community Development Fund - St John Ambulance Australia South Australia Inc.	100	100
Safety House Association	68	64
SA Water - Concession for Emergency Services	50	50
Crime Prevention Council	3	3
Payments to Consolidated Account	2	-
	977	1 415

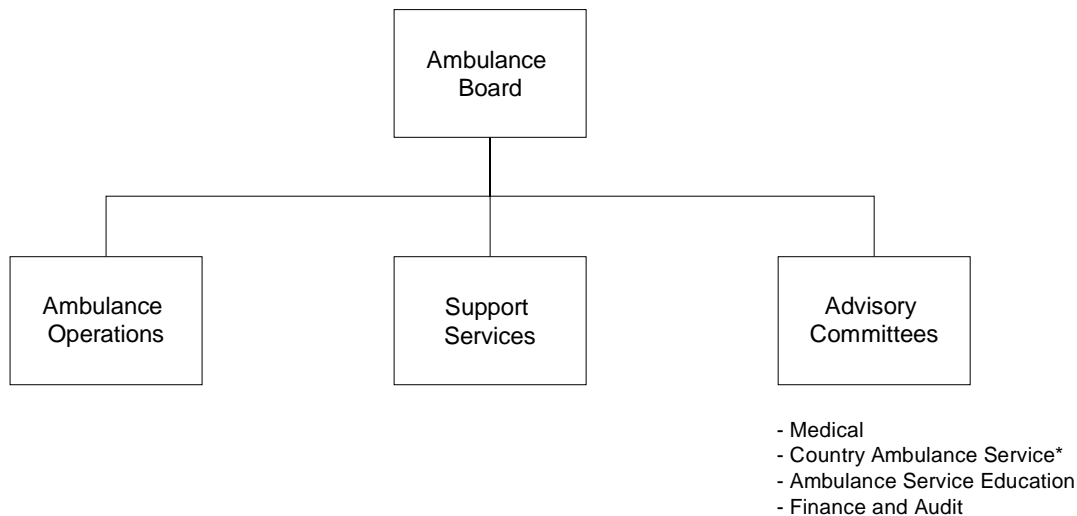
SA ST JOHN AMBULANCE SERVICE INC

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

SA St John Ambulance Service Inc (the Ambulance Service), is an incorporated association established pursuant to section 11 of the *Ambulance Services Act 1992* (the Act) as a result of a joint venture agreement between the Priory in Australia of the Order of St John and the Minister for Health for the Government of South Australia. In January 1999 the Priory's authority to nominate and appoint directors to the Ambulance Board was delegated to the then Minister for Police, Correctional Services and Emergency Services.

The Ambulance Service provides pre-hospital patient care and ambulance transport as part of the State's health and emergency services and is controlled by the Ambulance Board established pursuant to section 12 of the Act.

The structure of the Ambulance Service is:



* A requirement under the *Ambulance Services Act 1992*.

SIGNIFICANT FEATURES

- The Ambulance Service recorded a surplus from ordinary activities for the year of \$14.8 million (\$5.1 million). Included in that surplus was \$5.9 million in assets transferred to the Ambulance Service from St John Ambulance Australia South Australia Inc. and \$4.2 million provided by the Department for Administrative and Information Services for the Government Radio Network.
- The Ambulance Cover Scheme incurred an operating deficit of \$5.7 million (\$6.4 million).
- Ambulance transport fees increased by \$2.3 million (\$4.8 million) which was offset by an increase in pensioner and Ambulance Cover concessions of \$0.2 million (\$3.6 million).
- Revenues from the Government increased by \$7.8 million to \$40.2 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 14(2) of the *Ambulance Services Act 1992* specifically provides for the Auditor-General to audit the accounts of the Ambulance Service in respect of each financial year. Furthermore, subsection 14(3) of the Act provides for the application of Part III of the *Public Finance and Audit Act 1987* (ie Audit Provisions) to the Ambulance Service, as if it were a public authority within the meaning of the Act. Subsection 14(4) of the Act provides that Division II (Accounts and Audit of Certain Incorporated Associations) of Part IV of the *Associations Incorporation Act 1985* does not apply to the Ambulance Service.

Scope of Audit

The scope of the external audit took into account the internal audits of the Ambulance Service's internal controls performed by an external accounting firm. The external audit covered all major financial systems and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial report and the adequacy of internal controls.

The specific areas of audit attention included:

- budgetary control and management reporting
- ambulance transport revenue
- Ambulance Cover Scheme
- accounts payable
- payroll
- inventories
- property, plant and equipment.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the Chief Executive Officer. The main issues related to opportunities to improve the control environment through better documentation of key financial policies and procedures. A satisfactory response was received. Further details relating to these issues are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall assessment of the Ambulance Service's control structure was that it was satisfactory.

This assessment had regard to the responses and action taken by the Ambulance Service to issues raised by both external and internal audit. The Board of the Ambulance Service has established a Finance and Audit Committee that regularly reviews all aspects of financial management and ensures that appropriate responses and follow-up action occurs in respect of issues raised by both external and internal audit.

Documentation of Policies and Procedures

In past reports, Audit has commented on the lack of documentation with respect to the Ambulance Service's financial policies and procedures.

The audit this year revealed that a project was commenced to document the policies and procedures, however, the project was delayed due to the departure of key staff. The Ambulance Service indicated that replacement staff are expected to progress the project in 2002-03.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

As commented in previous reports it is difficult to apply conventional financial ratio analysis to the Ambulance Service. As with most government agencies, it is reliant on revenues from government to sustain its level of operations and service, notwithstanding that it charges for certain services and products. Comparison of the charges for these services and products to previous years is affected by the ambulance transport fees not charged in 2001-02 during the period of temporary bans imposed by the Ambulance Employees Association.

Statement of Financial Performance

Total revenues for the year ended 30 June 2002 were \$86.7 million (\$70 million) and total expenses were \$71.9 million (\$64.9 million), resulting in a surplus from ordinary activities of \$14.8 million (\$5.1 million).

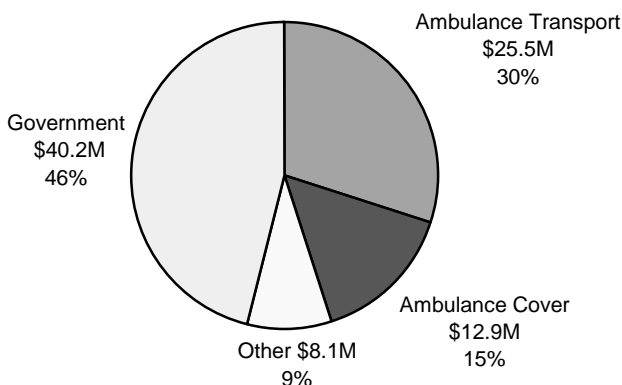
Revenues from the Government totalled \$40.2 million (\$32.4 million) and included \$4.2 million provided by the Department for Administrative and Information Services towards the South Australian Government Radio Network.

Non-operating revenues of \$6.1 million included the transfer of \$5.9 million in assets from St John Ambulance Australia South Australia Inc to the Ambulance Service for no consideration. Refer Note 6 to the Financial Statements.

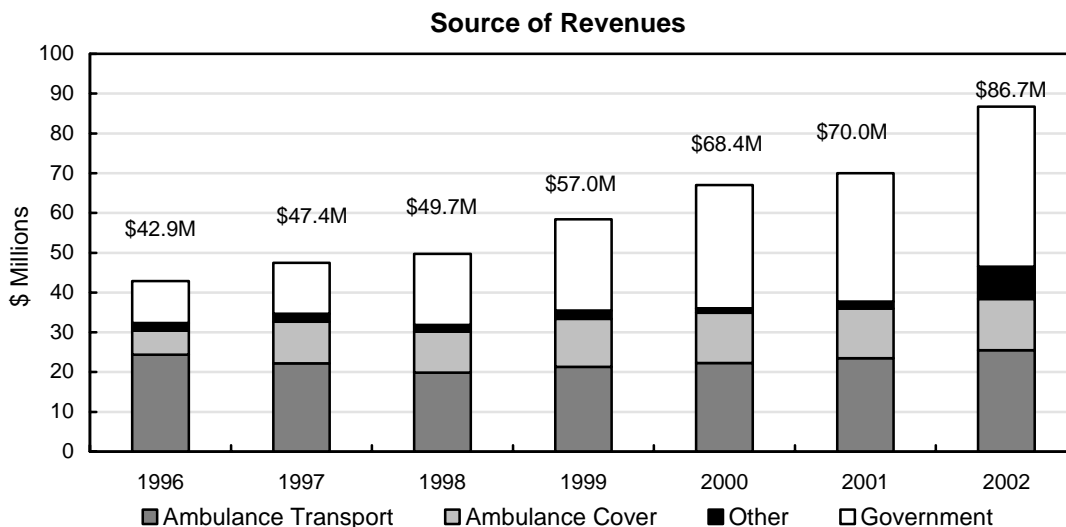
The accumulated surplus increased by \$13.9 million to \$26.3 million (\$12.4 million), while reserves increased to \$7.6 million (from \$6.8 million).

Revenue Sources

The following chart depicts the major sources of internally generated and externally provided revenues for 2001-02:



The following diagram depicts the movement in these revenues over the last seven years:



The acceleration of government funding over that time is clearly discernible, with revenues from government increasing from \$9.4 million in 1994-95 to \$40.2 million in 2001-02, an increase of 328 percent. This compares with an increase of only 44 percent in internally generated revenues over the same period, from \$32.4 million to \$46.5 million which includes \$5.9 million in assets transferred from St John Ambulance Australia South Australia Inc. to the Ambulance Service in 2001-02. The increasing reliance on government revenues is clearly evident from these figures.

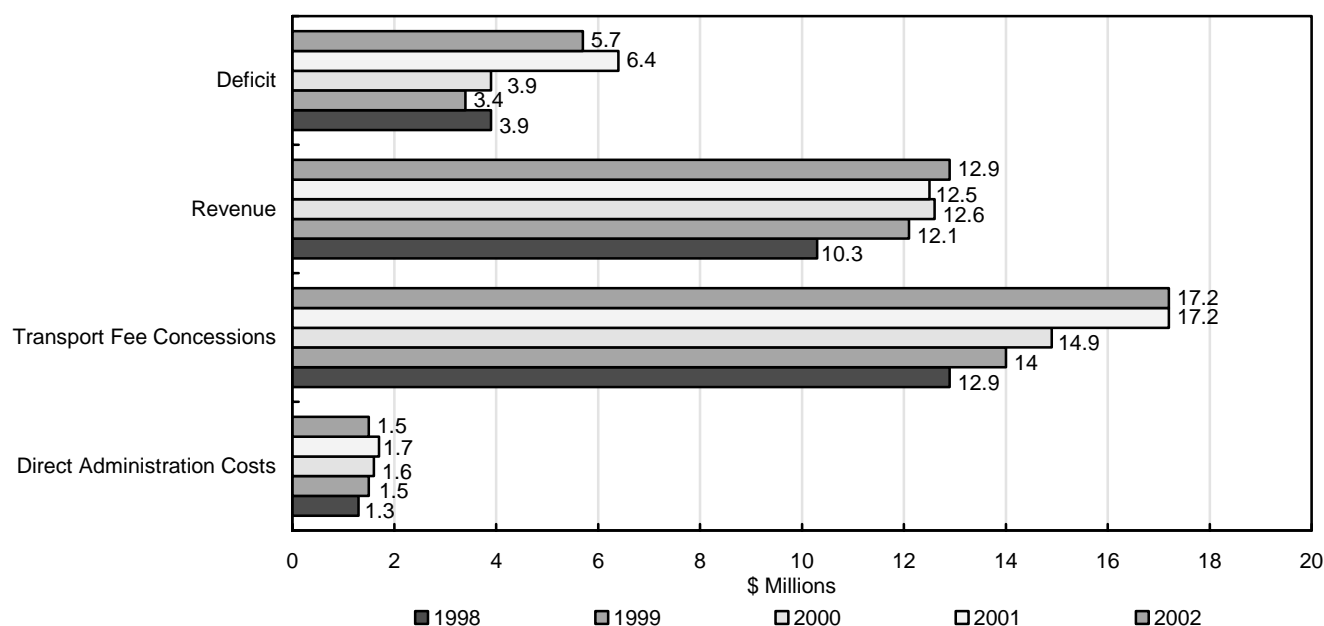
Expense

The increasing cost of employee benefits (11.1 percent in 2001-02) essentially reflects the standards embodied in terms of service provision and response times. However, limitations on flexibility in work practices and increases in rates of pay following enterprise bargaining agreements have also been identified as factors causing these costs to increase.

Ambulance Cover Scheme

The Ambulance Cover Scheme has significantly impacted on the operating result since its inception as a result of the premiums charged to subscribers being substantially less than the cost of the scheme (ie benefits provided to subscribers). The cumulative deficit from operating the Scheme is \$29.1 million. There has been a decrease in the operating deficit for 2001-02 to \$5.7 million (\$6.4 million), with an average annual operating deficit of \$4.7 million, over the last five years. As detailed in Note 3 to the Financial Statements, it is also important to note the deficit on the Ambulance Cover Scheme for 2001-02 was decreased by the amount of those transport fees unable to be charged against the Scheme during the period of the temporary case information bans imposed by the Ambulance Employees Association. The Ambulance Service estimates the amount of the understatement to be \$360 000.

The following chart reflects the movement in revenues, expenses and deficit of the Ambulance Cover Scheme over the past five years and underlines the increasing trend in Transport Fee Concessions.



Statement of Financial Position

Provision of Funding

In previous reports comments were made in respect of a consultant's review of the Ambulance Service undertaken in 1999-2000 at the request of the Department of Justice so that it may better assess the financial position of the Ambulance Service.

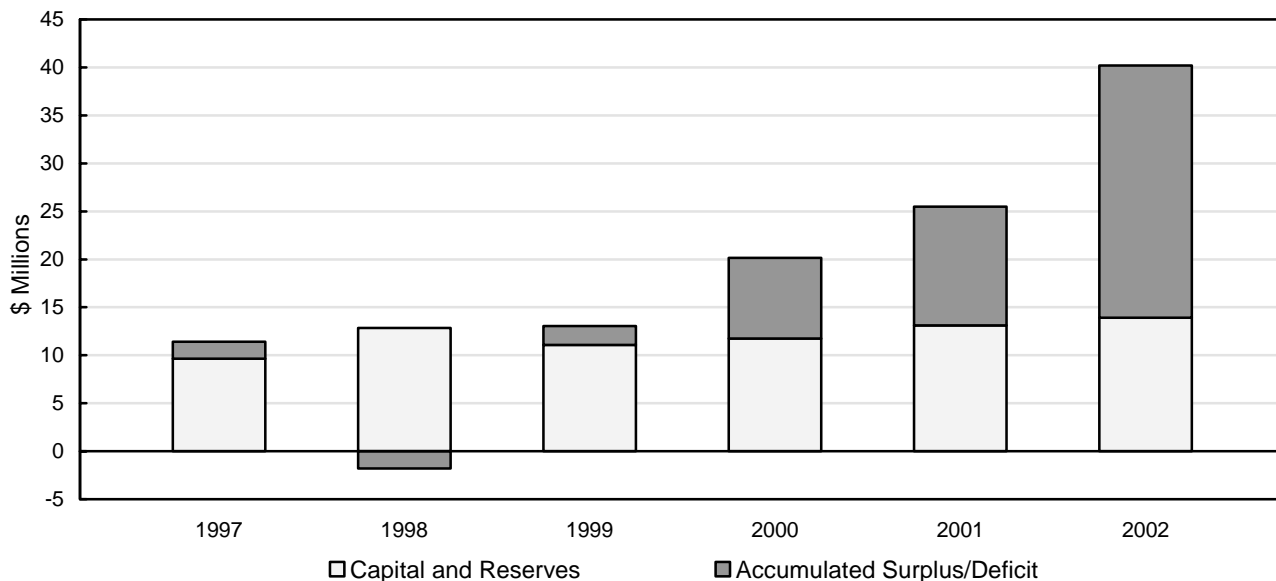
The consultant identified that the Ambulance Service had an ongoing funding shortfall which needed to be addressed as a matter of priority.

The consultant provided a number of suggestions for both the Government and the Ambulance Service to consider.

One of the suggestions was for the Government to provide additional funding to the Ambulance Service on an annual basis.

Additional funding of \$6.2 million was provided in 1999-2000 and the increased annual funding started in 2000-01.

The diagram below reflects the increase in net assets, particularly the accumulated surplus, in recent years due to the additional funding from the State Government together with additional revenue from ambulance transport fees. The significant increase in 2001-02 also relates to one-off transfers of assets of \$5.9 million and a one-off increase of \$4.2 million in funding for the South Australian Government Radio Network.



Property, Plant and Equipment

Property, plant and equipment increased by \$7.2 million to \$30.9 million (\$23.7 million) due principally to the assets transferred by St John Ambulance Australia South Australia Inc. to the Ambulance Service as detailed in Note 6 to the Financial Statements.

Cash Assets

Cash assets increased by \$6.9 million to \$14.2 million (\$7.3 million) due principally to an increase of \$4.2 million in cash received from the Department for Administrative and Information Services for the purchase of communication equipment relating to the South Australian Government Radio Network. At 30 June 2002 none of the funds for the purchase of communication equipment were spent or committed.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Operating Revenues:			
Sales of goods and services:			
Ambulance transport	2	25 535	23 467
Ambulance cover	3	12 909	12 514
Call direct		965	627
Other operating revenues	4	976	1 071
Total Operating Revenues		40 385	37 679
Revenues from Government	1(k),5	40 184	32 351
Non-operating revenues	6	6 134	(11)
Total Revenues		86 703	70 019
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	7	46 554	41 905
Goods and services	8	20 131	18 865
Depreciation	11	5 237	4 157
Total Expenses		71 922	64 927
SURPLUS FROM ORDINARY ACTIVITIES		14 781	5 092
Net increase in asset revaluation reserve	14,17(a)	-	222
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	17(c)	14 781	5 314

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	1(j)	14 237	7 298
Investments	1(j)	5 000	5 000
Receivables	12	4 907	3 675
Inventories		236	162
Other	13	660	624
Total Current Assets		25 040	16 759
NON-CURRENT ASSETS:			
Property, plant and equipment	14	30 938	23 689
Total Non-Current Assets		30 938	23 689
Total Assets		55 978	40 448
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	15(a)	2 949	2 815
Provision for employee benefits	16(a)	5 191	4 741
Total Current Liabilities		8 140	7 556
NON-CURRENT LIABILITIES:			
Payables	15(b)	323	316
Provision for employee benefits	16(b)	7 258	7 100
Total Non-Current Liabilities		7 581	7 416
Total Liabilities		15 721	14 972
NET ASSETS		40 257	25 476
EQUITY:			
Capital		6 298	6 298
Reserves	17(a)	7 623	6 806
Accumulated surplus	17(b)	26 336	12 372
TOTAL EQUITY	17(c)	40 257	25 476
Commitments and Contingent Liabilities	19		

Statement of Cash Flows for the year ended 30 June 2002

		2002	2001
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Receipts from customers		35 455	33 071
Receipts from Australian Taxation Office		1 851	1 405
Receipts from government		40 184	32 090
Interest received		725	925
Payments to suppliers		(22 420)	(19 070)
Payments to employees		(42 217)	(39 580)
Net Cash provided by Operating Activities	20(b)	13 578	8 841
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		1 082	1 100
Payments for property, plant and equipment		(7 721)	(9 025)
Net Cash used in Investing Activities		(6 639)	(7 925)
NET INCREASE IN CASH HELD		6 939	916
CASH AT 1 JULY		12 298	11 382
CASH AT 30 JUNE	20(a)	19 237	12 298

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

The significant accounting policies adopted in the preparation of this financial report are:

(a) Entity Definition

SA St John Ambulance Service Inc (trading as 'SA Ambulance Service') is an incorporated association formed by the Minister for Health for the Government of South Australia and the Priory in Australia of the Order of St John (Priory) under the *Associations Incorporation Act 1985*. SA Ambulance Service operates in accordance with the *Ambulance Services Act 1992* and under a license issued on 1 March 1993 by the then Minister for Health, Family and Community Services

In January 1999 the Priory's authority to nominate and appoint Directors to the Ambulance Board was delegated to the then Minister for Police, Correctional Services and Emergency Services.

The registered office is located at 216 Greenhill Road, Eastwood, South Australia.

The principle activities of SA Ambulance Service are the provision of high quality pre-hospital care and patient transport.

(b) Basis of Preparation

The financial report is a general purpose financial report which has been drawn up in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, other mandatory professional reporting requirements, Department of Treasury and Finance Accounting Policy Statements, Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*, and the *Associations Incorporation Act 1985*. The financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention except for certain assets that have been revalued.

(c) Revenue Recognition*Ambulance Transport Revenue*

Ambulance transport revenue comprises revenue earned, net of discounts and allowances from the provision of patient transport, and is recognised when the service is provided or when the fee in respect of services provided is receivable.

Ambulance Cover Revenue

SA Ambulance Service operates an Ambulance Cover scheme whereby members pay a premium to cover themselves against the cost of ambulance transport. Ambulance Cover revenue is recognised upon receipt of the premium.

Call Direct Revenue

Call Direct revenue comprises the sale of alarm monitoring units and accessories, and monitoring income. Units and accessories revenue are recognised at point of sale. Monitoring income is brought to account when accrued.

Other Operating Revenues

Other operating revenues comprise interest received and donations. Donations are recognised when received, and interest when accrued.

Revenues from Government

Revenues from the State Government comprise contributions to meet the costs of the Government's Community Service Obligation, for which services are provided by SA Ambulance Service, and funds for a motor vehicle replacement program. Government revenues are recognised on receipt.

Non-Operating Revenues

Non-operating revenues represent assets received at nil consideration, asset sales, rental, commissions and discounts received and sundry revenue. The net revenue (expense) from asset sales is included as revenue upon sale.

(d) Taxation

The SA Ambulance Service is a Public Benevolent Institution and is exempt from income tax pursuant to the *Income Tax Assessment Act 1936* and, therefore, no provision is necessary in the accounts for income tax.

(e) Inventories

Inventories are carried at the lower of cost and net realisable value.

(f) Non-Current Assets

All items of non-current assets, with the exception of land, have a limited useful life, which is reviewed annually. These are systematically depreciated in a manner that reflects the consumption of service potential.

The major asset categories are subject to straight line depreciation over the following periods:

	Years
Buildings and leasehold improvements	40
Information technology	3
Motor vehicles	1 to 8
Medical equipment	4 to 5
Plant and equipment*	5 to 25
Communication equipment	6 to 32

* Comprises office furniture and equipment, fixtures and fittings and training equipment.

Refer to Note 14 for the basis of valuation for each major asset category.

(g) Operating Leases

Operating lease assets are not capitalised, and lease payments are charged as operating expenses in the period in which they are incurred.

(h) Employee Benefits

Provision has been made in the financial report for SA Ambulance Service's liability for employee benefits for services rendered to balance date.

In determining the liability for employee benefits, consideration has been given to possible future increases in wage and salary rates and SA Ambulance Service's experience with staff attrition.

Annual Leave

The provision for employee benefits for annual leave is based on legal contractual benefits at balance date. Current wage rates are used in the calculation of the provision.

Sick Leave

No provision has been made for sick leave because entitlements are non-vesting and it is considered that sick leave is taken from the current year's entitlements.

Accrued Days Off

The provision for employee benefits for accrued days off is based on legal contractual benefits at balance date. Current wage rates are used in the calculation of the provision.

Long Service Leave

The liability for employee benefits for long service leave represents the amount SA Ambulance Service has a present obligation to pay resulting from employee's services provided up to the balance date.

The provision has been calculated at nominal amounts based on current salaries and wages rates using an assessed benchmark of seven years service. The benchmark is based upon an actuarial assessment by Brett & Watson Pty Ltd (members of the Institute of Actuaries of Australia) at 30 June 2002 in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Workers Compensation

SA Ambulance Service is recognised as an exempt employer under section 61 of the *Workers Rehabilitation and Compensation Act 1986*. The liability for employee benefits for Workers Compensation is based upon an actuarial assessment conducted by Brett & Watson Pty Ltd at 30 June 2002.

Superannuation Funds

SA Ambulance Service contributes to two superannuation funds for the benefit of its employees. Contributions are charged as expenditure as they are made. There is no liability for payments to beneficiaries as this is the responsibility of the superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes. Further information is set out in Note 18.

(i) Reserves

The amounts recorded as reserves, excluding asset revaluation, are represented by actual funds set aside for express purposes as follows:

Country Branch Reserves

These reserves are under the control of Country Branch committees in accordance with the provisions of SA Ambulance Service Country Branch Regulations and are applied to meet branch requirements.

Country Capital Reserve Fund

This Fund is specifically applied for the purchase of capital items deemed necessary for the effective operation of country branches. Allocations from this Fund are controlled by the Country Ambulance Services Advisory Committee (CASAC). Revenues are received from transfers from the Country Operating Reserve Fund, interest earnings and transfers from Country Branch Reserves towards capital projects.

Country Operating Reserve Fund

The Country Operating Reserve Fund (CORF) was established to meet operating costs that relate to the operations of country branches. Allocations from the Fund are controlled by CASAC. Revenues are received from volunteer branch operating surpluses as defined in the SA Ambulance Service Country Branch Regulations.

(j) Financial Instruments

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

SA Ambulance Service's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2002, are as follows:

Financial Assets

Cash assets are comprised mainly of deposits at call with the Commonwealth Bank of Australia (CBA). The interest rate prevailing on deposits totalling \$14.2 million (\$7.3 million) with the CBA at 30 June 2002 varied from 4 percent to 4.5 percent (4.25 - 4.75 percent).

Investments totalling \$5 million (\$5 million) constitute term deposits with the CBA. As at 30 June 2002 the prevailing interest rate was 4.72 percent (4.9 percent).

Receivables are recognised when the service is provided and are reported at amounts due that are net of discounts and doubtful debts.

Financial Liabilities

Payables are raised for amounts billed or billable but unpaid and are normally paid within trading terms.

(k) Economic Dependency

A significant proportion of revenue is derived from Government, without which the SA Ambulance Service would not be able to provide Community Service Obligations. Revenue from Government was \$40.2 million in 2002 (\$32.4 million).

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

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

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

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

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

2. Ambulance Transport	2002	2001
	\$'000	\$'000
Fees raised	54 852	52 577
Less: Concessions - Ambulance Cover	17 184	17 156
- Pensioners	12 133	11 954
	25 535	23 467
3. Ambulance Cover		
Ambulance Cover revenue	12 909	12 514
Less: Transport fee concessions	17 184	17 156
Direct administration costs	1 471	1 719
Ambulance Cover Deficit	(5 746)	(6 361)
4. Other Operating Revenues		
Interest	731	918
Donations	245	153
	976	1 071
5. Revenues from Government		
Funding was received from the State Government for the following purposes:		
Operations *	33 014	29 938
South Australian Government Radio Network **	4 443	209
Vehicle purchases	2 727	2 204
	40 184	32 351

* Includes \$782 000 (\$763 000) from the Community Emergency Services Fund towards operations.

**Comprises \$209 000 (\$209 000) from the Community Emergency Services Fund and \$4 234 000 (nil) from the Department for Administrative and Information Services towards the South Australian Government Radio Network.

6. Non-Operating Revenues	2002	2001
Asset Disposals:	\$'000	\$'000
Revenue from disposal of assets	1 193	994
Written down value of disposed assets	1 280	1 279
Net Expense from Disposal of Assets	(87)	(285)
Other Non-Operating Revenue Items:		
Non-current asset transfers at nil consideration*	5 935	-
Rental revenue	149	74
Sundry revenue	113	173
Commission and discount revenue	24	27
	6 134	(11)
* Freehold and leasehold properties under the care, control and management of St John Ambulance Australia South Australia Inc. were transferred to the Ambulance Service on 25 August 2001. These properties were initially recognised at fair value based upon a valuation at 30 June 2001 by Knight Frank (SA) Pty Ltd (Certified Practising Valuers). The transferred properties were subsequently revalued using the deprival value methodology and, as reflected in note 14, the gross amount and accumulated depreciation have been brought to account.		
7. Employee Benefits	2002	2001
	\$'000	\$'000
Salaries and wages, annual and sick leave	40 317	36 647
Superannuation	2 869	2 601
Workers compensation	2 679	2 117
Long service leave	689	540
	46 554	41 905
8. Goods and Services		
Bad and doubtful debts	3 737	3 559
Professional and administrative expenses	2 964	2 725
Training, travel, uniforms and other staff expenses	2 859	2 658
Medical	2 236	2 010
Communications	2 109	1 735
Vehicle operating	2 087	2 307
Occupancy	1 420	1 416
Information technology	1 324	958
Marketing	688	813
Discounts on ambulance transports	353	348
Other	354	336
	20 131	18 865
9. Auditors' Remuneration		
Amounts paid and payable to the auditors for auditing the financial report.	51	43
The auditors provided no other services.		
10. Consultancy Payments		
Amounts paid during the period for consultancy assignments	-	2
11. Depreciation		
Buildings	349	58
Leasehold improvements	178	101
Motor vehicles	3 006	2 174
Medical equipment	617	488
Plant and equipment	789	731
Communication equipment	298	605
	5 237	4 157
12. Receivables		
Debtors	6 546	5 036
Less: Provision for doubtful debts	1 639	1 361
	4 907	3 675
13. Other Current Assets		
Prepayments	496	558
Accrued revenue	164	66
	660	624
14. Property, Plant and Equipment		
Land:		
Opening balance	1 337	1 012
Additions	108	24
Transfers (at fair value) at nil consideration*	1 359	-
Revaluation write-up	-	301
Closing Balance	2 804	1 337
Net Book Value **	2 804	1 337

14. Property, Plant and Equipment (continued)	2002	2001
Buildings:	\$'000	\$'000
Opening balance	8 637	2 094
Additions	848	104
Transfers (at fair value) at nil consideration*	2 959	-
Disposals	-	(32)
Other movements	433	-
Revaluation write-up	4 183	6 471
Closing Balance	17 060	8 637
Accumulated Depreciation:		
Opening balance	5 955	38
Depreciation for the year	349	58
Disposals	-	(1)
Other movements	108	-
Revaluation write-up	4 183	5 860
Closing Balance	10 595	5 955
Net Book Value **	6 465	2 682
Leasehold Improvements:		
Opening balance	2 258	1 607
Additions	799	285
Transfers (at fair value) at nil consideration*	1 617	-
Disposals	-	(6)
Other movements	(269)	-
Revaluation write-up	1 484	372
Closing Balance	5 889	2 258
Accumulated Depreciation:		
Opening balance	390	164
Depreciation for the year	178	101
Other movements	15	-
Revaluation write-up	1 484	125
Closing Balance	2 067	390
Net Book Value **	3 822	1 868
Motor Vehicles:		
Opening balance	21 330	17 005
Additions	4 807	5 996
Disposals	(2 877)	(1 671)
Closing Balance	23 260	21 330
Accumulated Depreciation:		
Opening balance	8 387	7 089
Depreciation for the year	3 006	2 174
Disposals	(1 607)	(876)
Closing Balance	9 786	8 387
Net Book Value ***	13 474	12 943
Medical Equipment:		
Opening balance	4 784	4 864
Additions	286	392
Disposals	-	(472)
Closing Balance	5 070	4 784
Accumulated Depreciation:		
Opening balance	2 771	2 447
Depreciation for the year	617	488
Disposals	-	(164)
Closing Balance	3 388	2 771
Net Book Value ***	1 682	2 013
Plant and Equipment:		
Opening balance	3 749	4 418
Additions	943	1 078
Disposals	(171)	(1 747)
Other movements	(164)	-
Closing Balance	4 357	3 749
Accumulated Depreciation:		
Opening balance	2 031	3 005
Depreciation for the year	789	731
Disposals	(160)	(1 705)
Other movements	(123)	-
Closing Balance	2 537	2 031
Net Book Value ***	1 820	1 718

14.	Property, Plant and Equipment (continued)	2002	2001
	Communication Equipment:	\$'000	\$'000
	Opening balance	3 756	3 936
	Additions	41	5
	Disposals	-	(212)
	Revaluation write-up	-	27
	Closing Balance	3 797	3 756
	Accumulated Depreciation:		
	Opening balance	2 628	1 175
	Depreciation for the year	298	605
	Disposals	-	(116)
	Revaluation write-up	-	964
	Closing Balance	2 926	2 628
	Net Book Value ****	871	1 128
	Total Net Book Value	30 938	23 689

* Refer to Note 6 for details of properties transfers.

** Land, buildings and leasehold improvements were independently revalued on a deprival basis at 30 June 2001 by Knight Frank (SA) Pty Ltd (Certified Practising Valuers).

*** Motor vehicles, medical equipment and plant and equipment are recorded at cost.

**** Communication equipment was revalued on a deprival basis at 30 June 2001 by Ambulance Service Management.

The net increase in asset revaluation reserve comprises:	2002	2001
	\$'000	\$'000
Land write-up	-	301
Buildings write-up	-	611
Leasehold improvements write-up	-	247
Communication equipment write-down	-	(937)
	-	222

15.	Payables		
	(a) Current:		
	Trade creditors	2 499	2 433
	Employment on-costs	297	282
	Other creditors	153	100
		2 949	2 815
	(b) Non-Current:		
	Employment on-costs	323	316
	Total Payables	3 272	3 131

16.	Provision for Employee Benefits		
	(a) Current:		
	Annual leave	2 576	2 466
	Accrued days off	1 047	903
	Workers compensation	730	708
	Accrued salaries and wages	543	393
	Long service leave	295	271
		5 191	4 741
	(b) Non-Current:		
	Long service leave	2 903	3 006
	Workers compensation	2 200	2 125
	Annual leave	1 733	1 659
	Accrued days off	422	310
		7 258	7 100
	Total Provision for Employee Benefits	12 449	11 841

17.	Movement in Equity		
	(a) Reserves		
	Asset Revaluation Reserve:		
	Balance at 1 July	3 275	3 053
	Revaluation increment	-	222
	Balance at 30 June	3 275	3 275
	Country Branch Reserves:		
	Balance at 1 July	668	623
	Transfers from accumulated surplus	57	46
	Transfers to Country Capital Reserve Fund	-	(1)
	Balance at 30 June	725	668
	Country Capital Reserve Fund:		
	Balance at 1 July	2 863	1 765
	Transfers to accumulated surplus	(1 308)	(591)
	Transfers from Country Branch Reserves	-	1
	Transfer from Country Operating Reserve Fund	2 068	1 688
	Balance at 30 June	3 623	2 863

17.	Movement in Equity (continued)	2002	2001
	Country Operating Reserve Fund:	\$'000	\$'000
	Balance at 1 July	-	-
	Transfers from accumulated surplus	2 068	1 688
	Transfer to Country Capital Reserve Fund	(2 068)	(1 688)
	Balance at 30 June	-	-
	Total Reserves	7 623	6 806
	(b) Accumulated Surplus		
	Balance at 1 July	12 372	8 423
	Surplus from operating activities	14 781	5 092
	Transfers from reserves to accumulated surplus	1 308	591
	Transfers to reserves from accumulated surplus	(2 125)	(1 734)
	Balance at 30 June	26 336	12 372
	(c) Total Equity		
	Balance at 1 July	25 476	20 162
	Surplus from ordinary activities	14 781	5 092
	Revaluation write-up	-	222
	Total changes in equity other than those resulting from transactions with owners as owners	14 781	5 314
	Balance at 30 June	40 257	25 476

18. Superannuation Funds

(a) SA Ambulance Service Superannuation Fund

SA Ambulance Service employees are eligible to receive a benefit from the SA Ambulance Service Superannuation Fund. A benefit is payable on retirement, death, disablement or leaving SA Ambulance Service, in accordance with the Fund's Trust Deed and Rules. The Fund is a resident regulated superannuation fund that complies with superannuation laws.

The Fund provides lump sum benefits, calculated either on a defined benefit basis or on an accumulated basis, if higher. Defined benefits reflect a member's period of Fund membership and Final Average Salary. Contributory members of the Fund make mandatory contributions at a rate of five percent of salary. If it has agreed to do so, SA Ambulance Service may make additional contributions at the rate of 5.9 percent of salary in lieu of these contributions. Non-contributory members are not required to make contributions.

SA Ambulance Service contributes towards the Fund's defined benefits and basic accumulation benefits in accordance with the recommendation of the actuary. In respect of all but a small proportion of the membership, it also contributes to the Fund in accordance with the relevant employee award. By contributing, SA Ambulance Service avoids incurring a charge in respect of members in accordance with Superannuation Guarantee legislation. Contributions are charged as expenditure as they are made.

Mr Christos Papanicolas, a principal of Mercer Human Resource Consulting Pty Ltd, carried out the most recent actuarial investigation of the Fund as at 1 July 1999. The investigation confirmed that the Fund's assets were sufficient for it to meet the benefits that would have been vested under it in the event of its termination or on the voluntary or compulsory termination of the employment of each member.

	\$'000
Net market value of Fund's assets as at 1 July 1999	46 407
Value of accrued benefits as at 1 July 1999	<u>41 682</u>

Excess of Net Market Value of Fund Assets Over Value of Accrued Benefits as at 1 July 1999	4 725
--	-------

Total of vested benefits as at 1 July 2001	52 693
Net market value of Fund's assets as at 1 July 2001	58 531

(b) Statewide Superannuation Trust

In respect of a small proportion of the workforce, SA Ambulance Service pays its contributions in accordance with the relevant employee award to the Statewide Superannuation Trust. By making these contributions, SA Ambulance Service avoids incurring a charge in respect of members in accordance with Superannuation Guarantee legislation. Contributions are charged as expenditure as they are made.

The Statewide Superannuation Trust provides lump sum benefits on leaving employment for any reason, calculated on an accumulated basis. Members are not required to make contributions to the Trust.

19. Commitments and Contingent Liabilities

(a) Lease Commitments (excludes GST)

Operating lease expenditure contracted for is payable as follows:

Not later than one year	191	78
Later than one year but not later than five years	120	137
Later than five years	236	183
	547	398

SA Ambulance Service has operating lease arrangements for the use of properties at Ashford Hospital, Camden Park, Port Adelaide, and Flinders University. Total rental expenditure for 2001-02 was \$164 000 (\$204 000). Future operating lease commitments represent the present value of future cash outflows to be made as per the lease agreements. Terms of renewal are as mutually agreed by SA Ambulance Service and the lessor.

SA Ambulance Service has a number of other operating leases for the use of property. The value of these leases is immaterial.

(b) Capital Commitments (excludes GST)	2002	2001
Agreements outstanding as at 30 June:	\$'000	\$'000
Purchase of ambulances at estimated cost less payments made:		
Not later than one year	2 287	892
Construction of new ambulance stations at estimated cost less payments made:		
Not later than one year	637	553
	2 924	1 445

(c) Contingent Liabilities
The nature of operations is such that potential exposures to litigation and other incidents giving rise to financial liability is considered by SA Ambulance Service to be less than likely. Following a consideration of all relevant factors, the Ambulance Board is of the opinion that no liability is required to be disclosed as being contingent.

20. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, at bank and investments. Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2002	2001
	\$'000	\$'000
Cash assets	14 237	7 298
Investments	5 000	5 000
	19 237	12 298

(b) Reconciliation of Surplus from Ordinary Activities to Net Cash provided by Operating Activities

Surplus from Ordinary Activities	14 781	5 092
Less: Items classified as investing activities:		
Net expense on the sale of non-current assets	87	285
Add (Less): Non-cash items:		
Depreciation	5 237	4 157
Acquisition of non-current assets for nil consideration	(5 935)	-
Net Cash provided by Operating Activities before change in Assets and Liabilities	14 170	9 534
Change in assets and liabilities affecting the Statement of Financial Performance during the financial year:		
(Increase) in receivables	(1 232)	(765)
(Increase) in inventory	(74)	(3)
(Increase) Decrease in other current assets	(36)	128
Increase (Decrease) in accrued revenue for non-current assets disposals	111	(104)
Increase (Decrease) in payables	141	(303)
(Increase) Decrease in payables for non-current asset purchases	(110)	1 139
Increase (Decrease) in provision for employee benefits	608	(785)
Net Cash provided by Operating Activities	13 578	8 841

21. Remuneration of Employees

The number of employees whose remuneration inclusive of superannuation and other benefits from SA Ambulance Service fell within the following bands was:

	2002	2002*	2001*
	Number of	Number of	Number of
	Employees	Employees	Employees
\$100 001 - \$110 000	11	10	1
\$110 001 - \$120 000	2	2	-
\$120 001 - \$130 000	-	-	-
\$130 001 - \$140 000	1	1	1
\$140 001 - \$150 000	1	1	-
\$150 001 - \$160 000	-	1	1
\$160 001 - \$170 000	1	-	1

The total remuneration received, or due and receivable, from the SA Ambulance Service by the employees whose remuneration exceeded \$100 000 was:

	\$'000	\$'000	\$'000
	1 828	1 699	549

* Excludes payments made to employees in lieu of taking long service leave.

22. Remuneration of Directors of the Board

The names of persons who held office as a Director of the Ambulance Board during the financial year were:

Ms R M Pak-Poy (Chairman)	Mr F A Butler (Deputy Chairman)
Mr I Pickering (retired 31.3.2002)	Prof G D Phillips
Mr P L Palmer	Mr W G Newman
Mr D R Hawking	Ms I Redmond (resigned 17.1.2002)
Ms C L Elder (resigned 21.12.2001)	Mr M Scott

All persons served for the entire period unless otherwise indicated. During the year, a total of \$90 000 (\$89 000) in Directors' fees and other benefits and \$7 000 (\$7 000) in superannuation benefits were payable.

Mr I Pickering was employed as Chief Executive of SA Ambulance Service and did not receive a Directors' fee.

22. Remuneration of Directors of the Board (continued)

The number of Directors whose remuneration was due or receivable from the SA Ambulance Service within the following bands was:

	2002	2001
	Number of	Number of
	Directors	Directors
\$1 - \$10 000	5	6
\$10 001 - \$20 000	4	4

23. Related Party Disclosures

Directors of the Board, or their director-related entities, conduct transactions with SA Ambulance Service within a normal supplier relationship on terms no more favourable than those with which it is reasonable to expect SA Ambulance Service would have adopted with the director or director-related entity at arms-length in similar circumstances.

Related party disclosures comprise the provision of legal advice and services by Minter Ellison, a firm in which Ms R M Pak-Poy is a partner, \$76 000 (\$42 000).

SOUTH AUSTRALIAN METROPOLITAN FIRE SERVICE

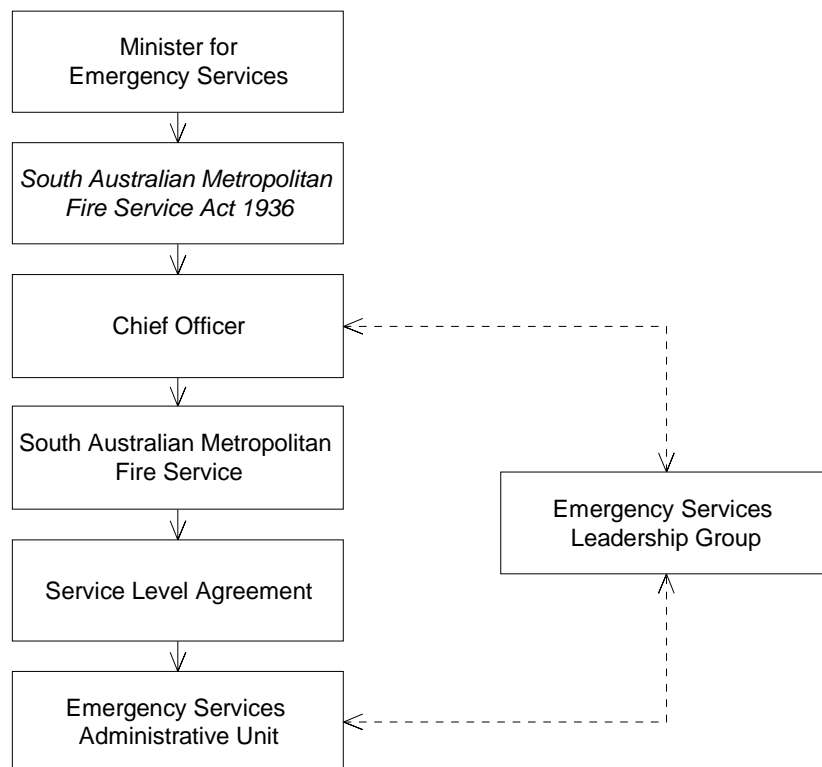
FUNCTIONAL RESPONSIBILITY AND ORGANISATION STRUCTURE

The South Australian Metropolitan Fire Service (SAMFS), a Corporation constituted of the Minister, was established under the *South Australian Metropolitan Fire Service Act 1936*. It is primarily responsible for the provision of: efficient fire fighting services; services to prevent the outbreak of fires in fire districts; and services to deal with other emergencies.

The Emergency Services Administrative Unit (ESAU) provides various services to the SAMFS in support of its primary functions, including strategic risk management, financial management and accounting services. These were subject to corporate service level agreements.

The SAMFS' financial management is heavily reliant on information and reporting provided by ESAU. An Emergency Services Leadership Group (ESLG) which comprises the chief executive officers of the SAMFS, ESAU, the Country Fire Service and the Director, State Emergency Services (a division of ESAU) has been established to ensure that emergency services operate in an integrated manner and that appropriate strategic and business plans consistent with the Government's priorities are established, maintained and implemented.

The ESLG, through the Chief Executive Officer of ESAU, reports to a (Department of) Justice Leadership Team. There is in turn a lineage of reporting responsibilities from the Justice Leadership Team to the Minister for Emergency Services.



SIGNIFICANT FEATURES

- The operating result was a Deficit from Ordinary Activities of \$1.2 million compared with a Surplus of \$2.2 million the previous year.
- Contributions from the Community Emergency Services Fund decreased by \$6.3 million to \$57.8 million.
- Cash assets decreased by \$4.5 million to \$30.6 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 11(2) of the *South Australian Metropolitan Fire Service Act 1936* provides for the Auditor-General to audit the accounts of the Corporation (SAMFS) in respect of each financial year.

Scope of Audit

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

The audit of the SAMFS during 2001-02 required Audit to direct much of its focus to the audit of the 'centralised accounting' structure maintained by ESAU and to test transactions at this level.

During 2001-02 specific areas of Audit attention included:

- expenditure systems, including accounts payable and payroll
- general ledger
- management reporting and budgetary control
- plant and equipment, including the adequacy of asset registers
- revenue, including debtors and cash receipting
- investments.

Audit Communications to Management

A letter communicating issues arising from the audit was forwarded to the Chief Officer of SAMFS. A satisfactory response to those issues has been received.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control environment was assessed as satisfactory with considerable improvement being achieved in a range of areas identified by Audit as requiring attention in previous years. Notwithstanding this improvement, there remained a number of areas where Audit considered that there was room for improvement. These areas are outlined below.

Corporate Governance

The audit revealed the need to ensure that budgetary processes were clearly documented and understood by staff. Audit also observed that strategic and business plans were not up to date and that there was no mechanism for monitoring the plans on a regular basis.

Regarding the management of the Service Level Agreements established with ESAU, Audit noted that there was a need for regular monitoring of the achievement of the performance standards embodied in the Agreements.

In response SAMFS indicated that comprehensive documentation on the budget processes would be produced and that strategic and business plans were currently being updated. Regular monitoring and review of such plans along with the achievement of performance standards under Service Level Agreements would be undertaken.

Accounts Payable and Purchasing

The audit of the accounts payable function revealed that there was room for improvement in the documentation of, and compliance with, purchasing procedures and the timely payment of invoices.

In response SAMFS indicated that procedures would be updated and action taken to ensure the timely payment of invoices.

Revenue

The audit of the revenue function revealed that improvement could be achieved in relation to the application of approved pricing structures in relation to the raising of invoices. Audit also noted that there was no delegation of authority for the authorisation of credit notes.

In response SAMFS advised that a delegation of authority would be established for the authorisation of credit notes and that approved pricing structures would be applied in future.

EXTRACT FROM INDEPENDENT AUDIT REPORT

Independent Audit Report

With respect to my 2001-02 Independent Audit Report I have issued a qualified audit opinion. An extract from the Independent Audit Report is provided hereunder:

Qualification

With respect to 2000-2001 I issued a qualified Independent Audit Report for the South Australian Metropolitan Fire Service. The qualification related to a loan transaction for an amount of \$2 million from the South Australian Metropolitan Fire Service to the Emergency Services Administrative Unit. I was of the opinion that the loan was unlawful as it was not in accordance with the relevant statutory requirements as set out in the South Australian Metropolitan Fire Service Act 1936.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matter referred to in the qualification paragraph, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the South Australian Metropolitan Fire Service at 30 June 2002, its financial performance and its cash flows for the year then ended.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

The net cost of services for the year was \$63.9 million, an increase of \$1.2 million over the previous year. Contributions from the Community Emergency Services Fund fell by \$6.3 million to \$57.8 million. This decrease in funding from the State Government was largely offset by the transfer of former ETSA assets with a written down value of \$5 million from the Distribution Lessor Corporation to arrive at the deficit from ordinary operations of \$1.2 million.

Statement of Financial Position

Cash Assets

Cash assets decreased by \$4.5 million to \$30.6 million. The decrease is due primarily to payments of \$5.1 million for the purchase of non-current assets.

Non-Current Assets

The written down value of property, plant and equipment increased by \$7.2 million due mainly to the transfer of assets from the Distribution Lessor Corporation (\$5 million) and additional capital expenditure of \$5.1 million, offset by depreciation expense of \$4.5 million.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges for services	3	2 198	2 342
Interest		1 176	1 529
Other revenue	4	903	998
Total Revenues		4 277	4 869
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee entitlements	5	51 633	51 892
Depreciation	6	4 456	4 438
Emergency services administrative unit recharge		3 438	3 534
Government radio network costs	7	1 392	1 404
Supplies and services	8	6 606	5 663
Interest		623	589
Total Expenses		68 148	67 520
NET COST OF SERVICES		63 871	62 651
REVENUES FROM STATE GOVERNMENT:			
Contributions from the Community Emergency Services Fund		57 751	64 036
Total Revenues from Government		57 751	64 036
Net loss from disposal of non-current assets	9	(121)	-
Net revenues from restructuring	13	5 000	833
(DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES		(1 241)	2 218
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net credit to an asset revaluation reserve on revaluation of non-current assets	16	1 799	471
Total revenues, expenses and valuation adjustments recognised directly in equity		1 799	471
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		558	2 689

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets	10	30 550	35 028
Receivables	11	1 341	934
Inventories		-	8
Prepayments		5	5
Total Current Assets		31 896	35 975
NON-CURRENT ASSETS:			
Property, plant and equipment	12	63 416	56 205
Total Non-Current Assets		63 416	56 205
Total Assets		95 312	92 180
CURRENT LIABILITIES:			
Payables	14	5 365	3 618
Provision for employee entitlements	15	5 474	5 333
Total Current Liabilities		10 839	8 951
NON-CURRENT LIABILITIES:			
Payables	14	867	824
Provision for employee entitlements	15	10 495	9 852
Interest bearing liabilities		5 226	5 226
Total Non-Current Liabilities		16 588	15 902
Total Liabilities		27 427	24 853
NET ASSETS		67 885	67 327
EQUITY:			
Asset revaluation reserve	16	40 127	38 328
Accumulated surplus	17	27 758	28 999
TOTAL EQUITY		67 885	67 327
Commitments and Contingent Liabilities	18		

Statement of Cash Flows for the year ended 30 June 2002

		2002	2001
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee entitlements		(50 495)	(48 383)
Supplies and services		(5 162)	(5 052)
Government Radio Network costs		(1 392)	(1 404)
Emergency Services Administrative Unit recharge		(3 438)	(3 534)
Interest		(623)	(589)
		<u>(61 110)</u>	<u>(58 962)</u>
RECEIPTS:			
Fees and charges for services		2 383	2 687
Interest		1 201	1 413
Other revenue		286	952
		<u>3 870</u>	<u>5 052</u>
CASH FLOWS FROM GOVERNMENT:			
Contributions from the Community Emergency Services Fund		57 751	64 036
Net Cash provided by Operating Activities	19	<u>511</u>	<u>10 126</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of non-current assets		136	11
Payments for non-current assets		(5 125)	(2 665)
Net Cash used in Investing Activities		<u>(4 989)</u>	<u>(2 654)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		-	2 000
Loan funds provided		-	(2 000)
Net Cash provided by Financing Activities		<u>-</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH HELD		<u>(4 478)</u>	<u>7 472</u>
CASH AT 1 JULY		<u>35 028</u>	<u>27 556</u>
CASH AT 30 JUNE	10	<u>30 550</u>	<u>35 028</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The SA Metropolitan Fire Service (the Corporation) is a statutory authority under the *South Australian Metropolitan Fire Service Act 1936* (the Act).

(a) Objectives

The Corporation's objectives are to provide for the fighting and prevention of fires in its fire districts, and to provide for the protection of life, property and the environment threatened by other emergencies.

(b) Funding and Administrative Arrangements

The Corporation is funded from the Community Emergency Services Fund (the Fund), which was established by the *Emergency Services Funding Act 1998*, for the cost of its operational services in the protection of South Australian citizens and their property and the cost of strategic and administrative services delivered to it by the Emergency Services Administrative Unit (ESAU).

2. Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report prepared in accordance with Treasurer's Instructions and Accounting Policy Statements under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards, and mandatory professional reporting requirements (Urgent Issues Group Consensus Views). It has been prepared on the accrual basis of accounting using the historical cost accounting method, with the exception of certain major non-current assets which have been revalued to their current deprival value.

(b) Accounting for Non-Current Assets

Property, plant and equipment are carried at cost or deprival value.

The Corporation revalues land, buildings and vehicles to deprival value. On an ongoing basis, revaluations are made in accordance with a regular policy whereby independent valuations are obtained every three years and carrying amounts adjusted accordingly.

Items acquired since the last revaluation are valued at cost. In accordance with a management plan, land and buildings comprising country fire stations were revalued as at 30 June 2002. These valuations were performed by the following qualified officers of Valcorp Australia Pty Ltd:

- Andrew J Lucas, MBA, B.App.Sc (Val), AVLE (Val), ASA
- Fred Taormina, B.App.Sc (Val), AVLE (Val & Econ), RV (Fiji)

(b) Accounting for Non-Current Assets (continued)

Depreciation on property, plant and equipment, excluding freehold land, is calculated on a straight-line basis, based on the expected useful lives of the assets which are reviewed annually. Major depreciation periods are:

	Years
Vehicles	15
Computer equipment	5
Communications equipment	10
Plant and equipment	10
Buildings	1-30

A detailed assessment was undertaken during 2000-01 of the useful lives of buildings. The basis of this assessment was analysis of the operational capacity of buildings and analysis of the variation between the useful life recommended by SAMFS management compared to the assessment reported by the independent valuer.

(c) Employee Entitlements**(i) Wages and Salaries, Annual Leave and Sick Leave**

Liabilities reflect employee entitlements to accrued wages and salaries and annual leave. These liabilities are calculated on current wage rates. Relevant employment on-costs are shown under the item 'Payables'. Sick leave is not provided for as it is non-vesting.

(ii) Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by employees to balance date. The liability has been calculated at nominal amounts based on current salaries and wages rates using a benchmark of eight years as advised by the Department of Treasury and Finance. Relevant employment on-costs are shown under the item 'Payables'.

(iii) Superannuation

Contributions are made by the Corporation to several Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. The Corporation has no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes.

(iv) Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability according to the Corporation's experience of claim numbers and payments. A separate valuation of the liabilities of the Corporation has not been undertaken and if such a valuation was performed it may result in a different assessed liability. The Corporation fully funds this provision.

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis.

(e) Revenue Recognition**Interest**

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of Non-Current Assets

The gross proceeds of non-current asset sales are included as revenue at the date control of assets passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Fees and Charges for Services

Revenues are recognised when services are provided, at fair value of the consideration received.

Charges for a number of services, including Fire Safety, Brigade Attendance and Private Fire Alarms, are made on a fee-for-service basis. These charges are reviewed and approved by the State Government annually. (Refer Note 3).

Grants

The Commonwealth Government provides reimbursement to the State for the provision of emergency services to protect Commonwealth properties. Under a South Australian Department of Treasury and Finance formula, this grant is apportioned between the Country Fire Service Board and the Corporation. The grant reported as revenue is the portion received by the Corporation. (Refer Note 4).

(f) Cash

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

(g) State Government Funding

The financial report is prepared under the assumption of ongoing financial support being provided to the Corporation by the State Government.

3.	Fees and Charges for Services	2002	2001
	Fees and charges for the reporting period comprised:	\$'000	\$'000
	Fire alarm monitoring fees	980	944
	Fire attendance fees	809	777
	Commercial training fees	-	78
	Fire safety fees	197	197
	Marine commercial operations	4	120
	Other recoveries	208	226
		2 198	2 342
4.	Other Revenue		
	Other revenue comprised:		
	Grants from Commonwealth Government	617	433
	Fuel rebate	55	46
	Other	231	519
		903	998
5.	Employee Entitlements		
	Employee entitlement expenses for the reporting period comprised:		
	Salaries and wages	41 987	40 256
	Payroll tax and superannuation	6 698	6 330
	Long service leave	1 304	841
	Workers compensation	1 417	4 182
	Other employee related expenses	227	283
		51 633	51 892
6.	Depreciation		
	Depreciation expenses for the reporting period were charged in respect of:		
	Buildings	2 197	2 239
	Computer equipment	213	235
	Plant and equipment	397	405
	Communications equipment	295	213
	Vehicles	1 354	1 346
		4 456	4 438
7.	Government Radio Network (GRN) Costs		
	The Corporation has been charged by the Department for Administrative and Information Services (DAIS) for costs associated with the provision of emergency communication services, including voice, paging and data transmission using the Government Radio Network.		
		2002	2001
		\$'000	\$'000
	Contribution towards GRN - Voice	672	930
	Contribution towards GRN - Paging	19	39
	Contribution towards GRN - Data	424	-
	Other GRN costs	277	435
		1 392	1 404
8.	Supplies and Services		
	Supplies and services for the period were charged in respect of:		
	Consumables and minor purchases	1 432	1 064
	Repairs and maintenance	1 476	1 400
	Rates, taxes and rent	290	137
	Uniforms	411	655
	Communication expenses	519	472
	Energy	346	339
	Lease expenses	423	407
	Travel and training	535	397
	Other expenses	1 174	792
		6 606	5 663
9.	Net Loss from Disposal of Non-Current Assets		
	Proceeds from disposal of non-current assets	136	11
	Less: Written down value of non-current assets	257	11
	Net Loss from Disposal of Non-Current Assets	121	-
10.	Cash Assets		
	Cash on hand	4	5
	Cash at bank	30 546	35 023
		30 550	35 028
11.	Receivables		
	Current:		
	Sundry debtors	934	744
	Less: Allowance for doubtful debts	3	2
		931	742
	GST refunds	319	76
	Accrued interest receivable	91	116
		1 341	934

12. Non-Current Assets

(a) *Property, Plant and Equipment*

	2002		Written Down Value \$'000
	Cost/ Valuation \$'000	Accumulated Depreciation \$'000	
Land at independent valuation	11 958	-	11 958
Land at cost	7	-	7
Buildings at independent valuation	34 193	(3 983)	30 210
Buildings at cost	2 066	(309)	1 757
Vehicles at independent valuation	13 260	(9 411)	3 849
Vehicles at cost	15 724	(7 303)	8 421
Communications equipment at cost	3 362	(1 918)	1 444
Computer equipment at cost	2 573	(1 978)	595
Plant and equipment at cost	6 041	(3 596)	2 445
Work in progress at cost	2 730	-	2 730
Total Property, Plant and Equipment	91 914	(28 498)	63 416
	2001		Written Down Value \$'000
	Cost/ Valuation \$'000	Accumulated Depreciation \$'000	
Land at independent valuation	8 333	-	8 333
Land at cost	172	-	172
Buildings at independent valuation	32 151	(2 687)	29 464
Buildings at cost	1 220	(167)	1 053
Vehicles at independent valuation	13 349	(8 868)	4 481
Vehicles at cost	13 645	(6 589)	7 056
Communications equipment at cost	3 444	(1 747)	1 697
Computer equipment at cost	2 225	(1 765)	460
Plant and equipment at cost	5 810	(3 250)	2 560
Work in progress at cost	929	-	929
Total Property, Plant and Equipment	81 278	(25 073)	56 205

(b) *Asset Movement Schedule*

	2002						
	Land and Buildings \$'000	Vehicles \$'000	Communi- cations Equipment \$'000	Computer Equipment \$'000	Plant and Equipment \$'000	Work in Progress \$'000	Total \$'000
Gross Carrying Amount							
Balance at 1 July 2001	41 876	26 994	3 444	2 225	5 810	929	81 278
Transfer from Work in Progress	445	2 086	1	311	136	(2 979)	-
Transfer from Distribution Lessor Corporation	5 000	-	-	-	-	-	5 000
Additions	116	1	42	37	149	4 780	5 125
Disposals	(265)	(97)	(125)	-	(54)	-	(541)
Net revaluation increments	1 052	-	-	-	-	-	1 052
Balance at 30 June 2002	48 224	28 984	3 362	2 573	6 041	2 730	91 914
Accumulated Depreciation							
Balance at 1 July 2001	(2 854)	(15 457)	(1 747)	(1 765)	(3 250)	-	(25 073)
Disposals	12	97	124	-	51	-	284
Net adjustment on revaluation	747	-	-	-	-	-	747
Depreciation expense	(2 197)	(1 354)	(295)	(213)	(397)	-	(4 456)
Balance at 30 June 2002	(4 292)	(16 714)	(1 918)	(1 978)	(3 596)	-	(28 498)
Net Book Value at 30 June 2002	43 932	12 270	1 444	595	2 445	2 730	63 416
	2001						
	Land and Buildings \$'000	Vehicles \$'000	Communi- cations Equipment \$'000	Computer Equipment \$'000	Plant and Equipment \$'000	Work in Progress \$'000	Total \$'000
Gross Carrying Amount							
Balance at 1 July 2000	40 950	24 405	2 352	2 185	5 323	3 145	78 360
Transfer from Work in Progress	29	3 109	24	(67)	239	(3 334)	-
Additions	426	-	1 069	113	289	1 118	3 015
Disposals	-	(520)	(1)	(6)	(41)	-	(568)
Net revaluation increments	471	-	-	-	-	-	471
Balance at 30 June 2001	41 876	26 994	3 444	2 225	5 810	929	81 278
Accumulated Depreciation							
Balance at 1 July 2000	(1 095)	(14 625)	(1 535)	(1 536)	(2 884)	-	(21 675)
Disposals	-	514	1	6	39	-	560
Net adjustments from reassessment est. useful lives	(576)	-	-	-	-	-	(576)
Net adjustment on revaluation	1 056	-	-	-	-	-	1 056
Depreciation expense	(2 239)	(1 346)	(213)	(235)	(405)	-	(4 438)
Balance at 30 June 2001	(2 854)	(15 457)	(1 747)	(1 765)	(3 250)	-	(25 073)
Net Book Value at 30 June 2001	39 022	11 537	1 697	460	2 560	929	56 205

13. Net Revenues from Restructuring

On 5 June 2002 assets comprising the former ETSA Skills Centre at Angle Park were transferred from the Distribution Lessor Corporation to the Corporation. The values of the assets as assessed by the Valuer-General in 1999 are included in the accounts of the Corporation as at balance date.

During the period ended 30 June 2001, GRN Communications Equipment was transferred from DAIS to the Corporation.

In respect of restructuring activities, the following assets were recognised:

	2002 \$'000	2001 \$'000
Assets from Distribution Lessor Corporation:		
Land at valuation	3 407	-
Buildings at valuation	1 593	-
	<u>5 000</u>	<u>-</u>
Assets from Government Radio Network:		
Communications equipment	-	833
	<u>-</u>	<u>833</u>
Net Revenues from Restructuring	<u>5 000</u>	<u>833</u>
14. Payables		
Current Liabilities:		
Accrued employee entitlements	1 625	1 297
On-costs re employee entitlement provisions	856	873
Creditors	2 884	1 448
	<u>5 365</u>	<u>3 618</u>
Non-Current Liabilities:		
On-costs re employee entitlement provisions	867	824
	<u>867</u>	<u>824</u>
15. Provision for Employee Entitlements		
Current Liabilities:		
Annual leave	3 534	3 479
Long service leave	800	800
Workers compensation	1 140	1 054
	<u>5 474</u>	<u>5 333</u>
Non-Current Liabilities:		
Long service leave	6 949	6 455
Workers compensation	3 546	3 397
	<u>10 495</u>	<u>9 852</u>
16. Asset Revaluation Reserve		
Balance at 1 July	38 328	31 130
Revaluation of land and buildings	1 799	471
Adjustment in accounting treatment (Refer Note 17)	-	6 727
Balance at 30 June	<u>40 127</u>	<u>38 328</u>
17. Accumulated Surplus		
Balance at 1 July	28 999	33 508
(Deficit) Surplus from Ordinary Activities	(1 241)	2 218
Adjustment in accounting treatment ⁽¹⁾	-	(6 727)
Balance at 30 June	<u>27 758</u>	<u>28 999</u>

(1) In the financial year ended June 2001 the Corporation processed a prior period adjustment totalling \$6 727 000 in respect of an error in the accounting treatment of accumulated depreciation consequent upon the change in effective life of buildings. As this error resulted in conjunction with the revaluation of buildings, the net result is a reduction in accumulated surplus and an increase in accumulated depreciation.

18. Commitments and Contingent Liabilities**(a) Commitments for Capital Expenditure**

As at the reporting date the Corporation had entered into contracts for the following capital expenditure which are not included in the financial statements.

	2002 \$'000	2001 \$'000
These projects are due for completion within one year:		
Fire appliances	1 227	1 909
Fire stations and other equipment	1 524	1 911
	<u>2 751</u>	<u>3 820</u>

(b) Contractual Commitments

At the end of the reporting period the Corporation had the following commitments on contracts.

	2002	2001
Payable not later than one year	36	245
Payable later than one year and not later than five years	4	130
	<u>40</u>	<u>375</u>

(c) Operating Lease Commitments

Commitments under non-cancellable operating leases at the reporting date are payable as follows:

	2002	2001
Payable not later than one year	282	232
Payable later than one year and not later than five years	94	124
	<u>376</u>	<u>356</u>

(c) Operating Lease Commitments (continued)

These operating leases are not recognised in the Statement of Financial Position as liabilities. The non-cancellable leases are vehicle leases with rental payable monthly in arrears. Options exist to renew the leases at the end of the term of the leases.

(d) Contingent Liabilities

As at balance date there were no known contingent liabilities.

19. Reconciliation of Deficit from Ordinary Activities to Net Cash provided by Operating Activities		2002	2001
		\$'000	\$'000
(Deficit) Surplus from Ordinary Activities		(1 241)	2 218
Depreciation		4 456	4 438
Net revenues from restructuring		(5 000)	(833)
Net loss from disposal of non-current assets		121	-
Increase in employee entitlements		784	3 194
Increase in payables		1 790	883
Decrease in prepayments		-	10
Decrease in inventories		8	33
(Increase) Decrease in receivables		(407)	183
Net Cash provided by Operating Activities		511	10 126
20. Remuneration of Auditors		18	17
The amount due and payable for audit services provided by the Auditor-General's Department			
The auditors provided no other services.			
21. Consultancies		2002	2001
Total expenditure (excluding GST) on five (three) consultancies in 2001-02 amounted to \$57 000 (\$23 000).		Number of	Number of
		Consultants	Consultants
Less than \$10 000		3	2
\$10 000 - \$50 000		2	1
22. Remuneration of Employees		2002	2001
The number of employees whose remuneration received or receivable fell within the following bands were:		Number of	Number of
		Employees	Employees
\$100 001 - \$110 000		-	1
\$130 001 - \$140 000		1	1
The aggregate remuneration for all employees referred to above was \$131 000 (\$233 000).			
23. Targeted Voluntary Separation Package (TVSP) Scheme		2002	2001
		Number	Number
Number of employees paid TVSPs		-	4
Amounts paid to these employees:		\$'000	\$'000
TVSP		-	109
Accrued Annual Leave and Long Service Leave		-	12
		-	121
24. Financial Instruments			
(a) Terms and Conditions			
Financial Instrument	Notes	Accounting Policies and Methods	Nature of Underlying Instrument
<i>Financial Assets:</i>			
Cash at bank	10	Cash at bank comprises cash held in a Department of Treasury and Finance Deposit Account. Interest revenue is recorded on an accrual basis.	Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance and is based on the average daily balance of the Deposit Account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts, which varied between 4.06 percent and 4.80 percent during 2001-02 (5.06 percent and 6.10 percent in 2000-01).
Receivables	11	Receivables are recorded at the amounts due to the Corporation, less an allowance for doubtful debts. They are recorded when goods have been supplied and services completed.	Receivables are due within 30 days of the rendering of an account.
<i>Financial Liabilities:</i>			
Payables	14	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided to the Corporation.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
Interest bearing liabilities		Borrowings are recorded at the amounts equal to proceeds received, less repayments of principal made. Interest expense is recognised on an accrual basis.	Interest is calculated as 6.25 percent of the 1986 base 'net capital cost' adjusted by movements in the Adelaide Consumer Price Index since 1986. The Corporation may exercise an option to repay the borrowing on 1 July 2005.

(b)	Interest Rate Risk	2002			2001				
		Effective Interest Rate Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	Total \$'000	Effective Interest Rate Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	Total \$'000
	Financial Instrument								
	Financial Assets:								
	Cash assets	4.12	30 546	4	30 550	5.06	35 023	5	35 028
	Receivables		-	1 341	1 341		-	934	934
			<u>30 546</u>	<u>1 345</u>	<u>31 891</u>		<u>35 023</u>	<u>939</u>	<u>35 962</u>
	Financial Liabilities:								
	Payables		-	6 232	6 232		-	4 442	4 442
	Interest bearing liabilities	10.91	5 226	-	5 226	10.91	5 226	-	5 226
			<u>5 226</u>	<u>6 232</u>	<u>11 458</u>		<u>5 226</u>	<u>4 442</u>	<u>9 668</u>

(c)	Net Fair Values of Financial Assets and Liabilities	2002		2001	
		Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
	Financial Instrument				
	Financial Assets:				
	Cash assets	Note 10	30 550	35 028	35 028
	Receivables	11	1 341	934	934
			<u>31 891</u>	<u>35 962</u>	<u>35 962</u>
	Financial Liabilities:				
	Payables	14	6 232	4 442	4 442
	Interest bearing liabilities		5 226	5 226	5 226
			<u>11 458</u>	<u>9 668</u>	<u>9 668</u>

(d) Credit Risk Exposure

The Corporation's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Corporation has no significant exposures to any concentrations of credit risk.

STATE ELECTORAL OFFICE

FUNCTIONAL RESPONSIBILITY

The Electoral Commissioner is appointed by the Governor under the provisions of the *Electoral Act 1985*. The State Electoral Office (the Office) is the administrative unit which has been established to assist the Electoral Commissioner to discharge his/her statutory duties.

The objectives of the Office are to engender in the community an understanding of electoral matters including the rights and responsibilities of electors and to provide the opportunity to vote at properly conducted State Parliamentary and non-Parliamentary elections and polls.

SIGNIFICANT FEATURES

Revenues from Government increased by \$4.4 million to \$7.2 million and expenses from ordinary activities increased by \$4.7 million to \$8.8 million. Both these increases were associated with the conduct of the State Election in February 2002.

AUDIT MANDATE AND COVERAGE

Audit Authority

The Office is audited pursuant to subsection 31(1)(b) of the *Public Finance and Audit Act 1987*.

Scope of Audit

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

Audit Communications to Management

During the year a letter conveying findings arising from the audit was forwarded to the Electoral Commissioner for consideration. A satisfactory reply has been received.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

In undertaking the audit of the Office, consideration was given to the general control environment in which the Office operates. The main financial systems were characterised by high reliance placed on a limited number of individuals for the preparation, processing and checking of transactions. The established controls, however, provide a reasonable assurance that material errors will be detected. Audit provided comment on minor issues relating to the authorisation of payments; documentation supporting journals; risk management and State Election expenditure.

CONTROLS OPINION

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

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

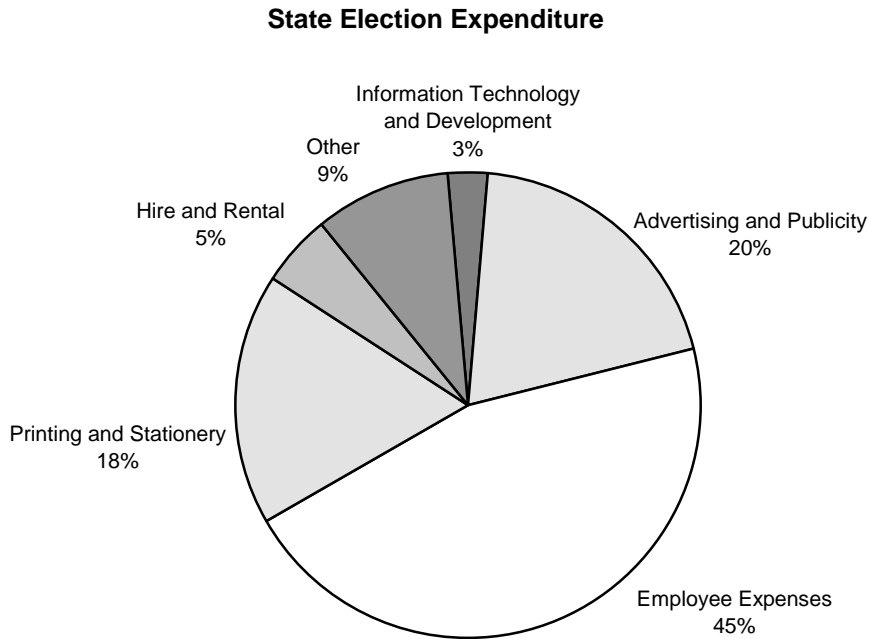
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Operations

The level of activity increased markedly during 2001-02, as a direct result of the conduct of the State Election in February 2002.

The cost of conducting the State Election was \$6.7 million, comprising \$5.7 million incurred during 2001-02 and \$1 million in 2000-01. Total expenditure exceeded the original budget (\$5.5 million) by approximately \$1.2 million.

The following chart shows the major categories of expenses as a percentage of total State Election expenditure.



ELECTORAL DISTRICTS BOUNDARIES COMMISSION

Following a general election, the Electoral Districts Boundaries Commission (the Commission) comprising a Judge of the Supreme Court, the Electoral Commissioner, and the Surveyor-General, convenes pursuant to the *Constitution Act 1934*. The Commission is responsible for reviewing the electoral boundaries for the purpose of dividing the State into electoral districts that are fair to prospective candidates and groups of candidates.

The Commission is required to commence proceedings for the purpose of making an electoral distribution within three months of polling day.

Proceedings of the Commission established following the 2002 State Election are continuing at the date of preparation of this Report.

Funding and expenses associated with the Commission are included in administered items.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES	4	1 231	1 045
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	5	4 274	1 436
Supplies and consumables	6	2 665	2 033
Advertising		1 143	330
Depreciation	7	98	79
Other expenses		644	282
Total Expenses		8 824	4 160
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		7 593	3 115
REVENUES FROM GOVERNMENT:			
Appropriations		7 166	2 741
CHANGE IN NET ASSETS		(427)	(374)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(427)	(374)

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets	14(a)	978	1 652
Receivables	8	287	133
Inventories		104	74
Other		22	15
Total Current Assets		1 391	1 874
NON-CURRENT ASSETS:			
Property, plant and equipment	9	390	427
Total Non-Current Assets		390	427
Total Assets		1 781	2 301
CURRENT LIABILITIES:			
Payables	10	448	410
Provision for employee entitlements	11	82	112
Total Current Liabilities		530	522
NON-CURRENT LIABILITIES:			
Payables	10	25	41
Provision for employee entitlements	11	178	263
Total Non-Current Liabilities		203	304
Total Liabilities		733	826
NET ASSETS		1 048	1 475
EQUITY:			
Accumulated surplus	12	1 048	1 475
TOTAL EQUITY		1 048	1 475
Commitments	13		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Fees for services		1 017	1 186
Interest		97	154
CASH FLOWS FROM GOVERNMENT:			
Receipts from appropriations		7 166	2 871
PAYMENTS:			
Employee expenses		(4 394)	(1 389)
Supplies and consumables		(4 499)	(2 580)
Net Cash (used in) provided by Operating Activities	14(b)	(613)	242
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchase of non-current assets		(61)	(153)
Proceeds from the sale of non-current assets		-	1
Net Cash used in Investing Activities		(61)	(152)
NET (DECREASE) INCREASE IN CASH HELD		(674)	90
CASH AT 1 JULY		1 652	1 562
CASH AT 30 JUNE	14(a)	978	1 652

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

	Outputs (Refer Note 3)	2002		2001 Total \$'000
		1 \$'000	2 \$'000	
REVENUES:				
Government revenues		7 166	-	2 741
Fees for services		418	719	891
Interest		94	-	154
Total Revenues		7 678	719	3 786
EXPENSES:				
Employee expenses		3 971	303	1 436
Supplies and consumables		4 045	407	2 645
Depreciation		87	11	79
Total Expenses		8 103	721	4 160
DECREASE IN NET ASSETS RESULTING FROM OPERATIONS		(425)	(2)	(374)

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

	(Refer Note 2b)	2002			2001 Total \$'000
		Electoral Districts Boundaries Commission \$'000	Special Acts \$'000	Other \$'000	
ADMINISTERED REVENUES:					
Government revenues		131	243	-	-
User charges, fees and fines		-	-	80	-
Total Administered Revenues		131	243	80	-
ADMINISTERED EXPENSES:					
Employee expenses		-	261	-	-
Supplies and consumables		109	-	-	-
User charges, fees and fines		-	-	80	-
Total Administered Expenses		109	261	80	-
NET COST OF SERVICES		22	(18)	-	-

Schedule of Administered Assets and Liabilities for the year ended 30 June 2002

	(Refer Note 2b)	2002			2001 Total \$'000
		Electoral Districts Boundaries Commission \$'000	Special Acts \$'000	Other \$'000	
ADMINISTERED ASSETS:					
Current Assets:					
Cash at bank		21	-	-	-
Other debtors		3	-	-	-
Total Administered Assets		24	-	-	-
ADMINISTERED LIABILITIES:					
Current Liabilities:					
Treasurer's advance		21	-	-	-
Payables		3	-	-	-
Employee related		-	8	-	-
Provision for employee entitlements		-	38	-	-
Total Current Liabilities		24	46	-	-
Non-Current Liabilities:					
Employee related		-	10	-	-
Provision for employee entitlements		-	72	-	-
Total Non-Current Liabilities		-	82	-	-
Total Administered Liabilities		24	128	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the State Electoral Office

The State Electoral Office (the Office) is an administrative unit which has been established to assist the Electoral Commissioner to discharge his statutory duties in accordance with the provisions of the *Electoral Act 1985* (the Act).

The objectives of the Office are to engender in the community an understanding of electoral matters including the rights and responsibilities of electors and to provide the opportunity to vote at properly conducted State Parliamentary and non-Parliamentary elections and polls.

2. Significant Accounting Policies

(a) **Basis of Accounting**

The financial report is a general purpose financial report which has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards and other mandatory reporting requirements (Urgent Issues Group Consensus Views).

This financial report has been prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) **The Reporting Entity**

This financial report encompasses all activities transacted through an interest bearing Special Deposit Account titled 'Electoral Office Operating Account' through which the Office controls resources to carry out its functions.

This Office is predominantly funded by monies appropriated by Parliament. In addition the Office receives fees for providing the following services:

- conducting elections and providing electoral products for Local Government Authorities;
- providing a facility to cater for the electoral needs of statutory, industrial and other organisations on a cost effective and efficient basis;
- providing information to other organisations seeking advice on electoral matters.

Administered Resources

The Office administers, but does not control, certain resources on behalf of the South Australian Government. The Office is accountable for the transactions involving these administered resources, but does not have the discretion to deploy the resources for achievement of its objectives. For these resources the Office acts only on behalf of the South Australian Government.

Transactions and balances relating to these administered resources are not recognised as revenues, expenses, assets or liabilities of the Office, but are disclosed in the appropriate schedules.

These are three administered items namely:

(i) *Electoral Districts Boundaries Commission*

The Office administers the receipts and payments of the Electoral Districts Boundaries Commission.

(ii) *Special Acts*

The Electoral Commissioner and Deputy Electoral Commissioner are appointed as Statutory Officers pursuant to the provisions of the Act. The Office receives a separate appropriation for the payment of salaries and allowances for Statutory Officers which is an administered item.

(iii) *Other*

Other includes administered revenue which is collected on behalf of other government agencies and forwarded to them when received. Administered revenue comprises of forfeited parliamentary candidate deposits and non-voter expiation fees as provided in the Act.

(c) **Revenue**

Appropriations and grants are recognised as revenue when the Office obtains control over the funds. Control is generally obtained upon receipt.

Fees and charges are recognised as revenues upon the completion of services to customers. Fees charged to Local Government and other third parties are in relation to the conduct of elections and industrial ballots.

(d) **Acquisition of Assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Office. Cost is determined as the fair value of the assets which is represented by the purchase consideration together with the costs incidental to the acquisition.

(e) **Depreciation**

The non-current assets are depreciated over their useful lives using the straight line method. The expected useful lives are as follows:

	Years
Office equipment and furniture and fittings	10
Computer equipment and software	3
Leasehold improvements	6

(f) **Employee Entitlements**

Wages, Salaries and Annual Leave

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

Sick Leave

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

Long Service Leave

A liability for long service leave is calculated by using the product of the current liability in time for all employees who have completed eight or more years of service and the current rate of remuneration for each of these employees respectively. The eight years has been based on an actuarial calculation as directed in the Accounting Policy Statements. The liability is measured as the amount unpaid at the reporting date.

Superannuation

The Office makes contributions to three superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the Superannuation Funds. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

Employment On-Costs

The liability for employment on-costs includes superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave. These amounts are classified under payables.

(g) Operating Leases

Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to expenses over the period of expected benefit.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

(j) Comparative Figures

The Office has adopted the requirements of the revised Accounting Standard AASB 1018 'Statement of Financial Performance' in the preparation of this financial report. In accordance, with the requirements of the revised Standard, comparative amounts have been reclassified in order to comply with the new presentation format.

In previous financial reporting periods, the employee expenses and entitlements in relation to Special Acts were reported in the financial report of the Office instead of the Schedule of Administered Expenses and Revenues and the Schedule of Administered Assets and Liabilities. The change in presentation resulted in a reduction of employee expenses in 2001-02 of \$110 000 and a corresponding reduction in the provision for employee entitlements.

3. Output Class and Outputs of the Office

The Output Class of the Office is to provide electoral services and this is achieved through two Outputs and their broad terms are as follows:

Output 1: Parliamentary Electoral Services

- ensure that eligible electors can register their votes effectively and conveniently and have confidence in the management of the electoral process;
- maintain an accurate register of voters;
- ensure 'disadvantaged' electors are not denied the ability to exercise their franchise;
- develop appropriate publicity and education programs to ensure that the public is informed of its democratic rights and obligations;
- provide comprehensive and efficient administrative, human resources, research and education, financial management and computing services.

Output 2: Non-Parliamentary Electoral Services

- provide statutory, industrial and other organisations with a facility capable of meeting their electoral needs economically and effectively;
- provide information to organisations seeking advice on electoral matters;
- conduct elections for and provide electoral service to Local Government Authorities.

4. Revenues from Ordinary Activities

	2002	2001
	\$'000	\$'000
Revenues from ordinary activities comprised:		
Local Government elections	176	109
Other Local Government services	297	291
Industrial elections	69	206
Reimbursement for TVSPs paid	242	-
User charges	353	285
Interest	94	154
	1 231	1 045

5. Employee Expenses

Employee expenses comprised:		
Salaries and wages	3 888	1 078
Annual leave	48	75
Long service leave	(47)	67
Payroll tax	216	84
Superannuation	169	132
	4 274	1 436

6. Supplies and Consumables		2002	2001
Supplies and consumables comprised:		\$'000	\$'000
Production and maintenance of electoral rolls		664	631
Printing, stationery and polling booth consumables		544	801
Hire and rental		364	70
Postage		338	156
Communications and information technology		328	229
Accommodation and services		222	90
Distribution and storage		205	56
		2 665	2 033
7. Depreciation			
Depreciation was charged in respect of:			
Office equipment and furniture and fittings		44	25
Computer equipment and software		46	46
Leasehold improvements		8	8
		98	79
8. Receivables			
Receivables comprised:			
Receivables		265	91
GST refunds		22	42
		287	133
9. (a) Property, Plant and Equipment			
Office equipment and furniture and fittings - At cost		430	422
Less: Accumulated depreciation		131	89
		299	333
Leasehold improvements - At cost		46	46
Less: Accumulated depreciation		25	17
		21	29
Computer equipment and software - At cost		393	342
Less: Accumulated depreciation		323	277
		70	65
Total Written Down Value of Property, Plant and Equipment		390	427
(b) Reconciliation of Property, Plant and Equipment			
		2002	
	Office	Computer	Leasehold
	Equipment	Equipment	Improvements
	and Furniture	& Software	
	and Fittings		
	\$'000	\$'000	\$'000
Gross Carrying Amount:			Total
Balance at 1 July:	422	342	46
Additions	10	51	-
Disposals	(2)	-	-
Balance at 30 June	430	393	46
Accumulated Depreciation:			
Balance at 1 July:	(89)	(277)	(17)
Disposals	2	-	-
Correct prior year depreciation	(6)	(3)	-
Depreciation	(38)	(43)	(8)
Balance at 30 June	(131)	(323)	(25)
Net Book Value:			
As at 30 June 2002	299	70	21
As at 30 June 2001	333	65	29
10. Payables		2002	2001
Current:		\$'000	\$'000
Creditors		390	366
Employee related		38	44
Prepaid revenue		20	-
		448	410
Non-Current:			
Employee related		25	41
Total Payables		473	451
11. Provision for Employee Entitlements			
Current:			
Provision for annual leave		50	65
Provision for long service leave		32	47
		82	112
Non-Current:			
Provision for long service leave		178	263
Total Provision for Employee Entitlements		260	375
12. Equity			
Accumulated surplus:			
Balance at 1 July		1 475	1 849
Change in net assets		(427)	(374)
Balance at 30 June		1 048	1 475

13. Commitments		2002	2001
Non-cancellable operating lease commitments:		\$'000	\$'000
Payable no later than one year		209	210
Payable later than one year and not later than five years		350	561
		559	771

Non-cancellable operating lease commitments are not recorded as a liability in the financial report.

The operating lease is a non-cancellable property lease, with rental payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased every two years based on CPI movement. Options exist to renew the lease for a further two years at the end of the term of the lease.

14. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, the Office considers cash to be represented by Cash at bank and on hand. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position as follows:

	2002	2001
	\$'000	\$'000
Cash at bank and on hand	978	1 652

(b) Reconciliation of Change in Net Assets to Net Cash (used in) provided by Operating Activities

Change in net assets	(427)	(374)
Items not involving cash:		
Depreciation	98	79
Gain on disposal of assets	-	(7)
Change in operating assets and liabilities		
(Increase) Decrease in receivables	(161)	417
(Increase) Decrease in inventory	(30)	19
Increase in payables	22	67
(Decrease) Increase in provision for employee entitlements	(115)	41
Net Cash (used in) provided by Operating Activities	(613)	242

15. Remuneration of Employees

The number of employees whose individual total normal remuneration paid or payable within the following bands was:

\$100 000 - \$109 999	1	1
\$140 000 - \$149 999	-	1
\$150 000 - \$159 999	1	-
	2	2

Total remuneration paid or payable to these employees for the financial year was \$253 000 (\$251 000).

16. Payments to Consultants

During the reporting period the Office did not engage any consultants to assist in its operations.

	2002	2001
	Number of	Number of
The number of consultancies whose payments fall within the followings bands:	Consultancies	Consultancies
\$0 - \$9 999	-	1

17. Targeted Voluntary Separation Packages (TVSPs)

In accordance with Government policy to reduce the public sector workforce, two employees of the Office were paid TVSPs during the year. These payments have been recovered from the Department of the Premier and Cabinet.

TVSP payments amounted to \$242 000 for the year. Payments are recorded in employee expenses. In addition, accrued annual leave and long service leave entitlements amounting to \$68 000 were paid to those employees who received a TVSP.

18. Financial Instruments

(a) Terms and Conditions

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash at bank	14(a)	Cash at bank comprises of cash held in a Department of Treasury and Finance quarterly by the Department of Treasury and Special Deposit Account. Interest revenue is recorded on an accrual basis.	Interest on cash at bank is calculated by the Department of Treasury and Finance and is based on the average end of month balance of the Special Deposit Account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts which is 4.17 percent as at 30 June 2002.
Receivables	8	Receivables are recorded at the amounts due to the Office. They are recorded when goods and services have been provided.	Receivables are due within 30 days of an invoice being raised.
Financial Liabilities			
Creditors	10	Creditors are recorded at the agreed amounts which the liabilities are to be settled. They are recorded when the goods and services have been provided to the Office.	Terms of payment are 30 days unless otherwise agreed in terms and conditions of individual contracts.

(b) Interest Rate Risk	Weighted Average Effective Interest Rate Percent	2002		
		Interest Bearing \$'000	Non Interest Bearing \$'000	Total \$'000
<i>Financial Instrument</i>				
Financial Assets				
Cash at bank and on hand	4.17	977	1	978
Receivables		-	287	287
		<u>977</u>	<u>288</u>	<u>1 265</u>
Financial Liabilities				
Creditors		-	390	390
	Weighted Average Effective Interest Rate Percent	2001		
		Interest Bearing \$'000	Non Interest Bearing \$'000	Total \$'000
<i>Financial Instrument</i>				
Financial Assets				
Cash at bank and on hand	5.06	1 651	1	1 652
Receivables		-	133	133
		<u>1 651</u>	<u>134</u>	<u>1 785</u>
Financial Liabilities				
Creditors		-	366	366

(c) Net Fair Values of Financial Assets and Liabilities

Financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximates the net fair value. The carrying amount of financial assets approximates net fair value to their short term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

(d) Credit Risk Exposure

The Office's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Office has no significant exposures to any concentrations of credit risk.

19. Remuneration of Auditors

Amounts received or due and receivable by the Auditor-General's Department for auditing the accounts for the reporting period were \$18 000 (\$18 000), these amounts are net of GST. The auditors received no other benefits.

**PREMIER; MINISTER ASSISTING THE PREMIER IN SOCIAL INCLUSION;
MINISTER FOR THE ARTS; MINISTER ASSISTING THE PREMIER IN THE
ARTS; MINISTER FOR MULTICULTURAL AFFAIRS; MINISTER FOR
TOURISM; MINISTER FOR SCIENCE AND INFORMATION ECONOMY**

PORTFOLIO – PREMIER AND CABINET

INTRODUCTION

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

- Premier
- Minister Assisting the Premier in Social Inclusion
- Minister for the Arts
- Minister Assisting the Premier in the Arts
- Minister for Multicultural Affairs
- Minister for Tourism
- Minister for Science and Information Economy

The agencies included herein relating to the portfolio of the Premier and Cabinet are:

- Adelaide Convention Centre Corporation
- Adelaide Entertainments Corporation
- Adelaide Festival Centre Trust
- Adelaide Festival Corporation
- Art Gallery Board
- Auditor-General's Department
- History Trust of South Australia
- Libraries Board of South Australia
- Museum Board
- Premier and Cabinet – Department of the
 - Government Workers Rehabilitation and Compensation Fund
 - Targeted Voluntary Separation Scheme (TVSP) Scheme
- South Australian Film Corporation
- South Australian Tourism Commission
- State Opera of South Australia - The
- State Theatre Company of South Australia
- Venue Management — Office of

ADELAIDE CONVENTION CENTRE CORPORATION

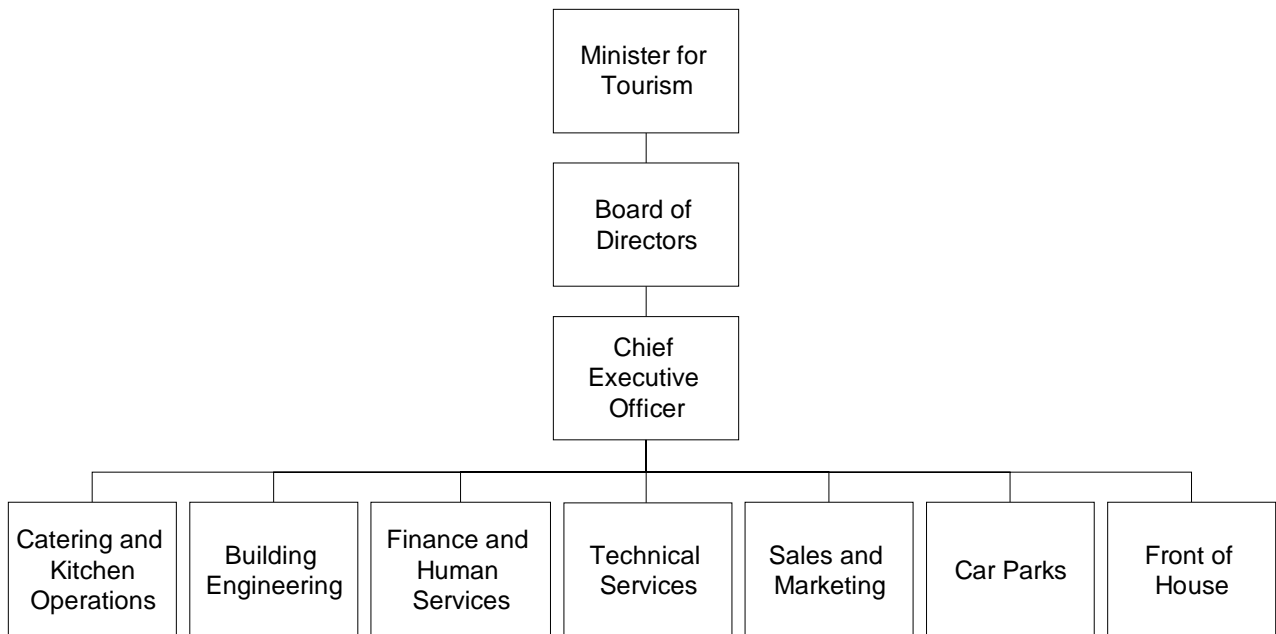
FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Adelaide Convention Centre Corporation was established on 10 August 2000, as a subsidiary to the Minister for Tourism pursuant to regulations under the *Public Corporations Act 1993*. On establishment, the Corporation assumed the operations of the Adelaide Convention Centre. The former Adelaide Convention Centre had operated under a Board of Management established in 1987 by Order-in-Council.

The functions of the Corporation are limited by regulation to:

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

The following chart depicts the structure of the Corporation.



AUDIT MANDATE AND COVERAGE

Audit Authority

The Schedule to the *Public Corporations Act 1993*, requires the Adelaide Convention Centre Corporation established pursuant to section 24 of the Act, to keep proper accounts of its financial affairs and to prepare financial statements in respect of each year.

It further provides that the Auditor-General must audit the accounts and financial statements of the Adelaide Convention Centre Corporation.

Scope of Audit

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

During 2001-02 specific areas of Audit attention included:

- follow-up of action taken by the Corporation to the matter raised last year regarding Internal Audit Activity.
- review of financial accounting and related processes covering:
 - revenue
 - accounts payable
 - payroll
 - inventory
 - property, plant and equipment
- review of the following Information Technology activities:
 - information resource strategy and planning
 - relationship with outsourced vendors
 - information security
 - business continuity planning

Audit Communications to Management

An Audit management letter conveying the scope of the audit and audit findings was forwarded to the Chief Executive Officer of the Corporation. Matters referred to the Chief Executive Officer included:

- opportunities to implement minor improvements in financial accounting and related processes;
- the need for the revaluation of the Corporation's property, plant and equipment to be in accordance with the Treasurer's Accounting Policy Statements;
- opportunities to enhance Information Technology Planning, Information Security and Business Continuity Planning.

A satisfactory response was received to the matters raised.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control environment was assessed as satisfactory.

Internal Audit Activity

Last year Audit commented that the Corporation had advised that it was determining an internal audit approach and activity to be undertaken in 2001-02.

Audit follow up revealed:

- a paper 'Internal Audit Review Process' on a proposed structure for internal audit was tabled and discussed at Audit Committee and Board meetings but the adoption of the proposed structure was not recorded in the minutes;
- several internal audits had been undertaken during 2001-02 relating to:
 - internal cash and credit card controls at Regattas Bistro,
 - staff rostering and utilisation of casual labour for every department,
 - car park receipting and the
 - purchasing function.

The Corporation has advised that the proposed structure in the 'Internal Audit Review Process' paper was adopted by the Board in June 2002.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance - Operating Result

The operating profit result of \$4.8 million takes into account revenues received from the South Australian Government of \$9 million in the nature of capital contributions towards the major extension of the Convention Centre facility.

Revenues from operating activities (ie excluding capital contributions from the government) increased by \$5.8 million to \$23.4 million. Expenses from ordinary activities rose by \$11.9 million to \$27.8 million. The rise included \$3.6 million relating to staffing costs and \$2.8 million loss on revaluation of non-current assets.

Statement of Financial Position - Assets

The recorded value of buildings, plant and equipment at 30 June 2002 was \$145.8 million (\$128.5 million). This increase principally reflects 2001-02 expenditure in relation to the facility extension, which was completed in September 2001.

FURTHER COMMENTARY ON OPERATIONS

Adelaide Convention Centre Extension Project

The major extension to the Adelaide Convention Centre was completed in September 2001. Note 2(b) to the Corporation's financial statements provides comment on the nature of the extension and project funding.

Further comment on the Adelaide Convention Centre extension project is included in Volume I of this Part of the Report relating to the Department for Administrative and Information Services.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Revenues from operating activities	4	23 381	17 593
Revenues from non-operating activities	5	9 216	60 130
Total Revenues		32 597	77 723
EXPENSES FROM ORDINARY ACTIVITIES:			
Salaries, wages and related payments	14(a)	10 942	7 378
Operational overheads	6	9 902	5 026
Raw materials and consumables used		2 391	1 248
Depreciation and amortisation	7	4 552	2 279
Total Expenses		27 787	15 931
OPERATING PROFIT BEFORE INCOME TAX EQUIVALENT		4 810	61 792
Tax equivalent regime income tax equivalent expense	8	-	-
OPERATING PROFIT AFTER INCOME TAX EQUIVALENT	15	4 810	61 792
Net increase in asset revaluation reserve arising from revaluation of non-current assets	16	2 097	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE SOUTH AUSTRALIAN GOVERNMENT AS OWNER		6 907	61 792

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash on deposit, at bank and on hand	23(a)	6 221	15 033
Receivables	9	394	460
Inventories		209	144
Taxation assets		-	7
Other current assets	10	471	441
		7 295	16 085
NON-CURRENT ASSETS:			
Specific purpose deposits	11,23(a)	7 101	8 579
Buildings, plant and equipment	12	145 841	128 527
		152 942	137 106
Total Assets		160 237	153 191
CURRENT LIABILITIES:			
Creditors, accruals and provisions	13	649	1 027
Provision for employee entitlements and related costs	14(b)	554	501
Taxation liabilities		59	-
Deposits held		1 244	883
		2 506	2 411
NON-CURRENT LIABILITIES:			
Provision for employee entitlements and related costs	14(b)	602	558
		602	558
Total Liabilities		3 108	2 969
NET ASSETS		157 129	150 222
EQUITY:			
South Australian Government equity		77 804	77 804
Retained profit	15	76 779	71 969
Asset revaluation reserve	16	2 546	449
TOTAL EQUITY		157 129	150 222
Commitments and Contingent Liabilities	17		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Facility charges		16 362	10 694
GST on facility charges		1 618	1 002
Refund of GST		1 366	4 513
Interest income		805	1 900
Other revenue		36	30
Operating contribution from SA Government		6 619	6 649
		26 806	24 788
PAYMENTS:			
Payments to suppliers and employees		(20 423)	(13 658)
Payment of GST on purchases		(2 918)	(5 512)
Payment of income tax equivalent expense		-	(828)
		(23 341)	(19 998)
Net Cash provided by Operating Activities	23(b)	3 465	4 790
CASH FLOWS FROM INVESTING ACTIVITIES:			
Funding received for building extension		8 973	60 000
Proceeds from sale of assets		209	130
Payment for assets		(22 937)	(59 663)
Net Cash (used in) provided by Investing Activities		(13 755)	467
NET (DECREASE) INCREASE IN CASH HELD		(10 290)	5 257
CASH AT 1 JULY		23 612	18 355
CASH AT 30 JUNE	23(a)	13 322	23 612

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment and Functions

(a) Establishment

On 10 August 2000, the Adelaide Convention Centre Corporation was established as a subsidiary to the Minister for Tourism by Regulations issued under the *Public Corporations Act 1993*.

(b) Functions

The functions of the Corporation are to:

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

2. Funding

(a) Contributions from SA Government

The South Australian Government (through the Minister for Tourism) provides funding to the Corporation for expenses relating to the maintenance of the common areas, and the Riverbank Precinct Exhibition Hall land rent and the depreciation of buildings. The funding for the depreciation of buildings is transferred by the Department of Treasury and Finance into an interest bearing Special Deposit Account titled 'Adelaide Convention Centre Future Asset Replacement Account'. With the approval of the Treasurer, these funds are available for the replacement and upgrade of assets and minor works.

In addition, the South Australian Government provided funding to subsidise a shortfall in revenue as a result of the effects of the building extension works on the business of the Centre.

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

(b) Specific Capital Funding for the Extension of the Adelaide Convention Centre

In May 1999, Cabinet approved an \$85 million upgrade to the Adelaide Convention Centre to provide an additional 7 000 square metres of column free exhibition space with banquet facilities for up to 4 800 people. The project commenced during 1999-2000 and was completed in September 2001. The project is being administered by the Department for Administrative and Information Services (DAIS) who are responsible for the overall budget of the project. In August 2001, following consultation with all parties involved and on DAIS' recommendation, Cabinet approved additional funding of \$7.4 million. Funds received from the South Australian Government during the financial year were \$9 million (\$60 million).

The Cabinet approval of May 1999 also included a requirement that up to \$7.5 million of the funding would be sourced from the Adelaide Convention Centre Future Asset Replacement Account. Total funding sourced this financial year was \$4.5 million (\$3 million).

3. Significant Accounting Policies

The following is a summary of the significant accounting policies adopted by the Corporation in the preparation of the accounts.

(a) Basis of Accounting

The general purpose financial statements have been presented in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987* and Urgent Issues Group Consensus Views.

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

The financial statements have also been prepared in accordance with the historical cost convention and do not take account of changes in either the general purchasing power of the dollar or current valuations with the exception of the revaluation of non-current assets.

(b) Tax Equivalent Regime

The Corporation is required to pay income tax equivalents using the Accounting Profits Model and other tax equivalents to the State Government in accordance with Treasurer's Instruction 22 'Tax and Tax Equivalents Applicable to Government Businesses'.

(c) Dividend Policy

The Department of Treasury and Finance have determined a distribution policy, which will apply to the Corporation as being 75 percent of the operating profit before income tax equivalents. This distribution is reduced by the income tax equivalent expense plus the other Tax Equivalent Regime expenditure resulting in a dividend which is paid to the Department of Treasury and Finance. The deduction of income tax equivalent and other tax equivalent regime expenditure from the gross 75 percent distribution ensures consistency with Competitive Neutrality and Department of Treasury and Finance policies concerning budget neutrality.

The Treasurer has exempted the Corporation from providing for a dividend for the 2001-02 financial year.

(d) Revenue Recognition

Revenue from Operating Activities is recorded in the Statement of Financial Performance at the time it is earned or at the time control passes to the Corporation. This is generally at the conclusion of an event or after a service has been provided. Interest revenues are recognised as they accrue.

(e) Provision for Doubtful Debts

The Corporation's Board of Directors has deemed that the provision for doubtful debts should be calculated at 0.25 percent of turnover. Any trade debtors that are considered doubtful as at 30 June 2002 are added to this figure.

(f) Depreciation and Amortisation of Non-Current Assets

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets. The estimated useful lives of each asset class are as follows:

	Useful Life Years
Motor vehicles	5
Plant and equipment	5-20
Furniture, fixtures and fittings	5-10
Crockery, cutlery and glassware	10
Buildings	40

Leasehold improvements are amortised over the period of the lease.

Minor items with an individual value of less than \$1 000 and useful life deemed to be less than three years have been expensed in the year of acquisition.

Change in Accounting Policy

The depreciation of crockery, cutlery and glassware represents a change from the previous financial year, in which they were not depreciated as they were treated as a capital cost. This change was made to better align the consumption of benefits derived from this class of assets with its expected useful life. The impact of this change for the current financial year was an increase to the depreciation expense of \$59 000.

(g) Valuation of Non-Current Assets

The Treasurer, has exempted the Corporation from the requirement in Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets', that all revaluations undertaken prior to 1 July 2002 be based on the deprival value methodology.

All classes of non-current assets with a value at the time of acquisition greater than \$1 million were revalued this financial year with the fair value methodology being adopted as the valuation basis. With the exception of motor vehicles all other classes of non-current assets were revalued as at 28 February 2002 by Edward Rushton (Australia) Pty Ltd.

Notwithstanding the above, all non-current assets are reviewed annually to determine whether their carrying amounts require any write downs to recoverable amounts.

(h) Work in Progress
 The Corporation accounts for various projects with various stages of completion as work in progress. All costs of conversion related to a particular project are treated as work in progress until such time as a project is completed. All costs are then transferred to the relevant non-current asset account.

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

(j) Leases
 The Corporation has no finance leases.

The Corporation has entered into operating leases for the land on which the buildings are situated and for office accommodation. The leases are reviewed each year for adjustments in the Consumer Price Index. Operating lease payments are expensed over the accounting periods covered by the lease term (refer Note 17).

(k) Employee Entitlements
Employee Number
 The Corporation had 264 (180) full time equivalent employees as at 30 June 2002, of which 106 were permanent and 158 were casual. The number of casual employees actually working is dependent on the level of activity in the Centre. The Corporation has a casual labour base workforce of 541 employees.

Workers Compensation
 The Corporation is deemed to be an exempt employer by virtue of the *Workers Rehabilitation and Compensation Act 1986*, and as such is registered with the WorkCover Corporation as an exempt employer. Being an exempt employer, the Corporation's liability is limited to medical, income and other day to day type expenses associated with the claim. The Corporation is not liable for any lump sum, redemption or permanent disability type payments as these are funded through a central government fund.

Employer Superannuation
 The Corporation made contributions of \$776 000 (\$554 000) in respect of its employees for the financial year to several superannuation schemes operated by the South Australian Government.

Accrued Salaries and Wages
 Liability for salaries and wages is measured as the portion of unpaid service as at 30 June 2002 at current pay rates.

Annual Leave
 Provision has been made for the unused component of annual leave at balance date. The provision is calculated at nominal amounts based on current pay rates. On-costs (payroll tax and superannuation) have been included in the provision and calculated in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Sick Leave
 No provision has been made for sick leave. Sick leave, when taken, is considered to be taken from the current year's accrual and therefore no liability is to be recognised.

Long Service Leave
 A liability for long service leave is recognised and is measured as the current value of entitlements in respect of employees with five or more years service. This base provides a reasonable approximate of the present value of the estimated future cash outflows to be made for these entitlements. On-costs have been included in the provision and calculated in accordance with AAS 30. The superannuation on-cost has been calculated on that component of long service leave that is expected to be taken as leave (55 percent of the liability at June 2002). This calculation is based upon an average percentage supplied by the Department of Treasury and Finance for long service leave that will be taken as a lump sum (45 percent). A weighted average superannuation contribution rate covering employees of various schemes of 10 percent was used as advised by the Department of Treasury and Finance.

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

(l) Deposits Held
 The Corporation will hold all security deposits on behalf of the client/hirer and will not treat these monies as consideration until such time as the deposits are applied towards payment at the conclusion of the event/hiring period or are forfeited and applied towards a cancellation fee. Security deposits for car park cards are returned to the client when the card is returned.

(m) Financial Instruments
 The Corporation's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised as at 30 June 2002, are as follows:

Financial Assets
 Cash on deposit and at bank comprises deposits at call with the Department of Treasury and Finance, South Australian Government Financing Authority (SAFA) and Bank SA and are recorded at cost. Interest revenues are recognised as they accrue. For the deposit with Department of Treasury and Finance, the weighted average interest rate for 2001-02 calculated on a quarterly basis was 4.85 percent. For the deposits with Bank SA, the interest rates as at 30 June 2002 ranged from nil to 2 percent.

Financial Assets (continued)

Specific Purpose Deposits comprise the Future Asset Replacement Deposit Account with the Department of Treasury and Finance and the Adelaide Railway Station Area Service Facilities maintenance monies at SAFA. Both Deposits are recorded at cost and interest revenues are recognised as they accrue. The interest rate on the Deposit Account with the Department of Treasury and Finance ranged from 4.17 percent to 4.85 percent and the average interest rate on the monies at SAFA ranged from 4.27 percent to 4.45 percent.

Total Receivables (Note 9) are reported at amounts due less the provision for doubtful debts.

Financial Liabilities

Trade creditors (Note 13) are recognised for goods and services that have been supplied but have not been paid for and are normally settled within 30 days or in accordance with the terms of credit offered by the trade creditor.

Security deposits held are recorded at cost.

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

(n) Comparative Figures

Where appropriate, the comparative figures have been adjusted where additional note disclosures have been shown in the current financial year.

4. Revenues from Operating Activities	2002	2001
	\$'000	\$'000
Catering	7 991	4 419
Room hire	2 068	1 048
Technical services	2 575	1 195
Car parking	3 458	3 258
Contribution from SA Government ^(a)	6 521	5 957
Interest received or earned	732	1 686
Sundry income	36	30
Total Revenue from Operating Activities	23 381	17 593

(a) Contributions received for the 2001-02 financial year as part of the annual funding (refer to Note 2(a) for further details) includes the revenue shortfall subsidy of \$1.5 million (\$2.5 million).

5. Revenues from Non-Operating Activities		
Contributions to the Adelaide Convention Centre upgrade ^(a)	8 973	60 000
Gross proceeds from the sale of non-current assets	209	130
Gain on revaluation of non-current assets ^(b)	34	-
Total Revenue from Non-Operating Activities	9 216	60 130

(a) Contributions received from the South Australian Government towards the upgrade of the Centre (refer to Note 2(b) for further details).

(b) Revaluation increment for buildings reverses a previous revaluation decrement recognised as an expense.

6. Operational Overheads		
Maintenance	622	509
Marketing and promotions	1 228	1 039
Building service costs	2 554	1 724
Administration expenses and sundries	2 296	1 567
Loss on revaluation of non-current assets ^(a)	2 783	-
Carrying amount of non-current assets disposed ^(b)	419	187
Total Operational Overheads	9 902	5 026

(a) Revaluation decrement for plant and equipment, furniture, fixtures and fittings and crockery, cutlery and glassware less the previous revaluation increment recognised in the asset revaluation reserve.

(b) Net loss on disposal of non-current assets is \$210 000 (\$57 000).

7. Depreciation and Amortisation		
Depreciation expense for the reporting period was charged in respect of:		
Buildings	3 015	1 410
Plant, equipment, furniture, fixtures, motor vehicles, crockery, cutlery and glassware	1 508	857
	4 523	2 267
Amortisation expense for the reporting period was charged in respect of:		
Leasehold improvements	29	12
Total Depreciation and Amortisation	4 552	2 279

8. Income Tax Equivalent Expense

As per Note 3(b) the Corporation is required to pay income tax equivalents using the Accounting Profits Model.

	2002	2001
	\$'000	\$'000
Operating profit before income tax equivalent expense	4 810	61 792
Less: Exempt income ^(a)	10 473	62 500
Assessable operating loss before income tax equivalent expense	(5 663)	(708)
Income tax equivalent expense	-	-
Assessable Loss after Income Tax Equivalent Expense	(5 663)	(708)

(a) The Treasurer has exempted the Contributions received for the upgrade of the Centre plus the revenue shortfall subsidy from the tax equivalent regime.

9. Receivables

Trade receivables	434	387
Less: Provision for doubtful debts	40	25
	394	362
Other receivables	-	98
Total Receivables	394	460

10. Other Current Assets

Prepayments	355	296
Accrued income	116	145
Total Other Current Assets	471	441

11. Specific Purpose Deposits

Future Asset Replacement Deposit Account	5 690	7 226
Adelaide Railway Station Area Services Facilities maintenance investment in SAFA	1 411	1 353
Total Specific Purpose Deposits	7 101	8 579

12. Buildings, Plant and Equipment**Buildings**

Gross carrying amount:		
Opening balance	56 392	56 213
Additions	1 228	179
Transfers from work in progress	86 420	-
Revaluation adjustment	(2 580)	-
Closing Balance	141 460	56 392
Accumulated depreciation:		
Opening balance	(4 220)	(2 810)
Depreciation expense	(3 015)	(1 410)
Revaluation adjustment	5 159	-
Closing Balance	(2 076)	(4 220)
Net Carrying Amount	139 384	52 172

Leasehold Improvements

Gross carrying amount:		
Opening balance	294	-
Additions	1	294
Closing Balance	295	294
Accumulated amortisation:		
Opening balance	(12)	-
Amortisation expense	(29)	(12)
Closing Balance	(41)	(12)
Net Carrying Amount	254	282

Plant and Equipment

Gross carrying amount:		
Opening balance	5 817	4 880
Additions	1 179	1 166
Transfers from work in progress	2 547	-
Disposals	(114)	(229)
Revaluation adjustment	(4 080)	-
Closing Balance	5 349	5 817
Accumulated depreciation:		
Opening balance	(1 669)	(1 021)
Depreciation expense	(1 252)	(715)
Disposals	43	67
Revaluation adjustment	2 396	-
Closing Balance	(482)	(1 669)
Net Carrying Amount	4 867	4 148

12. Buildings, Plant and Equipment (continued)	2002	2001
<i>Furniture, Fixtures and Fittings</i>	\$'000	\$'000
Gross carrying amount:		
Opening balance	918	805
Additions	34	113
Transfers from work in progress	1 002	-
Disposals	(2)	-
Revaluation Adjustment	(851)	-
Closing Balance	<u>1 101</u>	<u>918</u>
Accumulated depreciation:		
Opening balance	(281)	(181)
Depreciation expense	(155)	(100)
Disposals	1	-
Revaluation adjustment	385	-
Closing Balance	<u>(50)</u>	<u>(281)</u>
Net Carrying Amount	<u>1 051</u>	<u>637</u>
<i>Motor Vehicles</i>		
Gross carrying amount:		
Opening balance	213	189
Additions	118	84
Disposals	(126)	(60)
Closing Balance	<u>205</u>	<u>213</u>
Accumulated depreciation:		
Opening balance	(57)	(50)
Depreciation expense	(42)	(42)
Disposals	59	35
Closing Balance	<u>(40)</u>	<u>(57)</u>
Net Carrying Amount	<u>165</u>	<u>156</u>
<i>Crockery, Cutlery and Glassware</i>		
Gross carrying amount:		
Opening balance	699	699
Additions	617	-
Transfers from work in progress	200	-
Disposals	(280)	-
Revaluation Adjustment	(1 082)	-
Closing Balance	<u>154</u>	<u>699</u>
Accumulated depreciation:		
Opening balance	-	-
Depreciation expense	(59)	-
Closing Balance	<u>(59)</u>	<u>-</u>
Net Carrying Amount	<u>95</u>	<u>699</u>
<i>Work in Progress:</i>		
Opening balance	70 433	172
Additions	19 761	70 261
Transfers to buildings, plant and equipment, furniture fixtures and fittings, and crockery, cutlery and glassware	(90 169)	-
Closing balance	<u>25</u>	<u>70 433</u>
Total Buildings, Plant and Equipment	<u>145 841</u>	<u>128 527</u>
Edward Rushton (Australia) Pty Ltd independently valued all of the non-current assets with the exception of the motor vehicle class as at 28 February 2002. The valuation was performed on the basis of fair value (refer Note 3(g)).		
13. Creditors, Accruals and Provisions		
Trade creditors	271	676
Accruals	105	78
Provision for dividend	273	273
Total Creditors, Accruals and Provisions	<u>649</u>	<u>1 027</u>
14. Employee Entitlements and Related Expenses		
(a) Salaries, Wages and Related Payments		
Salaries and wages	9 048	5 908
Superannuation and payroll tax expenses	1 378	955
Annual and long service leave expenditure	516	515
Total Employee Entitlements and Related Expenses	<u>10 942</u>	<u>7 378</u>
(b) Provision for Employee Entitlements and Related Costs		
Current:		
Accrued salaries and wages	77	27
Annual Leave	328	266
Long service leave	93	149
Employee on-costs	56	59
Total Current	<u>554</u>	<u>501</u>

(b)	Provision for Employee Entitlements and Related Costs (continued)	2002	2001
	Non-Current:	\$'000	\$'000
	Long service leave	553	501
	Employee on-costs	49	57
	Total Non-Current	602	558
<hr/>			
15.	Retained Profit		
	Retained profit at 1 July	71 969	10 450
	Dividends provided for or paid	-	(273)
	Operating profit after income tax equivalent	4 810	61 792
	Retained Profit at 30 June	76 779	71 969
<hr/>			
16.	Asset Revaluation Reserve		
	Asset revaluation reserve as 1 July	449	449
	Building revaluation increment	2 546	-
	Plant and equipment revaluation decrement	(252)	-
	Furniture, fixtures and fittings revaluation decrement	(197)	-
		2 546	449
<hr/>			
17.	(a) Commitments		
	Not later than one year	395	383
	Later than one year and not later than five years	1 580	1 534
	Later than five years	22 361	22 073
	Total Commitments	24 336	23 990
	Commitments relate to operating lease obligations (refer Note 3(j))		
	(b) Contingent Liabilities		
	The Corporation has no contingent liabilities		
18.	Consultants		
	The Corporation engaged one consultant for the 2001-02 period with expenditure being \$88 000 (\$11 000).		
	Edward Rushton (Australia) Pty Ltd - Valuation of non-current assets.		
19.	Remuneration of Executives greater than \$100 000	2002	2001
	The number of executives who received, or were due to receive, remuneration (including superannuation, motor vehicle and fringe benefits tax payable on other benefits) in connection with the management affairs of the Corporation were:	Number of Executives	Number of Executives
	\$140 000 - \$149 999	1	-
	\$150 000 - \$159 999 ^(a)	-	1
	\$220 000 - \$229 999	-	1
	\$240 000 - \$249 999	1	-
	The aggregate remuneration of the executives referred to in the above bands was \$394 000 (\$381 000).		
	(a) Included in executive's remuneration is \$28 000 of long service leave that was converted to cash.		
20.	Related Party Information		
	The names of each person holding the position as Board member of the Corporation during the financial year are:		
	Mr C Dunsford - Chairman	Ms J Jeffreys - Deputy Chairperson	
	Mr W Spurr - Term expired 30 September 2001	Mr P Styles - Term expired 30 September 2001	
	Mr M Harris	Ms J Wilson	
	Ms W Greiner - Term expired 30 September 2001	Mr M Keelan - Appointed 1 October 2001	
	Mr J Ellison - Appointed 1 October 2001	Ms J Turnbull - Appointed 1 October 2001	
	The members of the Board may use the services of the Centre under terms and conditions no more favourable than members of the public.		
21.	Remuneration of Board Members	2002	2001
	The number of Board Members who received, or were due to receive, remuneration from the Corporation were:	Number of Members	Number of Members
	\$0 (South Australian Government employee)	1	1
	\$0 - \$9 999	8	5
	\$10 000 - \$19 999	1	1
	The aggregate remuneration of the Board members referred to in the above bands was \$69 000 (\$62 000).		
22.	Remuneration to Auditors	2002	2001
	The total received, or due and receivable by the Auditor-General's Department in respect of:	\$'000	\$'000
	Auditing the accounts	34	34

23. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

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

	2002	2001
	\$'000	\$'000
Current:		
Cash on deposit and at bank ^(a)	6 177	14 993
Cash on hand	44	40
	6 221	15 033
Non-Current:		
Specific purpose deposits ^(b)	7 101	8 579
Total cash on deposit, at bank and on hand	13 322	23 612

(a) Includes deposits held of \$1.2 million (\$0.9 million) which have restrictions on when used as operational cash (refer Note 3(l)).

(b) Specific purpose deposits (refer Note 11) cannot be used as operational cash.

(b) Reconciliation of Operating Profit to Net Cash Provided by Operating Activities

Operating surplus after income tax equivalent expense	4 810	61 792
Non-operating revenue	(8 973)	(60 000)
	(4 163)	1 792
Depreciation and amortisation	4 552	2 279
Gain on revaluation	(34)	-
Loss on revaluation	2 783	-
Loss on disposal of assets	210	57
Change in assets and liabilities:		
Decrease in receivables	66	1 080
(Increase) Decrease in inventories	(65)	31
Decrease in taxation assets	7	3
(Increase) Decrease in other current assets	(30)	423
Decrease in creditors, accruals and provisions	(378)	(913)
Increase in taxation liabilities	59	-
Increase in security deposits held	361	85
Increase (Decrease) in provision for employee entitlements	97	(47)
Net Cash provided by Operating Activities	3 465	4 790

ADELAIDE ENTERTAINMENTS CORPORATION

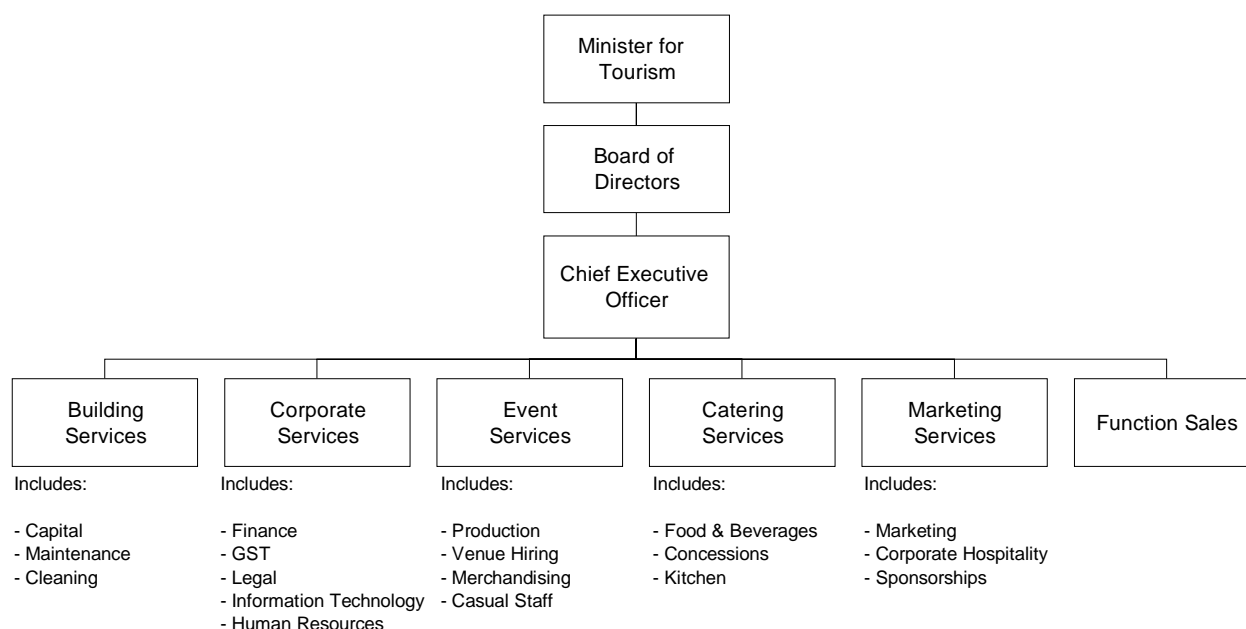
FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Adelaide Entertainments Corporation, a subsidiary to the Minister for Tourism, was established on 4 February 1999 pursuant to regulations under the *Public Corporations Act 1993*.

The functions of the Corporation are limited by regulation to:

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

The following chart depicts the structure of the Corporation as at 30 June 2002.



AUDIT MANDATE AND COVERAGE

Audit Authority

The Schedule to the *Public Corporations Act 1993* (the Act), requires the Adelaide Entertainments Corporation, established pursuant to section 24 of the Act, to keep proper accounts of its financial affairs and to prepare financial statements in respect of each year.

It further provides that the Auditor-General must audit the accounts and financial statements of the Adelaide Entertainments Corporation.

Scope of Audit

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

During 2001-02 specific areas of Audit attention included:

- follow-up of action taken by the Corporation to the matters raised last year regarding Internal Audit Related activity and Policy and Procedures documentation.
- review of financial accounting and related processes covering:
 - revenue
 - accounts payable
 - payroll
 - inventory
 - property, plant and equipment
- review of the following Information Technology activities:
 - information resource strategy and planning
 - relationship with outsourced vendors
 - information security
 - business continuity planning

Audit Communications to Management

An Audit management letter conveying the scope of the audit and audit findings was forwarded to the Chief Executive Officer of the Corporation. Matters referred to the Chief Executive Officer included:

- opportunities to improve financial accounting and related processes;
- the need for the Corporation to provide quarterly reports to the Minister for Tourism to satisfy requirements of the AEC charter and section 19 of the *Public Corporations (Adelaide Entertainments Corporation) Regulations 1999*;
- opportunities to improve information security.

A satisfactory response was received to the matters raised.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control environment was assessed as satisfactory.

Follow up of 2000-01 Audit Matters

Last year Audit commented on matters relating to Internal Audit activity and the documentation of policies and procedures. The Corporation advised it would address these matters during 2001-02. The status of these matters is as follows:

Internal Audit Related Activity

Last year Audit commented that the Corporation indicated that it would initiate an internal audit function in 2001-02.

Audit follow up revealed an internal audit activity had not been established during 2001-02 as this activity was 'put on hold as it was seen to be optional to the performance of the business'.

The Corporation has advised that the Audit Committee will initiate the internal audit function and associated plans in 2002-03.

Policy and Procedures Documentation

Last year Audit commented that the Corporation indicated that, with the implementation of its Event Business Management System (EBMS) nearing completion, a review of its policies and procedures will be prioritised in 2001-02.

Audit follow up revealed the Corporation had not reviewed its policies and procedures during 2001-02 as this activity was 'put on hold as it was seen to be optional to the performance of the business'.

The Corporation has advised it will review its policies and procedures in 2002-03.

CONTROLS OPINION

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

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

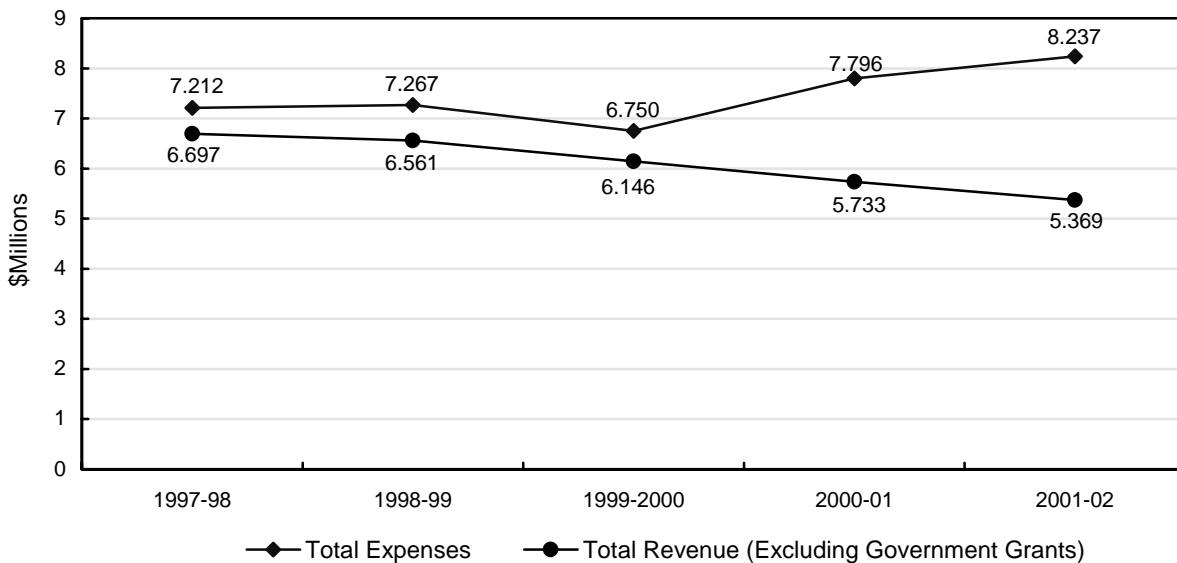
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Without support from the State Government of \$542 000, the Corporation would have recorded an operating deficit of \$2.9 million (\$2.1 million). The increased deficit reflects primarily a:

- decrease in revenue of \$364 000, which is mainly the result of reduced event activity during the year;
- \$434 000 asset write-off.

Corporation revenue (excluding Government appropriation) has over the past five years fallen from \$6.7 million in 1997-98 to \$5.4 million in 2001-02. Over this same period Corporation expenses have increased from \$7.2 million to \$8.2 million. The following graph illustrates these trends:



It should be noted that the Corporation expenses for 2000-01 and 2001-02 included cost items of an unusual nature. In 2000-01 a correction of prior years' overstatement of revenue was recorded (\$495 000) and in 2001-02 an asset write-off was brought to account (\$434 000).

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Sale of food and beverage	3	1 948	1 788
Corporate suite lease		1 129	1 243
Venue hire		1 124	1 122
Recovery of production costs		394	596
Government appropriation		542	-
Interest revenue		114	176
Merchandise revenue		91	191
Other revenue	4	569	617
Total Revenues		5 911	5 733
EXPENSES FROM ORDINARY ACTIVITIES:			
Salaries, wages and related payments		3 083	2 717
Depreciation	5	1 542	1 519
Administration		1 002	968
Production costs		519	603
Food and beverage purchases		589	523
Utilities		434	376
Asset write-off	6	434	-
Correction of fundamental error	7	-	495
Other expenses	8	634	595
Total Expenses		8 237	7 796
OPERATING DEFICIT		(2 326)	(2 063)
Net increase in asset revaluation reserve	17	-	2 672
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(2 326)	609

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets	9	2 591	3 517
Inventories	10	84	95
Receivables	11	583	669
Total Current Assets		3 258	4 281
NON-CURRENT ASSETS:			
Land and buildings	12	47 750	48 820
Plant and equipment	13	824	1 158
Total Non-Current Assets		48 574	49 978
Total Assets		51 832	54 259
CURRENT LIABILITIES:			
Payables	14	2 230	2 899
Employee entitlements and related payments	15	144	123
Total Current Liabilities		2 374	3 022
NON-CURRENT LIABILITIES:			
Employee entitlements and related payments	15	82	73
Total Non-Current Liabilities		82	73
Total Liabilities		2 456	3 095
NET ASSETS		49 376	51 164
EQUITY:			
Capital provided by South Australian Government	16	55 536	55 536
Asset revaluation reserve	17	7 716	7 716
Accumulated deficit	18	(13 876)	(12 088)
TOTAL EQUITY		49 376	51 164
Commitments	27		
Contingent Liabilities	28		

Statement of Cash Flows for the year ended 30 June 2002

		2002	2001
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		5 349	5 416
Government appropriation		542	-
Net ticket sales (to) from promoters		(47)	1 179
GST received from customers		513	519
Interest received		114	176
Payments to suppliers and employees		(6 327)	(5 402)
GST paid to suppliers		(327)	(272)
Payment to Australian Taxation Office of GST		(171)	(232)
Net Cash (used in) provided by Operating Activities	26(a)	<u>(354)</u>	<u>1 384</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for plant and equipment		(572)	(372)
Net Cash used in Investing Activities		<u>(572)</u>	<u>(372)</u>
NET (DECREASE) INCREASE IN CASH HELD		<u>(926)</u>	<u>1 012</u>
CASH AT 1 JULY		<u>3 517</u>	<u>2 505</u>
CASH AT 30 JUNE	26(b)	<u><u>2 591</u></u>	<u><u>3 517</u></u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment and Functions of the Adelaide Entertainments Corporation

The Adelaide Entertainments Corporation (AEC), known as the Adelaide Entertainment Centre, was established on 4 February 1999 as a subsidiary of the Minister for Tourism by Regulations under the *Public Corporations Act 1993*.

The functions of the AEC are to:

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

The AEC is governed by a Board of Directors and operates under a charter approved pursuant to the provisions of the *Public Corporations Act 1993*. The Act and the charter require the preparation of a general purpose financial report which reflects the performance and position of the AEC for each financial year ended 30 June.

2. Statement of Accounting Policies

The significant accounting policies which have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation of Financial Statements

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

The financial statements have been prepared on the basis of historical costs and are not adjusted to take into account changing money values or, except where stated, current valuations of major non-current assets.

(b) Revenue Recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised when it is earned.

(c) Depreciation of Non-Current Assets

Depreciation is calculated on a straight line basis to write-off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all depreciable assets. The major asset categories and their expected useful lives are as follows:

Buildings	Years 40
Site plant and equipment	3-20
Kitchens and concessions	3-10
Office and administration	3-10
Production equipment	3-10
Furniture and fittings	3-10
Audiovisual equipment	3-10

(d) Inventories

Inventories are carried at cost as they are expected to be consumed in the holding of events and functions that will have a net realisable value that exceeds cost.

(e) Valuation of Non-Current Assets

In accordance with Accounting Standards AAS 10 'Accounting for the Revaluation of Non-Current Assets', AASB 1041 'Revaluation of Non-Current Assets' and Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets', all non-current assets with a value at the time of acquisition greater than \$1 million are required to be revalued every three years. An independent valuation was carried out for land and buildings as at 30 June 2001 by Edward Rushton Australia Pty Ltd, licensed valuers, using the deprival basis.

(f) Employee Entitlements

Provision has been made in the financial statements for the AEC's liability for employee entitlements arising from services rendered by employees to 30 June. Related on-costs consequential to the employment of employees have been included in the determination of the liability.

(i) Superannuation

The AEC contributes to externally managed superannuation funds. Contributions are charged as an expense in the period in which they occur.

(ii) Wages and Salaries

Liabilities for wages and salaries are recognised as the amount unpaid at 30 June and are measured at current pay rates in respect of employees' services to that date.

(iii) Annual Leave

Provision has been made for the unused component of annual leave at 30 June. The provision has been calculated at nominal amounts based on current wages and salary rates.

(iv) Long Service Leave

Provision has been made for employee entitlements to long service leave. The provision has been calculated at nominal amounts based on current wages and salary rates, using a benchmark of seven years service as a shorthand estimation of long service leave liability in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

(v) Sick Leave

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

(g) Financial Instruments

Financial Assets

Cash comprises cash on hand and deposits at call with the South Australian Government Financing Authority (SAFA) and Westpac. The deposits are recorded at cost. Interest revenues are recognised as they accrue. For deposits with SAFA, interest is calculated on the average 30 day bank bill rate.

Receivables are reported at amounts due less the provision for doubtful debts.

Financial Liabilities

Trade creditors are recognised for goods and services that have been supplied but have not been paid as at 30 June 2002. Trade creditors are recorded at cost and are normally settled within 30 days.

The AEC holds all ticket monies in trust on behalf of the ticket purchaser. Event payables represent a liability to the hirer on the completion of an event or to BASS for refunds in the event of a cancellation.

Contribution (by way of dividend) to the South Australian Government is recognised at cost.

Income received in advance mainly comprises corporate suite license fees and event/function deposits received in advance. Income received in advance is recognised as revenue at the time the event/function is held or service provided.

(h) Goods and Services Tax (GST) System Changes

Costs incurred to update existing systems or to design and implement new systems to deal with the GST are charged as expense as incurred, except where they result in an enhancement of future economic benefits and are recognised as an asset.

3. Sale of Food and Beverage	2002	2001
	\$'000	\$'000
Food	1 285	1 132
Beverage	663	656
	1 948	1 788
	<hr/>	<hr/>
Cost of sales	1 201	1 048
	<hr/>	<hr/>
4. Other Revenue		
Car park	104	149
Equipment hire	121	91
Sundry	344	377
	569	617
	<hr/>	<hr/>

5. Depreciation		2002	2001
		\$'000	\$'000
Buildings (refer Note 12)		1 070	1 044
Plant and equipment (refer Note 13)		472	475
		1 542	1 519

6. Asset Write-Off

As part of development of the Fixed Asset Management System the AEC undertook a review of the Fixed Asset Register during the current financial year. As a result of this review, assets of the following nature were written off:

	Site Plant & Equipment \$'000	Kitchen & Concessions \$'000	Office & Admin \$'000	Production Equipment \$'000	2002 \$'000
Minor Assets <\$1 000 in accordance to the AEC's Capitalisation policy	2	1	-	-	3
Building additions that were revalued in last financial year	331	-	25	-	356
Trees	7	-	-	-	7
Signage	8	-	-	-	8
Uniforms	-	-	-	8	8
Software	-	-	10	-	10
Crockery, cutlery and glassware	-	42	-	-	42
	348	43	35	8	434

7. Correction of Fundamental Error

In the early years of the AEC's history recognition of corporate suite income was changed from the cash basis to the accrual basis. A mistake in the application of the accrual accounting policy has resulted in an understatement of corporate suite unearned income liability at 30 June 2001 of \$495 000.

Restated financial information is presented to show the information that would have been disclosed in the prior year financial statements had the error not been made.

	2001
	Restated
Statement of Financial Performance:	\$'000
Revenue from ordinary activities	5 733
Expenses from ordinary activities	7 301
Operating Deficit	(1 568)
Restatement of Accumulated Deficit:	
Accumulated deficit at 1 July	(10 842)
Restated operating deficit	(1 568)
Net transactions with the State Government as Owners	322
Accumulated Deficit at 30 June	(12 088)

8. Other Expenses

	2002	2001
	\$'000	\$'000
Repairs and maintenance	340	335
Sales and marketing	217	148
Bad debt expense	5	16
Other	72	96
	634	595

9. Cash Assets

Cash at bank and on hand	1 535	2 507
SAFA investment	1 056	1 010
	2 591	3 517

10. Inventories

Beverages	64	71
Food	20	24
	84	95

11. Receivables

Trade debtors	460	435
Less: Provision for doubtful debts	12	20
	448	415
Accrued income and sundry debtors	28	160
Prepaid expenses	107	94
	583	669

12. Land and Buildings

	Land \$'000	Buildings \$'000	Total \$'000
Gross Carrying Amount:			
Balance at 1 July	7 460	55 090	62 550
Balance at 30 June	7 460	55 090	62 550
Accumulated Depreciation:			
Balance 1 July	-	13 730	13 730
Depreciation expense	-	1 070	1 070
Balance at 30 June	-	14 800	14 800

12. Land and Buildings (continued)						Land \$'000	Buildings \$'000	Total \$'000
Net Book Value:								
As at 30 June 2001						7 460	41 360	48 820
As at 30 June 2002						7 460	40 290	47 750
13. Plant and Equipment	Site Plant & Equipment \$'000	Kitchens & Concessions \$'000	Office & Administration \$'000	Production Equipment \$'000	Furniture & Fittings \$'000	Audio Visual Equipment \$'000		Total \$'000
Gross Carrying Amount:								
Balance at 1 July	1 259	935	1 013	862	577	355		5 001
Asset write-off	(1 144)	(162)	(396)	(114)	(36)	(12)		(1 864)
Additions	303	39	36	135	-	59		572
Balance at 30 June	418	812	653	883	541	402		3 709
Accumulated Depreciation:								
Balance at 1 July	737	841	830	647	483	305		3 843
Asset write-off	(796)	(119)	(361)	(106)	(36)	(12)		(1 430)
Depreciation expense	137	35	125	83	53	39		472
Balance at 30 June	78	757	594	624	500	332		2 885
Net Book Value:								
As at 30 June 2001	522	94	183	215	94	50		1 158
As at 30 June 2002	340	55	59	259	41	70		824
14. Payables							2002 \$'000	2001 \$'000
Trade creditors and accruals							638	629
Event payables							1 195	1 242
Contributions to South Australian Government							-	538
Income received in advance							397	490
							2 230	2 899
15. Employee Entitlements and Related Payments								
Current:								
Accrued wages							39	28
Annual leave							84	78
Employee on-costs							21	17
							144	123
Non-Current:								
Long service leave							70	63
Employee on-costs							12	10
							82	73
16. Capital Provided by the South Australian Government								
Land							7 189	7 189
Buildings							44 534	44 534
Site plant and equipment							2 975	2 975
Working capital							838	838
							55 536	55 536
17. Asset Revaluation Reserve								
Land:								
Balance at 1 July							271	331
Decrements on revaluation							-	(60)
Balance at 30 June							271	271
Buildings:								
Balance at 1 July							7 445	4 713
Decrements on revaluation							-	2 732
Balance at 30 June							7 445	7 445
							7 716	7 716
18. Accumulated Deficit								
Balance at 1 July							(12 088)	(10 347)
Transactions with the South Australian Government as owners:								
Dividend to South Australian Government (a)							-	(1 379)
Dividend retained (a)							538	1 701
Operating deficit							(2 326)	(2 063)
Balance at 30 June							(13 876)	(12 088)

(a) On 15 January 2002 the Treasurer approved retention of the dividends payable by the AEC as at 30 June 2001 and determined that \$nil dividend was payable in respect of the 2001-02 year.

19. **Financial Instruments**

(a) **Credit Risk**

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

(b) **Interest Rate Risk**

The AEC's exposure to interest rate risk and the effective weighted interest rate is set out in the following table. Exposures arise predominantly from financial assets and financial liabilities bearing variable interest rates.

		2002			
		Weighted Average Effective Interest Rate Percent	Variable Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:					
	Cash at bank	4.18	1 535	-	1 535
	SAFA investment account	4.44	1 056	-	1 056
	Trade debtors	-	-	448	448
	Other receivables	-	-	135	135
			2 591	583	3 174
Financial Liabilities:					
	Trade creditors and accruals	4.18	113	525	638
	Event payables	4.18	1 195	-	1 195
	Income received in advance	-	-	397	397
			1 308	922	2 230
		2001			
		Weighted Average Effective Interest Rate Percent	Variable Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:					
	Cash at bank	5.52	2 507	-	2 507
	SAFA investment account	5.73	1 010	-	1 010
	Trade debtors	-	-	415	415
	Other receivables	-	-	254	254
			3 517	669	4 186
Financial Liabilities:					
	Trade creditors and accruals	5.52	158	471	629
	Event payables	5.52	1 242	-	1 242
	Contributions to South Australian Government	-	-	538	538
	Income received in advance	-	-	490	490
			1 400	1 499	2 899

(c) **Net Fair Value**

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their net fair value.

20. **Remuneration of Employees**

The number of executive officers who have received, or were due to receive, directly or indirectly from the AEC a total remuneration (including superannuation) in connection with the management of the affairs of the AEC, whether as Executive Officer or otherwise, as shown in the following bands, was:

	2002 Number of Executives	2001 Number of Executives
\$140 001 - \$150 000	-	1
\$180 001 - \$190 000	1	-

21. **Superannuation**

Pursuant to the Commonwealth Government's Superannuation Guarantee legislation, the AEC is required to contribute 8 percent of AEC employee's eligible earnings to externally managed superannuation funds. Payments made to externally managed superannuation funds during the year totalled \$197 000 (\$168 000).

22. **Board of Directors**

The following Directors served on the Board of the AEC during the year:

A Fletcher (Chairman)	G Wallace
A Killey	M Burgess
A Ashby	R Foorde (commenced 1 October 2001)

Members of the Board received Director's fees as shown in the following table:

	2002 Number of Members	2001 Number of Members
\$0 - \$10 000	1	3
\$10 001 - \$20 000	5	3

The aggregate amount of remuneration received, or due and receivable, by AEC Directors in connection with the management of the AEC was \$68 000 (\$56 000).

23. Related Party Transactions

The Directors of the Board may use the services of the AEC in accordance with terms and conditions determined under Board policy.

The services of the AEC were used by Directors of the Board during the year under normal commercial arrangements.

24. Remuneration of Auditors

Amounts received or due and receivable by the Auditor-General's Department for auditing the AEC financial statements were \$27 000 (\$24 000).

25. Payments to Consultants

Payments to consultants totalled \$135 000 (\$124 000), and fell within the following bands:

	2002	2001
	Number of	Number of
	Consultants	Consultants
\$0 - \$10 000	5	12
\$10 001 - \$50 000	6	4

Range	Consultant	Description
\$10 001 - \$50 000	McGregor Tan	Market Research
	KMS Consulting	Strategic Planning
	Breakthrough Consulting	Change Management Workshops and Core Competency research
	Mason Gray Strange	Registration of interest for proposed sale of Commercial Hotel
	Swanbury Penglase	Building inspection/maintenance
	Gutteridge Hasken and Davey	Building Services Management

26. Notes to the Statement of Cash Flows

(a) Reconciliation of Net Cash (used in) provided by Operating Activities to Operating Deficit	2002	2001
	\$'000	\$'000
Operating deficit	(2 326)	(2 063)
Depreciation	1 542	1 519
Asset write-off	434	-
Dividend retention	538	-
Bad debt expense	5	16
Change in assets and liabilities:		
Decrease (Increase) in receivables	81	(197)
Decrease in inventory	11	-
(Decrease) Increase in payables	(669)	2 071
Increase in employee entitlements and related payments	30	38
Net Cash (used in) provided by Operating Activities	(354)	1 384

(b) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash comprises cash on hand and in banks and investments in money market instruments. Refer Note 9.

27. Commitments

At 30 June the AEC had the following obligations under cancellable agreements for the service and maintenance of AEC equipment, grounds, security, etc. These obligations have not been recognised as liabilities in the Financial Statements.

	2002	2001
	\$'000	\$'000
Not later than one year	116	140
Later than one year but not later than five years	35	151
	151	291

28. Contingent Liabilities

The AEC has no contingent liabilities.

ADELAIDE FESTIVAL CENTRE TRUST

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Trust is a body corporate established pursuant to the *Adelaide Festival Centre Trust Act 1971* (the Act).

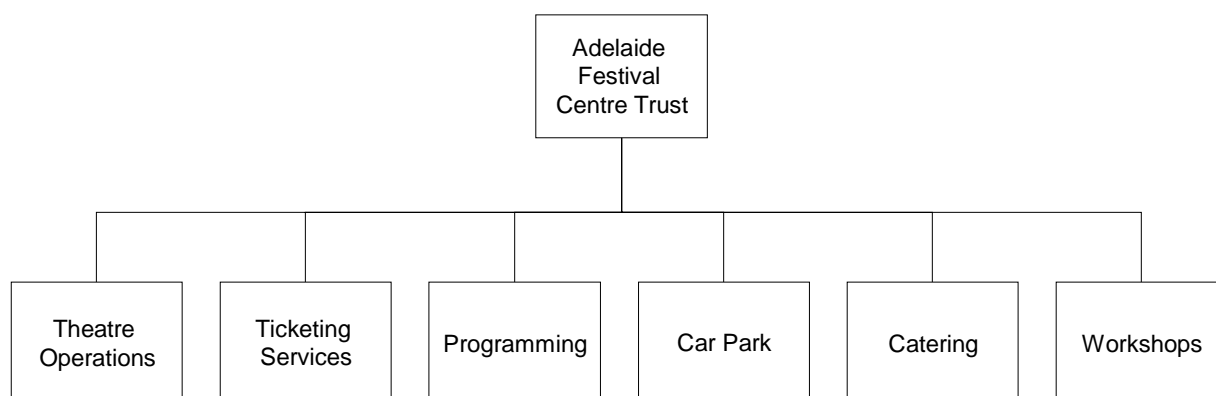
In November 1998 regulations were enacted under the *Public Corporations Act 1993* requiring that certain provisions of that Act be applied to the Trust. The applied provisions relate mainly to the governance and performance aspects of the Trust's operations.

The Trust has eight trustees and is subject to the general control and direction of the Minister for the Arts. To assist in its deliberations the Trust has established certain committees. One of these committees is the Finance and Audit Committee which focuses on matters of a financial and audit nature.

The Trust is charged with the responsibility of encouraging and facilitating artistic, cultural and performing arts activities throughout the State; and controlling, managing and maintaining the Adelaide Festival Centre and Her Majesty's Theatre.

In essence, the Trust is a presenter of arts programs and it aims to provide a balance of art forms for a variety of tastes and age levels. In recognition of its obligations under the Act, the Trust receives an operating and capital grant from the State Government (refer Note 3 to the Financial Statements).

The following functions are undertaken by the Trust.



Theatre Operations

The Trust maintains various theatre facilities including the Adelaide Festival Centre complex comprising the Festival Theatre, the Space Theatre, the Amphitheatre and the Playhouse in addition to Her Majesty's Theatre. All of the aforementioned theatre facilities are available for public hire.

From time to time the Trust undertakes entrepreneurial activities which include production of, and investment in, shows most of which tour Australia and sometimes overseas. Depending on the arrangements in place with respect to these shows, the Trust may receive income from royalty fees, management fees and a share of profits. Other activities undertaken include the building of sets for other producers on a contract basis, and the provision of management and accounting services to external productions on a fee-for-service basis.

Ticketing Services

The BASS ticketing system is operated by the Trust pursuant to a licence agreement. The BASS system is an integrated network encompassing many agents across the State.

Programming

The Trust is involved in the staging of various theatrical productions in Adelaide either as a producer or presenter. It is through this activity at the Adelaide Festival Centre complex and Her Majesty's Theatre that income is generated from theatre rental income, ticket booking fees, catering income and car parking income.

Car Park

The Trust owns and operates the car park located within the Adelaide Festival Centre complex.

Catering

The Trust utilises the services of a contractor to operate the catering function on its behalf. The contractor pays to the Trust profits after meeting the costs of providing the function (including a management fee and an incentive fee based on profit).

SIGNIFICANT FEATURES

- The consolidated operating result was a Surplus from Ordinary Activities of \$7.4 million compared with a deficit of \$3.6 million the previous year. This surplus is mainly attributable to an increase in Grants from Government of \$13.5 million.
- The State Government capital grant was \$9.8 million which is to be used mainly to fund the redevelopment of the Festival Theatre Plaza.
- The Trust had its land and buildings revalued during the year resulting in a revaluation increment of \$6.7 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 25(2) of the *Adelaide Festival Centre Trust Act 1971* specifically provides for the Auditor-General to audit the accounts of the Trust in respect of each financial year.

Scope of Audit

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

During 2001-02 specific areas of Audit attention included:

- budgetary control
- revenue
- accounts payable
- payroll
- BASS operations
- non-current assets
- general ledger
- contract management.

Audit Communications to Management

A letter communicating issues arising from the audit was forwarded to the Chief Executive Officer of the Trust. A satisfactory response to those issues has been received. Further commentary on these issues is contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Since 1998-99 the audit of the Trust has identified that there was scope for improvement in the internal controls within individual accounting systems. An assessment of the Trust's internal control structure in 2001-02 revealed that although some improvement had been made, there remains the opportunity to enhance controls in a number of areas. In particular, the establishment of a comprehensive asset register and improved controls over the authorisation of purchase orders and payment of accounts remains to be addressed.

The main issues identified by Audit relate to:

Asset Management

Asset Register

The establishment of a comprehensive and up to date asset register for property, plant and equipment has been a matter that has drawn Audit comment over a period of years. Audit has also commented on the need for the asset register to include sufficient detail to enable the efficient and effective management of the Trust's non-current assets and to ensure that assets and the related depreciation expense are completely and accurately reflected in the accounting records of the Trust.

Disaggregation of Theatre Assets for Depreciation Purposes

Currently the Trust depreciates its buildings including the plant and fittings comprising the buildings at the same rate. Audit is of the opinion that various components of the building have separate and distinct useful lives and as a result it is appropriate that those components be identified and depreciated at different rates.

Audit recommended that the Trust needs to identify the integral components that make up the buildings and determine the depreciation rates that appropriately reflect the useful life of the particular components.

Reconciliation of Asset Register to General Ledger

Audit commented on the need for the Trust to reconcile the values of property, plant and equipment recorded in the asset register (once established) to the general ledger on a regular basis so as to ensure the integrity of the data.

Response

The Trust has adequately addressed all the issues raised above in relation to asset management.

Purchasing and Accounts Payable

The audit of the purchasing and accounts payable activities identified opportunities for improvement in the processes associated with the raising and authorisation of purchase orders, the certification of receipt of goods and services, authorisation of invoices for payment and the payment of accounts by the due date. Issues of a similar nature have been commented on by Audit since 1999.

Response

The Trust advised that the need to raise purchase orders for goods and services ordered and ensure that such orders are authorised in accordance with the Trust's delegation authority has been reinforced to all staff.

With respect to overdue payments, the Trust advised that it will amend its internal policies and procedures handbook to reflect the requirements of Treasurer's Instruction 11 'Payment of Accounts'.

Revenue

The audit of the revenue activity revealed opportunities for improvement in the processes associated with the processing of credit notes. Audit suggested that the Trust implement an independent review process of credit notes processed to the system.

Response

The Trust advised that procedures in relation to the processing and authorisation of credit notes have been amended.

Financial Accounting

Audit commented on the need for the Trust to improve the controls over the authorisation and processing of journal entries.

Response

In its response, the Trust advised it:

- will establish journal registers to record all journals processed to the general ledger;
- has implemented procedures that will ensure journals processed to the ledger are appropriately authorised.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Revenues and Expenses from Ordinary Activities

Note 4 to the Financial Statements discloses the revenues and expenses related to various activities of the Trust.

The following analysis relates to consolidated operations.

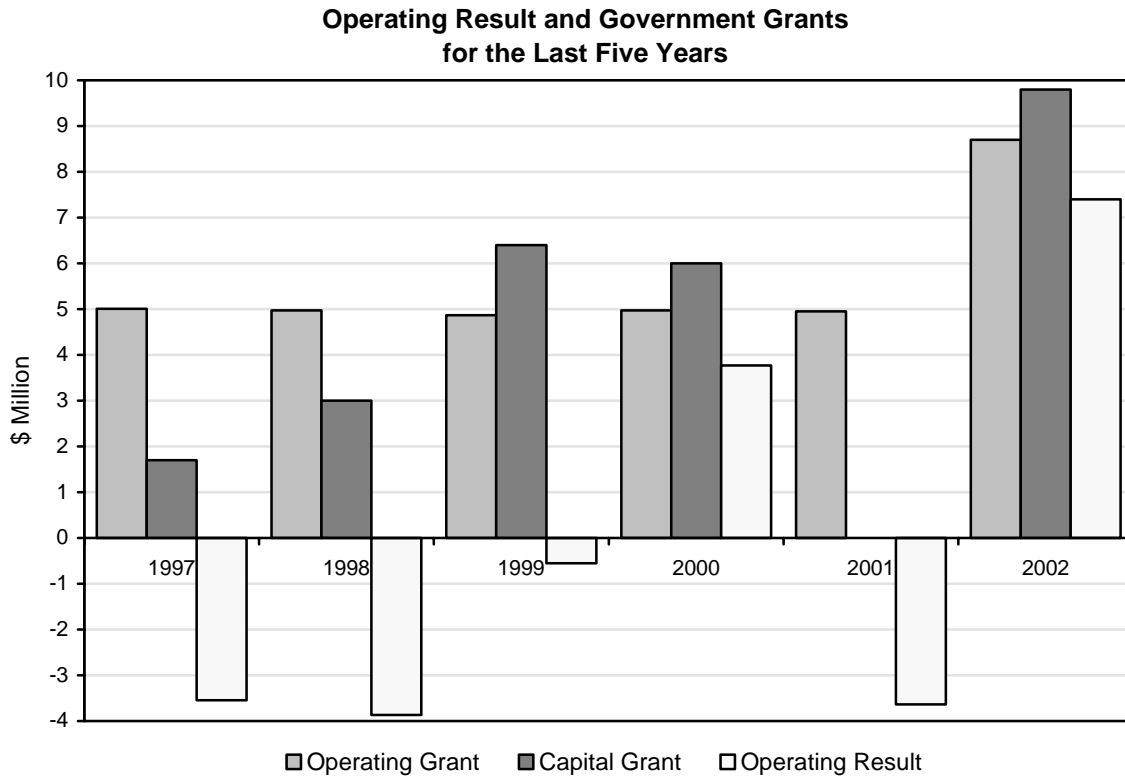
Revenues increased by \$9 million to \$39.5 million. This increase reflects an increase in Government Grants of \$13.5 million and a decrease in Programming and Theatre Activity revenue of \$3 million. With respect to the increase in Government Grant revenue, \$3.7 million relates to operating grants and \$9.8 million to capital grants.

Expenses decreased by \$2 million to \$32.1 million. This decrease is mainly a result of reduced activity in Programming and Theatre Activity and Ancillary Business Operations. Expenditure for these areas decreased by \$3.3 million. Depreciation expenditure increased by \$1.4 million (refer Notes 2 and 4).

Operating Result

The consolidated Surplus from Ordinary Activities of \$7.4 million compared with a deficit of \$3.6 million the previous year is mainly attributable to an increase in Government Grants received in 2001-2002 of \$13.5 million.

The following chart shows the Operating Result and Government Grants for the last five years.



Statement of Financial Position

The written down value of non-current assets increased by \$14.9 million to \$82.2 million, of which \$12.6 million of the increase relates to land and buildings.

The movement in this asset category is mainly attributable to the following:

- The Festival Centre Plaza is undergoing a major redevelopment, estimated cost \$21.7 million. As at 30 June 2002, \$9.9 million had been spent on the redevelopment with a further \$1.3 million on leasehold improvements.
- Land and buildings were revalued in June 2002 resulting in a revaluation increment of \$6.7 million.

Statement of Financial Performance for the year ended 30 June 2002

	Note	Consolidated		AFCT	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:					
Revenues from ordinary activities	3	39 493	30 444	39 231	30 331
Total Revenues	4	39 493	30 444	39 231	30 331
EXPENSES FROM ORDINARY ACTIVITIES:					
Expenses from ordinary activities		30 300	31 669	30 214	31 669
Borrowing costs		1 803	2 409	1 803	2 409
Total Expenses	4	32 103	34 078	32 017	34 078
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES	5	7 390	(3 634)	7 214	(3 747)
NON-OWNER TRANSACTION CHANGES IN EQUITY					
Net credit to accumulated surplus (deficit) to recognise revision of accounting estimate	17	5 247	-	5 247	-
Net credit to asset revaluation reserve on revaluation of non-current assets	11	6 668	-	6 668	-
Total revenues, expenses and valuation adjustments recognised directly in equity		11 915	-	11 915	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		19 305	(3 634)	19 129	(3 747)

Statement of Financial Position as at 30 June 2002

	Note	Consolidated		AFCT	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
CURRENT ASSETS:					
Cash	6	14 174	9 892	13 729	9 706
Receivables	7	1 583	1 972	1 579	1 972
Inventories	8	98	142	98	142
Other	9	41	39	41	39
Total Current Assets		15 896	12 045	15 447	11 859
NON-CURRENT ASSETS:					
Land and buildings		66 853	54 293	66 853	54 293
Plant and equipment		8 691	9 600	8 691	9 600
Leasehold improvements		1 223	-	1 223	-
Works of art		5 428	3 427	5 428	3 427
Total Non-Current Assets	10,11	82 195	67 320	82 195	67 320
Total Assets		98 091	79 365	97 642	79 179
CURRENT LIABILITIES:					
Payables	12	6 633	6 472	6 546	6 472
Borrowings	13	810	510	810	510
Provisions	14	730	719	730	719
Other	15	568	873	568	873
Total Current Liabilities		8 741	8 574	8 654	8 574
NON-CURRENT LIABILITIES:					
Payables	12	115	99	115	99
Borrowings	13	28 348	29 158	28 348	29 158
Provisions	14	728	680	728	680
Total Non-Current Liabilities		29 191	29 937	29 191	29 937
Total Liabilities		37 932	38 511	37 845	38 511
NET ASSETS		60 159	40 854	59 797	40 668
EQUITY:					
Reserves	16	50 476	43 808	50 476	43 808
Accumulated surplus (deficit)	17	9683	(2 954)	9 321	(3 140)
TOTAL EQUITY		60 159	40 854	59 797	40 668
Commitments	18				
Contingent Liabilities	19				

Statement of Cash Flows for the year ended 30 June 2002

		Consolidated		AFCT	
		2002	2001	2002	2001
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
RECEIPTS:	Note				
Receipts from patrons/customers		20 912	25 074	20 713	24 961
Interest received		517	474	507	474
PAYMENTS:					
Interest paid on borrowings		(1 803)	(2 409)	(1 803)	(2 409)
Wages and related payments		(10 910)	(10 500)	(10 910)	(10 500)
Payments to suppliers		(14 910)	(17 763)	(14 910)	(17 763)
		(6 194)	(5 124)	(6 403)	(5 237)
CASH FLOWS FROM GOVERNMENT:					
Operating grant		7 001	3 154	6 951	3 154
Debt servicing grant		1 651	1 799	1 651	1 799
Other grants		-	40	-	40
Capital replacement grant		9 800	-	9 800	-
		18 452	4 993	18 402	4 993
Net Cash provided by (used in) Operating Activities	20	12 258	(131)	11 999	(244)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment and works of art		(7 466)	(3 022)	(7 466)	(3 022)
Net Cash used in Investing Activities		(7 466)	(3 022)	(7 466)	(3 022)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of borrowings		(510)	(200)	(510)	(200)
Net Cash used in Financing Activities		(510)	(200)	(510)	(200)
NET INCREASE (DECREASE) IN CASH HELD		4 282	(3 353)	4 023	(3 466)
CASH AT 1 JULY		9 892	13 245	9 706	13 172
CASH AT 30 JUNE	6	14 174	9 892	13 729	9 706

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Adelaide Festival Centre Trust Objectives

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

- encourage and facilitate artistic, cultural and performing arts activities throughout the State;
- be responsible for the care, control, management, maintenance and improvement of the Adelaide Festival Centre and its facilities;
- provide expert advisory, consultative, managerial or support services to persons associated with artistic, cultural or performing arts activities;
- promote the involvement of young people and their families and extend activities into the school sector; and
- provide professional development opportunities for emerging talent.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial report is a general purpose financial report which has been prepared on an accrual basis of accounting in accordance with Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group Consensus Views, the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, and other mandatory reporting requirements. The financial report has been prepared on the basis of historical costs and does not take into account changing money values except where it is specifically stated.

Changes in Accounting Policy

On advice of the independent building valuer, the service lives of non-current assets were revised during the year (see depreciation below).

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Trust as at 30 June 2002, and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Valuation of Non-Current Assets

The Trust has adopted deprival value as the method for measuring the value of all non-current assets in the Statement of Financial Position. Deprival value is determined by reference to the current market buying price of a similar asset. In accordance with the transitional provisions of Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' the Trust has continued to apply the deprival value methodology of valuation.

The Trust revalues non-current assets at intervals not exceeding three years. Land, buildings and works of art were last valued at 30 June 2002. Plant and equipment was valued at 30 June 2000 (refer to Note 10).

Comparative Amounts

The Trust has adopted the presentation and disclosure requirements of Accounting Standards AASB 1018 'Statement of Financial Performance', AASB 1040 'Statement of Financial Position' and AASB 1034 'Financial Report Presentation and Disclosures'. Where necessary, comparative figures have been adjusted to conform with changes in presentation in 2001-02.

Interdivision Charges

The Trust's policy is to charge Trust productions theatre rental and all other charges that are billed to external promoters under normal commercial arrangements. The effect of these charges is not eliminated in the financial statements, however the net effect on reported operations is nil.

Depreciation

All depreciable plant and equipment, buildings and improvements are depreciated to estimated residual value over their estimated useful lives using the straight line method of allocation. Land and Works of Art are not depreciated.

Work in progress is not depreciated until assets are completed and have been commissioned for operation.

On advise from the valuers, estimated service lives of non-current assets have been revised. As a result, accumulated depreciation has been revised (refer to Notes 11 and 17).

Useful Lives of Assets:	Current	Previous
Asset class:	Estimate	Estimate
	Years	Years
Buildings (substructure)	60	50-100
Buildings (finishes)	10	50-100
Buildings (fittings and services)	25	50-100
Plant and equipment	10-25	5-25

Employee Entitlements

Provision has been made in the financial report for the Trust's liability for employee entitlements arising from services rendered by employees as at the reporting date. Related on-costs consequential to the employment of employees have been included in payables.

Wages, Salaries and Annual Leave

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

Sick Leave

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

Long Service Leave

A liability for long service leave is recognised as an amount that the Trust has estimated in respect to services provided by employees with a minimum of five years service.

Superannuation

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

Workers Compensation

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

Provision for Doubtful Debts

The provision for doubtful debts is based upon a review of outstanding amounts at year end. Bad debts are written off when they are identified.

Inventory

Inventories are maintained for set building and catering activities and are valued at cost.

Recognition of Revenues

Operating Grants

In accordance with Department of Treasury and Finance Accounting Policy Statement APS 11 'Contributions', all grants are recognised as revenue when received.

Other Revenues

The Trust's policy is to recognise revenue when a good is supplied or service completed.

Income Tax Status

The activities of the entity are exempt from income tax.

Accounting for the Goods and Services Tax (GST)

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

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

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

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

3. Government Grants

Included in Revenues from Ordinary Activities were the following government grants:

	Consolidated		AFCT	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Operating grants received:				
State Government:				
Operating base	7 001	3 154	6 951	3 154
Debt servicing - Interest	1 651	1 799	1 651	1 799
State Government Operating Grants	8 652	4 953	8 602	4 953
Other grants	-	40	-	40
Total Operating Grants	8 652	4 993	8 602	4 993
Capital grants received:				
State Government:				
Capital replacement	9 800	-	9 800	-
Total Grants	18 452	4 993	18 402	4 993

The Trust receives funding from the Government of South Australia and is reliant upon this funding for its continued operations. Operating revenues include \$9.8 million of Capital Grants that cannot be expended on Ordinary Activities .

4. Revenues and Expenses from Ordinary Activities

Revenues from Ordinary Activities:				
Programming and theatre activity	7 912	10 932	7 912	10 932
Ancillary business operations	11 402	12 868	11 190	12 755
Government grants	18 452	4 993	18 402	4 993
Sundry income*	1 220	1 177	1 220	1 177
Interest	507	474	507	474
	39 493	30 444	39 231	30 331
Expenses from Ordinary Activities:				
Programming and theatre activity	10 263	12 723	10 263	12 723
Ancillary business operations	9 994	10 832	9 994	10 832
Administration and maintenance**	5 536	4 971	5 450	4 971
Depreciation***	4 507	3 143	4 507	3 143
Interest	1 803	2 409	1 803	2 409
	32 103	34 078	32 017	34 078

* Includes recoveries against past losses totalling \$296 000 in 2001.

** Includes operating lease \$232 000 (\$208 000) excluding GST and bad debts \$23 000 (\$76 000) expenses in 2002.

*** The service lives of the assets have been amended (refer to Note 2). As a result, the annual depreciation expense has increased.

5. Net Cost of Services

	Consolidated		AFCT	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Revenues from Ordinary Activities:				
Operations	21 041	25 451	20 829	25 338
Total Revenues from Ordinary Activities	21 041	25 451	20 829	25 338
Expenses from Ordinary Activities:				
Operations and services	25 793	28 526	25 707	28 526
Depreciation	4 507	3 143	4 507	3 143
Interest	1 803	2 409	1 803	2 409
Total Expenses from Ordinary Activities	32 103	34 078	32 017	34 078
Net Cost of Services	(11 062)	(8 627)	(11 188)	(8 740)
Revenues from Government:				
Operating grant	7 001	3 154	6 951	3 154
Capital replacement grant	9 800	-	9 800	-
Debt servicing grant	1 651	1 799	1 651	1 799
Other grants	-	40	-	40
Total Revenues from Government	18 452	4 993	18 402	4 993
Surplus (Deficit) from Ordinary Activities	7 390	(3 634)	7 214	(3 747)
6. Cash				
Cash at bank and on hand*	+14 174	+9 892	13 729	9 706
	14 174	9 892	13 729	9 706

* Included in cash at bank is \$8.627 million (\$5.8 million) tied capital grant.

+ Includes \$444 500 (\$186 000) cash at bank held by the Adelaide Festival Centre Foundation Incorporated.

7. Receivables

Trade debtors	1 810	2 319	1 806	2 319
Less: Provision for doubtful debts	227	347	227	347
	1 583	1 972	1 579	1 972

8. Inventories

Food and liquor	45	82	45	82
Raw materials	53	60	53	60
	98	142	98	142

9. Other Current Assets

Prepayments	3	33	3	33
Work in progress	38	6	38	6
	41	39	41	39

10. Property, Plant and Equipment and Works of Art	Consolidated		AFCT	
	2002	2001	2002	2001
Land and Buildings:				
Freehold Land:	\$'000	\$'000	\$'000	\$'000
At independent valuation 2002	7 620	5 950	7 620	5 950
Buildings:				
At independent valuation 2002	107 550	94 605	107 550	94 605
Less: Accumulated depreciation	49 490	51 781	49 490	51 781
	58 060	42 824	58 060	42 824
Work in progress	1 173	5 519	1 173	5 519
Total Land and Buildings	66 853	54 293	66 853	54 293
Plant and Equipment:				
At independent valuation 2000	18 071	18 071	18 071	18 071
Less: Accumulated depreciation	10 040	8 557	10 040	8 557
	8 031	9 514	8 031	9 514
At cost	666	89	666	89
Less: Accumulated depreciation	6	3	6	3
	660	86	660	86
Total Plant and Equipment	8 691	9 600	8 691	9 600
Leasehold Improvements:				
At independent valuation 2002	1 287	-	1 287	-
Less: Accumulated depreciation	64	-	64	-
	1 223	-	1 223	-
Works of Art:				
At independent valuation 2002	5 428	3 427	5 428	3 427
Total Property, Plant and Equipment and Works of Art	82 195	67 320	82 195	67 320

The Trust's land and buildings valuation was undertaken at 30 June 2002 by Mr Richard R Wood AAPI Certified Practising Valuer B App Sc PRM (Valuation) of Colliers Jardine (SA) Pty Ltd. Plant and Equipment was revalued as at 30 June 2000 by Mr S Kincaid Certified Valuer AAPI MSA of Dominion Valuers and Auctioneers (SA). Works of Art were valued by James F B Bruce Valuer MSAV of Ian Bruce Pty Ltd as at 30 June 2002.

11. Asset Movement Schedule	Freehold Land	Buildings	Work in Progress	Plant and Equipment	Works of Art	Leasehold Improvements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying Amount:							
Balance at 1 July 2001	5 950	94 605	5 519	18 160	3 427	-	127 661
Additions	-	-	6 845	577	44	-	7 466
Assets transferred in (out)	-	9 904	(11 191)	-	-	1 287	-
Revaluation	1 670	3 041	-	-	1 957	-	6 668
Balance at 30 June 2002	7 620	107 550	1 173	18 737	5 428	1 287	141 795
Accumulated Depreciation:							
Balance at 1 July 2001	-	51 780	-	8 560	-	-	60 340
Depreciation expense	-	2 957	-	1 486	-	64	4 507
Revision of accounting estimate	-	(5 247)	-	-	-	-	(5 247)
Balance at 30 June 2002	-	49 490	-	10 046	-	64	59 600
Net Book Value	7 620	58 060	1 173	8 691	5 428	1 223	82 195

12. Payables	Consolidated		AFCT	
	2002	2001	2002	2001
Current Liabilities:				
Unsecured creditors and accruals	6 522	6 347	6 435	6 347
Employee related expenses	111	125	111	125
	6 633	6 472	6 546	6 472
Non-Current Liabilities:				
Employee related expenses	115	99	115	99
Total	6 748	6 571	6 661	6 571

13. Borrowings	Consolidated		AFCT	
	2002	2001	2002	2001
Current Liabilities:				
Borrowings from government	810	510	810	510
Non-Current Liabilities:				
Borrowings from government	28 348	29 158	28 348	29 158
Total	29 158	29 668	29 158	29 668

14. Provisions	Consolidated		AFCT	
	2002	2001	2002	2001
Current Liabilities:				
Provision for annual leave	553	512	553	512
Provision for long service leave	177	207	177	207
	730	719	730	719
Non-Current Liabilities:				
Provision for long service leave	728	680	728	680

The current liability for long service leave has been determined using the average of the past seven years' actual leave taken.

15. Other Current Liabilities

Other current liabilities comprise funds held on behalf of third parties and revenues earned in advance.

16. Reserves

	Consolidated		AFCT	
	2002	2001	2002	2001
Asset Revaluation Reserve:				
Land:				
Opening balance	\$'000	\$'000	\$'000	\$'000
Movement	5 950	5 950	5 950	5 950
Closing balance	1 670	-	1 670	-
Buildings:				
Opening balance	27 049	27 049	27 049	27 049
Movement	3 041	-	3 041	-
Closing balance	30 090	27 049	30 090	27 049
Plant and Equipment:				
Opening balance	7 735	7 735	7 735	7 735
Movement	-	-	-	-
Closing balance	7 735	7 735	7 735	7 735
Works of Art:				
Opening balance	3 074	3 074	3 074	3 074
Movement	1 957	-	1 957	-
Closing balance	5 031	3 074	5 031	3 074
Total:				
Opening balance	43 808	43 808	43 808	43 808
Movement	6 668	-	6 668	-
Closing balance	50 476	43 808	50 476	43 808

17. Movements in Accumulated Surplus (Deficit)

Opening balance	(2 954)	680	(3 140)	607
Surplus (Deficit) from Ordinary Activities	7 390	(3 634)	7 214	(3 747)
Revision of accounting estimate*	5 247	-	5 247	-
Closing Balance	9 683	(2 954)	9 321	(3 140)

* Accumulated depreciation has been revised as a result of a valuation undertaken at 30 June 2002 by Mr Richard R Wood AAPI Certified Practising Valuer B App Sc PRM (Valuation) of Colliers Jardine (SA) Pty Ltd. This revision relating to periods prior to 2001-02 has, in accordance with AASB 1018 'Statement of Financial Performance', been adjusted against accumulated surplus.

18. Commitments for Expenditure

(a) Operating Leases	Consolidated		AFCT	
	2002	2001	2002	2001
Commitments under non-cancellable operating leases at reporting date are payable as follows:	\$'000	\$'000	\$'000	\$'000
Not later than one year	74	129	74	129
Later than one year but not later than five years	29	56	29	56
Total	103	185	103	185

Equipment leases are for fixed lease periods. There are no contingent rental payments. There are options to extend the leases.

Motor vehicle leases are for lease periods of two to three years. Rental payments are fixed.

(b) Capital Works Contracts

Commitments of \$9.303 million (\$4.211 million) exist at the reporting date for capital works contracts that are equally proportionately unperformed. These are expected to be settled within 12 months.

These liabilities are not recorded in the Statement of Financial Position.

19. Contingent Liabilities

As at balance date there were no contingent liabilities.

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

	Consolidated		AFCT	
	2002	2001	2002	2001
Surplus (deficit) from ordinary activities	\$'000	\$'000	\$'000	\$'000
7 390	(3 634)	7 214	(3 747)	
Adjustment for non-cash items:				
Depreciation	4 507	3 143	4 507	3 143
Provision for doubtful debts	(120)	(53)	(120)	(53)
Provision for leave entitlements	59	113	59	113
Changes in Assets and Liabilities:				
(Increase) Decrease in receivables	509	95	513	95
(Increase) Decrease in current assets	(2)	104	(2)	104
(Increase) Decrease in inventories	44	31	44	31
Increase (Decrease) in creditors	177	88	90	88
(Decrease) Increase in other current liabilities	(306)	(18)	(306)	(18)
Net Cash provided by (used in) Operating Activities	12 258	(131)	11 999	(244)

21. Remuneration to Auditors and Consultants	Consolidated		AFCT	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Remuneration to auditors:				
Auditing the financial report	69	60	65	60
Other auditing services	14	34	14	34
	83	94	79	94
Number of Consultants:	Number of Consultants	Number of Consultants	Number of Consultants	Number of Consultants
Under \$10 001	5	7	5	7
\$10 001 - \$50 000	1	4	1	4
	6	11	6	11
Payments to Consultants:	\$'000	\$'000	\$'000	\$'000
Under \$10 001	16	26	16	26
\$10 001 - \$50 000	17	108	17	108
	33	134	33	134

22. Remuneration of Employees	2002 Number of Employees	2001 Number of Employees
The number of employees whose annual remuneration was over \$100 000 fell within the following bands:		
\$100 000 - \$109 999	1	1
\$110 000 - \$119 999	1	1
\$120 000 - \$129 999	1	-
\$130 000 - \$139 999	1	1
\$160 000 - \$169 999	-	1
\$180 000 - \$189 999	1	-

The aggregate of the remuneration referred to in the table above for all employees is \$659 000 (\$520 000).

23. Trustees' Remuneration and Related Party Disclosures	2002 Number of Trustees	2001 Number of Trustees
Trustees' Remuneration		
The number of Trustees with income in the following bands was:		
\$0 - \$9 999	7	9
\$10 000 - \$19 999	1	1

The aggregate of the remuneration referred to in the above table for Trustees is \$81 000 (\$72 000).

Related Party Disclosures

The members of the Trust are appointed by the Government in accordance with the provisions of the *Adelaide Festival Centre Trust Act 1971*.

During the year the following persons occupied the position of Trustee of the Adelaide Festival Centre Trust:

Mr Richard Ryan	Ms Robyn Archer
Mr Mark Morelli	Ms Joanne Staugas
Mrs Fiona Adler	Ms Winnie Pelz
Mr Greg Mackie	Mr Pearce Bowman

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

Ms R Archer provided artistic advice to 'Federation Sunday' and four performances at the 2002 'Cabaret Festival'.

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

24. Targeted Voluntary Separation Package Scheme (TVSPs)
In 2001-02 two TVSPs totalling \$193 000 were paid and an additional \$85 000 was paid on account of accrued annual leave and long service leave. The TVSP amount of \$193 000 was paid by the Trust which subsequently received reimbursement of this amount from the Department of the Premier and Cabinet. In 2000-01 no TVSPs were paid.

25. Financial Instruments	(a) Terms and Conditions		
Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash at bank and on hand	6	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	

(a) Terms and Conditions (continued)

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Receivables	7	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectibility of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less than likely.	Credit terms are net 30 days.
Financial Liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors	12	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is made net 30 days.
Other liabilities	15	Monies held in trust being deposits held for other entities and revenues earned in advance are recognised as liabilities.	The Trust holds monies on behalf of other entities and revenues earned in advance.
Borrowings	13	Borrowings are recognised at their nominal amounts.	The interest rate is determined by the Treasurer on borrowings from the Department of Treasury and Finance. There are two elements to these borrowings, one with no maturity date (interest paid quarterly) and a second borrowing with a maturity date in 2011 (interest paid monthly).

(b) Interest Rate Risk

	Consolidated 2002			Weighted Average Interest Rate Percent	AFCT 2002			Weighted Average Interest Rate Percent
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000		Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000	
Financial Assets:								
Cash at bank and on hand	14 132	42	14 174	5.84	13 687	42	13 729	5.84
Receivables	-	1 583	1 583		-	1 579	1 579	
	<u>14 132</u>	<u>1 625</u>	<u>15 757</u>		<u>13 687</u>	<u>1 621</u>	<u>15 308</u>	
Financial Liabilities:								
Other liabilities	568	-	568		568	-	568	
Trade creditors	-	6 633	6 633		-	6 546	6 546	
Borrowings	28 258	900	29 158		28 258	900	29 158	
	<u>28 826</u>	<u>7 533</u>	<u>36 359</u>	5.86	<u>28 826</u>	<u>7 446</u>	<u>36 272</u>	5.86
Net Financial Assets (Liabilities)	(14 694)	(5 908)	(20 602)		(15 139)	(5 825)	(20 964)	
	2001				2001			
Financial Assets:								
Cash at bank and on hand	9 892	-	9 892	4.0	9 706	-	9 706	4.0
Receivables	-	1 972	1 972		-	1 972	1 972	
	<u>9 892</u>	<u>1 972</u>	<u>11 864</u>		<u>9 706</u>	<u>1 972</u>	<u>11 678</u>	
Financial Liabilities:								
Other liabilities	873	-	873		873	-	873	
Trade creditors	-	6 990	6 990		-	6 990	6 990	
Borrowings	28 368	1 300	29 668		28 368	1 300	29 668	
	<u>29 241</u>	<u>8 290</u>	<u>37 531</u>	7.5	<u>29 241</u>	<u>8 290</u>	<u>37 531</u>	7.5
Net Financial Assets (Liabilities)	(19 349)	(6 318)	(25 667)		(19 535)	(6 318)	(25 853)	

(c) Net Fair Values

	Consolidated				AFCT			
	2002		2001		2002		2001	
	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000
Financial Assets:								
Cash at bank and on hand	14 174	14 174	9 892	9 892	13 729	13 729	9 706	9 706
Receivables	1 583	1 583	1 972	1 972	1 579	1 579	1 972	1 972
Total Financial Assets	15 757	15 757	11 864	11 864	15 308	15 308	11 678	11 678
Financial Liabilities:								
Other liabilities	568	568	873	873	568	568	873	873
Trade creditors	6 633	6 633	6 990	6 990	6 546	6 546	6 990	6 990
Borrowings	29 158	29 158	29 668	29 668	29 158	29 158	29 668	29 668
Total Financial Liabilities	36 359	36 359	37 531	37 531	36 272	36 272	37 531	37 531

(d) Credit Risk Exposure

The Trust's maximum exposure to credit risk at the reporting date in relation to financial assets in the carrying amount of those assets as indicated in the Statement of Financial Position. The Trust has no significant exposure to any concentrations of credit risk.

26. Controlled Entity

The consolidated financial statements at 30 June 2002 include the following controlled entity:

Name of Controlled Entity	Place of Incorporation
The Adelaide Festival Centre Foundation Incorporated	Australia

ADELAIDE FESTIVAL CORPORATION

FUNCTIONAL RESPONSIBILITY

The Adelaide Festival Corporation (the Corporation) is a body corporate established pursuant to the *Adelaide Festival Corporation Act 1998*. The Corporation is an instrumentality of the Crown. The functions of the Corporation, as set out by section 5 of the Act, are to:

- conduct in Adelaide and other parts of the State the multifaceted arts event that is known as the Adelaide Festival of Arts;
- continue to further develop the Adelaide Festival of Arts as an event of international standing and excellence;
- conduct or promote other events and activities;
- provide advisory, consultative, managerial and support services within areas of the Corporation's expertise;
- undertake other activities that promote the arts or public interest in the arts, or that otherwise involve appropriate use of its resources;
- carry out such other functions assigned to the Corporation by or under this or any other Act, or by the Minister.

The Board of the Corporation consists of eight members appointed by the Governor and includes a representative from each of the Friends of the Adelaide Festival Incorporated and the Corporation of the City of Adelaide. The Board is subject to the control and direction of the Minister except in relation to the artistic content of an event or activity conducted by the Corporation and the manner for dealing with a testamentary or other gift.

The Adelaide Festival of Arts is a biennial event with 2002 being a Festival year.

SIGNIFICANT FEATURES

- The operating result was a Deficit from Ordinary Activities of \$247 000 compared with a \$117 000 deficit the previous year.
- The Corporation received grants from the Government totalling \$5.1 million.
- The Corporation's financial position as at 30 June 2002 was a net assets deficiency of \$218 000.

AUDIT MANDATE AND COVERAGE

Audit Authority

The Auditor-General audits the accounts of the Adelaide Festival Corporation pursuant to subsection 19(3) of the *Adelaide Festival Corporation Act 1998*.

Scope of Audit

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

During 2001-02 specific areas of Audit attention included:

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

Audit Communications to Management

An audit management letter conveying the scope of the audit and related findings was forwarded to the Chief Executive Officer of the Corporation. A satisfactory response was received to the matters raised.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

An assessment of the Corporation's internal control structure identified that internal controls were adequate although there was room for improvement in some areas.

The main issues identified by Audit relate to:

Revenue

The audit revealed that procedures for the authorisation of credit notes could be improved. In addition, the Corporation needs to develop policies and procedures in relation to the follow-up of debtors.

In its response the Corporation indicated revised procedures will be introduced to address the issues commented upon by Audit.

Other Financial Systems

With respect to the operation of other financial systems Audit commented that there was a need for the Corporation to improve the controls over the authorisation and processing of journal entries.

In its response the Corporation advised that procedures have been implemented to address the issues commented upon by Audit.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

In reviewing the financial performance of the Corporation it should be noted that, although the predominant role of the Corporation is to conduct the Adelaide Festival of Arts, its functions also extend to the promotion and conduct of other festivals and events. In recent years such events have included the Festival of Ideas and the Heads Up Festival. The Statement of Financial Performance includes the expenses and revenues associated with these events as well as the Adelaide Festival of Arts.

Consideration also needs to be given to the unique nature of these events and the effect that they have on the financial operations of the Corporation. In particular, because of the biennial nature of the Adelaide Festival of Arts, the financial results for the event are recorded mainly over a cycle of two financial years. Other festivals may also be active across a number of financial years.

A comparative analysis of the last two biennial years is provided in Note 21.

It is important to understand that when comparing the last two Festivals, while the Festival of Arts has been a 14-day event in the past, the 2002 Festival was a 10-day event.

Operating Result

The operating result for the year was a Deficit from Ordinary Activities of \$247 000 compared with a deficit of \$117 000 for the previous year.

As discussed earlier, in relation to events and cycles, it is relevant to note that while 2001-02 is a Festival of Arts year, expenses and revenues relating to other events and festivals are also included in this result. Note 6 to the Financial Statements details expenditure on Programmed Events. In determining the financial outcome of any particular event it should be noted that a share of the overhead costs reflected in the items Employee Costs and Administration needs to be apportioned to those Programmed Events.

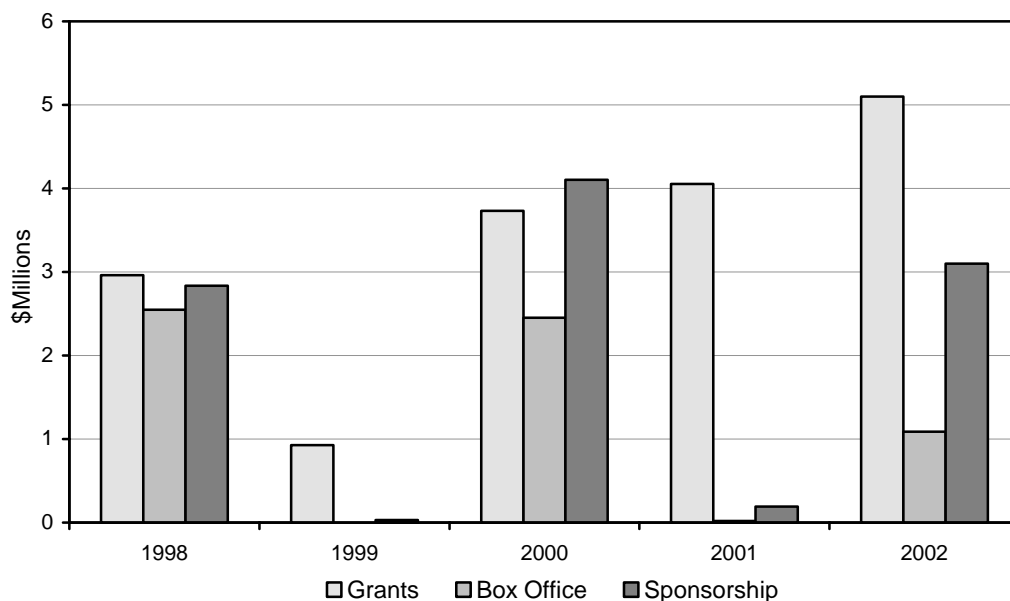
Grants from Government

Grants received from Government totalled \$5.1 million (\$4.1 million).

The 2001-2002 Grants from Government include an additional grant of \$2 million paid to the Corporation during the year to assist with the delivery of the 2002 Adelaide Festival of Arts. The additional grant funding from the State Government was required due to lower than anticipated box office revenue and the fact that the emphasis of the 2002 Festival was on community based and free events.

The Corporation received an advance of \$1 million by Arts SA in 1999-2000 to assist the Corporation with short term cash flow difficulties in relation to the 2000 Festival of Arts. These funds were provided on the understanding that they were an advance on future funding and will be recouped over a four year period commencing in 2002-03 by way of a reduction in the Corporation's future grants. The amount due to be recouped in 2002-03 is \$300 000.

The table below shows revenues received from government grants, sponsorship and the box office over the last five years, of which 1998, 2000 and 2002 were Festival years.



Statement of Financial Position

Equity

The financial position of the Corporation at 30 June 2002 is a net assets deficiency of \$218 000. However, as outlined in Note 2.10, the Corporation is considered to be a going concern based on advice from the State Government that funding will be maintained. The Corporation's approved annual funding for the 2002-03 financial year is \$1.5 million.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Grants from Government	3	5 129	4 052
Box office		1 090	21
Interest		28	15
Other income	4	3 667	335
Total Revenues		9 914	4 423
EXPENSES FROM ORDINARY ACTIVITIES:			
Administration	5	2 517	1 040
Programmed events	6	5 188	2 072
Employee costs		2 456	1 428
Total Expenses		10 161	4 540
DEFICIT FROM ORDINARY ACTIVITIES		(247)	(117)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	12	(247)	(117)

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	7	46	80
Receivables	8	559	316
Total Current Assets		605	396
NON-CURRENT ASSETS:			
Property, plant and equipment	9	107	128
Total Non-Current Assets		107	128
Total Assets		712	524
LIABILITIES:			
CURRENT LIABILITIES:			
Bank overdraft	7	-	96
Payables	10	862	313
Provision for employee entitlements	11	38	80
Total Current Liabilities		900	489
NON-CURRENT LIABILITIES:			
Provision for employee entitlements	11	30	6
Total Non-Current Liabilities		30	6
Total Liabilities		930	495
NET (DEFICIENCY) ASSETS		(218)	29
EQUITY:			
Accumulated (deficit) surplus	2,10,12	(218)	29
TOTAL (DEFICIENCY) EQUITY		(218)	29

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Grants from Commonwealth Government and other bodies		920	52
State Government grant		4 209	4 000
Receipts from patrons/sponsors/donors and others		4 590	1 133
Interest received		28	15
Payments to performers and suppliers		(7 175)	(3 512)
Payments for wages and related payments		(2 473)	(1 428)
Net Cash provided by Operating Activities	13	99	260
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for office equipment and furniture		(37)	(84)
Proceeds from sale of assets		-	6
Net Cash used in Investing Activities		(37)	(78)
NET INCREASE IN CASH HELD		62	182
CASH AT 1 JULY		(16)	(198)
CASH AT 30 JUNE	7	46	(16)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Functions of the Adelaide Festival Corporation**

The functions of the Adelaide Festival Corporation are to:

- (a) conduct in Adelaide and other parts of the State the multifaceted arts event that is known as the Adelaide Festival of Arts;
- (b) continue and further develop the Adelaide Festival of Arts as an event of international standing and excellence;
- (c) conduct or promote other events and activities;
- (d) provide advisory, consultative, managerial or support services within the areas of the Corporation's expertise;
- (e) undertake other activities that promote the arts or public interest in the arts, or that otherwise involve an appropriate use of its resources;
- (f) carry out other functions assigned to the Corporation by or under the *Adelaide Festival Corporation Act 1998* or any other Act or by the Minister.

2. **Statement of Significant Accounting Policies****2.1 Basis of Accounting**

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards, applicable Urgent Issues Group Consensus Views and other mandatory reporting requirements. The report has been prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

2.2 Future Festivals

Expenditure related to the 2004 Adelaide Festival of Arts is treated as prepaid expenditure.

2.3 Foreign Exchange

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

2.4 Employee Entitlements

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

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on current salary rates plus a provision for increase of 5 percent.

Sick Leave

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

Long Service Leave

Provision has been made for employee entitlements to long service leave based on a benchmark of seven years service and represents the present value of the estimated future cash flows to be made for those entitlements. This provision has been calculated at nominal amounts based on current salary rates plus a provision for increase of 5 percent.

2.5 Superannuation

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

2.6 Workers Compensation

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

2.7 Income Tax

The income of the Adelaide Festival Corporation is exempt from income tax.

2.8 Property, Plant and Equipment

Office furniture and equipment is valued at cost.

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

2.9 Revenue Recognition*Operating and Performing Arts Grants*

In accordance with Department of Treasury and Finance Accounting Policy Statement APS 11 'Contributions', all grants are recognised as revenue when received.

Sponsorship, Sundry Income and Interest

All income of this nature is recognised as revenue as it accrues.

Donations

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

2.10 Economic Dependency

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

2.11 Comparative Figures

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

3.	Grants from Government	2002	2001
		\$'000	\$'000
	Grants from South Australian Government	4 209	4 000
	Other grants	920	52
		5 129	4 052
4.	Other Income		
	Other income includes:		
	Sponsorship - Corporate	1 331	191
	Sponsorship - Government	1 746	-
	Donations	130	67
	Book and merchandise sales	247	-
	Sundry	213	77
		3 667	335
5.	Administration Expenses		
	Significant items of expenditure included in the total of administration expenses were:		
	Depreciation	58	44
	Operating leases	104	116
	Bad and doubtful debts	14	40
	Marketing	1 466	204
	Development	249	139
	Other expenses	626	497
		2 517	1 040
6.	Programmed Events		
	Heads Up	-	100
	Festival of Arts 2000	-	18
	Festival of Ideas 2001	185	94
	Festival of Arts 2002	5 003	1 860
		5 188	2 072
7.	Reconciliation of Cash		
	For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank, and bank overdraft.		
	Cash on hand	1	1
	Cash at bank	45	79
	Bank overdraft	-	(96)
		46	(16)
8.	Receivables		
	Trade debtors	379	336
	Less: Provision for doubtful debts	5	40
	Prepayments and accruals	185	20
		559	316
9.	Property, Plant and Equipment		
	(a) Office equipment and furniture at cost	242	205
	Less: Accumulated depreciation	135	77
	Written Down Value	107	128
	(b) Reconciliation of Carrying Amounts of Property, Plant and Equipment:		
	Balance at 1 July	205	128
	Add: Additions	37	84
	Less: Disposals	-	7
	Balance at 30 June	242	205
	Accumulated depreciation:		
	Balance at 1 July	77	34
	Less: Disposals	-	1
	Add: Depreciation expense	58	44
	Balance at 30 June	135	77
	Net Book Value	107	128
10.	Payables		
	Trade creditors and accruals	845	234
	Employee costs	17	79
		862	313

11. Provisions	2002	2001
Provision for employee entitlements:	\$'000	\$'000
Current:		
Annual leave	29	69
Long service leave	9	11
	<u>38</u>	<u>80</u>
Non-Current:		
Long service leave	30	6
	<u>30</u>	<u>6</u>
12. Accumulated (Deficit) Surplus		
Balance at 1 July	29	146
Deficit from ordinary activities	(247)	(117)
Balance at 30 June	<u>(218)</u>	<u>29</u>
13. Reconciliation of Deficit from Ordinary Activities to Net Cash provided by Operating Activities		
Deficit from Ordinary Activities	(247)	(117)
Items not involving cash:		
Depreciation	58	44
Changes in Assets and Liabilities:		
(Increase) Decrease in receivables	(243)	882
Increase (Decrease) in payables	549	(513)
Increase (Decrease) in provision for employee entitlements	(18)	(36)
Net Cash provided by Operating Activities	<u>99</u>	<u>260</u>

14. Remuneration to Auditors
The amount due to and receivable by the Auditor-General's Department for auditing the accounts for the year was \$13 000 (\$11 900). The auditors provided no other services.

15. Consultancies
During the year the Board engaged consultants to assist in its operation. The costs of these consultancies was \$33 000 (\$108 000).

The number of consultancies whose payments fell within the following bands were:

	2002	2001
	Number of	Number of
	Consultancies	Consultancies
\$nil - \$10 000	9	6
\$10 001 - \$50 000	-	1
\$50 001 and above	-	1

16. Commitments for Expenditure	2002	2001
Operating Leases:	\$'000	\$'000
Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
Not later than one year	79	89
Later than one year and not later than five years	102	181
	<u>181</u>	<u>270</u>

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

The motor vehicle lease is a non-cancellable leases, payable monthly in arrears. Options exist to renew the lease at the end of the term of the lease.

The property lease is a non-cancellable lease, payable monthly in advance. An option exists to renew the lease at the end of the term of the lease.

17. Remuneration of Employees	2002	2001
The number of employees whose total remuneration fell within the following bands:	Number of	Number of
	Employees	Employees
\$140 000 - \$149 999	-	1
18. Remuneration of Board Members	2002	2001
Remuneration of the Board Members fell between the following bands:	Number of	Number of
	Members	Members
\$nil - \$10 000	13	11

The aggregate remuneration referred to in the above table for Board Members is \$61 000 (\$66 000).

As at 30 June 2002, two members of the Board, who are government employees, received no sitting fee from the Corporation.

19. Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Instrument	Note	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial Assets:			
Cash on hand and at bank	7	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	All funds attract interest. The rate is determined by the bank at its discretion. The interest rate as at 30 June 2002 was 4.0 percent. Interest is paid monthly.
Receivables	8	Receivables are recognised at their nominal amounts. Amounts are recognised when services are provided. Collectibility of debts is assessed at balance date with any bad debts being written off prior to balance date.	Standard credit terms are 30 days.
Financial Liabilities:			
Payables	10	Creditors are recognised at their nominal amounts. Liabilities are recognised once the goods or services have been received.	Creditors are generally paid within 30 days.

(b) Interest Rate Risk

Financial Instrument	Note	2002			Weighted Average Effective Interest Rate Percent	2001			Weighted Average Effective Interest Rate Percent
		Floating Interest Rate \$'000	Non-Interest Bearing \$'000	Total \$'000		Floating Interest Rate \$'000	Non-Interest Bearing \$'000	Total \$'000	
Financial Assets:									
Cash at bank	7	45	-	45	4.0	(17)	-	(17)	4.0
Cash on hand	7	-	1	1	-	-	1	1	-
Receivables	8	-	559	559	-	-	316	316	-
Total		45	560	605		(17)	317	300	
Financial Liabilities:									
Payables	10	-	862	862	-	-	313	313	-
Total		-	862	862		-	313	313	

(c) Net Fair Values of Financial Assets and Liabilities

The net fair values of the financial assets and liabilities in this report approximate their carrying value.

(d) Credit Risk Exposure

The maximum credit risk exposure at reporting date in relation to each class of recognised financial asset and financial liability is the amount as indicated in the Statement of Financial Position.

20. Related Party Disclosures

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

During the period the following persons occupied the position of Board Members of the Adelaide Festival Corporation:

Mr J Morphett AM OBE (Chair) to 30 April 2002	Mr J Hill	Mr F J Ford AM to 30 March 2002
Mr R Adler AO (Chair) from 1 May 2002	Mr J Sharman to November 2001	Mr A Steel AM to 30 March 2002
Mr R Angove AM	Mr L Warren from 1 May 2002	Ms N Downer to 30 March 2002
Ms M Oats from 1 April 2002	Mr C Dunsford	Ms V Szekeres from 1 April 2002
Ms S Sdraulig from 1 May 2002		

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

21. Comparison of Biennial Periods

The following table highlights the operating result of the Corporation with comparisons of the biennial periods 1 July 1998 to 30 June 2000 and 1 July 2000 to 30 June 2002 which cover the periods of operation relating to the conduct of the 2000 and 2002 Adelaide Festival of Arts and other projects.

	2002 \$'000	2000 \$'000
Revenues from Ordinary Activities:		
Grants from Government	6 709	5 507
Grants from Government - Film	1 500	-
Other grants	972	1 472
Box office	1 111	2 454
Sponsorship	3 268	4 492
Interest	43	167
Donations	197	88
Other income	537	831
Total Revenues	14 337	15 011

21. Comparison of Biennial Periods (continued)	2002	2000
	\$'000	\$'000
Expenses from Ordinary Activities:		
Administration	2 097	1 794
Development	388	570
Marketing	1 669	1 708
Writers Week	396	283
Projects	213	795
Programmed events	4 013	7 427
Film program	1 699	-
Visual Arts	343	242
Employee costs	3 884	2 397
Total Expenses	14 702	15 216
Corporate (Deficit) from Biennial Period Operations	(365)	(205)

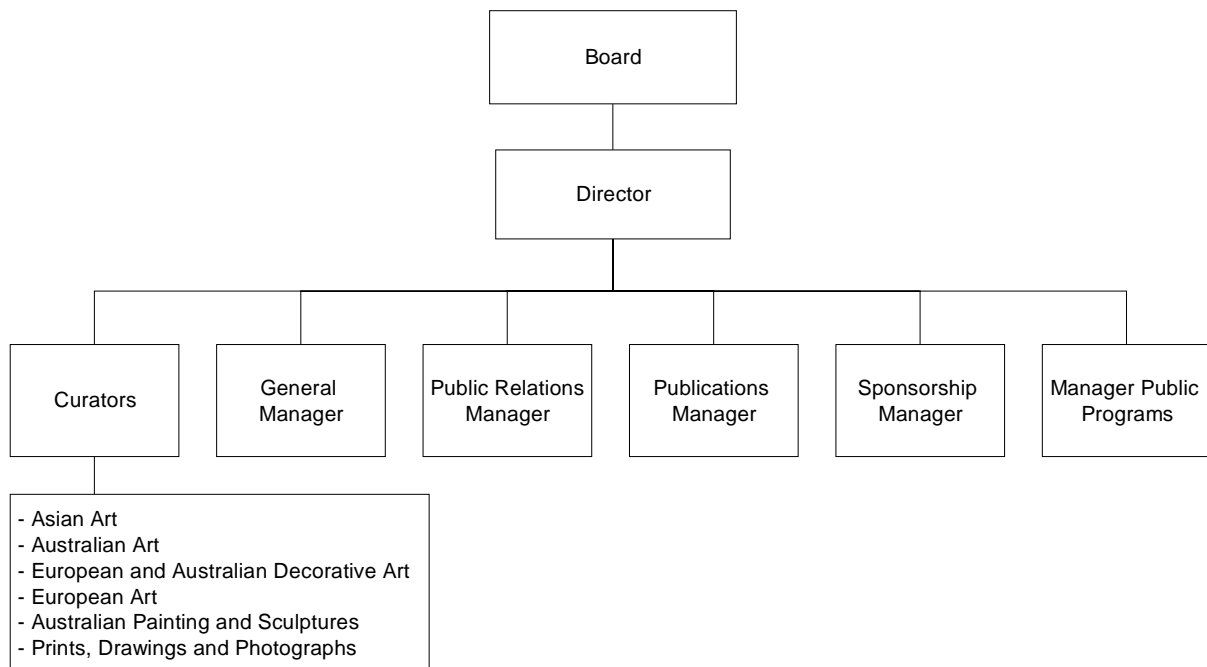
ART GALLERY BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Board was established under subsection 4(1) of the *Art Gallery Act 1939*. A body corporate, the principal functions of the Board are to:

- undertake the care and control of the Art Gallery and of all the lands and premises placed under the care and control of the Board;
- undertake the care and control of all works of art, exhibits and other personal property acquired for the purposes of the Art Gallery;
- assist in the promotion and supervision of art galleries, and collections of art, and any body or association established for the promotion of art within the State.

The organisational structure of the Board is:



SIGNIFICANT FEATURE

Land and buildings were revalued during the year resulting in a revaluation increment of \$2.3 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 26(2) of the *Art Gallery Act 1939* provides specifically for the Auditor-General to audit the accounts of the Board in respect of each financial year.

Scope of Audit

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

During 2001-02 specific areas of Audit attention included:

- revenue including cash receipting and banking, and bookshop operations
- expenditure including accounts payable, and salaries and wages
- investments
- property, plant and equipment including the adequacy of asset register maintenance
- collection management.

Audit Communications to Management

An audit management letter conveying the scope of the audit and related findings was forwarded to the Director, Art Gallery. A satisfactory response was received to the matters raised in that letter.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control environment was assessed as satisfactory.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Operating Result

The operating result for the year was a Surplus from Ordinary Activities of \$3.7 million, compared with a surplus of \$3.8 million in 2000-01.

Expenditure for the year increased by \$1.2 million to \$8.7 million.

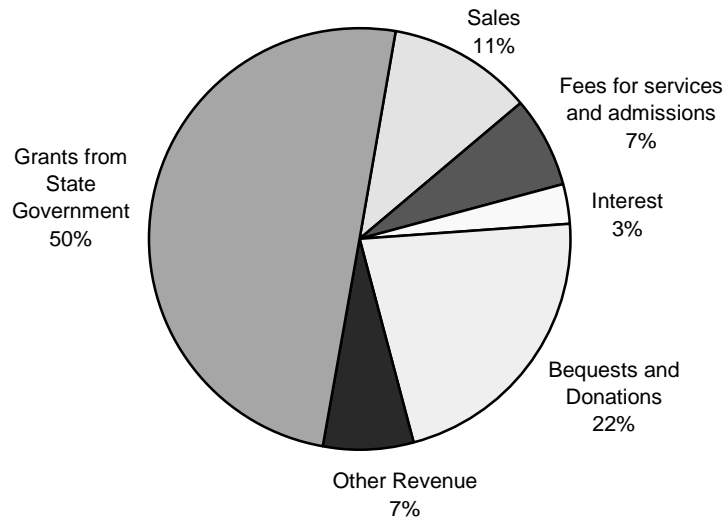
Revenues from Ordinary Activities for the year totalled \$12.4 million (\$11.3 million). This includes grants from State Government of \$6.2 million (\$5.3 million).

Revenues from Ordinary Activities

Grants from the State Government represent 50 percent of Revenues from Ordinary Activities which supports the view that the Board is dependent on the ongoing financial support of the State Government as expressed in Note 2(o) to the Financial Statements. Bequests and donations represent 22 percent of Revenues from Ordinary Activities.

The following chart shows the major categories of Revenues from Ordinary Activities as a percentage of total revenues.

Revenues from Ordinary Activities by Category



Statement of Financial Position

Non-Current Assets

Property, Plant and Equipment

The written down value of property, plant and equipment increased by \$1.9 million to \$31.2 million. This increase is mainly attributable to the revaluation of land and buildings at 30 June 2002 which resulted in a revaluation increment of \$2.3 million.

Heritage Collections

The Board was granted an exemption by the Treasurer from compliance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' which requires non-current assets to be revalued every three years. The heritage collections, which were due to be revalued as at 30 June 2001, will now be revalued as at 30 June 2003 (refer Note 2(g)).

The value of Heritage Collections increased by \$5.8 million to \$338.9 million. The valuation methodology applied to the Heritage Collection is explained in Note 2(g). The Board has accumulated these assets over a significant period of time primarily through the use of government funding, together with bequests and donations.

Liabilities - Payables

Payables at 30 June 2002 totalled \$1.6 million of which \$1.5 million relates to amounts owing for artworks purchased during the year.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Sales of goods		1 347	921
Fees for services and admissions	3	816	500
Interest and investment income		395	474
Bequest and donations		910	1 689
Donations of heritage assets		1 864	1 321
Other revenue	3	1 494	1 161
Grants from State Government:			
Operations		5 537	5 263
Total Revenues		12 363	11 329
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	4	2 231	2 138
Administration expenses	4	3 471	2 750
Accommodation and service costs	4	2 605	2 413
Conservation of collections		374	206
Total Expenses		8 681	7 507
SURPLUS FROM ORDINARY ACTIVITIES	5	3 682	3 822
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net credit to asset revaluation reserve on revaluation of non-current assets	15	2 332	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		6 014	3 822

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets	6	4 014	4 247
Receivables	7	33	94
Inventories		190	187
Other	8	214	304
Total Current Assets		4 451	4 832
NON-CURRENT ASSETS:			
Property, plant and equipment	9	31 158	29 288
Heritage collections	10	338 938	333 184
Investments	11	2 541	2 647
Total Non-Current Assets		372 637	365 119
Total Assets		377 088	369 951
CURRENT LIABILITIES:			
Payables	12	1 089	249
Provision for employee entitlements	13	209	204
Total Current Liabilities		1 298	453
NON-CURRENT LIABILITIES:			
Payables	12	539	42
Provision for employee entitlements	13	547	567
Total Non-Current Liabilities		1 086	609
Total Liabilities		2 384	1 062
NET ASSETS		374 704	368 889
EQUITY:			
Accumulated surplus	14	370 681	367 198
Reserves	15	4 023	1 691
TOTAL EQUITY		374 704	368 889
Commitments	16		
Contingent Liabilities	17		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Sales of goods		1 399	893
Fees for services and admissions		816	500
Interest and investment income		432	580
Bequests and donations		910	1 689
Other sundry receipts		1 486	555
PAYMENTS:			
Employee costs		(2 184)	(2 145)
Administration expenses		(3 734)	(4 793)
Accommodation and service costs		(2 317)	(563)
CASH FLOWS FROM GOVERNMENT:			
Grants from State Government - Operations		5 537	5 263
Net Cash provided by Operating Activities	6(b)	2 345	1 979
CASH FLOWS FROM INVESTING ACTIVITIES:			
PROCEEDS FROM:			
Sales/maturities of investments		-	267
PAYMENTS FOR:			
Purchase of works of art		(2 479)	(2 365)
Property, plant and equipment		(6)	(13)
Investments		(93)	(238)
Net Cash used in Investing Activities		(2 578)	(2 349)
NET DECREASE IN CASH HELD		(233)	(370)
CASH AT 1 JULY		4 247	4 617
CASH AT 30 JUNE	2(m)	4 014	4 247

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Art Gallery Board Objectives

The Art Gallery Board (the Board) is charged with the management of the Art Gallery of South Australia.

The Art Gallery of South Australia's objectives are to:

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

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards, applicable Urgent Issues Group Consensus Views and other mandatory reporting requirements. The report is prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) Change in Accounting Policies

There has been no change in accounting policies this financial year.

(c) The Reporting Entity

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

The financial report encompasses transactions through the following accounts: an interest bearing Special Deposit Account titled 'Arts South Australia Operating Account', an interest bearing Deposit Account titled 'Art Gallery Board Bequests Account' and an interest bearing cheque account titled 'Art Gallery Bank SA Account'.

(d) Revenue

Revenue from sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account interest rates applicable to financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(e) Grants from State Government

Grants are recognised as revenue in the period in which the Board obtains control over the grants.

(f) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets acquired after 1 July 1996. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. Assets donated during the year have been brought to account at market value.

(g) Valuation of Non-Current Assets

The Board has adopted the deprival value method as the basis of valuing all of its non-current assets.

In accordance with the transitional provisions of Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' the Board has continued to apply the deprival value methodology as the basis of valuing its non-current assets.

Land and Buildings

Land and buildings have been valued at replacement cost. Valuations of land and buildings were determined as at 30 June 2002 by the Australian Valuation Office resulting in a revaluation increment of \$2 332 000. Land and buildings are independently valued every three years.

Plant and Equipment

Plant and equipment have been valued at historic cost.

Heritage Collections

The heritage collections are large and diverse. They include many items that are complex to value given considerations of market and deprival value and their uniqueness.

The Board was granted exemption by the Treasurer from compliance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' which requires non-current assets to be revalued every three years. The collections will now be revalued as at 30 June 2003.

After taking advantage of the transitional provisions of Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments', the value of certain sections of the heritage collections held as at 1 July 1996 were determined as at 30 June 1998 using the valuation methodology outlined below. Heritage assets acquired between 1 July 1996 and 30 June 2002 have been brought to account at cost.

The Board adopted the following methodology for valuing heritage assets held as at 1 July 1996.

Works of art were valued by the appropriate curator either by valuing all items or establishing an average value through representative sampling. External valuations of all items or representative samplings were obtained and in the event of variations between the values the following policy was adopted. Where there was disagreement between the internal and external valuation, the higher valuation was recorded as the correct valuation unless the difference in the valuations was substantial and greater than 50 percent in which case the average of the two valuations was recorded as the correct valuation.

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

Australian Paintings and Sculptures	Mr C Deutscher
Australian and European Decorative Arts	Mr K Rayment
Asian Art	Mr R Tregaskis
European Paintings and Sculptures:	
Before 1850	Mr N Hall
After 1850	Mr P Nahum
Numismatics	Mr R Greig
Prints, Drawings and Photographs:	
Australian Prints and Drawings	Mr C Deutscher
International Prints	Mr P McCarron and Mr F Mulder
International and Australian Photography	Mr J Lebovic
European Drawings	Mr R Knight
Murray Stamp Collection	Mr A Presgrave
Krichauf Stamp Collection	Mr J C Bell

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

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

(h) Depreciation of Non-Current Assets

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each non-current asset (valued over \$5 000) over its expected useful life except for land and works of art which are not depreciable. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessment for major items.

The expected useful lives are as follows:

Item	Years
Buildings and improvements	Useful life depends on individual asset items
Plant and equipment	5-15

Works of art are kept under special conditions to minimise deterioration and they are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised in respect of works of art as their service potential has not, in any material sense, been consumed.

(i) Inventories

Inventories are valued at average cost.

(j) Employee Entitlements

(i) Wages, Salaries and Annual Leave

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

(ii) Long Service Leave

A liability for long service leave has been recognised which represents the amount which the Board has a present obligation to pay resulting from employees' services provided up to the reporting date. The liability has been calculated at nominal amounts based on current wage and salary rates using a benchmark of eight years service as advised by the Department of Treasury and Finance.

(iii) Superannuation

Contributions are made by the Board to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

(k) Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability according to the Board's record of claim numbers and payments over the period 1 July 1987 to 30 June 2002. A separate valuation of the liabilities of the Board has not been undertaken and if such a valuation was performed it may result in a different assessed liability.

(l) Investments

Investments are brought to account at cost.

(m) Cash Assets

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

(n) Leases

The Board has entered into a number of operating lease agreements for vehicles and photocopiers where the lessors effectively retain all of the risk and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

(o) State Government Funding

The financial report is prepared under the assumption of ongoing financial support being provided to the Board by the State Government.

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

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

The amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

The net GST receivable/payable to the Australian Taxation Office is not recognised as a receivable/payable in the Statement of Financial Position as the Board is a member of an approved GST group of which Arts SA, a division of the Department of the Premier and Cabinet, is responsible for the remittance and collection of GST. There are no cash flows relating to GST transactions with the Australian Taxation Office in the Statement of Cash Flows.

(q) Comparative Figures

Where necessary comparative figures have been adjusted to conform with changes in presentation in 2001-02.

3. Revenues from Ordinary Activities

Fees for services and admissions comprised:

	2002	2001
	\$'000	\$'000
Fees for service	153	127
Admissions for temporary exhibitions	663	373
	816	500

Other revenue comprises the following categories of operating income:

Sponsorships	456	238
Rent and hire income	208	191
Exhibition hire	156	32
Grants	25	159
State Government Grants	614	-
Bonus share recognition 30 June 2001 (refer Note 14)	-	203
Salaries recouped	3	45
Profit on sale of investments	-	232
Sundry receipts	32	61
	1 494	1 161

There were no revenues earned as a result of non-operating activities.

4. Expenses from Ordinary Activities		2002	2001
Employee costs were incurred in relation to the following:		\$'000	\$'000
Wages and salaries		1 755	1 769
Superannuation and payroll tax expenses		292	325
Annual, long service leave and other employee related expenses		184	44
		2 231	2 138
Administration expenses were incurred in relation to the following:			
Research, collections and exhibitions operational expenses		376	412
Insurance and risk management		370	355
Communications and stationery		914	542
Cost of goods sold		459	363
Marketing		534	407
Depreciation of plant and equipment		24	19
Operating lease expenditure		81	34
Board expenditure		91	74
Travel and accommodation		131	66
Entertainment		29	26
Contractors, consultants and other professional fees		85	76
Minor equipment expenditure		38	39
Business service charge		249	244
Bank charges		15	10
EDS charges		31	29
Memberships and subscriptions		18	30
Sundry payments		26	24
		3 471	2 750
Accommodation and service costs were incurred in relation to the following:			
Utility costs		676	517
Maintenance		1 491	1 458
Depreciation of buildings and improvements		438	438
		2 605	2 413
5. Surplus from Ordinary Activities			
Surplus from ordinary activities includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance for the entity:			
Revenue from sale of investments		-	267
Expenses from sale of investments		-	35
Gain from Sale of Investments		-	232
6. (a) Cash Assets			
Cash at bank and on hand		1 872	1 747
Deposits with Bank SA		2 142	2 500
		4 014	4 247
(b) Reconciliation of Surplus from Ordinary Activities to Net Cash provided by Operating Activities			
Surplus from ordinary activities		2 671	3 822
Non-Cash Items:			
Depreciation expense		462	457
Profit on sale of assets		-	(232)
Donated investments		199	(203)
Donations of art work		(1 052)	(1 321)
Change in operating assets and liabilities:			
(Increase) Decrease in assets		147	(194)
Increase (Decrease) in liabilities		(82)	(350)
Net Cash provided by Operating Activities		2 345	1 979
7. Receivables			
Receivables		33	94
8. Other Current Assets			
Accrued interest and dividends		48	74
Conservation prepayment		159	228
Accrued revenue		7	2
		214	304
9. (a) Property, Plant and Equipment		2002	2001
		Gross Value	Gross Value
		\$'000	\$'000
		Accumulated Depreciation	Accumulated Depreciation
		\$'000	\$'000
		Written Down Value	Written Down Value
		\$'000	\$'000
Land, buildings and improvements - At valuation		43 252	40 033
Plant and equipment - At cost		152	152
		12 141	10 816
		105	81
Total		43 404	40 185
		12 246	10 897
		31 158	29 288

(b) Reconciliation of Carrying Amounts of Property, Plant and Equipment		2002		
		Land, Buildings & Improvements \$'000	Plant and Equipment \$'000	Total \$'000
Carrying amount at 1 July		29 217	71	29 288
Valuation Increment		2 332	-	2 332
Depreciation expense		(438)	(24)	(462)
Carrying Amount at 30 June		31 111	47	31 158

10. (a) Heritage Collections	2002			2001		
	At Cost \$'000	At Valuation \$'000	Total \$'000	At Cost \$'000	At Valuation \$'000	Total \$'000
Australian paintings and sculptures	4 895	102 073	106 968	3 698	102 073	105 771
Australian and European decorative arts	3 237	14 089	17 326	710	14 089	14 799
Asian art	2 792	6 071	8 863	2 274	6 071	8 345
European paintings and sculptures	10 186	164 088	174 274	8 883	164 088	172 971
Prints, drawings and photographs	712	27 912	28 624	530	27 912	28 442
Numismatics	-	1 376	1 376	-	1 376	1 376
Philatelic material	-	288	288	-	288	288
Library	146	1 073	1 219	119	1 073	1 192
Total	21 968	316 970	338 938	16 214	316 970	333 184

(b) Reconciliation of Carrying Amounts of Heritage Collections	Balance 1 July \$'000	Additions \$'000	Balance 30 June \$'000	Balance 1 July \$'000	Additions \$'000	Balance 30 June \$'000
Australian paintings and sculptures	105 771	1 197	106 968	104 189	1 582	105 771
Australian and European decorative arts	14 799	2 527	17 326	14 651	148	14 799
Asian art	8 345	518	8 863	8 310	35	8 345
European paintings and sculptures	172 971	1 303	174 274	171 150	1 821	172 971
Prints, drawings and photographs	28 442	182	28 624	28 290	152	28 442
Numismatics	1 376	-	1 376	1 376	-	1 376
Philatelic material	288	-	288	288	-	288
Library	1 192	27	1 219	1 161	31	1 192
Total	333 184	5 754	338 938	329 415	3 769	333 184

11. Investments	2002	2001
Non-Current Investments:	\$'000	\$'000
Commonwealth securities	245	245
Shares, convertible notes and other investments in companies	2 296	2 402
	2 541	2 647

The market value of the portfolio at 30 June 2002 was \$4.1 million (\$3.6 million).

12. Payables		
Current:		
Creditors and accruals	1 068	227
Employee costs	21	22
	1 089	249
Non-Current:		
Creditors and accruals	502	2
Employee costs	37	40
	539	42

13. Provision for Employee Entitlements		
Current Liability:		
Provision for long service leave	28	29
Provision for workers compensation	70	64
Provision for annual leave	111	111
	209	204
Non-Current Liability:		
Provision for long service leave	319	339
Provision for workers compensation	228	228
	547	567

14. Accumulated Surplus		
Balance at 1 July	367 198	363 376
Surplus from ordinary activities	3 682	3 822
Adjustment to prior year recognition of bonus shares due to change in accounting treatment (refer Note 3)	(199)	-
Balance at 30 June	370 681	367 198

15. Reserves		2002	2001
Asset Revaluation Reserve - Land, Buildings and Improvements:		\$'000	\$'000
Balance at 1 July		1 691	1 691
Valuation increment		2 332	-
Balance at 30 June		4 023	1 691

16. Commitments for Expenditure			
Operating Leases:			
Commitments under operating leases at the reporting date are payable as follows:			
Not later than one year		23	16
Later than one year and not later than five years		18	19
		41	35

These operating lease commitments which are not recognised in the financial report as liabilities, comprise motor vehicle and photocopier leases which are non-cancellable leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of the terms.

17. Contingent Liabilities
There are no known contingent liabilities as at 30 June 2002.

18. Remuneration of Board Members		2002	2001
The number of Board Members whose remuneration received or receivable fell within the following bands were:		Number of Board Members	Number of Board Members
\$0 - \$9 999		8	11
\$10 000 - \$19 999		2	1
		2002	2001
		\$'000	\$'000
Mr NR Adler		14 679	14 679
Ms C Bennett		9 320	9 320
Mr MJM Carter		9 320	9 320
Mrs S Cocks		9 320	9 320
Mr R Cohen		9 320	3 883
Ms V Hickey (includes payment in relation to prior year)		12 226	-
Mr D McKee		9 320	9 320
Ms K Sedgwick (to April 2002)		8 544	8 544
Ms S Tweddell		9 320	3 883
Mr A Wynn (from 22 May 2002)		-	-
Ms ST McGregor		-	5 437

The total income received or receivable by Board members for the year was \$91 000 (\$74 000). This amount includes superannuation payments of \$6 000 (\$5 000). One (two) board member did not receive any remuneration during the 2002 financial year.

19. Related Party Disclosures
During the financial year the following persons held positions on the Board:

Mr NR Adler (Chairman), Mr MJM Carter, Mrs S Cocks, Mr A Wynn (from 22 May 2002), Mr D McKee, Ms C Bennett, Ms K Sedgwick (to 2 April 2002), Mr R Cohen, Ms S Tweddell and Ms V Hickey.

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

20. Remuneration of Auditors		2002	2001
Audit fees in relation to the year ended 30 June		\$'000	\$'000
		20	20

The Auditors provided no other services to the Board.

21. Remuneration of Employees		2002	2001
The number of employees whose annual remuneration was over \$100 000 fell within the following bands:		Number of Employees	Number of Employees
\$160 000 - \$169 999		-	1
\$170 000 - \$179 999		1	-

The total remuneration received by this employee for the year was \$171 000 (\$164 000).

22. Targeted Voluntary Separation Package Scheme (TVSPs)
During 2001-02 two TVSPs totalling \$160 000 were paid. An additional \$49 000 was paid on account of accrued annual leave and long service leave. The TVSP amount was paid by the Department for Transport, Urban Planning and the Arts, which subsequently received reimbursement of this amount from the Department of the Premier and Cabinet. No TVSPs were paid during 2000-01.

23. Payments to Consultants	Number of Consultants		Total Cost of Consultants	
	2002	2001	2002 \$'000	2001 \$'000
Payments to consultants during 2001-02 fell into the following ranges:				
Below \$10 000	-	1	-	1

There were no payments to consultants during 2001-02. In 2000-01 the amount paid was \$1 000.

24. **Financial Instruments**

(a) **Terms and Conditions**

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash assets	2(m)	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis although some funds held within the total cash balance are non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are the Special Deposit Account titled 'Arts South Australia Operating Account', the Deposit Account titled 'Art Gallery Board Bequests Account' and the Bank SA account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts which is currently 4.17 percent (5.06 percent) as at 30 June 2002. The interest rate for funds held at Bank SA is currently 4.45 percent.
Receivables	7	Receivables are recorded at amounts due to the Board. They are recorded when services have been completed.	Receivables are due within 30 days.
Investments	11	Investments are brought to account at cost. Interest is credited to revenue as it accrues. Dividend revenue is recognised when the right to receive a dividend has been established.	Portfolio of shares, debentures and convertible notes. Interest income is received quarterly.
Financial Liabilities			
Payables	12	Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) **Interest Rate Risk**

Financial Instrument	2002				2001			
	Interest Rate Percent	Interest Bearing Floating Rate \$'000	Non-Interest Bearing Rate \$'000	Total \$'000	Interest Rate Percent	Interest Bearing Floating Rate \$'000	Non-Interest Bearing Rate \$'000	Total \$'000
Financial Assets:								
Cash assets	4.32	4 006	8	4 014	4.81	4 242	5	4 247
Receivables	-	-	33	33	-	-	94	94
Investments	6.15	1 572	*969	2 541	7.20	1 676	*971	2 647
		<u>5 578</u>	<u>1 010</u>	<u>6 588</u>		<u>5 918</u>	<u>1 070</u>	<u>6 988</u>
Financial Liabilities:								
Payables	-	-	1 570	1 570	-	-	229	229
			<u>1 570</u>	<u>1 570</u>			<u>229</u>	<u>229</u>

* Represents shares which are subject to payment of dividends.

(c) **Net Fair Values of Financial Assets and Liabilities**

Financial Instrument:	Note	2002		2001	
		Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Cash assets	6(a)	4 014	4 014	4 247	4 247
Receivables	7	33	33	94	94
Investments	11	2 541	4 065	2 647	3 994
		<u>6 588</u>	<u>8 112</u>	<u>6 988</u>	<u>8 335</u>
Payables	12	1 570	1 570	229	229
		<u>1 570</u>	<u>1 570</u>	<u>229</u>	<u>229</u>

The net fair value is determined as the carrying value of all assets and liabilities except for investments where market value has been used.

(d) **Credit Risk Exposure**

The Board's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

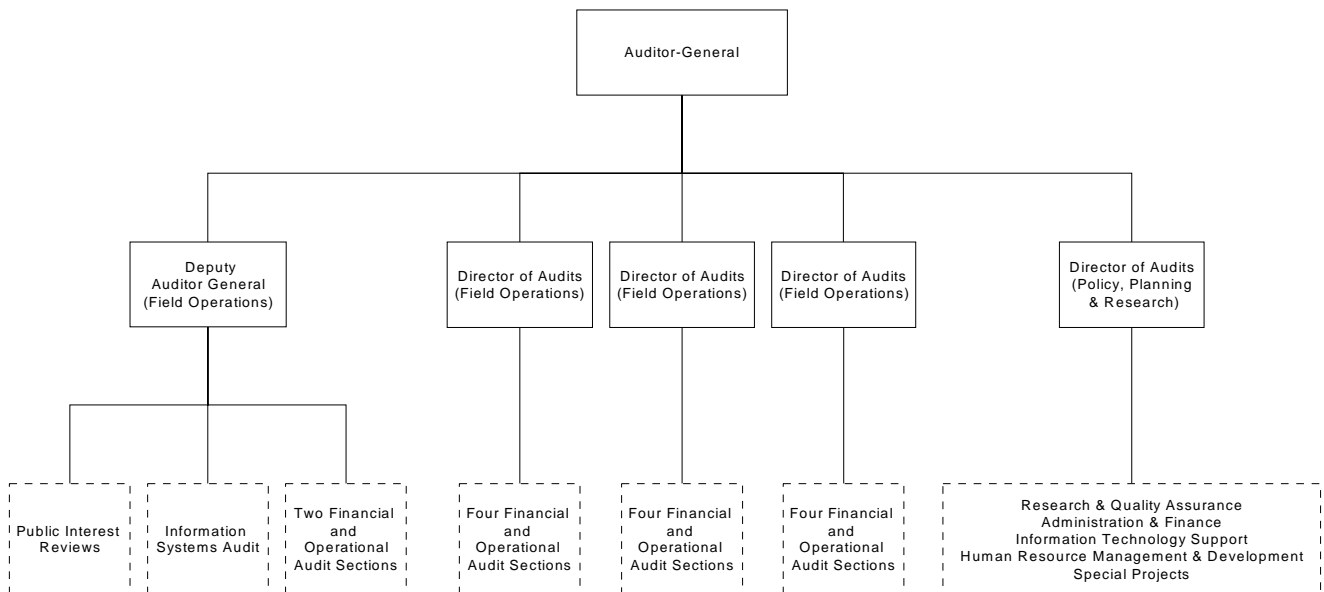
The Board has no significant exposures to any concentrations of credit risk.

AUDITOR-GENERAL'S DEPARTMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The *Public Finance and Audit Act 1987* confers wide powers on the Auditor-General to examine any matters relating to the collection, receipt, issue or expenditure of public monies and to report on the efficiency and economy of public sector operations. In addition, the Auditor-General has been appointed auditor of various statutory corporations and funds; has been appointed auditor of a number of companies associated with the operations of public sector agencies; has a discretionary right under the *Education Act 1972* to inspect or audit the accounts of school councils and; is required by the *South Australian Health Commission Act 1976* to audit the accounts of prescribed incorporated hospitals and health units and to approve of the auditor of other incorporated hospitals and units.

The structure of the Department is:



AUDIT MANDATE AND COVERAGE

Audit Authority

Under section 35(1) of the *Public Finance and Audit Act 1987*, the Governor, on the recommendation of the Treasurer, has appointed Grant Thornton as auditor of the Auditor-General's Department. An unqualified Independent Audit Report was issued in respect of the year ended 30 June 2002.

AUDIT FINDINGS AND COMMENTS

Grant Thornton reported the results of their audit in a management letter dated 11 July 2002. One matter that came to their attention during the course of the audit related to possible improvements in the control of electronic funds transfers (EFT). In response to the recommendation, the Department changed control procedures involving the segregation of the authorised preparation of an EFT transaction and the transmission of the EFT transaction through the use of independent electronic passwords.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee entitlements	1.3	5 351	5 220
Employment on-costs		954	1 013
Administration expenses, minor equipment and sundries		780	654
Contract audit fees		671	664
Accommodation and service costs		561	504
Consultancies		356	1 110
Depreciation	1.4, 5.2	279	269
Staff development and training		209	213
(Profit) Loss on disposal of assets	4	(1)	30
Total Expenses		9 160	9 677
REVENUES FROM ORDINARY ACTIVITIES:			
Interest		132	-
Other income		3	2
Total Revenues		135	2
NET COST OF SERVICES		9 025	9 675
REVENUES FROM GOVERNMENT:			
Recurrent appropriations	3	9 232	9 654
NET SURPLUS (DEFICIT)		207	(21)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		207	(21)

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash	1.7, 8.1	940	596
Receivables	1.7	116	131
Total Current Assets		1 056	727
NON-CURRENT ASSETS:			
Computer and office facilities	1.4, 5	1 460	1 338
Accumulated depreciation	1.4, 5	(971)	(870)
Total Non-Current Assets		489	468
Total Assets		1 545	1 195
CURRENT LIABILITIES:			
Creditors and accruals	1.7	43	77
Cash advance - Imprest accounts	1.7	3	3
Employee entitlements	1.3, 6	586	534
Employment on-costs		145	118
Total Current Liabilities		777	732
NON-CURRENT LIABILITIES:			
Employee entitlements	1.3, 6	1 136	1 045
Employment on-costs		148	141
Total Non-Current Liabilities		1 284	1 186
Total Liabilities		2 061	1 918
NET ASSETS	7	(516)	(723)
EQUITY:			
Opening balance - Deficit		(723)	(702)
Increase (Decrease) in net assets		207	(21)
TOTAL EQUITY	7	(516)	(723)

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee entitlements		(5 196)	(5 231)
Employment on-costs		(920)	(1 033)
Goods and services		(2 848)	(3 459)
Goods and services tax on investing activities		(30)	(29)
RECEIPTS:			
Interest		132	-
Other income		3	2
Goods and service tax refunds		270	212
CASH FLOWS FROM GOVERNMENT:			
Recurrent appropriations	3	9 232	9 654
Net Cash provided by Operating Activities	8.2	643	116
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of computer and office facilities		(358)	(426)
Disposal of computer and office facilities		59	49
Net Cash used in Investing Activities		(299)	(377)
NET INCREASE (DECREASE) IN CASH HELD			
CASH AT 1 JULY			
CASH AT 30 JUNE			
	8.1	940	596

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

	Note	2002 \$'000	2001 \$'000
ADMINISTERED EXPENSES:			
Employee entitlements	1.3, 9.2	207	212
Amounts paid/payable to consolidated account		8 478	8 360
Goods and services tax paid/payable		770	443
Total Administered Expenses		9 455	9 015
ADMINISTERED REVENUES:			
Fees for audit services	9.1	7 700	7 913
Sundry revenue		-	4
Goods and services tax received/receivable on audit fees		770	443
Appropriation under Special Acts	3, 9.2	199	196
Appropriation - Goods and Services Tax	3	735	290
Total Administered Revenues		9 404	8 846
ADMINISTERED REVENUE LESS ADMINISTERED EXPENSES			
		(51)	(169)

Schedule of Administered Assets and Liabilities as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
ADMINISTERED ASSETS:			
CURRENT:			
Receivables	1.7, 9.1	564	590
Total Administered Assets		564	590
ADMINISTERED LIABILITIES:			
CURRENT:			
Employee entitlements	1.3, 6	88	93
Creditors and accruals		9	-
Amounts payable to consolidated account	9.1	564	590
Goods and services tax payable		187	153
Total Current Liabilities		848	836
NON-CURRENT:			
Employee entitlements	1.3, 6	170	157
Total Non-Current Liabilities		170	157
Total Administered Liabilities		1 018	993

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

1.1 Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987* (the Act). The accounts are presented on the accrual basis of accounting using historical cost accounting which does not take into account changing money values. Unless otherwise stated, the accounting policies adopted are the same as those in the previous year.

1.2 Appropriations

The Department is funded by Parliamentary appropriations for the full accrual cost of its services. The appropriation is paid into a special deposit account titled 'Auditor-General's Department Operating Account'. Appropriation for accrued expense at year end has in previous years been deposited in a special deposit account in the name of the Department at Treasury titled 'Accrual Appropriation Excess Funds'. Use of the funds requires the approval of the Treasurer. Pursuant to Treasurer's Instruction 3.8, this money is deemed to be controlled by the public authority in the name of which the money is recorded.

Administered items are funded by Parliamentary appropriations on a cash basis.

1.3 Employee Entitlements

Provision has been made for employee entitlement liabilities arising from services rendered by employees to balance date in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. Employee entitlements comprise entitlements to salaries and wages, annual leave, long service leave and workers compensation.

- *Salaries, Wages and Annual Leave*
Liabilities for salaries and wages and annual leave are recognised, and are measured as the amount unpaid at current pay rates in respect of employee service periods up to the reporting date.
- *Sick Leave*
No liability is recognised, as sick leave taken by employees is considered to be taken from the current year's accrual.
- *Long Service Leave*
Long service leave is recognised on a pro-rata basis for the employee service periods up to the reporting date. The Department of Treasury and Finance has advised that a benchmark of eight years service can be used for a shorthand estimation of long service leave liability in accordance with the provisions of AAS 30. This advice has been adopted and the long service leave liability as at 30 June 2002 has been calculated at nominal amounts based on current salary and wage rates for employees with eight or more years service.

The long service leave to be taken in the 12 months to 30 June 2003 has been estimated by adding the estimated termination payments in this period to the estimated long service leave to be taken by ongoing employees in the 12 months (based on previous years' experience). The basis of calculation is similar to that used in previous years.

- *Workers Compensation*
The workers compensation provision is an actuarial estimate of the outstanding liability at 30 June provided by a consulting actuary engaged through the Office for the Commissioner for Public Employment. This actuarial estimate provides for the estimated cost of ongoing payments to employees as required under current legislation.

The Department is responsible for the payment of day to day workers compensation claims. Any lump sum settlements are funded from the Government Workers Compensation Fund, administered by the Department of the Premier and Cabinet.

- *Superannuation*
The Department's liability for superannuation is to the Department of Treasury and Finance rather than the superannuation beneficiaries. The Department pays amounts to the Department of Treasury and Finance which represents the Department's share of the accruing liability to employees in relation to the Government's various superannuation schemes. The liability for superannuation is included in Employment on-costs.

1.4 Computer and Office Facilities

Computer and office facilities are recorded at historical cost less accumulated depreciation.

Non-current assets with acquisition cost greater than \$2000 are depreciated using the straight line method of depreciation over their useful lives, which reflects the consumption of their service potential.

All assets useful lives have been set at three years.

1.5 Inventories

Consumable supplies are not recognised in the Statement of Financial Position as the value of these supplies is not considered to be material.

1.6 Administered Items

The Department has two Administered Items namely:

- *Special Acts*
As provided in subsection 24(4) of the Act, the Department receives a separate appropriation for the cash salary and allowances of the Auditor-General.
- *Administered Revenue*
Section 39 of the Act provides for the levying of fees for audit services provided by the Department. All audit fee monies received by the Department are paid into the Consolidated Account. The Department receives a cash appropriation to fund the payment of Goods and Services Tax on audit fees to the Australian Taxation Office.

1.7 Financial Instruments

The Department's accounting policies for financial instruments, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2002, are as follows:

- Cash is held in two Special Deposit Accounts as detailed in Note 1.2 and in two imprest accounts;
- Two interest free imprest accounts are advanced to the Auditor-General by the Treasurer pursuant to section 9 of the Act and are repayable on demand.
- Receivables relate to:
 - Audit Fee debtors (Note 9.1). Terms are 14 days;
 - Goods and Services Tax Receivable. Terms are 14 days of submission of quarterly Business Activity Statement;
- Creditors are raised for amounts billed but unpaid and are normally settled within 30 days;
- All financial instruments are valued at historical cost in the Statement of Financial Position, which approximates net fair value.

1.8 Goods and Services Tax

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

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

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

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

2. Objectives of the Department

The Department's main statutory responsibilities are to audit the public accounts and the accounts of public authorities and to report the results to Parliament in accordance with the requirements of the Act.

The Department's sole output class is the provision of Auditing Services covering all the audit responsibilities prescribed under the Act. Within this class there are two outputs:

- *Prescribed Audits*
Includes all audit work to be undertaken for agencies where the Auditor-General is the prescribed auditor and the Department must annually conduct the audit as prescribed by the Act. During the year the Department spent \$8 941 000 on this output.
- *Special Investigations*
Includes all work defined in the Act that is specifically requested to be undertaken by the Auditor-General. The Auditor-General may be requested to undertake work associated with:
 - conducting and reporting on Special Investigations when requested by the Parliament or Treasurer;
 - reviewing summaries of confidential government contracts and reporting on the adequacy of the document as a summary of the contents of the contract when requested to do so by a Minister.

These projects have specific Terms of Reference requested by the referring party and are treated as a separate output. Consistent with the legislative requirement of audit independence the reports are presented directly to the Parliament. During the year the Department finalised work on the Special Investigation - 'Hindmarsh Soccer Stadium Redevelopment'. Expenditure on this output totalled \$219 000.

3. Funding of the Department

Appropriations to the Department in 2001-02 amounted to \$9 232 000 (\$9 654 000).

Appropriations under Special Acts are reported under Administered Items.

A summary of appropriations and departmental accrual funding for the year is set out below.

	Department		Administered Items	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Appropriation:	9 232	9 254	-	-
Prescribed audits	-	400	-	-
Special Investigations	-	-	199	196
Special Acts	-	-	735	290
Goods and Services Tax	9 232	9 654	934	486
Accrual Appropriation Excess Funds Account:				
Used for payments during year	-	(569)	-	-
Interest	84	-	-	-
	84	(569)	-	-
Balance of funds at beginning of year	285	854	-	-
Balance of funds at end of year	369	285	-	-

4. Loss on Disposal of Assets	2002	2001
	\$'000	\$'000
Historic cost of assets disposed	236	225
Less: Accumulated depreciation	178	146
	58	79
Proceeds on disposal	59	49
Total (Profit) Loss on Disposal of Assets	(1)	30

5. Computer and Office Facilities

5.1 Classes of Computer and Office Facilities

Computing and office equipment - At cost	898	798
Accumulated depreciation	(489)	(455)
	409	343
Computer software - At cost	301	298
Accumulated depreciation	(270)	(252)
	31	46
Library - At cost	16	16
Accumulated depreciation	(16)	(16)
	-	-
Leasehold improvements - At cost	76	76
Accumulated depreciation	(76)	(76)
	-	-
Projects - At cost	169	150
Accumulated depreciation	(120)	(71)
	49	79
Total Computer and Office Facilities	489	468

5.2 Reconciliation of Carrying Amount

	Carrying Amount 1 July \$'000	Additions \$'000	Disposals \$'000	Depreciation \$'000	Carrying Amount 30 June \$'000
Computing and office equipment	343	337	(58)	(213)	409
Computer software	46	2	-	(17)	31
Library	-	-	-	-	-
Leasehold improvements	-	-	-	-	-
Projects	79	19	-	(49)	49
Total Computer and Office Facilities	468	358	(58)	(279)	489

6. Employee Entitlements

	Department		Administered Items	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Current:				
Salaries	25	14	1	1
Annual leave provision	359	334	87	92
Long service leave provision	198	183	-	-
Workers compensation provision	4	3	-	-
Total Current	586	534	88	93
Non-Current:				
Long service leave provision	1 123	1 033	170	157
Workers compensation provision	13	12	-	-
Total Non-Current	1 136	1 045	170	157
Aggregate Employee Entitlement Liability	1 722	1 579	258	250

Employee entitlements recorded under Administered Items relate to the salary and allowances of the Auditor-General.

7. Total Equity

The deficit arises as a result of the Department's previous funding arrangements. Prior to 1998-99, the Department was funded on a cash basis, which did not take account of the full accrual liabilities. The Department will continue to receive annual appropriations from the Consolidated Account to fund its operations. Without funding to meet past liabilities the Department will continue to have a deficit.

8. Notes to the Statement of Cash Flows

8.1 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks. Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position as follows:

	2002	2001
	\$'000	\$'000
Auditor-General's Department Operating Account	568	308
Accrual Appropriation Excess Funds Account	369	285
Imprest Accounts	3	3
	940	596

8.2	Reconciliation of Net Cost of Services to Net Cash provided by Operating Activities	2002	2001
		\$'000	\$'000
	Net cost of services	(9 025)	(9 675)
	Cash flows from government	9 232	9 654
	Depreciation	279	269
	Decrease (Increase) in receivables	15	(113)
	Increase in employee entitlements	143	55
	(Decrease) in creditors and accruals	(34)	(90)
	Increase (Decrease) in employment on costs	34	(14)
	(Profit) Loss on disposal of assets	(1)	30
	Net Cash provided by Operating Activities	643	116

9. Administered Items

9.1 Auditing Fees

Section 39 of the Act provides for the levying of fees for audit services provided by the Department that are paid into the Consolidated Account.

Fees outstanding at 1 July	590	56
Billings (including goods and services tax)	8 470	8 356
	9 060	8 412
Receipts (including goods and services tax)	(8 496)	(7 822)
Fees outstanding at 30 June	564	590

At 30 June, the value of audit work in progress was \$2 352 000 (\$2 512 000). The Department is of the opinion that this amount is recoverable.

9.2 Special Acts

Subsection 24(4) of the Act, provides that the salary and allowances of the Auditor-General will be determined by the Remuneration Tribunal and will be paid from the Consolidated Account.

10. Remuneration of Employees

The number of employees whose total remuneration is within the followings bands was:

	2002	2001
	Number of	Number of
	Employees	Employees
\$120 000 - \$129 999	4	4
\$130 000 - \$139 999	1	1
\$250 000 - \$259 999	1	1

Total remuneration received or receivable by these employees was \$896 000 (\$881 000).

11. Operating Leases

The Department's operating leases are for the leasing of office accommodation and motor vehicles.

- *Office Accommodation*
Office accommodation is leased from the Real Estate Management business unit of the Department for Administrative and Information Services (DAIS). The lease expires on 30 June 2004 and there is a right of renewal for six years from that date. The rental amount is based on floor space and the time period of the lease, with the rental rate reviewed by Real Estate Management every two years.
- *Motor Vehicles*
Motor vehicles are leased from the Fleet SA business unit of DAIS. The vehicles are leased for a specified time period or a specified number of kilometres, whichever occurs first. The lease rate is determined according to the type of vehicle being leased and the number of months of the lease period. The lease rates are reviewed annually by Fleet SA.

For the current year the total amount of expense for minimum lease payments for operating leases was \$533 000 (\$499 000).

Operating Lease Commitments	2002	2001
At the reporting date the Department had the following obligations under non-cancellable operating leases (these obligations have not been recognised as liabilities):	\$'000	\$'000
Not later than one year	476	473
Later than one year and not later than five years	454	898
Total Operating Lease Commitments	930	1 371

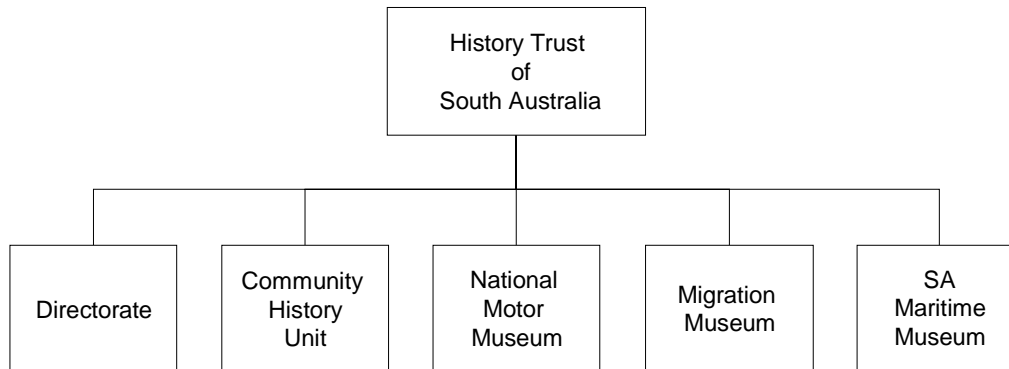
12. Remuneration of Auditor

Remuneration for audit of financial reports	7	7
Remuneration for other services	-	-
	7	7

HISTORY TRUST OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Trust, a body corporate, was established pursuant to the *History Trust of South Australia Act 1981* and is comprised of a Directorate and the following museums:



Pursuant to the *History Trust of South Australia Act 1981*, the functions of the Trust are to:

- accumulate, conserve and exhibit objects of historical or cultural interest;
- undertake the management of museums and other premises vested or placed under its care, control and management;
- advise the Minister on the conservation of objects that are of historical significance to the State;
- disseminate, or encourage the dissemination of, information relevant to the history of the State.

SIGNIFICANT FEATURES

- The consolidated surplus from ordinary activities was \$85 000, an increase of \$110 000 over the previous year.
- An increment of \$2.5 million was credited to the Asset Revaluation Reserve as a result of revaluation of non-current assets.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 19(2) of the *History Trust of South Australia Act 1981* requires the Auditor-General to, at least once every year, audit the accounts of the Trust.

Scope of Audit

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

During 2001-02 specific areas of Audit attention included:

- revenue, including cash receipting and banking, and retail operations
- expenditure including accounts payable, and salaries and wages
- property, plant and equipment including the adequacy of asset registers
- collection management.

Audit Communications to Management

An audit management letter conveying the scope of the audit and related findings was forwarded to the Director for consideration. A satisfactory response was received to the matters raised in that letter.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control environment was assessed as satisfactory. Notwithstanding, Audit considered that there was room for improvement in internal controls in a number of areas. These areas are outlined below.

Management of Heritage Collections

The audit of the management of heritage collections identified opportunities for improvement with respect to the regular confirmation of the existence of collection items and the need to maintain up-to-date details on the collection registers.

In response the Trust indicated that a working party has been established to review its collection management policy with a view to revising the policy to address the issues raised by audit.

Non-Current Assets

The audit of non-current assets revealed that improvements could be achieved in the maintenance of up-to-date information in the assets registers.

The Trust indicated that revised procedures will be implemented to ensure that asset registers are kept up to date.

Other Financial Systems

The audit of the revenue, payroll and expenditure systems revealed the need for improved compliance with documented procedures. In particular, the audit of these systems at the Migration Museum revealed that the authorisation of bona fide reports and the use of the advance account were areas where there was non-compliance with procedures. Audit also commented on the need to review and simplify the cash receipting procedures at the Museum.

In response the Trust advised that action has been taken to ensure that there is compliance with documented procedures and that the procedures for cash receipting at the Migration Museum will be reviewed.

CONTROLS OPINION

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

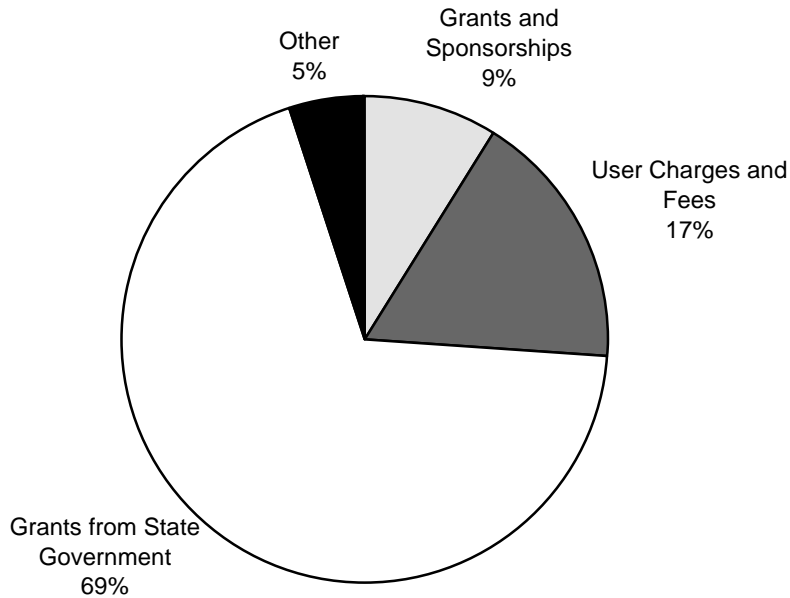
Audit formed the opinion that the controls exercised by the History Trust of South Australia in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Revenues from Ordinary Activities

Revenues from Ordinary Activities for the year totalled \$5.6 million (\$5.6 million). Grants from the State Government totalled \$3.8 million (\$3.5 million). The following chart shows the major categories of Revenues from Ordinary Activities as a percentage of total revenues.



The chart reveals that grants from the State Government represents 69 percent of Revenues from Ordinary Activities which supports the view that the Trust is dependent on the ongoing financial support of the State Government as expressed in Note 2(m) to the Financial Statements.

Admissions Receipts and Attendances

Results for the individual museums are shown hereunder:

	Admission Receipts			Attendances		
	2002 \$'000	2001 \$'000	2000 \$'000	2002 '000	2001 '000	2000 '000
Community History Unit	-	-	-	21	25	12
National Motor Museum	346	343	319	66	65	70
South Australian Maritime Museum	237	242	244	72	70	73
Migration Museum	29	20	17	142	142	145

Statement of Financial Position

Non-Current Assets

Property, Plant and Equipment

The written down value of property plant and equipment at 30 June 2002 was \$16.2 million (\$14.7 million). The written down value increased due mainly to a revaluation of Land and Buildings which resulted in a revaluation increment of \$2.1 million.

Statement of Financial Performance for the year ended 30 June 2002

	Note	Consolidated		HTSA	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:					
User charges and fees	3	953	1 006	898	855
Interest		35	33	26	29
Other revenue	4	774	1 123	772	1 061
Grant from State Government:					
Operations		3 626	3 356	3 626	3 356
Capital		200	100	200	100
Total Revenues		5 588	5 618	5 522	5 401
EXPENSES FROM ORDINARY ACTIVITIES:					
Employee costs	5	2 163	2 285	2 163	2 285
Services and supplies	6	2 609	2 658	2 593	2 611
Depreciation	7	528	526	528	526
Grant payments	8	203	174	203	174
Total Expenses		5 503	5 643	5 487	5 596
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES		85	(25)	35	(195)
Non-Owner Transaction Changes in Equity:					
Net credit to an asset revaluation reserve on revaluation of non-current assets	15	2 536	388	2 536	388
Transfer of non-current assets		-	(2 436)	-	(2 436)
Total revenues, expenses and valuation adjustments recognised directly in equity		2 536	(2 048)	2 536	(2 048)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		2 621	(2 073)	2 571	(2 243)

Statement of Financial Position as at 30 June 2002

	Note	Consolidated		HTSA	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
CURRENT ASSETS:					
Cash assets	9	668	303	658	275
Investments		210	142	-	-
Receivables		14	50	14	50
Inventories		92	93	92	93
Other assets	10	7	103	7	103
Total Current Assets		991	691	771	521
NON-CURRENT ASSETS:					
Property, plant and equipment	11	16 248	14 704	16 248	14 704
Heritage collections	11	8 944	8 278	8 944	8 278
Total Non-Current Assets		25 192	22 982	25 192	22 982
Total Assets		26 183	23 673	25 963	23 503
CURRENT LIABILITIES:					
Payables	12	98	77	98	77
Provision for employee entitlements	13	144	137	144	137
Total Current Liabilities		242	214	242	214
NON-CURRENT LIABILITIES					
Payables	12	40	72	40	72
Provision for employee entitlements	13	242	349	242	349
Total Non-Current Liabilities		282	421	282	421
TOTAL LIABILITIES		524	635	524	635
NET ASSETS		25 659	23 038	25 439	22 868
EQUITY:					
Accumulated surplus	14	21 125	21 040	20 905	20 870
Asset revaluation reserve	15	4 534	1 998	4 534	1 998
TOTAL EQUITY		25 659	23 038	25 439	22 868
Commitments	16				
Contingent Liabilities	17				

Statement of Cash Flows for the year ended 30 June 2002

		Consolidated		HTSA	
		2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
RECEIPTS:	Note				
User charges and fees		990	987	935	836
Interest		32	35	23	31
Other revenue		571	984	569	922
PAYMENTS:					
Employee costs		(2 297)	(2 498)	(2 297)	(2 498)
Services and supplies		(2 486)	(2 619)	(2 470)	(2 572)
Grant payments		(203)	(174)	(203)	(174)
CASH FLOWS FROM GOVERNMENT:					
Grant from State Government:					
Operations		3 626	3 356	3 626	3 356
Capital		200	100	200	100
Net Cash provided by Operating Activities	18	433	171	383	1
CASH FLOWS FROM INVESTING ACTIVITIES:					
PAYMENTS:					
Property, plant and equipment		-	(33)	-	(33)
Purchase of heritage collections		-	(15)	-	(15)
Net Cash used in Investing Activities		-	(48)	-	(48)
NET INCREASE (DECREASE) IN CASH HELD		433	123	383	(47)
CASH AT 1 JULY		445	322	275	322
CASH AT 30 JUNE	2 (k)	878	445	658	275

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. The History Trust of South Australia (The Trust) Objectives

The Trust's objectives are to:

- raise the level of community and schools-based participation in the study and enjoyment of South Australian history and the preservation of its evidence;
- mount popular exhibitions, events and other public programs on South Australian history and actively involve the community in their research and preparation;
- preserve the State's collection of movable items;
- provide advice and assistance to museums, historical societies and authors.

2. Statement of Accounting Policies

(a) **Basis of Accounting**

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards and applicable Urgent Issues Group Consensus Views. The report has been prepared on an accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) **The Reporting Entity**

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

The financial report encompasses transactions through an interest bearing Deposit Account titled 'History Trust of South Australia' and any other funds through which the Trust controls resources to carry out its functions.

(c) **Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of entities controlled by the Trust as at 30 June 2002, and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full. Refer to Note 26.

(d) **Revenue**

Revenue from sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account interest rates applicable to financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(e) **Grants from State Government**

Grants are recognised as revenue in the period which the Trust obtains control over the grants.

(f) **Acquisitions of Assets**

The cost method of accounting is used for the recording of assets acquired by the Trust. Heritage collections are revalued to market value when accessioned. Assets donated during the year have been brought to account at market value.

(g) Valuations of Non-Current Assets

The Trust has adopted the deprival method as the basis of valuing its non-current assets.

In accordance with the transitional provisions of the Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' the Trust has continued to apply the deprival value methodology as the basis of valuing its non-current assets.

Land and Buildings

Land and buildings have been valued at replacement cost. Valuations of land and buildings were determined as at 30 June 2002 by Tim Nankivell, Australian Valuation Office. Land and buildings are independently valued every three years.

Plant and Equipment

Plant and equipment has been valued at historical cost.

Heritage Collections

The heritage collections are large and diverse. They include many items that are complex to value given considerations of market and deprival value and their unique representation of South Australia's social history.

In 2000-01 the Trust was granted exemption by the Treasurer from compliance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' which requires non-current assets to be revalued every three years. The collections will now be revalued as at 30 June 2003 excluding National Motor Museum motorcycle and motor vehicles as they are independently valued every two years. Valuations for these collections were determined as at 30 June 2002 by Antony Davies, Wemyss Pty Ltd.

After taking advantage of the transitional provisions of Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments', the value of certain sections of the heritage collections held as at 1 July 1998 were determined as at 30 June 1998 using the valuation methodology outlined below. Heritage assets acquired between 1 July 1998 and 30 June 2002 have been brought to account at market value.

The Trust adopted the following methodology for valuing heritage assets held as at 1 July 1998.

Items under \$10 000 were valued by the appropriate internal curator and items over \$10 000 were valued by external valuers listed below.

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

National Motor Museum

Wemyss (Fine Art Auctioneer) Pty Ltd
R & D Motorbooks
Antiquarian Books
Leonard Woodley Consulting
Vintage Auto Parts

Antony Davies
Rob Saward
Michael Treloar
Leonard Woodley
Kevin Field

South Australian Maritime Museum

Sea Witch Antiques
Graeme K Andrews Productions
Quin's Yacht Brokerage Pty Ltd

Christine Courtney
Graeme K Andrews
Jim Runnegar

Migration Museum

Port Noarlunga Country Collectables
Regimentals Antiques

Jean Morris
Lee Blair-Jenke

(h) Depreciation of Non-Current Assets

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

The expected useful lives are as follows:

Building and improvements	Years 20-100
Plant and equipment	3-25

Heritage collections have unlimited useful lives. Their future economic benefits have not been consumed during the financial year, therefore no depreciation is recognised in respect of these assets.

(i) Employee Entitlements*(i) Wages, Salaries and Annual Leave*

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

(ii) Long Service Leave

A liability for long service leave has been recognised as the amount the Trust has a present obligation to pay, resulting from employees' services provided up to the reporting date. The liability has been calculated at nominal amounts based on current wage and salary rates using a benchmark of eight years service as advised by the Department of Treasury and Finance.

(iii) **Superannuation**
Contributions are made by the Trust to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to amounts due but not yet paid to the superannuation schemes.

(iv) **Workers Compensation**
A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability, according to the Trust's experience of claim numbers and payments over the payments over the period 1 July 1987 to 30 June 2002. A separate valuation of the liabilities of the Trust has not been undertaken and if such a valuation was performed it might result in a different assessed liability.

(j) **Leases**

The Trust has entered into a number of operating lease agreements for accommodation where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

(k) **Cash**

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

(l) **Inventories**

Inventories are measured at actual cost.

(m) **State Government Funding**

The general purpose financial report is presented under the assumption of ongoing financial support being provided to the Trust by the State Government.

(n) **Accounting for the Goods and Services Tax (GST)**

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

The amount of GST incurred by the Trust as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

The net GST receivable/payable to the Australian Taxation Office is not recognised as a receivable/payable in the Statement of Financial Position as the Trust is a member of an approved GST group of which Arts SA (a division of the Department of the Premier and Cabinet) is responsible for the remittance and collection of GST. There are no cash flows relating to GST transactions with the Australian Taxation Office in the Statement of Cash Flows.

3. User Charges and Fees	Consolidated		HTSA	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Admissions and tours	612	605	612	605
Facilities and rent	78	37	78	37
Sales of goods	214	306	159	155
Publications	6	12	6	12
Fees for service	43	46	43	46
	953	1 006	898	855
4. Other Revenue				
Sponsorship	251	397	249	335
Grants	269	314	269	314
Fair value of assets received free of charge	202	140	202	140
Other revenue	52	272	52	272
	774	1 123	772	1 061
5. Employee Costs				
Wages and salaries	1 827	2 032	1 827	2 032
Superannuation and payroll tax expenses	278	325	278	325
Annual leave, long service leave and other employee expenses	58	(72)	58	(72)
	2 163	2 285	2 163	2 285
6. Services and Supplies				
Building maintenance	362	340	357	316
Accommodation	170	185	170	185
Operating leases	211	211	211	211
Exhibitions and collections	361	488	361	488
Sponsorships	36	45	36	45
Cost of goods sold	101	79	101	79
Travel expenses	103	82	103	82
Professional fees	449	348	449	348
Communication and stationery	190	190	181	177
Marketing and publicity	307	293	305	287
Staff training and other staff costs	60	86	60	86
Insurance	69	88	69	88
Other sundry payments	190	223	190	219
	2 609	2 658	2 593	2 611

7.	Depreciation	Consolidated		HTSA	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
	Depreciation was charged in respect of:				
	Buildings and improvements	499	496	499	496
	Plant and equipment	29	30	29	30
		528	526	528	526
8.	Grant Payments				
	Principal grants and assistance were:				
	Community History	31	22	31	22
	Museum Accreditation and Grants Program	150	150	150	150
	Other grant payments	22	2	22	2
		203	174	203	174
9.	Cash Assets				
	Cash on hand	25	42	15	14
	Cash at bank	643	261	643	261
		668	303	658	275
10.	Other Assets				
	Interest	3	-	3	-
	Prepayments	4	103	4	103
		7	103	7	103
11.	Non-Current Assets				
	(a) Property, Plant and Equipment and Heritage Collections				
	Land:				
	At independent valuation	2 284	1 735	2 284	1 735
	Buildings and Improvements:				
	At independent valuation	29 369	26 769	29 369	26 769
	Less: Accumulated depreciation	15 468	13 892	15 468	13 892
		13 901	12 877	13 901	12 877
	Total Property	16 185	14 612	16 185	14 612
	Plant and equipment at cost	363	363	363	363
	Less: Accumulated depreciation	300	271	300	271
	Total Plant and equipment	63	92	63	92
	Heritage Collections:				
	At independent valuation	8 944	8 278	8 944	8 278
	Total Property, Plant and Equipment and Heritage Collections	25 192	22 982	25 192	22 982
	b) Asset Movement Schedule				
	Land:				
	Carrying amount at 1 July	1 735	2 463	1 735	2 463
	Disposals	-	(728)	-	(728)
	Net revaluation increments	549	-	549	-
	Carrying amount at 30 June	2 284	1 735	2 284	1 735
	Buildings and Improvements:				
	Carrying amount at 1 July	12 877	15 081	12 877	15 081
	Disposals	-	(1 708)	-	(1 708)
	Depreciation	(499)	(496)	(499)	(496)
	Net revaluation increments	1 523	-	1 523	-
	Carrying amount at 30 June	13 901	12 877	13 901	12 877
	Plant and Equipment:				
	Carrying amount at 1 July	92	89	92	89
	Additions	-	33	-	33
	Depreciation	(29)	(30)	(29)	(30)
	Carrying amount at 30 June	63	92	63	92
	Heritage Collections:				
	Carrying amount at 1 July	8 278	7 736	8 278	7 736
	Donations	202	139	202	139
	Additions	-	15	-	15
	Net revaluation increments	464	388	464	388
	Carrying amount at 30 June	8 944	8 278	8 944	8 278
12.	Payables				
	Current:				
	Creditors and accruals	98	77	98	77
	Non-Current:				
	Creditors and accruals	40	72	40	72

13. Provisions for Employee Entitlements	Consolidated		HTSA	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Current:				
Provision for annual leave	119	104	119	104
Provision for long service leave	20	29	20	29
Provision for workers compensation	5	4	5	4
	144	137	144	137
Non-Current:				
Provision for long service leave	227	333	227	333
Provision for workers compensation	15	16	15	16
	242	349	242	349
14. Accumulated Surplus				
Balance at 1 July	21 040	23 501	20 870	23 501
Transfer of non-current assets	-	(2 436)	-	(2 436)
Surplus (Deficit) from ordinary activities	85	(25)	35	(195)
Balance at 30 June	21 125	21 040	20 905	20 870
15. Asset Revaluation Reserve				
Balance at 1 July	1 998	1 610	1 998	1 610
Net increase in asset revaluation reserve:				
Property	2 072	-	2 072	-
Heritage Collections	464	388	464	388
Balance at 30 June	4 534	1 998	4 534	1 998
16. Commitments for Expenditure				
(a) Operating Leases				
Commitments under non-cancellable operating leases at the reporting date are payable as follows:				
Not later than one year	198	217	198	217
Later than one year and not later than five years	841	922	841	922
Later than five years	1 335	1 019	1 335	1 019
	2 374	2 158	2 374	2 158

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

The property leases are non-cancellable leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement. Options exist to renew the leases at the end of the term of the leases.

(b) Capital Commitments	Consolidated		HTSA	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Capital expenditure contracted for at the reporting date is payable as follows:				
Not later than one year	-	100	-	100
	-	100	-	100

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

17. Contingent Liabilities				
There are no contingent liabilities as at 30 June 2002.				
18. Reconciliation of Surplus from Ordinary Activities to Net Cash provided by Operating Activities				
Surplus (Deficit) from ordinary activities	85	(25)	35	(195)
Non-Cash items:				
Depreciation expense	528	526	528	526
Donation of collections	(202)	(139)	(202)	(139)
Change in operating assets and liabilities:				
(Increase) Decrease in assets	133	22	133	22
Increase (Decrease) in liabilities	(111)	(213)	(111)	(213)
Net Cash provided by Operating Activities	433	171	383	1
19. Remuneration of Board Members			2002	2001
The number of Board Members who received annual income fell within the following band:			Number of Members	Number of Members
\$0 - \$9 999			9	9
The total income received by these Board Members for the year was \$6 000 (\$9 000).				
20. Remuneration of Employees			2002	2001
The number of employees whose annual remuneration was over \$100 000 fell within the following band:			Number of Employees	Number of Employees
\$110 000 - \$119 999			1	-
The total remuneration received by this employee for the year was \$118 000.				

21. Remuneration of Auditors

Fees accrued for the year for the provision of auditing services are \$26 000 (\$25 000). The auditors provided no other services.

22. Payments to Consultants

Payments to consultants fell within the following band:

\$0 - \$10 000

Total payments to the consultants engaged amount to \$9 000 (\$5 000).

	2002 Number of Consultants	2001 Number of Consultants
	1	1

23. Related Parties Disclosures

During the financial year the following persons held positions on the Trust Board:

Dr M Allen	Ms S Filby (from December 2001)
Ms M Danvers (until April 2002)	Mr J A Fotheringham
Professor I E Davey	Mr A Khoo (until March 2002)
Ms A Dopson (until July 2001)	Mrs J R Murdoch
Dr J Ellis	

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

24. Targeted Voluntary Separation Package Scheme (TVSPs)

Number of employees paid TVSPs

	2002 Number of Employees	2001 Number of Employees
	8	1

Amount paid to these employees:

TVSP

Accrued annual and long service leave

	2002 \$'000	2001 \$'000
	602	35
	198	20
	<u>800</u>	<u>55</u>
	<u>602</u>	<u>35</u>

Amount recovered from the Department of the Premier and Cabinet

25. Financial Instruments**(a) Terms and Conditions**

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets:			
Cash on hand and at bank	9	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis with some funds held within the total cash balance being non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Trust are within the Section 21 Deposit Account titled 'History Trust of South Australia'. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts which is currently 4.17 percent (as at 30 June 2002).
Investments		Investments are brought to account at cost. Interest is credited to revenue as it accrues.	Term deposit. Interest income is received biannually.
Receivables		Receivables are recorded at amounts due to the Trust. They are recorded when services have been completed.	Receivables are due within 30 days.
Financial Liabilities:			
Payables	12	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

Financial Instrument	Interest Rate Percent	Consolidated 2002			Consolidated 2001			
		Interest Floating Interest \$'000	Non-Interest Bearing \$'000	Total \$'000	Interest Rate Percent	Interest Floating Interest \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets:								
Cash on hand and at bank	4.17	643	25	668	5.06	261	42	303
Investments	5.15	210	-	210	4.25	142	-	142
Receivables		-	14	14		-	50	50
		<u>853</u>	<u>39</u>	<u>892</u>		<u>403</u>	<u>92</u>	<u>495</u>
Financial Liabilities:								
Payables		-	50	50		-	27	27
		<u>-</u>	<u>50</u>	<u>50</u>		<u>-</u>	<u>27</u>	<u>27</u>

(c) **Net Fair Values of Financial Assets and Liabilities**

		Consolidated 2002		Consolidated 2001	
		Total Carrying Amount \$'000	Net Fair Value* \$'000	Total Carrying Amount \$'000	Net Fair Value* \$'000
Financial Instrument					
Financial Assets:	Note				
Cash on hand and at bank	9	668	668	303	303
Investments		210	210	142	142
Receivables		14	14	50	50
		892	892	495	495
Financial Liabilities:					
Payables	12	50	50	27	27

* The net fair value is determined as the carrying value of all assets and liabilities.

(d) **Credit Risk Exposure**

The Trust's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Trust has no significant exposures to any concentrations of credit risk.

26. **Controlled Entity**

The consolidated financial statements at 30 June 2002 include following controlled entity:

Name of Controlled Entity	Place of Incorporation
The Migration Museum Foundation Incorporated	Australia

LIBRARIES BOARD OF SOUTH AUSTRALIA

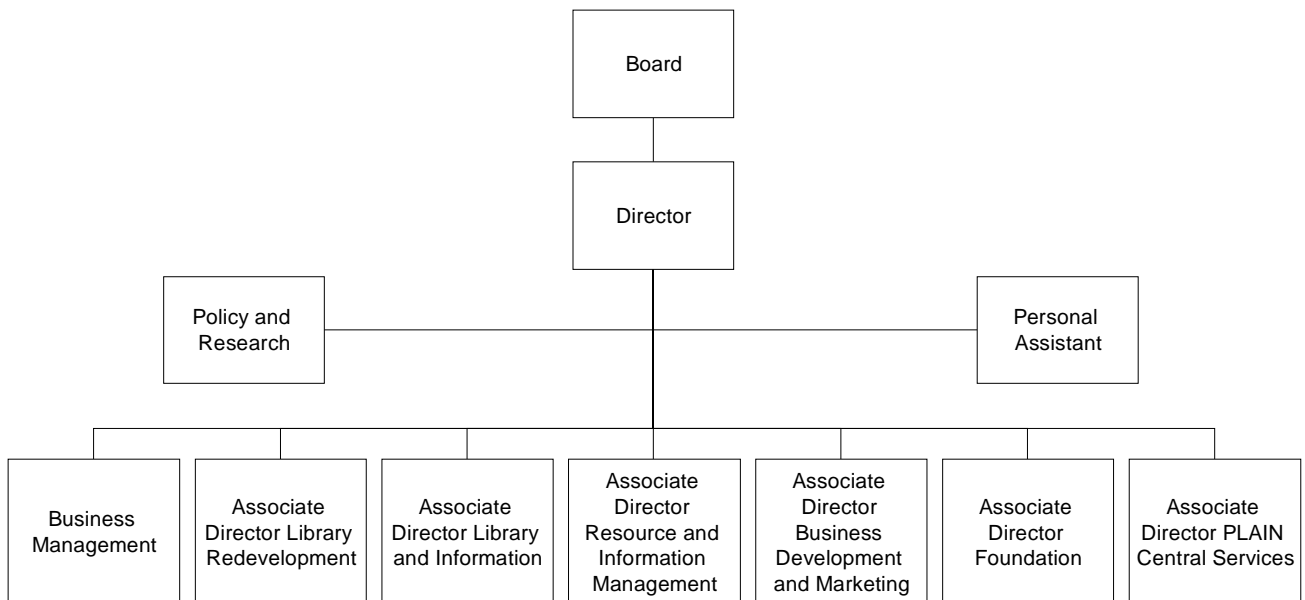
FUNCTIONAL RESPONSIBILITY

The Libraries Board of South Australia is appointed pursuant to the *Libraries Act 1982* and is responsible for the administration of the State Library and the public libraries system.

The role of the Libraries Board is to:

- formulate policies and guidelines for the provision of public library services;
- establish, maintain and expand collections of library materials;
- administer the State Library;
- promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

The structure of the Libraries Board is shown in the following diagram:



SIGNIFICANT FEATURE

The State Government capital grant was \$14.8 million mainly to fund the redevelopment of the State Library. The estimated cost of the redevelopment is \$44.2 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 18(2) of the *Libraries Act 1982* requires the Auditor-General to audit the accounts of the Board in respect of each financial year.

Scope of Audit

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

During 2001-02 specific areas of Audit coverage included:

- expenditure, including accounts payable, and salaries and wages
- property, plant and equipment registers
- revenue including cash receipting and banking
- investments
- subsidy payments to public libraries
- research and heritage collections management.

Audit Communications to Management

During the year letters communicating issues arising from the audit were forwarded to the Director, State Library, and the Associate Director, PLAIN (Public Library Automated Information Network) Central Services. Satisfactory responses were received to the matters raised in those letters.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall assessment of the internal control environment was satisfactory. There were, however, areas where Audit considered there was scope for improvement. Commentary with respect to these areas follows.

Stocktakes

Audit has over the last few years commented on the need for the Board to confirm the existence of Research and Heritage collection items on a regular basis.

The Board advised in 2000-01 that it had developed an approach to confirm the existence of all high value collection items on an annual basis with the remainder of the items in the collections being confirmed on a cyclical basis over a five year period.

The audit of the management of the Research and Heritage Collections identified that the stocktakes scheduled to be undertaken during 2001-02 in accordance with the five year rotational plan were not completed as at 30 June 2002.

The Board has advised that the stocktake of collection assets for 2001-02 was completed in August 2002.

Identification of Collection Assets

Audit suggested that collection assets that do not have a value for financial statement purposes are adequately identified and recorded.

The Board advised that such assets will be identified and recorded.

Property, Plant and Equipment Registers

The audit of the property, plant and equipment registers identified opportunities for improvement in the performance of regular confirmation of the existence of items held by PLAIN Central Services. Audit has commented on this issue since 1999-2000.

The Board responded that a process has been determined which will enable stocktakes to be completed by 30 June 2003 for all areas with the exception of the LOTE (Language Other Than English) collection. It is proposed to complete the stocktake of the LOTE collection by 30 June 2005.

Policies and Procedures

Audit commented on the need for the Board to establish financial policies and procedures for its various business units.

The Board responded that the Business Manager will co-ordinate the development of policies and procedures in conjunction with the responsible branch managers and business unit staff.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Operating Result

The operating result for the year was a Surplus from Ordinary Activities of \$13.6 million as compared with a Deficit from Ordinary Activities of \$251 000 the previous year.

The surplus is mainly attributable to an increase in capital grants provided by the State Government of \$14.5 million to fund the redevelopment of the State Library. Further detail is provided below under Statement of Financial Position - Property, Plant, Equipment and Public Library Research Collections.

Employee costs decreased by \$776 000 to \$8 million. The State Library underwent a major restructure during 2000-01 resulting in a reduction in the number of employees. Targeted Voluntary Separation Packages were paid to 9 employees in 2001-02 and 36 employees in 2000-01.

State Government Grants

Grants from the State Government for operating and capital purposes totalled \$38.9 million (\$23.5 million in 2000-01) and account for 96 percent (90 percent) of Total Revenues. As expressed in Note 2(n) to the Financial Statements the Libraries Board is dependent on the ongoing financial support of the State Government.

Statement of Financial Position

Property, Plant, Equipment and Public Library Research Collections

The written down value of property, plant, equipment and public library research collections increased by \$12.3 million to \$32.9 million.

The movement in this asset category is mainly attributable to the following:

- the State Library (North Terrace precinct) is undergoing a major redevelopment. The redevelopment is estimated to cost \$44.2 million, of which \$13.7 million was spent in 2001-02;
- land, buildings and improvements were revalued in June 2002 resulting in a revaluation decrement of \$612 000.

Research and Heritage Collections

The Board was granted an exemption by the Treasurer from compliance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' which requires non-current assets to be revalued every three years. This exemption is also applicable to the Public Library Research Collections. The Research and Heritage Collections and the Public Library Research Collections, which were due to be revalued as at 30 June 2001, will now be revalued as at 30 June 2003 (refer Note 2(g)).

The written down value of Research and Heritage Collections as at 30 June 2002 was \$66.1 million. The Board has accumulated these assets over a significant period of time primarily through the use of government funding.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Fees for service activities		257	353
Sale of goods		44	87
Interest and investment income	4	635	802
Other revenues	4	584	1 503
Federal Government grant		25	-
Grant from State Government:			
Operations		24 030	23 059
Capital		14 858	402
Total Revenues		40 433	26 206
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	5	7 960	8 736
Accommodation and service costs		1 478	1 234
Depreciation	5	1 207	1 198
Subsidies to public libraries		9 890	10 062
Other expenses	5	6 259	5 227
Total Expenses		26 794	26 457
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES	6	13 639	(251)
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net debit to asset revaluation reserve on revaluation of non-current assets	14	(612)	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		13 027	(251)

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets		2 977	2 281
Receivables		24	18
Investments	7	7 033	7 957
Inventories		27	28
Other	8	96	693
Total Current Assets		10 157	10 977
NON-CURRENT ASSETS:			
Property, plant, equipment and public library research collections	9	32 851	20 537
Research and heritage collections	10	66 108	65 078
Total Non-Current Assets		98 959	85 615
Total Assets		109 116	96 592
CURRENT LIABILITIES:			
Payables	11	550	1 009
Provision for employee entitlements	12	499	519
Total Current Liabilities		1 049	1 528
NON-CURRENT LIABILITIES:			
Payables	11	150	155
Provision for employee entitlements	12	1 594	1 613
Total Non-Current Liabilities		1 744	1 768
Total Liabilities		2 793	3 296
NET ASSETS		106 323	93 296
EQUITY:			
Accumulated surplus	13	100 507	86 868
Reserves	14	5 816	6 428
TOTAL EQUITY		106 323	93 296
Commitments	15		
Contingent Liabilities	16		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002		2001	
		Inflows (Outflows) \$'000	Inflows (Outflows) \$'000	Inflows (Outflows) \$'000	Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
RECEIPTS:					
Fees for service activities		257		353	
Sale of goods		50		81	
Interest and investment income		851		729	
Other revenues		936		1 139	
CASH FLOWS FROM GOVERNMENT:					
Federal Government grant		25		-	
Grant from State Government:					
Operations		24 030		23 059	
Capital		14 858		402	
PAYMENTS:					
Employee costs		(8 016)		(9 140)	
Accommodation and service costs		(1 526)		(1 187)	
Subsidies to public libraries		(10 150)		(9 986)	
Other expenses		(5 966)		(5 496)	
Net Cash provided by (used in) Operating Activities	17		15 349		(46)
CASH FLOWS FROM INVESTING ACTIVITIES:					
PAYMENTS:					
Heritage collections		(1 030)		(894)	
Property, plant and equipment		(14 391)		(982)	
Investments		(4 924)		(489)	
PROCEEDS FROM:					
Sales/maturities of investments		5 692		376	
Net Cash used in Investing Activities			(14 653)		(1 989)
NET INCREASE (DECREASE) IN CASH HELD			696		(2 035)
CASH AT 1 JULY			2 281		4 316
CASH AT 30 JUNE	2(m)		2 977		2 281

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

Activities (Note 3)	Provision	Support	2002 Total \$'000	Provision	Support	2001 Total \$'000
	of State Library Services \$'000	of Public Library Services \$'000		of State Library Services \$'000	of Public Library Services \$'000	
Libraries Board Revenues and Expenses:						
Revenues from ordinary activities:						
Fees for service activities	252	5	257	347	6	353
Sale of goods	44	-	44	87	-	87
Interest and investment income	534	101	635	616	186	802
Other revenues	414	170	584	1 305	198	1 503
Federal government grant	25	-	25	-	-	-
Grant from State Government:						
Operations	9 694	14 336	24 030	10 812	12 247	23 059
Capital	14 858	-	14 858	402	-	402
Total	25 821	14 612	40 433	13 569	12 637	26 206
Expenses from ordinary activities:						
Employee costs	6 411	1 549	7 960	7 170	1 566	8 736
Accommodation and service costs	1 373	105	1 478	1 113	121	1 234
Depreciation	922	285	1 207	936	262	1 198
Subsidies to public libraries:						
Books and associated materials	-	4 172	4 172	-	4 496	4 496
Operating expenses	-	4 406	4 406	-	4 299	4 299
Local purchases	-	805	805	-	761	761
Community information services	-	507	507	-	506	506
Other expenses	3 466	2 793	6 259	2 742	2 485	5 227
Total	12 172	14 622	26 794	11 961	14 496	26 457
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES	13 649	(10)	13 639	1 608	(1 859)	(251)

Activities Schedule of Assets and Liabilities as at 30 June 2002

	Provision of State Library Services \$'000	Support of Public Library Services \$'000	2002 Total \$'000	Provision of State Library Services \$'000	Support of Public Library Services \$'000	2001 Total \$'000
Libraries Board Assets and Liabilities:						
Assets:						
Current	9 095	1 062	10 157	9 572	1 405	10 977
Non-Current	96 101	2 858	98 959	83 092	2 523	85 615
Total	105 196	3 920	109 116	92 664	3 928	96 592
Liabilities:						
Current	554	495	1 049	837	691	1 528
Non-Current	1 463	281	1 744	1 413	355	1 768
Total	2 017	776	2 793	2 250	1 046	3 296
NET ASSETS	103 179	3 144	106 323	90 414	2 882	93 296

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Libraries Board of South Australia (the Libraries Board) Objectives

The principal objectives of the Libraries Board are to:

- formulate policies and guidelines for the provision of public library services;
- establish, maintain and expand collections of library materials;
- administer the State Library;
- promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

2. Summary of Significant Accounting Policies

(a) *Basis of Accounting*

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards, applicable Urgent Issues Group Consensus Views and other mandatory reporting requirements. The report is prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) *Change in Accounting Policies*

There have been no changes in accounting policies this financial year.

(c) *The Reporting Entity*

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

The financial report encompasses transactions through an interest bearing Special Deposit Account titled 'Arts South Australia Operating Account' and through an interest bearing Deposit Account titled 'Libraries Board of South Australia'.

(d) *Revenue*

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest and investment revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(e) *Grants*

State Government grants are recognised as revenues in the period in which the Libraries Board obtains control over the grant funds.

(f) *Acquisition of Assets*

The cost method of accounting is used for the initial recording of all assets acquired after 1 July 1996. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

(g) *Valuation of Non-Current Assets*

The Libraries Board has adopted the deprival value method as the basis for valuing all of its non-current assets.

In accordance with the transitional provisions of Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' the Board has continued to apply the deprival value methodology as the basis of valuing its non-current assets.

Land and Buildings

Land and buildings have been valued at replacement cost. Valuations of land and buildings were determined as at 30 June 2002 by the Australian Valuation Office, resulting in a revaluation decrement of \$612,000. Land and buildings are independently valued every three years.

Plant and Equipment

Plant and equipment, including computer equipment has been valued at historic cost.

Research and Heritage Collections

After taking advantage of the transitional provisions of Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments', the value of research and heritage collections held as at 30 June 1998 has been determined using the valuation methodology outlined below. Research and heritage collections acquired between 1 July 1998 and 30 June 2002 have been brought to account at cost.

The Board was granted an exemption by the Treasurer from compliance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' which requires non-current assets to be revalued every three years. Research and heritage collections and the Public Library research collections will now be revalued as at 30 June 2003.

The Libraries Board's research and heritage collections comprise the respective research and heritage holdings of the State Library of South Australia and the Public Libraries (PLAIN Central Services) and the following methodology has been adopted for valuing those collections.

Research collections were valued using the linear method of valuation. This method values the collection on the basis of average cost applied to the size of the collection to determine the replacement value including the cost of acquisition, cataloguing and curation necessary to replace the collection material in its present or an equivalent form and condition. The size of the collections were determined by professional staff of the State Library of South Australia.

Heritage collections were valued as follows:

Selected heritage collections were valued by an independent valuer Michael Treloar, Antiquarian Booksellers on a market value basis to represent the amount that could be realised by selling the material, with significant and unique objects being valued individually.

Sampling techniques were used to value other less significant elements of the heritage collection with valuation done by professional staff of the State Library of South Australia.

A nil valuation was adopted for a number of unique or irreplaceable heritage collections where there is no applicable replacement or reliable market value. Nil value was also applied to collections where the Libraries Board has no capacity to dispose of the asset because special caveat conditions apply, preventing the organisation from selling or disposing of the assets. Under the Statement of Accounting Concepts SAC 4 'Definition and Recognition of the Elements of Financial Statements' assets are to be valued at nil where the above conditions are present.

Collections which have not been valued were the Mortlock Archival Collections, Mortlock Published Collections, Mortlock Special Collections, some material in the Bray Reference Library, the SA Video and Film Collection and most Named and Special Collections.

Research and heritage collections which have been valued are the Rare Books and some Named Collections, Maps, Microfilm Serials, Monographs, Electronic Resources, Family History Collection, Periodicals, Newspapers purchased and Mortlock Use Collections. The Public Library research collections which have been valued are the Video, Languages other than English and the Audio Book Collections.

(h) Depreciation of Non-Current Assets

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

The expected useful lives are as follows:	Years
Buildings and improvements	Useful life depends on individual asset items
Plant and equipment	5-15
Computer equipment	3-5
Video and audio book collections	7
Languages other than English collections	8

The research and heritage collections are kept under special conditions to minimise deterioration and they are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised in respect of the research and heritage collections of the State Library of South Australia as their service potential has not, in any material sense, been consumed. The Public Library research collection has been depreciated as indicated above.

(i) Employee Entitlements

(i) Wages, Salaries and Annual Leave
Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(ii) Long Service Leave
A liability for long service leave has been recognised which represents the amount which the Libraries Board has a present obligation to pay resulting from employees' services provided up to the reporting date. The liability has been calculated at nominal amounts based on current wage and salary rates using a benchmark of eight years service as advised by the Department of Treasury and Finance.

(iii) Superannuation
Contributions are made by the Libraries Board to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

(j) Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability according to the Libraries Board's experience of claim numbers and payments over the period 1 July 1987 to 30 June 2002. A separate valuation of the liabilities of the Libraries Board has not been undertaken and if such a valuation was performed it may result in a different assessed liability.

(k) Investments

Investments are brought to account at cost.

(l) Leases

The Libraries Board has entered into a number of operating lease agreements for accommodation, vehicles and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the period in which they are incurred.

(m) Cash Assets

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

(n) State Government Funding

The financial report is prepared under the assumption of ongoing financial support being provided to the Libraries Board by the State Government.

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

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

The amount of GST incurred by the Libraries Board as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

The net GST receivable/payable to the Australian Taxation Office is not recognised as a receivable/payable in the Statement of Financial Position as the Libraries Board is a member of an approved GST group of which Arts SA, a division of the Department of the Premier and Cabinet, is responsible for the remittance and collection of GST. There are no cash flows relating to GST transactions with the Australian Taxation Office in the Statement of Cash Flows.

(p) Comparative Information

Where necessary comparative figures have been adjusted to conform with changes in presentation in 2001-02.

3. Activities of the Libraries Board

The identity and purpose of each major activity undertaken by the Libraries Board during the year ended 30 June 2002 is summarised below (refer to the Activities Schedule - Expenses and Revenues and Assets and Liabilities):

Activity 1 - Provision of State Library Services

To provide, through the State Library of South Australia, a comprehensive library and information service for the economic, educational, cultural and social benefit of South Australia and its citizens.

Activity 2 - Support of Public Library Services

To provide through PLAIN (Public Library Automated Information Network) Central Services and the distribution of State subsidies an equitable and responsible provision of resources, support and services to public libraries and community information agencies.

4. Revenues from Ordinary Activities

Interest and investment income comprised:

Investment income	\$000	\$000
Treasury interest	459	576
	176	226
	635	802

Other revenues comprised the following categories of operating income:

Bequests and donations	54	288
Admissions	2	38
Sponsorship	15	5
Rent and hire income	121	201
Council contributions	94	72
External grants	94	66
Funding for payment of employee entitlements upon termination	-	361
Other	204	472
	584	1 503

5. Expenses from Ordinary Activities

Employee costs were incurred in relation to the following:

Wages and salaries	6 497	7 198
Superannuation and payroll tax expenses	1 061	1 280
Annual and long service leave expenses	293	231
Other employee related expenses	109	27
	7 960	8 736

5. Expenses from Ordinary Activities (continued)					2002	2001
Depreciation was charged in respect of:					\$'000	\$'000
Buildings and improvements					824	824
Plant and equipment					93	103
Computer equipment					37	52
Public Library research collections					253	219
					1 207	1 198
Other expenses comprised of the following categories of expenditure:						
Cost of sales					28	35
Operating lease expenditure					37	38
Administration expenditure					6 194	5 154
					6 259	5 227
6. Surplus (Deficit) from Ordinary Activities						
Surplus (Deficit) from ordinary activities includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:						
Written down value of non-current assets					2	12
Loss from Disposal of Non-Current Assets					2	12
Proceeds from sale of investments					5 692	376
Written down value of investments					5 847	293
(Loss) Gain from Sale of Investments					(155)	83
7. Investments						
Unit trusts					7 033	7 957
Total					7 033	7 957
Market value as at 30 June 2002 was \$7 million (\$8.6 million).						
8. Other Current Assets						
Prepayments					83	76
Accrued revenue					13	617
					96	693
9. (a) Property, Plant, Equipment and Public Library Research Collections						
					2002	2001
	Gross Value	Accumulated Depreciation	Written Down Value	Gross Value	Accumulated Depreciation	Written Down Value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land, buildings and improvements						
- At valuation	40 974	10 253	30 721	53 134	36 521	16 613
Work in progress - At cost	-	-	-	1 836	-	1 836
Plant and equipment - At cost	1 204	795	409	1 131	702	429
Computer equipment - At cost	251	215	36	251	178	73
Public Library research collections						
- At valuation	5 216	4 703	513	5 311	4 721	590
Public Library research collections - At cost	1 583	411	1 172	1 232	236	996
Total	49 228	16 377	32 851	62 895	42 358	20 537
(b) Reconciliation of Carrying Amounts of Property, Plant, Equipment and Public Library Research Collections						
	Land, Buildings & Improvements	Work In Progress	Plant & Equipment	Computer Equipment	Public Library Research Collections	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value as at 1 July 2001	53 134	1 836	1 131	251	6 543	62 895
Additions	13 708	-	73	-	354	14 135
Transfers (to) from work in progress	1 836	(1 836)	-	-	-	-
Disposals	-	-	-	-	(98)	(98)
Valuation decrement	(27 704)	-	-	-	-	(27 704)
Gross value as at 30 June 2002	40 974	-	1 204	251	6 799	49 228
Accumulated Depreciation as at 1 July 2001	36 521	-	702	178	4 957	42 358
Depreciation - At valuation	824	-	-	-	78	902
Depreciation - At cost	-	-	93	37	175	305
Disposals	-	-	-	-	(96)	(96)
Valuation decrement	(27 092)	-	-	-	-	(27 092)
Accumulated Depreciation as at 30 June 2002	10 253	-	795	215	5 114	16 377
Net Book Value as at 30 June 2002	30 721	-	409	36	1 685	32 851
Net Book Value as at 30 June 2001	16 613	1 836	429	73	1 586	20 537

10.	(a)	Research and Heritage Collections	2002			2001		
			At Cost \$'000	At Valuation \$'000	Total \$'000	At Cost \$'000	At Valuation \$'000	Total \$'000
		Rare books and named collections	297	8 296	8 593	219	8 296	8 515
		Maps	61	2 607	2 668	34	2 607	2 641
		Microfilm serials	136	7 109	7 245	95	7 109	7 204
		Monographs	1 171	24 333	25 504	841	24 333	25 174
		Electronic resources	449	33	482	307	33	340
		Family history collection	20	198	218	15	198	213
		Periodicals	1 024	14 710	15 734	740	14 710	15 450
		Newspapers purchased	405	4 835	5 240	302	4 835	5 137
		Mortlock use collections	50	374	424	30	374	404
		Total	3 613	62 495	66 108	2 583	62 495	65 078
10.	(b)	Reconciliation of Carrying Amounts of Research and Heritage Collections	2002		2001			
			1 July \$'000	Additions \$'000	30 June \$'000	1 July \$'000	Additions \$'000	30 June \$'000
		Rare books and named collections	8 515	78	8 593	8 454	61	8 515
		Maps	2 641	27	2 668	2 638	3	2 641
		Microfilm serials	7 204	41	7 245	7 166	38	7 204
		Monographs	25 174	330	25 504	24 852	322	25 174
		Electronic resources	340	142	482	232	108	340
		Family history collection	213	5	218	208	5	213
		Periodicals	15 450	284	15 734	15 202	248	15 450
		Newspapers purchased	5 137	103	5 240	5 044	93	5 137
		Mortlock use collections	404	20	424	388	16	404
		Total	65 078	1 030	66 108	64 184	894	65 078
11.	Payables	Current:	2002		2001			
				\$'000	\$'000		\$'000	\$'000
		Creditors and accruals		489		943		
		Employee costs		61		66		
				550		1 009		
		Non-Current:						
		Employee costs		150		155		
12.	Provision for Employee Entitlements	Current:	2002		2001			
				\$'000	\$'000		\$'000	\$'000
		Provision for annual leave		295		321		
		Provision for long service leave		112		114		
		Provision for workers compensation		92		84		
				499		519		
		Non-Current:						
		Provision for long service leave		1 291		1 307		
		Provision for workers compensation		303		306		
				1 594		1 613		
13.	Accumulated Surplus	Balance at 1 July	2002		2001			
				\$'000	\$'000		\$'000	\$'000
		Surplus (Deficit) from ordinary activities		86 868		87 119		
		Balance at 30 June		13 639		(251)		
				100 507		86 868		
14.	Reserves	Asset revaluation reserve	2002		2001			
				\$'000	\$'000		\$'000	\$'000
		Balance at 1 July		6 138		6 428		
		Valuation Decrement		612		-		
		Balance at 30 June		5 526		290		
						5 816		
		Balance at 1 July		6 138		6 428		
		Balance at 30 June		6 138		290		
						6 428		

15. Commitments for Expenditure	2002	2001
(a) Operating Leases	\$'000	\$'000
Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
Not later than one year	300	277
Later than one year and not later than five years	135	355
Later than five years	23	38
	458	670
These operating lease commitments, which are not recognised in the financial report as liabilities, comprise:		
• non-cancellable property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased by 5.5 percent per annum or by the Consumer Price Index. Options exist to renew the leases at the end of their terms for a further five years.		
• non-cancellable motor vehicle and photocopier leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.		
(b) Agreements Equally and Proportionately Unperformed		
Agreements equally and proportionately unperformed include contracts for the redevelopment of the State Library. These commitments are not recognised as liabilities in the financial report.		
Agreements equally and proportionately unperformed at the reporting date are estimated as follows:	2002	2001
	\$'000	\$'000
Not later than one year	27 568	18 409
Later than one year and not later than five years	-	19 349
	27 568	37 758
16. Contingent Liabilities		
There are no known contingent liabilities as at 30 June 2002.		
17. Reconciliation of Net Cash provided by (used in) Operating Activities to Surplus (Deficit) from Ordinary Activities		
Surplus (Deficit) from ordinary activities	13 639	(251)
Non-cash items:		
Depreciation expense	1 207	1 198
Loss on disposal of assets	2	-
Loss (Profit) on sale of investments	155	(83)
Change in operating assets and liabilities:		
Decrease (Increase) in assets	570	(411)
(Decrease) Increase in liabilities	(224)	(499)
Net Cash provided by (used in) Operating Activities	15 349	(46)
18. Payments to Consultants	2002	2001
Payments to consultants fell within the following bands:	Number of	Number of
	Consultants	Consultants
\$0 - \$10 000	5	8
The total payments to the consultants engaged were \$24 000 (\$20 000).		
19. Remuneration of Employees	2002	2001
The number of employees whose annual remuneration was over \$100 000 fell within the following bands:	Number of	Number of
	Employees	Employees
\$120 000 - \$129 999	-	1
\$140 000 - \$149 999	1	1
The total remuneration received by these employees for the year was \$147 000 (\$266 000).		
20. Remuneration of Board Members	2002	2001
The number of Board Members who received annual income from the Libraries Board fell within the following bands:	Number of	Number of
	Board	Board
	Members	Members
\$0 - \$9 999	2	2
\$10 000 - \$19 999	8	8
The total income received by these Board Members for the year was \$110 000 (\$110 000).		
21. Remuneration of Auditors	2002	2001
Audit fees in relation to the year ended 30 June are:	\$'000	\$'000
State Library of South Australia	18	18
Support of Public Library Services	8	8
	26	26
The auditors provided no other services to the Board.		

22. Related Parties Disclosures

During the financial year the following persons held positions on the Libraries Board of South Australia:

Mr PF Wylie, Chair	Mrs JK Nitschke
Mr P Myhill, Deputy Chair	Ms J Connolly
Mr GE Coles	Ms B Davidson-Park
Mrs RH Craddock	Mr A Scott
Mrs FJ Gunner	Mr G Mackie (from April 2002)

Mrs FJ Gunner retired as of February 2002.

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

23. Targeted Voluntary Separation Package Scheme (TVSPs)

During 2001-02, 9 (36) TVSPs totalling \$552 000 (\$2 081 000) were paid. An additional \$126 000 (\$370 000) was paid on account of accrued annual leave and long service leave. The TVSP amount was paid for by the Department for Transport, Urban Planning and the Arts which subsequently received reimbursement of this amount from the Department of the Premier and Cabinet.

24. Financial Instruments**(a) Terms and Conditions**

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash assets	2(m)	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis although some funds held within the total cash balance are non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Libraries Board are the Special Deposit Account titled 'Arts South Australia Operating Account' and the Deposit Account titled 'Libraries Board of South Australia'. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts which is currently 4.17 percent (as at 30 June 2002).
Receivables		Receivables are recorded at amounts due to the Libraries Board. They are recorded when services have been completed.	Receivables are due within 30 days.
Investments	7,2(k)	Investments are brought to account at cost. Interest and investment income is credited to revenue as it accrues.	Portfolio of unit trusts, term deposits and deposits at call. Interest and investment income is received quarterly.
Financial Liabilities			
Payables	11	Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the relevant invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

Financial Instrument	2002				2001			
	Interest Rate	Interest Bearing Floating Interest	Non-Interest Bearing	Total	Interest Rate	Interest Bearing Floating Interest	Non-Interest Bearing	Total
Financial Assets:	Percent	\$'000	\$'000	\$'000	Percent	\$'000	\$'000	\$'000
Cash assets	4.17	2 969	8	2 977	5.06	2 273	8	2 281
Receivables		-	24	24		-	18	18
Investments:								
Unit trusts	(3.57)	7 033	-	7 033	7.66	7 957	-	7 957
		10 002	32	10 034		10 230	26	10 256
Financial Liabilities:								
Payables		-	489	489		-	943	943

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument	Note	2002		2001	
		Total Carrying Amount	Net Fair Value	Total Carrying Amount	Net Fair Value
Cash assets	2(m)	\$'000	\$'000	\$'000	\$'000
Receivables		24	24	18	18
Investments	7,2(k)	7 033	6 977	7 957	8 558
		10 034	9 978	10 256	10 857
Payables	11	489	489	943	943

The net fair value is determined as the carrying value of all assets and liabilities except for investments where market value has been used.

(d) Credit Risk Exposure

The Libraries Board's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Libraries Board has no significant exposures to any concentrations of credit risk.

MUSEUM BOARD

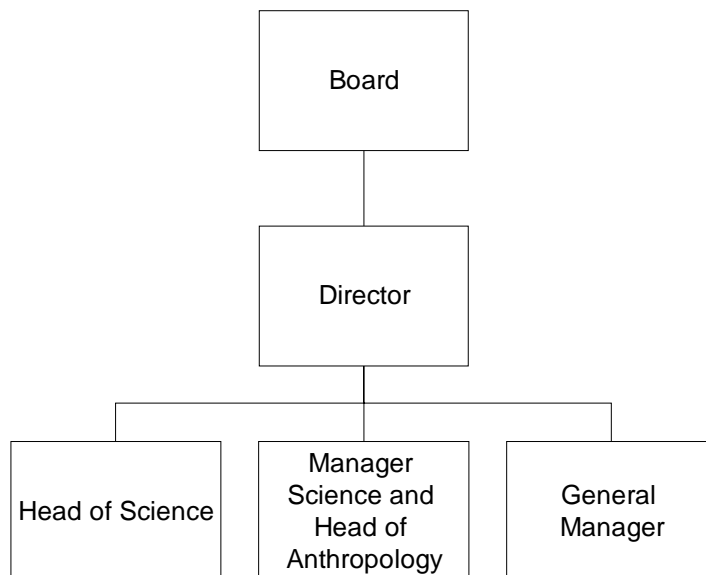
FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Museum Board, a Statutory Authority established pursuant to the *South Australian Museum Act 1976* is responsible for the management of the South Australian Museum.

The role of the South Australian Museum is to:

- increase knowledge and understanding of the State's natural and cultural heritage;
- to serve the community by acquiring, preserving, interpreting and presenting to the public, material evidence concerning people and nature;
- to provide opportunities for study, education and enjoyment.

The structure of the Museum Board is shown in the following diagram:



SIGNIFICANT FEATURES

- The operating result for the year was a Deficit from Ordinary Activities of \$222 000 (\$2 million).
- The grants from the State Government increased by \$501 000 to \$7.2 million.
- Land and buildings were revalued during the year resulting in a revaluation decrement of \$2.8 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 16(2) of the *South Australian Museum Act 1976* provides specifically for the Auditor-General to audit the accounts of the Board in respect of each financial year.

Scope of Audit

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

During 2001-02 specific areas of Audit attention included:

- revenue, including receipting and banking
- expenditure, including accounts payable, and salaries and wages
- property, plant and equipment, including the adequacy of asset register maintenance
- collection management, including confirmation of the existence of collections.

Audit Communications to Management

An audit management letter conveying the scope of the audit and related findings was forwarded to the Director, South Australian Museum. A satisfactory response was received to the matters raised in that letter.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control environment was assessed as satisfactory. There remains, however, the need for the Board to either review existing or establish policies and procedures for all its major financial operations.

In its response, the Board indicated that an approach has been developed to ensure that policies and procedures are consistent and adequately maintained.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Operating Result

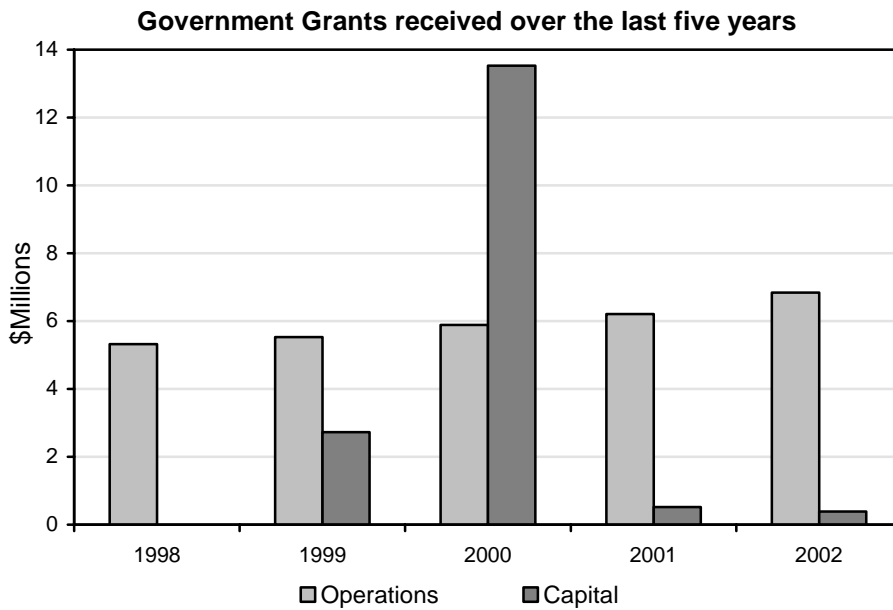
The operating result for the year was a Deficit from Ordinary Activities of \$222 000, compared with a deficit of \$2 million in 2000-01. The reduction in the deficit is mainly attributed to:

- an additional \$501 000 in State Government funding;
- a reduction of \$1.2 million in the contribution provided by the Museum Board towards the development costs of the Australian Aboriginal Cultures Gallery. Refer Note 4.

State Government Grants

Grants from the State Government for operating and capital purposes totalled \$7.2 million (\$6.7 million in 2000-01) and represented 72 percent (75 percent) of the Total Revenues. As expressed in Note 2(n) to the Financial Statements the Board is dependent on the ongoing financial support of the State Government.

The government grants for operating and capital purposes over the last five years are reflected in the following chart.



The chart shows the significant capital grants received in 1998-99 and 1999-2000 in relation to the redevelopment of the South Australian Museum buildings. As this redevelopment has been substantially completed a minor amount of capital grants was received in 2001-02.

Statement of Financial Position

Property, Plant and Equipment

Land and buildings were revalued at 30 June 2002 resulting in a revaluation decrement of \$2.8 million. The written down value of property, plant and equipment decreased by \$3.5 million to \$34.7 million.

Heritage Collections

The Board was granted an exemption by the Treasurer from compliance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets', which requires non-current assets to be revalued every three years. The Heritage Collections, which were valued as at 30 June 1998, will now be revalued as at 30 June 2003 (refer to Note 2(g)).

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Grants from State Government - Operations		6 839	6 209
- Capital		391	520
Grants from Commonwealth Government		286	382
Sale of goods		479	405
Fees for services		327	239
Interest		57	97
Other revenues	3	1 602	1 156
Total Revenues		9 981	9 008
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	4	3 810	3 700
Cost of goods sold		285	246
Administration	4	3 684	4 663
Accommodation and service costs		1 402	1 377
Depreciation	4	1 022	1 054
Total Expenses		10 203	11 040
DEFICIT FROM ORDINARY ACTIVITIES		(222)	(2 032)
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net debit to asset revaluation reserve on revaluation of non-current assets	10	(2 771)	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(2 993)	(2 032)

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash assets		1 096	1 241
Receivables		132	334
Prepayments		135	64
Inventories		189	200
Total Current Assets		1 552	1 839
NON-CURRENT ASSETS:			
Property, plant and equipment	5	34 710	38 199
Heritage collections	6	27 934	27 542
Total Non-Current Assets		62 644	65 741
Total Assets		64 196	67 580
CURRENT LIABILITIES:			
Payables	7	187	613
Provision for employee entitlements	8	224	190
Total Current Liabilities		411	803
NON-CURRENT LIABILITIES:			
Payables	7	54	56
Provision for employee entitlements	8	490	487
Total Non-Current Liabilities		544	543
Total Liabilities		955	1 346
NET ASSETS		63 241	66 234
EQUITY:			
Accumulated surplus	9	61 720	61 942
Reserves	10	1 521	4 292
TOTAL EQUITY		63 241	66 234
Commitments	11		
Contingent Liabilities	12		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Sale of goods		420	392
Fees for services and admissions		327	239
Interest		57	104
Other revenues		1 621	891
PAYMENTS:			
Employee costs		(3 770)	(3 918)
Administration		(4 026)	(4 462)
Accommodation and service costs		(1 478)	(1 302)
Other expenses		(358)	(321)
CASH FLOWS FROM GOVERNMENT:			
Recurrent grants from State Government		6 839	6 209
Capital grants from State Government		391	520
Recurrent grants from Commonwealth Government		286	382
Net Cash provided by (used in) Operating Activities	13	309	(1 266)
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS:			
Property, plant and equipment		(304)	(510)
Heritage Collections		(150)	-
Net Cash used in Investing Activities		(454)	(510)
NET DECREASE IN CASH HELD		(145)	(1 776)
CASH AT 1 JULY		1 241	3 017
CASH AT 30 JUNE	2(m)	1 096	1 241

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Museum Board Functions

The functions of the Museum Board as prescribed under the *South Australian Museum Act 1976* are as follows:

- to undertake the care and management of the Museum;
- to manage all lands and premises vested in, or placed under the control of, the Board;
- to manage all funds vested in, or under the control of, the Board and to apply those funds in accordance with the terms and conditions of any instrument of trust or other instrument affecting the disposition of those monies;
- to carry out, or promote, research into matters of scientific and historical interest;
- to accumulate and care for objects and specimens of scientific or historical interest;
- to accumulate and classify data in regard to any such matters;
- to disseminate information of scientific or historical interest; and
- to perform any other functions of scientific, educational or historical significance that may be assigned to the Board by regulation.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards, applicable Urgent Issues Group Consensus Views and other mandatory reporting requirements. The report is prepared on the accrual basis of accounting and in accordance with conventional historical cost principles, except where stated.

(b) Change in Accounting Policies

There have been no changes in accounting policies during 2001-2002.

(c) The Reporting Entity

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

The financial report encompasses transactions through an interest bearing Special Deposit Account titled 'Arts South Australia Operating Account' and through an interest bearing Deposit Account titled 'Museum Board Bequests Account'.

(d) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(e) Grants from State Government

State Government grants are recognised as revenues in the period in which the Museum Board obtains control over the funds.

(f) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets acquired after 1 July 1996. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. Assets donated during the year have been brought to account at market value.

(g) Valuation of Non-Current Assets

The Museum Board has adopted the deprival value method as the basis of valuing all of its non-current assets.

In accordance with the transitional provisions of Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' the Board has continued to apply the deprival value methodology as the basis of valuing its non-current assets.

Land and Buildings

Land and buildings have been valued at replacement cost. Valuations of land and buildings were determined as at 30 June 2002 by the Australian Valuation Office, resulting in a revaluation decrement of \$2.8 million. Land and buildings are independently valued every three years.

Plant and Equipment

Plant and equipment, including computer equipment, have been valued at historical cost.

Heritage Collections

Heritage collections held as at 1 July 1996 were brought to account as at 30 June 1998 using the valuation methodology outlined below. Acquisitions between 1 July 1996 and 30 June 2002 have been brought to account at cost. The Board was granted an exemption by the Treasurer from compliance with Accounting Policy Statement APS 3 'Revaluation of Non-current Assets' which requires non-current assets to be revalued every three years. The collections will now be revalued as at 30 June 2003.

Under the deprival value method, a market valuation was adopted where an identifiable market exists. Assets precluded from sale by legislation or donor intent were not valued.

The valuation of heritage collections is based on a professional assessment carried out by the former Director of the South Australian Museum, in consultation with curatorial staff, or in some areas, external valuers, of the estimated market value or the cost of the replacement of the items of the collections. Collections which have been valued are the Australian Aboriginal Ethnographic, Foreign Ethnographic, Industrial/Social History, Library and Minerals Collections.

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

Industrial/Social History, Weapons and Militaria	Lee Blair-Jenke
Industrial/Social History, Other	Jean Morris
Library, Rare Books	Michael Treloar

A number of collections were not valued due to either a lack of reliable market or replacement valuation methodologies or to the restrictions of sale under legislation or donor intent. Under Statement of Accounting Concepts SAC 4 'Definition and Recognition of the Elements of Financial Statements', assets are to be valued at zero if these conditions are present. Collections which have not been valued are the Archaeology, Archival, Secret Sacred Collections, Fossils, Human Biology, Evolutionary Biology, Invertebrates and Vertebrates.

(h) Depreciation of Non-Current Assets

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

The expected useful lives are as follows:

Buildings and improvements	Useful life depends on individual asset items
Plant and equipment	5 - 15 years
Computer equipment	3 - 5 years

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

(i) Inventories

Inventories are brought to account at cost or realisable value, whichever is lower.

(j) Employee Entitlements*(i) Wages, Salaries and Annual Leave*

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

(ii) Long Service Leave

A liability for long service leave has been recognised which represents the amount which the Museum Board has a present obligation to pay resulting from employees' services provided up to the reporting date. The liability has been calculated at nominal amounts based on current wage and salary rates using a benchmark of eight years service as advised by the Department of Treasury and Finance.

(iii) Superannuation

Contributions are made by the Museum Board to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contributions due, but not yet paid, to the superannuation schemes.

(k) Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability according to the Board's experience of claim numbers and payments over the period 1 July 1987 to 30 June 2002. A separate valuation of the liabilities of the Board has not been undertaken and if such a valuation was performed it may result in a different assessed liability.

(l) Leases

The Museum Board has entered into a number of operating lease agreements for accommodation and vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

(m) Cash Assets

For the purposes of the Statement of Cash Flows, cash assets includes cash on hand and at bank.

(n) State Government Funding

The financial report is prepared under the assumption of ongoing financial support being provided to the Museum Board by the State Government.

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

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

The amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or part of an item of expense.

The net GST receivable/payable to the Australian Taxation Office is not recognised as a receivable/payable in the Statement of Financial Position as the Board is a member of an approved GST group of which Arts SA, a division of the Department of the Premier and Cabinet, is responsible for the remittance and collection of GST. There are no cash flows relating to GST transactions with the Australian Taxation Office in the Statement of Cash Flows.

(p) Comparative Figures

Where necessary comparative figures have been adjusted to conform with changes in presentation in 2001-02.

3. Revenues from Ordinary Activities	2002	2001
Other revenues comprise the following categories of operating income:	\$'000	\$'000
Other grants and donations	1 111	633
Funding of payments for employee entitlements upon termination	-	265
Donations of heritage assets	242	-
Other	249	258
	1 602	1 156
4. Expenses from Ordinary Activities		
Employee costs were incurred in relation to the following:		
Wages and salaries	3 087	3 022
Superannuation and payroll tax expenses	477	507
Annual and long service leave expenses	187	121
Other employee related expenses	59	50
	3 810	3 700
Depreciation was charged in respect of:		
Buildings and improvements	969	969
Plant and equipment	32	65
Computer equipment	21	20
	1 022	1 054
Administration expenses comprise the following categories of expenditure:		
Research, collections and exhibitions operational expenses	891	713
Insurance and risk management	333	333
Maintenance	560	492
Communications and stationery	303	325
Marketing	104	198
Operating lease expenditure	47	85
Travel and accommodation	114	100
Agency staffing	202	284
Australian Aboriginal Cultures Gallery expenditure	200	1 392
General administration	930	741
	3 684	4 663

Australian Aboriginal Cultures Gallery expenditure for the 2001-02 and 2000-01 financial years represents payments to the Department for Transport, Urban Planning and the Arts, as a contribution towards development costs of the Australian Aboriginal Cultures Gallery.

5.	(a)	Property, Plant and Equipment	2002			2001		
			Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
		Land, buildings and improvements:						
		- At valuation	56 513	22 028	34 485	48 389	24 095	24 294
		- At cost	-	-	-	13 987	281	13 706
		Plant and equipment - At cost	1 128	928	200	1 049	896	153
		Computer equipment - At cost	120	95	25	121	75	46
		Total	57 761	23 051	34 710	63 546	25 347	38 199
6.	(b)	Reconciliation of Carrying Amounts of Property, Plant and Equipment	2002					
			Land, Buildings & Improvements \$'000	Plant & Equipment \$'000	Computer Equipment \$'000	Total \$'000		
		Carrying amount at 1 July	38 000	153	46	38 199		
		Additions	225	79	-	304		
		Depreciation expense	(969)	(32)	(21)	(1 022)		
		Valuation decrement	(2 771)	-	-	(2 771)		
		Carrying Amount at 30 June	34 485	200	25	34 710		
6.	(a)	Heritage Collections	2002			2001		
			At Cost \$'000	At Valuation \$'000	Total \$'000	At Cost \$'000	At Valuation \$'000	Total \$'000
		Australian Aboriginal Ethnographic	201	6 978	7 179	51	6 978	7 029
		Foreign Ethnographic	6	5 980	5 986	6	5 980	5 986
		Library	31	4 306	4 337	31	4 306	4 337
		Minerals	357	9 854	10 211	115	9 854	9 969
		Social/Industrial History	-	221	221	-	221	221
		Total	595	27 339	27 934	203	27 339	27 542
6.	(b)	Reconciliation of Carrying Amounts of Heritage Collections	2002			2001		
			Balance \$'000	Additions \$'000	Balance \$'000	Balance \$'000	Additions \$'000	Balance \$'000
		Australian Aboriginal Ethnographic	7 029	150	7 179	7 029	-	7 029
		Foreign Ethnographic	5 986	-	5 986	5 986	-	5 986
		Library	4 337	-	4 337	4 337	-	4 337
		Minerals	9 969	242	10 211	9 969	-	9 969
		Social/Industrial History	221	-	221	221	-	221
		Total	27 542	392	27 934	27 542	-	27 542
7.	Payables	Current:		2002	2001			
				\$'000	\$'000			
		Creditors and accruals		153	584			
		Employee costs		34	29			
				187	613			
		Non-Current:						
		Employee costs		54	56			
8.	Provision for Employee Entitlements	Current:		2002	2001			
				\$'000	\$'000			
		Provision for annual leave		177	144			
		Provision for long service leave		41	41			
		Provision for workers compensation		6	5			
				224	190			
		Non-Current:						
		Provision for long service leave		472	469			
		Provision for workers compensation		18	18			
				490	487			
9.	Accumulated Surplus	Balance brought forward		2002	2001			
				\$'000	\$'000			
		Balance brought forward		61 942	63 974			
		Deficit from ordinary activities		(222)	(2 032)			
		Balance at 30 June		61 720	61 942			
10.	Reserves	Asset Revaluation Reserve - Land, buildings and improvements		2002	2001			
				\$'000	\$'000			
		Balance at 1 July		4 292	4 292			
		Movements in reserves		(2 771)	-			
		Balance at 30 June		1 521	4 292			

11. Commitments for Expenditure	2002	2001
(a) Operating Leases	\$'000	\$'000
Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
Not later than one year	384	369
Later than one year and not later than five years	761	1 052
Later than five years	149	241
	1 294	1 662

These operating lease commitments, which are not recognised in the financial report as liabilities, comprise:

- non-cancellable property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased by 5.5 percent per annum or the Consumer Price Index. Options exist to renew the leases at the end of their terms for a further five years.
- non-cancellable motor vehicle leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.

(b) Agreements Equally and Proportionately Unperformed

Agreements equally and proportionately unperformed include contracts for the redevelopment of the South Australian Museum's Natural Science Building. These commitments are not recognised as liabilities in the financial report.

Agreements equally and proportionately unperformed at the reporting date are estimated as follows:	2002	2001
	\$'000	\$'000
Not later than one year	1 654	2 000

12. Contingent Liabilities

There are no known contingent liabilities as at 30 June 2002.

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

Deficit from ordinary activities	(222)	(2 032)
Non-Cash Items:		
Depreciation expense	1 022	1 054
Donations of heritage assets	(242)	-
Change in Operating Assets and Liabilities:		
Decrease (Increase) in assets	142	(324)
(Decrease) Increase in liabilities	(391)	36
Net Cash provided by (used in) Operating Activities	309	(1 266)

14. Payments to Consultants

Payments to consultants during 2001-02 fell within the following ranges:

	2002	2001
	Number of	Number of
	Consultants	Consultants
\$0 - \$10 000	2	6
\$10 001 - \$50 000	-	2
Above \$50 000	1	1

The total amount paid to consultants in 2001-02 was \$181 000 (\$139 000).

15. Remuneration of Employees

The number of employees whose annual remuneration was over \$100 000 fell within the following bands:

\$130 000 - \$139 999	-	1
\$140 000 - \$149 999	1	-

The total remuneration received by this employee for the year was \$143 000 (\$138 000).

16. Remuneration of Board Members

The number of Board Members who received annual income from the Museum Board fell within the following bands:

	2002	2001
	Number of	Number of
	Board	Board
	Members	Members
\$0 - \$9 999	7	7
\$10 000 - \$19 999	1	1

The total income received by these Board Members for the year was \$51 000 (\$47 000).

17. Remuneration of Auditors

The audit fee in relation to the year to 30 June 2002 is \$18 000 (\$17 000). The auditors provided no other services to the Board.

18. Related Party Disclosures

During the financial year the following persons held positions on the Museum Board:

Mr RJ Champion de Crespigny, Chair, Dr A Lloyd, Mr A Simpson, Assoc Prof M Sedgley, Mr P Ah Chee, Ms S Cookson (from 22 August 2001), Ms P Capaldo (from 22 August 2001) and Mr R Edwards (from 22 August 2001).

Mr DW Stott, Mr R Smith and Ms T Whiting retired from 30 June 2001. Mr RJ Champion de Crespigny retired from 30 June 2002.

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

19. Targeted Voluntary Separation Package Scheme (TVSPs)

In 2001-02 5 TVSPs totalling \$358 000 were paid and an additional \$109 000 was paid on account of accrued annual leave and long service leave. The TVSP amount of \$358 000 was paid by the Department for Transport, Urban Planning and the Arts, which subsequently received reimbursement of this amount from the Department of the Premier and Cabinet. In 2000-01 13 TVSPs totalling \$905 000 were paid with an additional \$265 000 for accrued annual leave and long service leave.

20. Financial Instruments**(a) Terms and Conditions**

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
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Financial Assets

Cash assets		Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis although some funds held within the total cash balance are non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Museum Board are the Special Deposit Account titled 'Arts South Australia Operating Account' and the Deposit Account titled 'Museum Board Bequests Account'. The interest rate is the Treasurer's Approved Rate of Interest on Section 21 Deposit Accounts which is currently 4.17 percent (as at 30 June 2002).
Receivables		Receivables are recorded at amounts due to the Museum Board. They are recorded when services have been completed.	Receivables are due within 30 days.

Financial Liabilities

Payables	7	Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
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(b) Interest Rate Risk

Financial Instrument	Note	2002			2001				
		Interest Rate Percent	Interest Bearing Floating Rate \$'000	Non-Bearing \$'000	Total \$'000	Interest Rate Percent	Interest Bearing Floating Rate \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets:									
Cash assets		4.17	1 094	2	1 096	5.06	1 239	2	1 241
Receivables		-	-	132	132	-	-	334	334
			<u>1 094</u>	<u>134</u>	<u>1 228</u>		<u>1 239</u>	<u>336</u>	<u>1 575</u>
Financial Liabilities:									
Payables	7	-	-	153	153	-	-	584	584
			<u>-</u>	<u>153</u>	<u>153</u>		<u>-</u>	<u>584</u>	<u>584</u>

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument	Note	2002		2001	
		Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Cash assets		1 096	1 096	1 241	1 241
Receivables		132	132	334	334
		<u>1 228</u>	<u>1 228</u>	<u>1 575</u>	<u>1 575</u>
Payables	7	153	153	584	584
		<u>153</u>	<u>153</u>	<u>584</u>	<u>584</u>

The net fair values of both financial assets and liabilities approximate their total carrying amounts.

(d) Credit Risk Exposure

The Museum Board's maximum exposure to credit risk at reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Museum Board has no significant exposures to any concentrations of credit risk.

DEPARTMENT OF THE PREMIER AND CABINET

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The purpose of the Department is to support the Premier, Cabinet and Executive Council in the development of a competitive, creative and well managed State. This is achieved through providing the Premier, Cabinet and Executive Council with assistance in developing policies; identifying and providing strategic advice on emerging issues and opportunities; and providing leadership and direction to the public service to achieve management improvements.

To facilitate the achievement of these objectives, the Department has been organised on a broadly functional basis, comprising a number of branches and offices which perform distinct roles consistent with the charter of the Department.

CHANGES TO AGENCY ORGANISATIONAL STRUCTURE

As from 1 July 2001, a new financial services division within the Corporate and Organisational Development branch was established within the Department to provide accounting and financial management services. Previously, these functions had been performed by the Department of Treasury and Finance under a Service Level Agreement.

The new division is responsible for providing financial reporting services to the Department and Executive Management.

In addition, other changes were made to the Department's structure in line with initiatives of the new Government. This included the establishment of the Social Inclusion Unit, which also reports to a new Social Inclusion Board.

Transfer of Arts SA

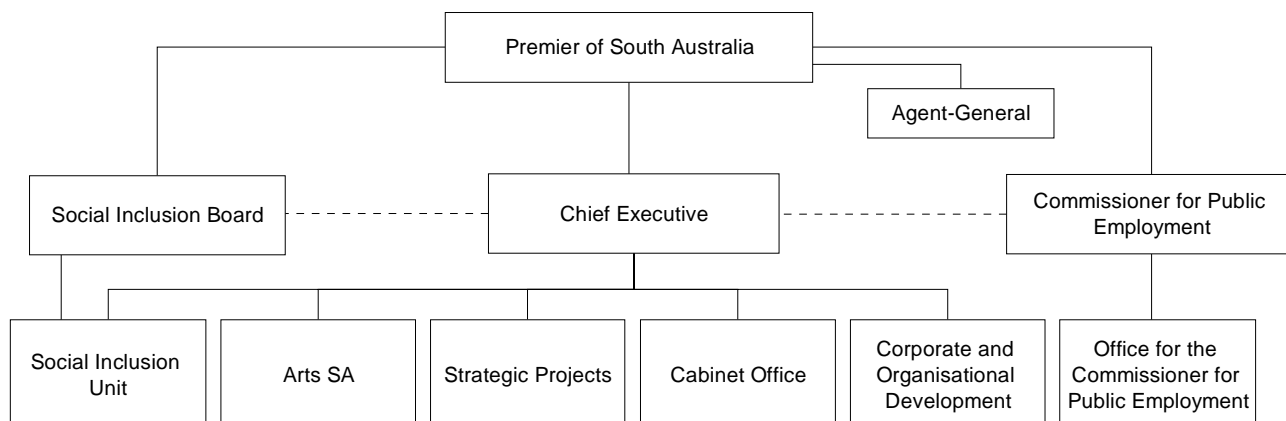
During the financial year, Arts SA was transferred to the Department of the Premier and Cabinet effective from 1 April 2002. The financial assets and liabilities of Arts SA were consolidated into the Department's controlled financial statements as at 30 June 2002 and three months of operations have been reflected in the Statement of Financial Performance.

The operations of Arts SA prior to the transfer to the Department of the Premier and Cabinet are reflected in the financial report of the Department for Transport, Urban Planning and the Arts.

FURTHER CHANGES TO AGENCY ORGANISATIONAL STRUCTURE

Effective from 1 July 2002, the Multicultural Affairs and South Australian Ethnic Affairs Commission was transferred to the Justice portfolio. This included the operations of the Interpreting and Translating Centre (ITC), which were transferred to the Attorney General's Department as part of this move.

As a result of the above changes, the following chart depicts the organisation structure of the Department as at the time of preparation of this Report.



SIGNIFICANT FEATURES

- As a result of the transfer of Arts SA to the Department:
 - Additional revenue of \$8.8 million and expenses of \$38.2 million were recognised in relation to the period 1 April 2002 to 30 June 2002
 - Net assets of \$58.8 million (including cash of \$44.1 million and non-current assets of \$14.7 million) were transferred into the Department.
- Total operating expenses were \$96.7 million.
- Grants and subsidies paid for the full year by Arts SA increased by \$26.3 million to \$104 million (\$77.7 million) due mainly to capital funding provided to the State Library and the Adelaide Festival Centre Trust.
- The net result before restructuring was a loss of \$31 million, due mainly to the timing of grant payments by Arts SA and the associated Government appropriations (which were received prior to the transfer of Arts SA to the Department of the Premier and Cabinet). This timing also explains the large cash balance (\$44.1 million) transferred into the Department with Arts SA.
- Net assets of the Department increased by \$32 million to \$49.8 million, and included a cash balance of \$35 million (\$19.8 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

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

Audit coverage included the following areas:

- revenue raising and receipting, including interpreting and translating services
- non-current assets, including revaluations
- processing and disbursement of departmental expenditure, including payroll and grants
- information technology environment
- administration of the Goods and Services tax (GST)
- procurement activities, including the role of the Accredited Purchasing Unit (APU).

Review of some matters not material to the financial report had not be finalised at the time of this report.

Audit Communications to Management

Various letters, communicating issues arising from the audit process, were forwarded to the Department. A satisfactory response was received for all matters raised.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control structure of the Department was assessed as satisfactory. Notwithstanding this, a number of issues were raised, including:

- a Statement of Financial Position was not being incorporated in monthly management reports;
- payroll bona fide certificates were not being controlled in a timely manner;
- absence of a compliance monitoring process to ensure compliance with the application of all new GST rulings;
- the Department's Procurement Manual was still in draft form at the time of audit and had contributed, in Audit's view, to a number of minor issues that had been identified with respect to a contracting process;
- opportunities for improvements in relation to the management of grant activities by Arts SA.

The response received from the Department (including Arts SA) was satisfactory and identified action taken to address each of the areas identified by Audit.

CONTROLS OPINION

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

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

FURTHER COMMENTARY ON OPERATIONS

Responsibility for Administered Items

The Department has the responsibility for administering the Government Workers Rehabilitation and Compensation Fund and the Targeted/Voluntary Separation Package Schemes Fund. Details of the audit coverage and the financial statements relating to the operations of both funds are included after the Department's Financial Statements. Other administered items are shown within the Notes to the Financial Statements.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	4(a)	27 705	25 214
Accommodation and service costs		4 224	3 955
Depreciation	5	913	595
Other expenses from ordinary activities	6	28 562	25 212
Grants and subsidies for Arts SA	21	35 283	-
Total Expenses		96 687	54 976
REVENUES FROM ORDINARY ACTIVITIES:			
User charges and fees	7(a)	4 423	5 199
Interest		1 359	1 058
Other revenues from ordinary activities	7(b)	5 038	4 521
Total Revenues		10 820	10 778
NET COST OF SERVICES	15	85 867	44 198
REVENUES FROM GOVERNMENT:			
Appropriations		51 181	46 217
Grants and subsidies		3 731	951
Total Revenues from Government	2(e)	54 912	47 168
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES BEFORE RESTRUCTURING		(30 955)	2 970
NET REVENUES (EXPENSES) FROM RESTRUCTURING	22(b)	58 763	-
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES AFTER RESTRUCTURING		27 808	2 970
NET SURPLUS		27 808	2 970
EQUITY INTERESTS			
Net credit to asset revaluation reserve	13	4 173	-
Total Revenues, Expenses and Valuation Adjustments Recognised Directly in Equity		4 173	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		31 981	2 970

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash	8	35 080	19 827
Investments		763	-
Inventories		16	-
Receivables	8,9	2 970	1 681
Other	10	91	185
Total Current Assets		38 920	21 693
NON-CURRENT ASSETS:			
Property, plant and equipment	11	21 898	4 063
Works of art	11	47	30
Investments		305	-
Total Non-Current Assets		22 250	4 093
Total Assets		61 170	25 786
CURRENT LIABILITIES:			
Payables	8,12	3 275	1 413
Provision for employee entitlements	4(b)	2 433	1 927
Revenue received in advance		412	-
Total Current Liabilities		6 120	3 340
NON-CURRENT LIABILITIES:			
Imprest account	8	29	4
Payables	8,12	520	570
Provision for employee entitlements	4(b)	4 654	4 006
Total Non-Current Liabilities		5 203	4 580
Total Liabilities		11 323	7 920
NET ASSETS		49 847	17 866
EQUITY:			
Retained surplus	13	45 674	17 866
Asset revaluation reserve	13	4 173	-
TOTAL EQUITY		49 847	17 866
Commitments and Contingent Liabilities	14		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee costs		(27 977)	(25 029)
Accommodation and service costs		(4 223)	(3 999)
Other expenses from ordinary activities		(27 936)	(26 707)
GST payments on purchases		(3 904)	(2 373)
Grants and subsidies		(35 283)	-
Total Payments		(99 323)	(58 108)
RECEIPTS:			
User charges and fees		3 943	4 905
Interest		1 325	1 025
Other receipts from ordinary activities		6 876	5 079
GST receipts on receivables		460	311
GST receipts from taxation authority		3 353	1 762
Total Receipts		15 957	13 082
CASH FLOWS FROM GOVERNMENT:			
Revenues from government		54 912	47 168
Total Cash Flows from Government		54 912	47 168
Net Cash (used in) provided by Operating Activities	15	(28 454)	2 142
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from investments		588	(994)
Payment for property, plant and equipment		(985)	-
Net Cash used in Investing Activities		(397)	(994)
NET (DECREASE) INCREASE IN CASH HELD		(28 851)	1 148
CASH RECEIVED ON RESTRUCTURE	22(b)	44 104	-
CASH AT 1 JULY		19 827	18 679
CASH AT 30 JUNE		35 080	19 827

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

Output Class (Refer Note 3)	1	2	3	4	5	6	2002 Total \$'000	2001 Total \$'000
Operating Expenses	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	(96 687)	(54 974)
Operating Revenues	(36 210)	(18 619)	(4 078)	(19 617)	(5 564)	(12 599)	65 732	57 944
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES	(2 320)	2 031	(242)	(18 659)	(3 281)	(8 484)	(30 955)	2 970

The allocation to output classes are indicative and are based on broad costing methodologies. In particular, appropriations were not developed on the basis of output classes for 2001-02 and have also been allocated on a broad basis.

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

	2002 Total \$'000	2001 Total \$'000
ADMINISTERED EXPENSES:		
Premier - Other payments	1 802	1 853
Salary and allowances pursuant to:		
Agent-General Act 1901	253	327
Parliamentary Remuneration Act 1990	300	238
National Wine Centre	-	2 426
Targeted/Voluntary Separation Package Schemes Account	93 239	50 281
Government Workers Rehabilitation and Compensation Fund	10 879	8 157
	106 473	63 282
ADMINISTERED REVENUES:		
National Wine Centre	-	18 076
International Rose Garden	-	(218)
State Disaster Relief Fund	4	4
Targeted/Voluntary Separation Package Schemes Account	84 064	68 400
Government Workers Rehabilitation and Compensation Fund	6 460	4 384
	90 528	90 646
ADMINISTERED REVENUES LESS ADMINISTERED EXPENSES	(15 945)	27 364

Schedule of Administered Assets and Liabilities as at 30 June 2002

	2002			2001
	Assets \$'000	Liabilities \$'000	Net Assets (Liabilities) \$'000	Net Assets (Liabilities) \$'000
ADMINISTERED ASSETS AND LIABILITIES:				
National Wine Centre	-	-	-	23 936
International Rose Garden	-	-	-	11 144
State Disaster Relief Fund	92	-	92	87
Targeted/Voluntary Separation Package Schemes Account	221	(7)	214	9 389
Government Workers Rehabilitation and Compensation Fund	3 431	(22 081)	(18 650)	(14 231)
TOTAL	3 744	(22 088)	(18 344)	30 325

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Departmental Objectives

The Department of the Premier and Cabinet has a number of key roles in assisting the Premier and his Cabinet. These include to:

- provide the Premier and Cabinet with a whole-of-government perspective which promotes an integrated approach to government policy development and services;
- identify and provide strategic advice and assistance to the Premier and Cabinet on emerging issues, projects and opportunities to promote the State's competitiveness and future prosperity;
- adopt a whole-of-government and whole of community approach to facilitate integrated services which better meets the needs of the community;
- advance the cultural, social and economic well being of South Australians through the development of a vital and creative arts sector;
- promote strategic human resource management across the South Australian Public Sector;
- provide leadership and direction to the South Australian Public Service to achieve management improvements which lead to excellence and professionalism in public administration;
- provide policy development and services in relation to occupational health and safety, industrial relations, executive employment and leadership development;
- provide the Premier and Cabinet with responsive, relevant services through the most effective use of staff and Departmental resources and systems.
- provide a strong creative arts industry that enhances the State's profile as a world centre for cultural richness and diversity.

2. Summary of Significant Accounting Policies

(a) Financial Reporting Framework

The financial report is a general purpose financial report.

(b) Basis of Accounting

The accounts have been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and Urgent Issues Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historical cost principles except where stated.

(c) The Reporting Entity

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account titled 'Department of the Premier and Cabinet Operating Account' and any other Funds through which the Department controls resources to carry out its functions.

The Department's principal source of funds consists of monies appropriated by Parliament.

As at 28 February the Centenary of Federation Project was completed. The Department has incorporated all receipts and expenditure in the Financial Statements.

As at 1 April 2002, the Department was restructured to incorporate Arts SA and as such the Financial Statements have been prepared to include the financial transactions of Arts SA since that time.

Administered Resources

The Department administers, but does not control, certain resources on behalf of the South Australian Government. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the Department's objectives. For these resources, the Department acts only on behalf of the South Australian Government.

Transactions and balances relating to these administered resources are not recognised as Departmental revenues and expenses but are disclosed in the applicable schedules.

For the year ended 30 June 2002, the Department ceased to administer the National Wine Centre and the International Rose Garden. Transactions and balances relating to these administered resources are now reported in the Financial Statements of the applicable Government Department.

Trust Funds

The Department has received monies in a trustee capacity for various trusts as set out in Note 20. As the Department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the Department's objectives, they are not brought to account in the financial report, but are shown in Note 20.

(d) User Charges and Fees

User charges and fees controlled by the Department are recognised as revenues. User charges and fees are controlled by the Department where they can be deployed for the achievement of Departmental objectives. Such amounts are not required to be paid to the Consolidated Account or other Funds not controlled by the Department.

(e) Appropriations

Appropriations, whether operating, investing, or other, are recognised as revenues when the Department obtains control over the assets comprising the contributions. Control over appropriations is normally obtained upon their receipt.

(f) Foreign Currency

Assets and liabilities that are in a foreign currency have been brought into the accounts at the exchange rate applying at 30 June. Income and expenses arising from transactions in a foreign currency are brought to account at the average exchange rate that applied during the period in which they occurred. Unrealised losses resulting from currency transactions have been brought to account in the Statement of Financial Performance.

(g) Non-Current Assets

All non-current assets controlled by the Department are reported in the Statement of Financial Position. The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Specific classes of non-current assets which have a total value greater than \$1 million are revalued every three years in accordance with Treasurer's Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'. Buildings and Improvements, and Furniture and Fittings were revalued as at 30 June 2002 by Rushton Group Australia Pty Ltd (refer Note 11). Valuations of Departmental Land, Buildings and Improvements held for cultural purposes were determined as at 30 June 2002 by the Australian Valuation Office.

(h) Depreciation of Non-Current Assets

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Estimates of remaining useful lives are reviewed on a regular basis for all assets. The estimated useful lives of each asset class are as follows:

	Years
Buildings and improvements	up to 100
Furniture and fittings	5-10
Office equipment	3
Systems development	5
Motor vehicles	5

Works of art controlled by the Department are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised for this class of asset.

(i) Employee Entitlements

(i) Wages, Salaries and Annual Leave

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

(ii) Long Service Leave

A liability for long service leave is calculated by using the product of the current liability in time for all employees who have completed eight or more years of service and the current rate of remuneration for each of these employees respectively. The eight years has been based on an actuarial calculation as directed in the Accounting Policy Statements. The liability is measured as the amount unpaid at the reporting date.

(iii) Superannuation

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

(iv) Employment On-Costs

The liability for employment on costs includes superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave. These amounts are classified under payables.

(j) Leases

The Department has entered into a number of operating lease agreements for buildings and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Operating Statement in the periods in which they are incurred.

(k) Cash Assets

For purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

(l) Goods and Services Tax

The accounting policies adopted for the treatment of Goods and Services Tax (GST) are in accordance with Urgent Issues Group Abstract 31 'Accounting for the Goods and Services Tax (GST)'. Input tax credits due from the Australian Taxation Office are included in receivables.

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

(m) Rounding

All amounts are rounded to the nearest thousand dollars.

3. Outputs of the Department

Outputs are defined as goods or services produced, provided to or acquired for external customers. The Department has identified six major classes of outputs that it delivers to the community and the Premier. The identity and description of each major output class of the Department during the year ended 30 June 2002 are summarised below (refer to the Outputs Schedule – Department's Expenses and Revenues):

Output Class 1 - Central Coordination and Policy Advice

To contribute to the effectiveness of strategic planning processes at a whole-of-government level. To assist the efficient implementation of government policy. To facilitate the competitiveness of South Australia's economic and business climate. To operate at a strategic level with other jurisdictions, industry and community groups. To develop and implement government communications strategy and manage protocol and special events.

Output Class 2 – Public Sector Human Resource Management

To facilitate best practice people management in the public sector. To deliver effective employee relations, occupational health and injury management services.

Output Class 3 - Multicultural Services

To provide multicultural advice and community relations support for the development of an open, inclusive, cohesive society. To facilitate the valuing of cultural, linguistic and religious diversity in South Australia. From 1 July 2002, this output was transferred to the Attorney-General's Department.

Output Class 4 - Information Services

To provide information to the public, industry and government agencies.

Output Class 5 - Arts Museum and Heritage Services

To provide services that enable the State's cultural, heritage and arts assets to be appropriately maintained and be accessible to the community.

Output Class 6 - Arts Industry Development and Access to Artistic Product

To provide services to the community that enable the development of and access to, arts activities.

4. Employee Entitlements**(a) Employee Costs**

Wages and salaries	18 379	17 601
Superannuation and payroll tax expenses	3 534	3 288
Annual and long service leave expenses	2 531	2 271
Board fees ⁽ⁱ⁾	208	188
Other employee related expenses	3 053	1 866
	27 705	25 214

(i) Represents fees paid to members of the South Australian Centenary of Federation Committee, South Australian Centre for Life Long Learning Board, SAMEAC Secretariat and the Remuneration Tribunal.

(b) Provision for Employee Entitlements

Current Liabilities:		
Annual leave	1 487	1 365
Long service leave	933	562
Arts SA workers compensation claims	13	-
	2 433	1 927
Non-Current Liabilities:		
Long service leave	4 625	4 006
Arts SA workers compensation claims	29	-
	4 654	4 006
Total Provision for Employee Entitlements	7 087	5 933

(c) Number of employees at end of financial year**5. Depreciation**

Depreciation was charged in respect of:	2002	2001
	\$'000	\$'000
Buildings and improvements	144	93
Furniture and fittings	274	270
Office equipment	298	126
Motor vehicles	-	22
Systems development	197	84
	913	595

6. Other Expenses from Ordinary Activities		2002	2001
		\$'000	\$'000
General administration		16 371	11 922
Grant to Government Workers Rehabilitation and Compensation Fund		4 534	4 053
Grants		2 590	2 416
Service Level Fee - Department of Treasury and Finance		1 345	1 987
EDS charges		790	567
Consultants		1 671	1 283
Contractors		1 261	2 984
		28 562	25 212

7. Revenue from Ordinary Activities			
(a) User charges and fees comprised:			
Interpreting and Translating services		2 090	2 107
ARTS Industry related fees		578	-
Other recoveries for services		1 755	3 092
		4 423	5 199
(b) Other revenue from ordinary activities comprised:			
Reimbursement for TVSPs paid		1 290	696
Recovery of costs from the Adelaide City Council for the Capital City Project Team		85	91
Reimbursement from SOCOG for Olympic Football expenses		-	1 224
Grant from private industry		182	60
Grant from Commonwealth Government		395	900
Other sundry items		3 086	1 550
		5 038	4 521

8. Financial Instruments

The following disclosures have been provided to satisfy the requirements of Accounting Standard AASB 1033, 'Presentation and Disclosure of Financial Instruments'.

(a) Terms, Conditions and Accounting Policies**(i) Financial Assets**

- Cash on hand is available at call and is recorded at cost.
- Receivables are raised for goods and services provided for which payment has not been received. Receivables are normally settled within 60 days.

(ii) Financial Liabilities

- The imprest account is repayable to the Treasurer and is recorded at the value of the monies received.
- Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

(b) Interest Rate Risk

Financial Instrument	Floating Interest Rate		Non-Interest Bearing		Total Carrying Amount		Weighted Average Effective Interest Rate	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	Percent	Percent
Financial Assets:								
Cash on hand	35 046	19 822	34	5	35 080	19 827	4.17	5.06
Receivables	-	-	2 970	1 681	2 970	1 681	-	-
Investments	-	-	1 068	-	1 068	-	-	-
	35 046	19 822	4 072	1 686	39 118	21 508		
Financial Liabilities:								
Imprest account	-	-	29	4	29	4	-	-
Payables	-	-	3 795	1 983	3 795	1 983	-	-
	-	-	3 824	1 987	3 824	1 987		

(c) Net Fair Values

Financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

9. Receivables		2002	2001
		\$'000	\$'000
Fees receivable		2 983	1 689
Less: Provision for doubtful debts		13	8
		2 970	1 681
10. Other Current Assets			
Prepayments		91	185

11. Property, Plant and Equipment

	Buildings and Improvements	Furniture and Fittings	Office Equipment	Systems Development	Motor Vehicles	Works of Art	Total
<i>Valuation at Current and Historical Cost</i>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2001	22 489	2 896	954	988	71	30	27 428
Additions	-	-	958	27	-	-	985
Net Revaluation Increment	3 750	877	12	-	70	17	4 726
Disposals	-	-	(129)	(7)	-	-	(136)
Write off accumulated depreciation on revaluation	(426)	(2 198)	-	-	(71)	-	(2 695)
Balance at 30 June 2002	25 813	1 575	1 795	1 008	70	47	30 308
Accumulated Depreciation							
Balance at 30 June 2001	(7 082)	(1 924)	(564)	(84)	(71)	-	(9 725)
Disposals	-	-	129	7	-	-	136
Depreciation expense	(144)	(274)	(298)	(197)	-	-	(913)
Net adjustment for revaluation increment	(556)	-	-	-	-	-	(556)
Write down of accumulated depreciation on revaluation	426	2 198	-	-	71	-	2 695
Balance at 30 June 2002	(7 356)	-	(733)	(274)	-	-	(8 363)
Net Book Value							
As at 30 June 2001	2 019	972	168	904	-	30	4 093
As at 30 June 2002	18 457	1 575	1 062	734	70	47	21 945

Valuations of Buildings and Improvements, and Furniture and Fittings were determined as at 30 June 2002 by Rushton Group Australia Pty. Ltd. Valuations of assets held by the office of the Agent General in London were determined as at 30 June 2002 by Wellingtons Estate Agents. The assets have been revalued using the net method as prescribed in Accounting Standard AASB 1041 'Revaluation of Non Current Assets'. Valuations of Departmental Land, Buildings and Improvements held for cultural purposes were determined as at 30 June 2002 by the Australian Valuation Office.

12. Payables

Current:		2002	2001
		\$'000	\$'000
Employee costs		1 084	320
Accommodation and service costs		102	8
Payments to consultants		24	77
General Administration		1 997	782
Department of Industry and Trade - Funds received on behalf of		-	176
Unearned revenue		68	50
		3 275	1 413
Non-Current:			
Employee costs		520	570

13. Equity

Retained Surplus			
Balance at 1 July		17 866	14 896
Net result for the period		27 808	2 970
Balance at 30 June		45 674	17 866
Asset Revaluation Reserve			
Balance at 1 July		-	-
Increment on revaluation		4 173	-
Balance at 30 June		4 173	-

14. Commitments for Expenditure and Contingent Liabilities

(a) Operating Leases

At the reporting date, the Department's operating leases are for the lease of office accommodation and office equipment.

- Office accommodation is leased from the Real Estate Management business unit of the Department for Administrative and Information Services (DAIS). The leases are non-cancellable with terms ranging from 2 to 15 years with some leases having right of renewal. The rental amount is based on floor space and the time period of the lease, with the rental rate reviewed taking into account movements in market rental values or CPI. Rental is payable in arrears.
- Office equipment leases are non-cancellable with rental payable in arrears. No contingent rental provisions exist within the lease arrangement and no options exist to renew the leases at the end of their term.

For the current financial year, the total amount of rental expense for minimum lease payments for operating leases was \$2 877 000.

Operating Lease Commitments

Commitments under non-cancellable operating leases at the reporting date are not recognised as liabilities in the financial report, are payable as follows:		2002	2001
		\$'000	\$'000
Not later than one year		3 005	2 719
Later than one year and not later than five years		4 411	5 130
Later than five years		2 552	166
		9 968	8 015

(b) Contingent Obligations

The Department is not aware of any contingent liabilities or claims against the Department not accounted for in the Financial Statements.

15. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services from Ordinary Activities	2002	2001
	\$'000	\$'000
Net cash provided by operating activities	(28 454)	2 142
Cash flows from government	(54 912)	(47 168)
Non-cash items:		
Depreciation expense	(913)	(595)
Gain (Loss) on disposal of assets	-	(7)
Change in operating assets and liabilities:		
Increase (Decrease) in receivables	(908)	147
Increase (Decrease) in prepayments	(94)	156
(Increase) Decrease in payables	(550)	1 334
(Increase) Decrease in provision for employee entitlements	(36)	(207)
Net Cost of Services	(85 867)	(44 198)

16. Remuneration of Employees	2002	2001
The number of employees whose total employment cost was over \$100 000 fell within the following bands:	Number of	Number of
	Employees	Employees
Department of the Premier and Cabinet:		
\$100 000 - \$109 999	7	4
\$110 000 - \$119 999	4	3
\$120 000 - \$129 999	4	2
\$130 000 - \$139 999	6	5
\$140 000 - \$149 999	2	2
\$150 000 - \$159 999	1	2
\$160 000 - \$169 999	3	1
\$170 000 - \$179 999	3	2
\$180 000 - \$189 999	1	-
\$190 000 - \$199 999	1	3
\$220 000 - \$229 999	1	-
\$240 000 - \$249 999	1	-
\$250 000 - \$259 999	1	1
\$280 000 - \$289 999	1	-
	36	25
Unattached Unit:		
\$100 000 - \$109 999	-	2
\$110 000 - \$119 999	1	-
\$120 000 - \$129 999	-	-
\$170 000 - \$179 999	-	1
\$200 000 - \$209 999	-	1
	1	5

The table includes all employees who received remuneration of \$100 000 or more during the year paid by the Department of the Premier and Cabinet. The total remuneration received by these employees for the year was \$5 436 000 (\$4 379 000).

Unattached unit consists of *Public Sector Management Act 1995* employees who are unable to be placed in government agencies and authorities.

2002 figures include five employees from Arts SA amounting to \$626 000.

17. Payments to Consultants	2002	2001
	Number of	Number of
	Consultants	Consultants
Payments to consultants fell within the following bands:		
\$0 - \$10 000	73	64
\$10 001 - \$50 000	25	20
\$50 001 - \$100 000	5	2
\$100 001 - \$150 000	1	2
\$150 001 - \$200 000	1	-
\$200 001 - \$250 000	-	1
Over \$250 000	1	-

The total payments to the 106 consultants was \$1 671 000 (\$1 283 000) in 2001-02.

2002 figures include four consultants engaged at Arts SA amounting to \$41 000.

18. Remuneration of Auditors	2002	2001
Amounts received or due and receivable by the auditors with respect to the audit of the Department are:	\$'000	\$'000
Auditing services	104	87

19. Targeted Voluntary Separation Package (TVSPs) Scheme	2002	2001
	Number of	Number of
	Employees	Employees
Number of employees paid TVSPs	13	5
Amount paid to these employees:	2002	2001
	\$'000	\$'000
TVSP	1 290	696
Accrued annual and long service leave	306	425
	1 596	1 121

19. Targeted Voluntary Separation Package (TVSPs) Scheme (continued)	2002	2001
Amount recovered from the Targeted Voluntary Separation Package Scheme	\$'000	\$'000
Special Deposit Account	1 290	696

These amounts are included in the Financial Statements.

20. Trust Funds

The Department administers, but does not control, the Bank of Tokyo Cultural and Social Exchange Program and the SA Okayama Account.

Aggregate details of the transactions and balances relating to the Funds are as follows:	2002	2001
Bank of Tokyo Cultural and Social Exchange Program:	\$'000	\$'000
Cash balance 1 July	158	149
Add: Receipts	7	9
Less: Expenditure	15	-
Cash Balance at 30 June	150	158
SA Okayama Account:		
Cash balance 1 July	38	36
Add: Receipts	2	2
Less: Expenditure	-	-
Cash Balance at 30 June	40	38

As the Department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the Department's objectives, they are not brought to account in the financial report, but are shown here for information purposes.

21. Grants and subsidies for Arts SA	1.4.02 to	1.7.01 to
The following details figures for grants and subsidies for Arts SA for the period	30.6.02	30.6.02
1 April to 30 June 2002 and for the total year as follows:	\$'000	\$'000
Lead Agency Art Grants:		
Museum Board	2 006	7 230
Libraries Board of South Australia	19 318	38 888
Adelaide Festival Centre Trust	6 252	15 353
Art Gallery board	1 670	5 937
Country Arts SA	928	4 710
South Australian Film Corporation	1 151	4 585
History Trust of South Australia	690	3 625
Adelaide Festival Corporation	35	4 209
State Opera of South Australia	137	1 387
South Australian Youth Arts Board	424	1 696
State Theatre Company of South Australia	271	1 598
Adelaide Symphony Orchestra	417	1 885
Jam Factory of Contemporary Craft and Design	166	774
Australian Dance Theatre	77	557
Carrick Hill Trust	130	600
Tandanya	-	595
Arts Industry Development Grants:		
Project assistance	146	3 183
General purpose assistance	350	2 545
Other arts grants	1 115	4 670
	35 283	104 027

These figures reported in the Statement of Financial Position and Statement of Financial Performance contain figures from 1 April to 30 June 2002.

22. Reporting of Transferred Functions	1.4.02 to	1.7.01 to
(a) Revenues and Expenses for the Transferred Functions	30.6.02	30.6.02
The financial performance for Arts SA for 1 April to 30 June 2002 and	\$'000	\$'000
for the total year is as follows:		
Revenues:		
User charges and fees	578	1 588
Interest	378	1 761
Other revenues from ordinary activities	1 127	5 655
Appropriation	6 639	90 098
Grants and subsidies	50	1 651
	8 772	100 753
Expenses:		
Employee costs	1 313	4 879
Accommodation and service costs	130	732
Depreciation	69	278
Other expenses from ordinary activities	1 372	4 331
Grants and subsidies for Arts SA	35 283	104 027
	38 167	114 247
Net Result	(29 395)	(13 494)

(a) **Revenues and Expenses for the Transferred Functions (continued)**

In respect of Arts SA which was transferred from the Department of Transport and Urban Planning on 1 April 2002, the Department of Transport and Urban Planning has recognised revenues of \$91 981 000 and expenses of \$76 080 000 in its operating statement for the reporting period ended 30 June 2002. Accordingly, the total revenues and expenses in respect of Arts SA recognised by the Department of the Premier and Cabinet for the year ended 30 June 2002 are \$8 772 000 and \$38 167 000 respectively.

The difference in Net Result for Arts SA, three months (1.4.02 - 30.6.02) compared to 12 months result (1.7.01 - 30.6.02), reflects primarily differences in timing of the receipts of appropriations compared to expenditure for Grants and Subsidies.

(b) **Net Assets for the Transferred Functions**

Assets assumed by the Department of the Premier and Cabinet as a result of the assumption of Arts SA are recognised in the Statement of Financial Position at the carrying amount of those assets in the Department of Transport and Urban Planning Statement of Financial Position immediately prior to the transfer.

	Arts SA as at 31.3.02
ASSETS:	
Current:	
Cash	44 104
Investments	562
Inventories	16
Receivables	2 196
Other	-
	<u>46 878</u>
Non Current:	
Property, Plant and Equipment	13 610
Works of art	-
Investments	1 094
	<u>14 704</u>
LIABILITIES:	
Current:	
Payables	1 024
Provision for employee entitlements	280
Revenue received in advance	560
	<u>1 864</u>
Non-Current	
Imprest Account	23
Payables	94
Provision for employee entitlements	838
	<u>955</u>
Net Assets Transferred	<u><u>58 763</u></u>

TARGETED VOLUNTARY SEPARATION PACKAGE (TVSP) SCHEMES

SCHEME OBJECTIVES

The Targeted Voluntary Separation Package Scheme (TVSP) was first established in March 1993 to assist agencies in meeting budget targets set by Cabinet to meet the Government's deficit and debt outcomes. The Scheme take account of workforce reduction requirements and human resource management aspects of contracting out and restructuring of agency operations.

In the previous financial year the Government approved the implementation of an Enhanced Targeted Voluntary Separation Package (ETVSP) Scheme for a six month period ending on 19 September 2001. The ETVSP scheme replaced the previous TVSP scheme and provided an increased separation benefit for non executive employees accepting packages during the period.

The primary aims of the schemes were to facilitate workforce restructuring, the enhancement of the workforce skills profile, graduate recruitment and the ongoing modernisation and improvement of the efficiency and productivity of the public sector by:

- providing an enhanced separation offer to facilitate ongoing restructuring;
- enhancing the skill base of the South Australian public sector;
- providing increased graduate employment and an improved youth employment profile in the South Australian public sector;
- providing agencies with additional capacity to meet existing youth recruitment targets and to assist in the ongoing employment of young people.

All reimbursements to agencies in respect of the ETVSP scheme were completed at 30 June 2002.

On 15 July 2002, Cabinet approved the implementation of a new TVSP Scheme to operate for a period of twelve months commencing 12 August 2002. The purpose of the new scheme is to assist agencies to meet budget targets by reducing numbers of excess employees.

ADMINISTRATIVE RESPONSIBILITY

The financial arrangements of the Enhanced Targeted Voluntary Separation Package Scheme were administered by the Department of the Premier and Cabinet's Office for the Commissioner of Public Employment through a Special Deposit Account titled 'Targeted Voluntary Separation Package Scheme'.

Payments through the account included separation costs, terminal leave payments, workers compensation and costs associated with the processing of packages. The principal source of funds consists of monies appropriated by Parliament to the Treasurer.

The calculation of the separation payments is based on staged levels of payment depending on separation date and years of service, and are set out in the Determinations of the Commissioner for Public Employment issued under the *Public Sector Management Act 1985*.

SIGNIFICANT FEATURES

- Payments for Targeted Voluntary Separation Packages increased by \$42.3 million to \$91.2 million (\$48.9 million). The increase is predominantly due to the finalisation of ETVSP payments by agencies as a result of the closure of the ETVSP scheme in 2001-02 and the increase in benefits paid to employees under the ETVSP scheme arrangements.
- Appropriations increased by \$15.7 million (\$14.5 million) to \$84.1 million.

Premier and Cabinet

- Cash decreased by \$12.8 million to \$173 000 (\$13 million). The decrease in cash reflects the completion of agency ETVSP reimbursements, and the return to the Consolidated Account of \$8.2 million upon wind up of the ETVSP scheme.
- Current liabilities decreased by \$3.6 million to \$7 000 as all ETVSP reimbursement payments due to agencies had been completed prior to 30 June 2002.

AUDIT MANDATE AND SCOPE

The Audit of the Department of the Premier and Cabinet included matters relating to the audit of the TVSP Scheme which it administers.

Scope of the Audit

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

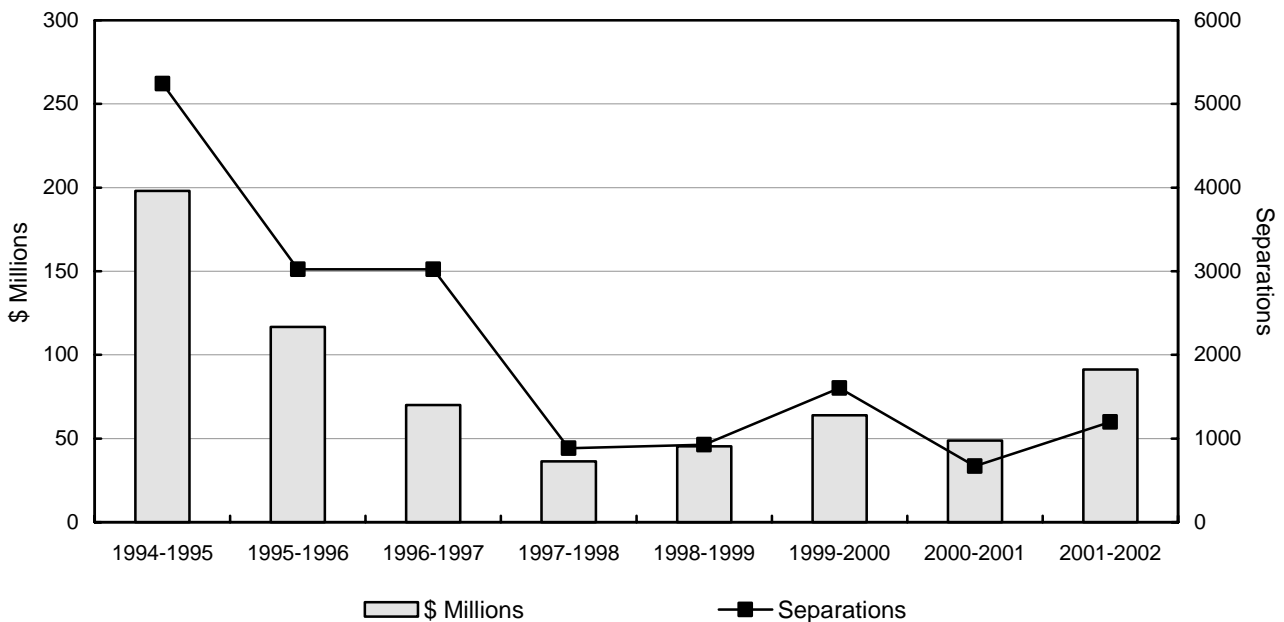
Audit Communications to Management

No material issues were formally communicated to management during the year. Matters during the course of the audit were satisfactorily addressed by the Department.

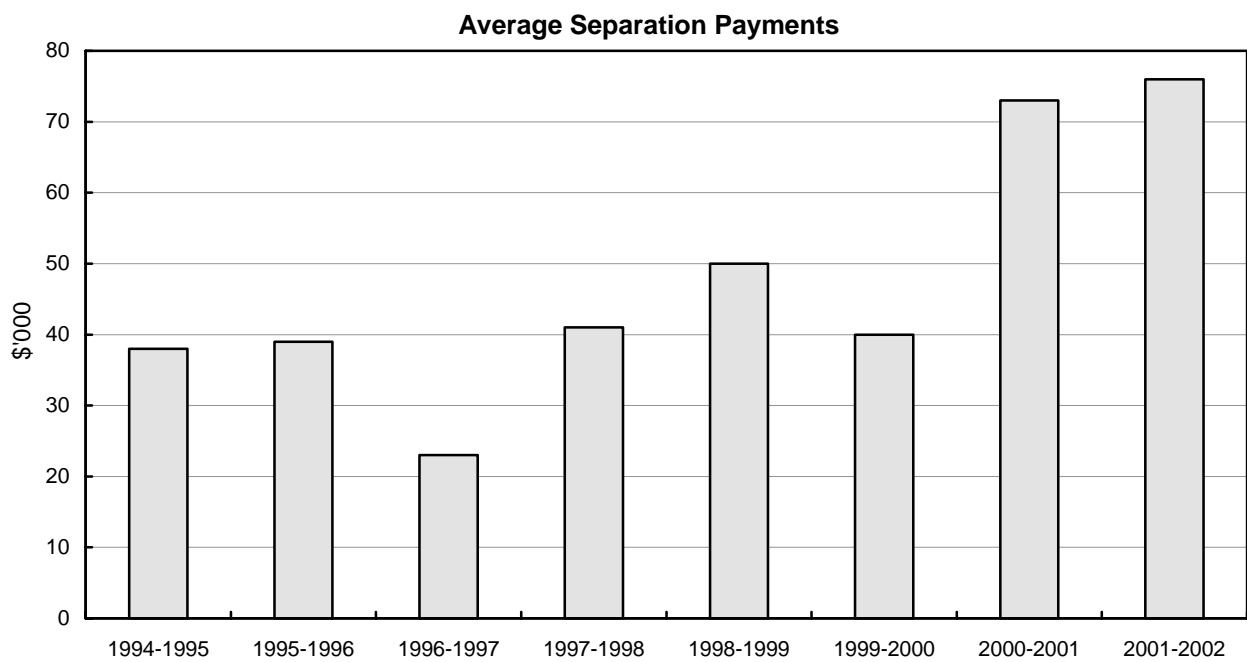
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Total Separations

The total number of separations and the cost of those separation packages, excluding other payments, for the past eight years is illustrated in the following graph.



The following graph illustrates the average separation payments made over the last eight years, and demonstrates the impact of the enhancement of the scheme over the last two years.



Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Enhanced Targeted Voluntary Separation Packages	3	91 150	48 880
Workers compensation		1 900	1 156
Other expenses from ordinary activities	4	189	245
Total Expenses		93 239	50 281
NET COST OF SERVICES	7(b)	(93 239)	(50 281)
REVENUES FROM GOVERNMENT			
Appropriations		84 064	68 400
Total Revenues from Government		84 064	68 400
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS		(9 175)	18 119
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(9 175)	18 119

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash		173	12 953
Receivables		48	-
Total Current Assets		221	12 953
Total Assets		221	12 953
CURRENT LIABILITIES:			
Payments due to agencies	5	7	3 564
Total Current Liabilities		7	3 564
Total Liabilities		7	3 564
NET ASSETS		214	9 389
EQUITY:			
Retained surplus (deficit)	6	214	9 389
TOTAL EQUITY		214	9 389

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Enhanced Targeted Voluntary Separation Packages		(94 755)	(54 046)
Workers compensation		(1 900)	(1 156)
Other expenses from ordinary activities		(189)	(245)
Total Payments		(96 844)	(55 447)
CASH FLOWS FROM GOVERNMENT:			
Appropriations		84 064	68 400
Total Cash Flows from Government		84 064	68 400
Net Cash (used in) provided by Operating Activities	7(a)	(12 780)	12 953
NET (DECREASE) INCREASE IN CASH HELD		(12 780)	12 953
CASH AT 1 JULY		12 953	-
CASH AT 30 JUNE		173	12 953

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- Objectives**

The Targeted Voluntary Separation Package Scheme was established in March 1993 to assist agencies in meeting budget targets set by Cabinet to meet the Government's deficit and debt outcomes. The Scheme takes account of workforce reduction requirements and human resource management aspects of contracting out and restructuring of agency operations.

The Scheme closed on 30 June 2002 when all Enhanced Targeted Voluntary Separation Packages reimbursements to agencies had been completed and all administration costs deducted.
- Summary of Significant Accounting Policies**

(a) **Basis of Accounting**

The accounts have been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and Urgent Issues Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historic cost principles except where stated.

(b) The Reporting Entity

The financial arrangements of the Enhanced Targeted Voluntary Separation Package Schemes are administered by, but not controlled by, the Department of the Premier and Cabinet through a Special Deposit Account titled 'Targeted Voluntary Separation Package Schemes' (the Account). The Account's principal source of funds consists of monies appropriated by Parliament to the Treasurer - Other Items line titled 'Funding for Enhanced Targeted Voluntary Separation Package Schemes'.

(c) Appropriations

Appropriations are recognised as revenue when the Fund obtains control over the assets comprising the contribution. Control over appropriation is normally obtained upon their receipt.

(d) Cash

For the purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis.

3. Enhanced Targeted Voluntary Separation Packages	2002	2001
Agencies receiving reimbursements above \$3 million for the year are:	\$'000	\$'000
Department of Transport and Urban Planning	6 799	6 183
Department of Human Services	16 051	4 431
Department of Education, Training and Employment	43 888	30 113
Department for Administrative and Information Services	6 374	1 708
Department of Justice	6 368	1 256
Department of Primary Industries and Resources	3 805	3 366
Department for Environment and Heritage	3 834	-
Other agencies	4 031	1 823
	91 150	48 880
4. Other Expenses from Ordinary Activities		
Expenses incurred in administering the Schemes are reimbursed to the following:		
Department of the Premier and Cabinet	182	238
Audit Fees	7	7
	189	245
5. Payments due to Agencies		
Unreimbursed TVSP payments due to agencies	-	3 557
Accrued audit fees due to the Auditor-General's Department	7	7
	7	3 564
6. Accumulated Surplus		
Balance at 1 July	9 389	(8 730)
Increase (Decrease) in net assets resulting from operations	(9 175)	18 119
Balance at 30 June	214	9 389
7. Reconciliation of Net Cash provided by (used in) Operating Activities to Net Surplus (Cost) of Services		
(a) Net cash provided (used) by operating activities	(12 780)	12 953
Cash flows from Government	(84 064)	(68 400)
Change in operating assets and liabilities:		
Increase (Decrease) in receivables	48	-
(Increase) Decrease in creditors	3 557	5 166
(b) Net Surplus (Cost) of Services	(93 239)	(50 281)

GOVERNMENT WORKERS REHABILITATION AND COMPENSATION FUND

ADMINISTERED RESPONSIBILITY

The Government Workers Rehabilitation and Compensation Fund (the GWRC Fund) is administered by, but not controlled by, the Department of the Premier and Cabinet.

Costs associated with the Fund are processed through a non-interest bearing Special Deposit Account titled 'Government Workers Rehabilitation and Compensation Fund'. The payments processed through the account include all lump-sum claim payments and costs associated with administering the Fund. The principal source of funds consists of monies appropriated to the Fund by Parliament through the Department of the Premier and Cabinet.

OBJECTIVES OF THE FUND

The GWRC Fund was established to provide funding of the rehabilitation programs and payments of workers compensation benefits for government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury and disease suffered as a result of work.

SIGNIFICANT FEATURES

- The net result of the GWRC Fund was an increase in net liabilities of \$4.4 million (\$3.8 million) reflecting the funding arrangements, whereby appropriations are principally for claim payments, and do not reflect the increasing liability for outstanding claims.
- There was a deficiency of net assets of \$18.6 million (\$14.2 million) as at 30 June 2002.

AUDIT MANDATE AND COVERAGE

The audit of the Department of the Premier and Cabinet included matters relating to the audit of the GWRC Fund.

Scope of the Audit

The audit encompassed a review, evaluation and testing of internal controls surrounding the Fund's operations. The major focus of audit was with respect to financial reporting, including valuations undertaken of the Fund's liabilities and assets, where applicable. The audit also included the review of controls over the claims management system.

Audit Communications to Management

No material issues were formally communicated to management during the year. Matters raised during the course of the audit were satisfactorily addressed by the Department.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Outstanding Claims

The GWRC Fund's Statement of Financial Position is dominated by the provision for outstanding claims, which by its nature is a highly subjective number. As a result, an independent actuary is appointed to undertake an analysis of the outstanding claims liability for the whole-of-government.

The outstanding claims liability is based on the number of claims reported and payments for each payment type during each accident period. The actuary then uses a statistical model to estimate the total outstanding claims, including 'incurred but not reported' claims. The liability is adjusted for several factors, including inflating and discounting of the claims to their present value and an estimate of the cost of administering the outstanding claims.

Unlike the requirements for private sector funds, however, no prudential margin is provided to give additional assurance that the estimate will be sufficient to meet future claim payments. The actuary has indicated that this approach is similar to that adopted by similar government funds in other jurisdictions.

With respect to the GWRC Fund, the outstanding claim liability as at 30 June 2002 was \$22 million (\$18.8 million).

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Claims expenses	3	10 651	7 373
Other expenses from ordinary activities	4	228	785
Total Expenses		10 879	8 158
REVENUES FROM ORDINARY ACTIVITIES:			
Transfer from Enhanced Targeted Voluntary Separation Packages Scheme		1 900	1 156
Other revenues from ordinary activities	5	26	(825)
Total Revenues		1 926	331
NET COST OF SERVICES	11(b)	(8 953)	(7 827)
REVENUES FROM GOVERNMENT:			
Grants and subsidies		4 534	4 053
Total Revenues from Government		4 534	4 053
DECREASE IN NET ASSETS RESULTING FROM OPERATIONS		(4 419)	(3 774)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(4 419)	(3 774)

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
CURRENT ASSETS:			
Cash		3 333	4 500
Receivables	6(a)	21	16
Other	7	-	27
Total Current Assets		3 354	4 543
NON-CURRENT ASSETS:			
Receivables	6(b)	77	57
Total Non-Current Assets		77	57
Total Assets		3 431	4 600
CURRENT LIABILITIES:			
Payables	8	54	38
Outstanding claims liability	9(a)	5 891	5 220
Total Current Liabilities		5 945	5 258
NON-CURRENT LIABILITIES:			
Outstanding claims liability	9(b)	16 136	13 573
Total Non-Current Liabilities		16 136	13 573
Total Liabilities		22 081	18 831
NET ASSETS		(18 650)	(14 231)
EQUITY:			
Retained surplus (deficit)	10	(18 650)	(14 231)
TOTAL EQUITY		(18 650)	(14 231)

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Lump sum settlements		(7 417)	(6 091)
Other expenses		(213)	(1 383)
Total Payments		(7 630)	(7 474)
RECEIPTS:			
Recoveries from third parties		-	306
Others		29	287
Transfer from Enhanced Targeted Voluntary Separation Packages		1 900	1 156
Total Receipts		1 929	1 749
CASH FLOWS FROM GOVERNMENT:			
Grants and subsidies		4 534	4 053
Total Cash Flows from Government		4 534	4 053
Net Cash used in Operating Activities	11(a)	(1 167)	(1 672)
NET DECREASE IN CASH HELD		(1 167)	(1 672)
CASH AT 1 JULY		4 500	6 172
CASH AT 30 JUNE		3 333	4 500

NOTES TO AND FORMING PART OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

1. Objectives

The Government Workers Rehabilitation and Compensation Fund (the Fund) was established to provide for the funding of rehabilitation programs and payment of workers compensation benefits for government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury and disease suffered as a result of work.

2. Summary of Significant Accounting Policies

(a) **Basis of Accounting**

The accounts have been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and Urgent Issues Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historical cost principles except where stated.

(b) **The Reporting Entity**

The financial report encompasses all activities transacted through a Special Deposit Account titled 'Government Workers Rehabilitation and Compensation Fund'. The Fund is administered by, but not controlled by, the Department of the Premier and Cabinet.

The Fund's principal sources of funding consists of:

- monies appropriated to the Department of the Premier and Cabinet for the Fund by Parliament;
- monies reimbursed from the Targeted Voluntary Separation Package Schemes Special Deposit Account for the settlement of outstanding workers compensation claims, which is a pre-requisite of the separation process;
- recoveries from third parties, mainly in regard to motor vehicle accidents.

(c) **Claims Expenses Met from the Fund**

The following expenses for claims are met by the Fund:

- Lump sum settlements for small and certain medium sized government agencies covered by the Fund.
- A portion of lump sum settlements to larger government agencies.
- Income maintenance, legal costs and other costs for three specific agencies.

(d) **Appropriations**

Appropriations are recognised as revenues when the Fund obtains control over the assets comprising the contribution. Control over appropriations is normally obtained upon their receipt.

(e) **Receivables**

Funding is obtained by recoveries from third parties. The level of receivables in relation to third party recoveries has been established on the basis of an independent actuarial assessment of the estimated revenue expected from recovery action against third parties. The actuarial assessment includes the separation of the receivables into current and non-current.

(f) **Cash**

For purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis.

(g) **Outstanding Claims Liability**

The provision for outstanding liability of the Fund covers those claims expenses stated in Note 2(c) as being met from the Fund.

A liability for outstanding claims is recognised in respect of claims incurred but not yet paid, claims incurred but not reported, and the anticipated direct and indirect costs of settling those claims.

The liability for outstanding claims has been established on the basis of an independent actuarial assessment of the estimated costs of settlement of claims, inflated for the anticipated effects of inflation and other factors, and discounted to a present value at balance date.

(h) **Financial Instruments**

The Fund's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at year end, are as follows:

Financial Assets

Cash at bank includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis. Cash deposits are non-interest bearing.

Receivables (Note 6) include client debtors and other debtors and are reported at amounts due.

Financial Liabilities

Payables (Note 8) are raised for amounts billed but unpaid and are normally settled within 30 days.

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

3. Claims Expense

Claims expense comprised of:

	Operating Payments		Movement in Outstanding Liability		Total Expense	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Lump sum settlements	903	5 842	3 063	5 129	3 966	10 971
Income maintenance	5 958	249	172	(70)	6 130	179
Legal costs	14	65	-	-	14	65
Other	541	515	-	(4 357)	541	(3 842)
	7 416	6 671	3 235	702	10 651	7 373

4. Other Expenses from Ordinary Activities	2002	2001
	\$'000	\$'000
WorkCover exempt employer levy	124	46
Consultants ⁽ⁱ⁾	60	59
Audit fees	10	10
Funding transfer to other agencies	-	606
Other	34	64
	228	785
(i) The consultant expenses relate to the services provided by the actuary (Taylor Fry Consulting Actuaries).		
5. Other Revenue from Ordinary Activities		
Recoveries from third parties	24	(825)
Sundry revenue	2	-
	26	(825)
6. Receivables		
The Fund's third party recoveries receivable was determined by an independent actuary valuation performed by Taylor Fry Consulting Actuaries.		
(a) Current		
Third party recoveries	21	16
Premiums receivable	-	-
	21	16
(b) Non-Current		
Third party recoveries	77	57
Premiums receivable	-	-
	77	57
(c) Total		
Third party recoveries	98	73
Premiums receivable	-	-
	98	73
7. Other Assets		
Prepaid insurance	-	27
8. Payables		
Consultant fees	-	28
Other	54	10
	54	38
9. Outstanding Claims Liability		
The Fund's liability reflects an actuarial assessment of the whole-of-government workers compensation liability, according to the experience of claim numbers and payments over the period 1 July 1987 to 30 June 2002. The whole-of-government estimate can be found in a report prepared by Taylor Fry Consulting Actuaries, dated August 2002 and submitted to the Department of the Premier and Cabinet. This report conforms to the WorkCover Guidelines for Actuaries, Accounting Standard AASB 1023 'Financial Reporting of General Insurance Activities', and Professional Standard PS 300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance Activities' of the Institute of Actuaries of Australia. The whole-of-government estimate in relation to this Fund is detailed below.		
(a) Current	2002	2001
	\$'000	\$'000
Income maintenance	341	347
Lump sum settlements	5 354	4 680
Other	196	193
	5 891	5 220
(b) Non-Current		
Income maintenance	837	1 001
Lump sum settlements	14 809	12 218
Other	490	354
	16 136	13 573
(c) Total		
Income maintenance	1 178	1 348
Lump sum settlements	20 163	16 898
Other	686	547
	22 027	18 793
10. Retained Deficit		
Balance at 1 July	(14 231)	(10 457)
Increase (Decrease) in net assets resulting from operations	(4 419)	(3 774)
Balance at 30 June	(18 650)	(14 231)
11. Reconciliation of Net Cash provided by (used in) Operating Activities to Net Surplus (Cost) of Services		
(a)		
Net cash provided by (used in) operating activities	(1 167)	(1 672)
Cash flow from Government	(4 534)	(4 053)
Change in operating assets and liabilities:		
Increase (Decrease) in receivables	25	(1 418)
Decrease (Increase) in payables	(16)	(9)
(Decrease) Increase in prepayments	(27)	27
Decrease (Increase) in claims liability	(3 234)	(702)
(b) Net Surplus (Cost) of Services	(8 953)	(7 827)

SOUTH AUSTRALIAN FILM CORPORATION

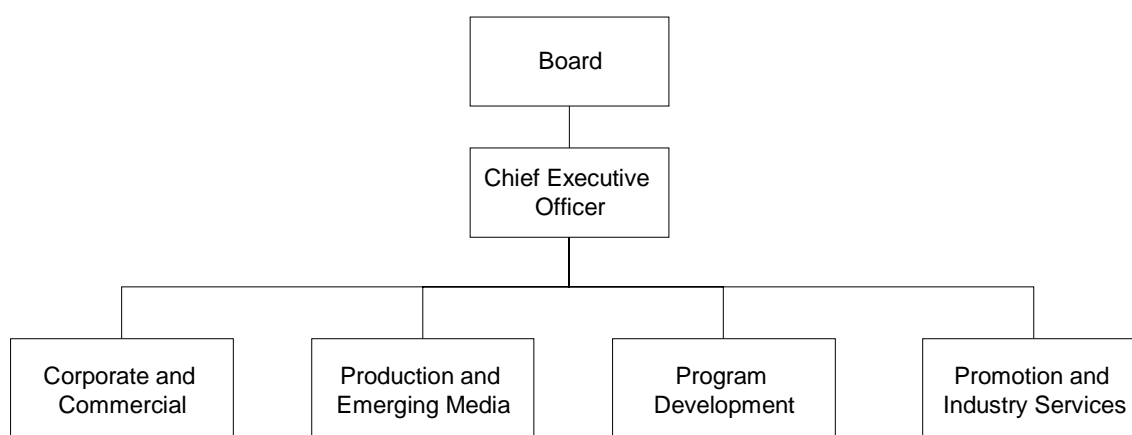
FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The South Australian Film Corporation (the Corporation) was established pursuant to the *South Australian Film Corporation Act 1972*.

The main roles the Corporation performed during 2001-02 were the:

- provision of financial assistance for developing and producing films and videos;
- promotion of a South Australian film/video industry.

The structure of the Corporation is shown in the following diagram:



SIGNIFICANT FEATURES

- Film development grants provided by Arts SA increased by \$781 000 to \$3.4 million.
- Cash assets increased by \$1.0 million to \$4.9 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 31(2) of the *South Australian Film Corporation Act 1972* provides for the Auditor-General to audit the accounts of the Corporation in respect of each financial year.

Scope of Audit

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

The specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including studio hire, cash receipting and banking
- provision of grants and loans
- film disbursements.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the Chief Executive Officer. The main issues related to opportunities to improve the control environment through the establishment of a formal process for identifying, assessing and managing risk. A satisfactory response was received. Further details relating to this issue is contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall assessment of the Corporation's control structure was that it was satisfactory, although there was room for improving compliance with the prescribed elements of the Financial Management Framework relating to risk management.

Risk Management

Last year Audit commented that the Corporation had not established a formal process for identifying, assessing and managing risk as required by the Financial Management Framework, but did identify and manage risks through the implementation of internal controls.

The Corporation responded that it would establish a risk management policy.

This year's audit revealed that the Corporation is revising its Policies and Procedures Manual and will reflect its risk management processes within that Manual.

Audits of Disbursement Service

The Corporation provides a disbursement service to film producers to distribute film returns to investors.

In accordance with the Distribution Agreements with film producers, the Corporation engages an external firm to conduct audits to provide producers with assurance that monies have been received on a timely basis, are completely and accurately recorded, and the Corporation has correctly calculated and disbursed monies received.

Audit noted that the Corporation had not established processes to ensure the results of the audits are monitored by an officer independent of the disbursement activity.

The Corporation responded that the results of the audits will be provided to the Chief Executive Officer.

Monitoring of Controls

Last year Audit noted that the Chief Executive Officer was not provided with regular assurance that controls over management and financial reporting have been operating effectively.

This year's audit revealed that the Corporation has implemented an account reconciliation checklist that is certified by the Manager Corporate and Commercial and provided each month to the Chief Executive Officer.

Delegations of Authority

Audit identified that the Corporation's delegations of authority had not been amended since 1995 and recommended they be reviewed regularly.

The Corporation responded that the delegations will be reviewed regularly.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Revenues from State Government

Film development grants provided by Arts SA increased by \$781 000 to \$3.4 million.

Film Production Investments and Unsecured Development Loans

The Corporation invests in film and television productions in return for a share of the sales proceeds after their release to the market. The Corporation also provides unsecured film development loans in return for interest payments and principal repayments upon the projects going into production. In recognition of the prospect that projects may not go into production or succeed in the market and that proceeds may not eventuate, the Corporation amortises its production investments and unsecured loans. This amortisation is reflected as an expense within the Statement of Financial Performance. Amortisation expense on Film Investments and Loans in 2001-02 increased by \$513 000 to \$1.5 million.

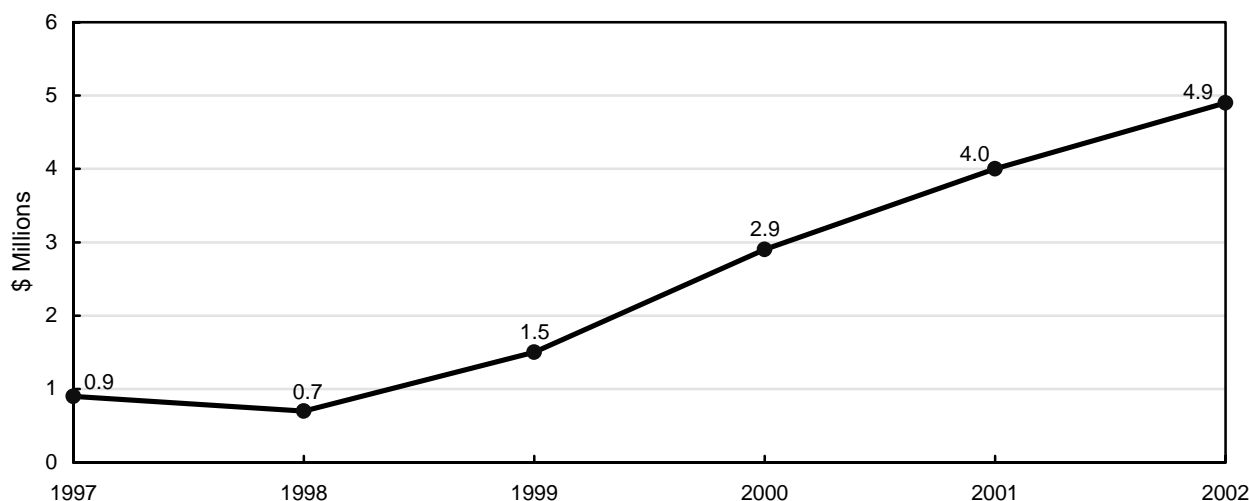
The table below reflects a decreasing return on the Corporation's investments over the last five years on production investments and unsecured loans before deduction of accumulated amortisation, and supports the Corporation's amortisation policy.

	2002	2001	2000	1999	1998
Unamortised investments and unsecured loans at 30 June (\$'millions)	12.5	10.5	9.3	8.0	5.7
Return (\$'000)	151	190	212	276	479
Percentage return on unamortised investments and unsecured loans	1.2	1.8	2.3	3.5	8.4

Statement of Financial Position

Cash Assets

The following graph reflects the movement in cash assets over the last six years.

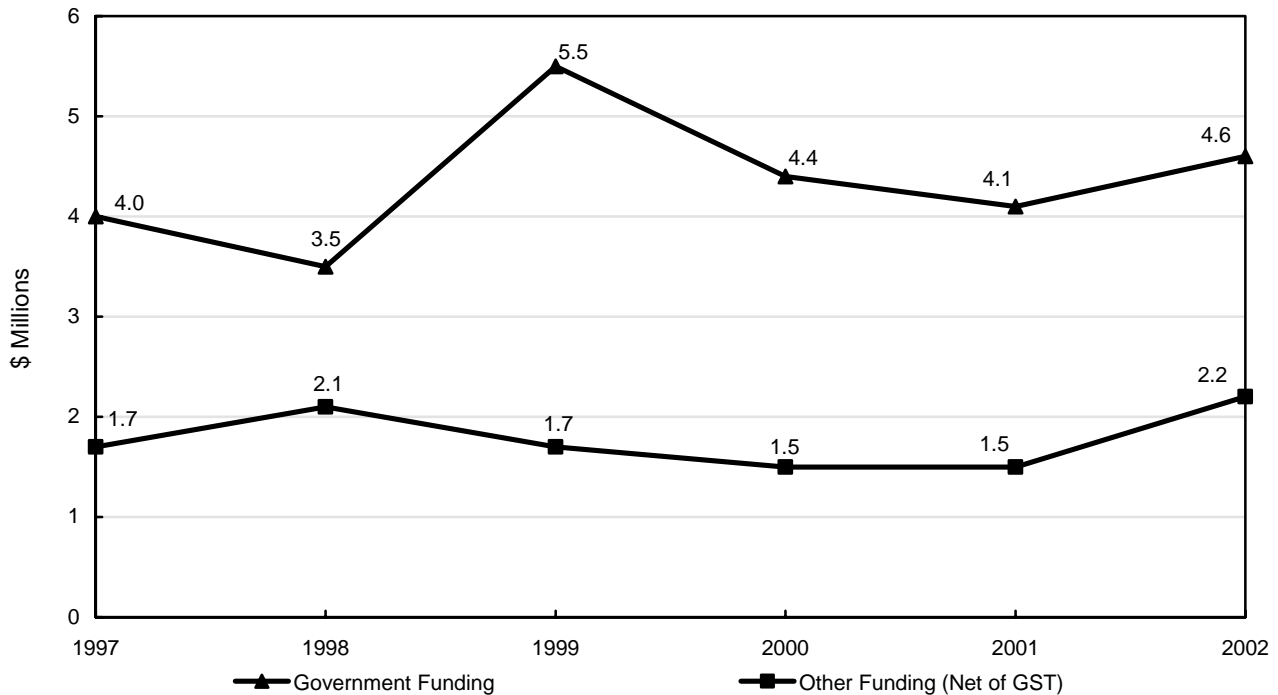


The increase in cash assets is mainly the result of State Government funding, particularly with respect to funding for the Revolving Film Fund of \$3 million during 1998-99 and 1999-2000, being greater than investments, grants and loans provided to film producers. At 30 June 2002 the Revolving Film Fund had a cash balance of \$2.2 million (\$2.0 million) of which \$350 000 (\$470 000) was committed. In 2001-02 as part of the grants from Arts SA, an amount of \$750 000 was received for the new media project under the Industry Development Program of which \$597 000 of the \$750 000 was committed but unspent at 30 June 2002.

At 30 June 2002 investments, grants and loans committed and unpaid were \$2.1 million (\$2.1 million).

Statement of Cash Flows

The following graph depicts the movement in the sources of cash funding of the Corporation over the last six years and serves to highlight the economic dependency of the Corporation on Government funding.



The increase in cash funding in 2001-02 from sources other than the Government was due mainly to increased repayments of production loans by film producers and a reduction in the level of trade debtors.

Administered Items

The Corporation provides a disbursement service to film producers and receives an administration fee for distributing film returns to investors. Disbursements decreased by \$1.1 million to \$2.8 million. (Refer to Note 30 to the Financial Statements).

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES			
Operating Revenues:			
Studio hire		499	421
Interest	5	299	267
Film distribution returns		210	246
Other income	6	38	108
Total Revenues		1 046	1 042
EXPENSES FROM ORDINARY ACTIVITIES			
Operating Expenses:			
Depreciation and amortisation	7	1 669	1 142
Goods and services	8	975	1 066
Employee benefits	9	973	920
Film development grants		535	316
Government film production costs		172	346
Board fees and related expenses	10	82	72
Borrowing costs	12	1	7
Total Expenses		4 407	3 869
NET COST OF SERVICES		(3 361)	(2 827)
REVENUES FROM STATE GOVERNMENT	13	4 625	4 075
INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES		1 264	1 248
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		1 264	1 248

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	14	4 907	3 951
Receivables	15	216	330
Inventories		10	9
Production loans	16	975	1 154
Total Current Assets		6 108	5 444
NON-CURRENT ASSETS:			
Production loans	16	250	135
Investments and unsecured loans	17	1 413	959
Productions and projects in progress	18	-	128
Marketing expenditure recoverable	19	-	15
Plant, equipment and leasehold improvements	20	755	813
Total Non-Current Assets		2 418	2 050
Total Assets		8 526	7 494
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	21	220	277
Provision for employee entitlements	22	44	40
Borrowings	23	-	75
Total Current Liabilities		264	392
NON-CURRENT LIABILITIES:			
Provision for employee entitlements	22	5	6
Investments in productions and projects in progress	24	-	103
Other provisions	25	250	250
Total Non-Current Liabilities		255	359
Total Liabilities		519	751
NET ASSETS		8 007	6 743
EQUITY:			
Capital contribution from State Government		8 460	8 460
Accumulated deficit	26	453	1 717
TOTAL EQUITY		8 007	6 743
Commitments	27		
Contingent Liabilities	28		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Studio, film development, film investment and documentary sales income		984	600
Interest		285	231
Repayment of Production Loans		926	557
Other		27	116
GST refunded by Australian Taxation Office		227	120
CASH FLOWS FROM STATE GOVERNMENT		4 625	4 075
PAYMENTS:			
Salaries and wages		(970)	(920)
Programs and suppliers		(4 978)	(3 587)
Net Cash provided by Operating Activities	29(b)	1 126	1 192
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS:			
Payments for purchases of plant, equipment and leasehold improvements		(97)	(32)
Proceeds from sale of plant, equipment and leasehold improvements		2	-
Net Cash used in Investing Activities		(95)	(32)
CASH FLOWS FROM FINANCING ACTIVITIES:			
PAYMENTS:			
Repayment of borrowings		(75)	(76)
Net Cash used in Financing Activities		(75)	(76)
NET INCREASE IN CASH HELD		956	1 084
CASH AT 1 JULY		3 951	2 867
CASH AT 30 JUNE	29(a)	4 907	3 951

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Objective and Funding**

The principal objective of the South Australian Film Corporation (the Corporation) is to develop the South Australian film industry through provision of studio facilities and financial assistance to film producers.

The Corporation provides financial assistance by way of grants, loans and investment capital.

The Corporation's principal source of funds are State Government grants, investment income and revenue from studio hire.

2. **Economic Dependency**

The ongoing activities of the Corporation are dependent on the annual provision of grants from the State Government.

3. **Summary of Significant Accounting Policies****(a) Basis of Accounting**

This general purpose financial report has been prepared on the basis of historic cost and is in accordance with Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*, and applicable Australian Accounting Standards, Statements of Accounting Concepts, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The accrual method of accounting has been used.

The financial statements do not take into account changing money values or, except where stated, the current valuations of non-current assets.

(b) The Reporting Entity

All funds through which the Corporation controls resources to perform its functions have been included in this financial report.

In the process of reporting on the Corporation as a single entity, all internal transactions have been eliminated.

Consolidated financial statements have not been prepared in respect of the wholly owned controlled entity SAFC Productions Ltd (detailed in Note 17 (c)), as its operations are considered immaterial.

Administered Item: Distribution Returns Account

The Corporation provides to film producers a service for disbursing investment returns to investors. The Corporation does not have control or discretion to apply the undisbursed investment returns towards achieving the Corporation's objectives, therefore, the disbursement activities are not recognised in the financial statements but have been reflected in Note 30.

(c) Revenue Recognition

Government grants and film distribution returns are recognised on receipt. Interest revenues are recognised as they accrue. Other revenue is recognised after the service has been provided.

(d) Depreciation and Amortisation**Depreciation**

Plant and equipment items with an initial cost greater than \$500 are depreciated over their estimated useful lives using the straight line method and the following rates.

	Percent
Production, projection editing and sound equipment	10-20
Office furniture and equipment	10-20

Depreciation rates and methods are reviewed annually.

Amortisation of Leasehold Improvements

Leasehold improvements are amortised over the lease term or estimated useful life, whichever is the shorter, using the straight line method.

Amortisation of Film Production Investments and Film Development Unsecured Loans

The Corporation acknowledges the high level of risk and low rate of return on film investments and loans and accordingly reviews annually its portfolio of investments and unsecured loans made under the Film Development Program and uses its professional judgement to determine the level of amortisation required.

Amortisation of Marketing Expenses

The Corporation annually reviews outstanding marketing expenses recoverable relating to the Corporation's own productions which have been previously capitalised in its Statement of Financial Position and uses its professional judgement to determine the level of amortisation required. Production marketing expenses that have been fully amortised are written-off.

(e) Provisions**Doubtful Debts**

The collectibility of trade debts is assessed annually and provision is made for any doubtful debts.

Employee Entitlements

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

Annual Leave

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

Long Service Leave

Provision has been made for employee entitlements for long service leave and represents the 'short-hand' estimation of long service leave liability in accordance with the provisions of Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. The liability determination took into consideration an analysis of each of the Corporation's employees' long service leave entitlements. Based on this analysis a provision for long service leave has been made at current pay rates for all salaried staff who have completed eight or more years of continuous service.

Sick Leave

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

(f) Inventories

Inventories are valued at their average cost. Obsolete inventories are written-off.

(g) Superannuation

The Corporation contributes to an externally managed fund in respect of the provision of future retirement benefits for its employees.

Pursuant to the Commonwealth Government's Superannuation Guarantee legislation payments were made at a rate of eight percent of eligible earnings.

The Corporation does not guarantee the performance of the fund.

These contributions are treated as an expense when they occur (refer Note 9). There is no liability for payments to beneficiaries as they have been assumed by the fund. The only liability outstanding at balance date relates to any contribution due but not yet paid to the fund.

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

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

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

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

(h) Accounting for the Goods and Services Tax (GST) (continued)

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

(i) Tax Status

The activities of the Corporation are exempt from Commonwealth income tax but subject to other Commonwealth taxes such as fringe benefits tax, goods and services tax and other State taxes (including payroll tax).

(j) Rounding

All amounts are rounded to the nearest thousand dollars.

4. Program Funds

The Corporation receives specific purpose Funds from the State Government on the condition they be used for the following purposes.

Industry Development Program Fund

The Industry Development Program Fund provides investments, unsecured loans and grants to film producers and script writers.

Government Film Fund

The Government Film Fund provides funds and an executive production service for non-print communication resources to meet the South Australian Government's requirements.

Revolving Fund

The Revolving Fund provides loans to film and television production companies. The loans are repaid from guarantees applicable to the film project and are secured by a combination of :

- a) a charge over the producer's assets from the film, including the right to receive income; and
- b) a charge over the gross proceeds from exploitation of the film.

Loans are provided on an interest bearing basis, with due regard to the credit worthiness of the producer and the distributors providing the distribution guarantees.

The financial performance and position of each Fund is as follows:

	Industry Development Program Fund		Government Film Fund		Revolving Fund	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance at 1 July	2 435	1 472	486	377	3 255	3 176
Revenues from Ordinary Activities:						
Investment income	-	-	-	-	161	117
Total Revenues	-	-	-	-	161	117
Expenses from Ordinary Activities:						
Administration fees	(355)	(385)	-	-	(38)	(38)
Grants	(535)	(316)	-	-	-	-
Amortisation	(1 503)	(990)	-	-	-	-
Production costs	-	-	(172)	(346)	-	-
Transfer between funds	(55)	-	-	-	-	-
Total Expenses	(2 448)	(1 691)	(172)	(346)	(38)	(38)
Revenues from State Government:						
Grants from Arts SA	3 435	2 654	200	200	-	-
Grants from other State Government Agencies	-	-	15	255	-	-
Transfer between funds	-	-	55	-	-	-
Total Revenues from State Government	3 435	2 654	270	455	-	-
Balance at 30 June	3 422	2 435	584	486	3 378	3 255
Represented by:						
Production Loans (Note 16)	-	-	-	-	1 225	1 289
Film Production Investments and unsecured loans (Note 17)	1 403	949	-	-	-	-
Cash assets	2 019	1 486	584	336	2 153	1 966
Receivables	-	-	-	150	-	-
	3 422	2 435	584	486	3 378	3 255
Program Funds Commitments not recognised in the Financial Statements at 30 June 2002 (Note 27)	1 261	1 308	445	299	350	470
Cash Assets Uncommitted 30 June	758	178	139	37	1 803	1 496

5. Interest

	2002 \$'000	2001 \$'000
Deposits with SA Government Financing Authority	220	220
Production Loans	71	37
Film projects	8	10
	299	267

6. Other Income	2002	2001
	\$'000	\$'000
Executive producer fees	17	55
Distribution Service administration fee (Note 30)	16	15
Sundry income	5	30
Training subsidy - National Training Wage	-	8
	<u>38</u>	<u>108</u>
7. Depreciation and Amortisation		
Depreciation:		
Production, projection editing and sound equipment	101	103
Office furniture and equipment	38	34
Amortisation:		
Film investments and loans	1 503	990
Marketing expenditure	14	-
Leasehold improvements	13	15
	<u>1 669</u>	<u>1 142</u>
8. Goods and Services		
Building rent	150	146
Industry promotion and participation	110	146
Utility expenses	99	107
Motor vehicle and travelling	89	64
Bad and doubtful debts	83	90
Temporary staff and contractors	62	105
Computer supplies and related expenses	55	42
Repairs and maintenance	50	40
Contract cleaning and associated expenses	43	44
Audit fees for the audit of the financial report*	29	28
Telephones and communications	28	32
Write off of productions and projects in progress **	25	-
Consultants	10	41
Other	142	181
	<u>975</u>	<u>1 066</u>

* The auditors provided no other services.

** Refer Notes 18 and 24.

9. Employee Benefits		
Salary and wages (including recreation leave)	816	780
Superannuation	105	98
Long service leave	7	-
Workers compensation (insurance)	7	6
Payroll and fringe benefits tax	38	36
	<u>973</u>	<u>920</u>

The Corporation had one employee whose remuneration was in the range \$120 001 to \$130 000.

10. Board Fees and Related Expenses	2002	2001
Remuneration paid to Board members was in the following bands:	Number of	Number of
	Members	Members
\$0 - \$10 000	9	13
\$10 001 - \$20 000	1	-

The aggregate remuneration referred to in the above table for all members was \$63 000 (\$61 000). Other Board related expenses were \$19 000 (\$11 000).

The following held office as Board Members for the full year ended 30 June 2002:

D Minear	B Morris
W Marshall	H Leake
P Martin	

The following held office as Board Members during the year ended 30 June 2002:

K McLean	(1 July 2001 to 13 August 2001)
J Ballantyne	(1 July 2001 to 30 October 2001)
G Fuller	(16 August 2001 to 30 June 2002)
J Shteinman	(16 August 2001 to 30 June 2002)
A Walton	(20 December 2001 to 30 June 2002)

11. Transactions with Related Parties

The general nature of transactions entered into during the year with related parties are as follows:

(a) Project development loans, grants and production investments were provided to production companies with which Board members J Shteinman and H Leake are associated. The approval of each transaction was in accordance with the Corporation's guidelines. Each interested party was excluded from the approval process for the relevant application for funding.

(b)	The Corporation had the following transactions during the year with Arts SA, the major source of the Corporation's grant funding:	2002
	Repayment of principal on Harrison loan	\$'000
	Interest paid on loan	75
		1

12. Borrowing Costs	2002	2001
	\$'000	\$'000
Interest on Borrowings	<u>1</u>	<u>7</u>
13. Revenues from State Government		
Grants from Arts SA:		
Film development	3 435	2 654
Operating	975	966
Government films	200	200
Contributions from other State Government Agencies	<u>15</u>	<u>255</u>
	4 625	4 075
14. Cash Assets		
Short term deposits	4 905	3 949
Cash at bank and on hand	<u>2</u>	<u>2</u>
	4 907	3 951
15. Receivables		
Trade debtors	222	372
Less: Provision for doubtful debts	<u>84</u>	<u>91</u>
	138	281
Accrued revenue	48	17
Sundry debtors and prepayments	<u>30</u>	<u>32</u>
	216	330
16. Production Loans		
Movements in production loans provided from the Revolving Fund (detailed in Note 4) were:		
Balance at 1 July	1 289	1 396
Add: Loans during the year	862	450
Less: Loans repaid during the year	<u>926</u>	<u>557</u>
Balance at 30 June	1 225	1 289
Classified as:		
Current Assets	975	1 154
Non-Current Assets	<u>250</u>	<u>135</u>
	1 225	1 289
17. Investments and Unsecured Loans		
Film production investments	1 403	949
Film development unsecured loans (fully amortised)	-	-
SAFC Productions Ltd	<u>10</u>	<u>10</u>
	1 413	959
Comprising:		
(a) Film Production Investments		
Balance at 1 July	8 057	7 105
Add: Investments during year	<u>1 625</u>	<u>952</u>
	9 682	8 057
Less: Accumulated amortisation	<u>8 279</u>	<u>7 108</u>
Balance at 30 June	1 403	949
(b) Film Development Unsecured Loans		
Balance at 1 July	2 460	2 183
Add: Loans during the year	<u>332</u>	<u>277</u>
	2 792	2 460
Less: Accumulated amortisation	<u>2 792</u>	<u>2 460</u>
Balance at 30 June	-	-
(c) SAFC Productions Ltd		
SAFC Productions Ltd was incorporated on 31 March 1983 for the purposes of financing and producing films. Its issued share capital of 10 100 shares of \$1 each is wholly-owned by the Corporation.		
18. Productions and Projects in Progress		
Productions and projects in progress comprises one project titled <i>Two Weeks with the Queen</i> for which the Corporation owns the copyright and has been granted Ministerial approval to remain as producer. The value of this project at 30 June 2001 was \$128 000 which included investment obtained from the private sector (refer Note 24).		
This item has been expensed in 2001-02 as the Corporation has assessed that there is no likelihood of returns from this project. The amount expensed has been offset by the revenue amount in Note 24.		
19. Marketing Expenditure Recoverable	2002	2001
	\$'000	\$'000
Marketing expenditure recoverable	68	68
Less: Accumulated amortisation	<u>68</u>	<u>53</u>
Unamortised Balance at 30 June	-	15

20. Plant, Equipment and Leasehold Improvements	Leasehold Improvements	Production Projection	Office	2002	2001
		Edit & Sound Equipment	Furniture & Equipment		
Historic Cost:	\$'000	\$'000	\$'000	\$'000	Total
Opening balance	1 659	1 653	652	3 964	3 932
Additions	-	-	97	97	32
Sales	-	(6)	-	(6)	-
Scrapped	-	(7)	(155)	(162)	-
	1 659	1 640	594	3 893	3 964
Less:					
Accumulated Depreciation/Amortisation:					
Opening balance	1 579	1 032	540	3 151	2 999
Depreciation/amortisation	13	101	38	152	152
Sales	-	(3)	-	(3)	-
Scrapped	-	(7)	(155)	(162)	-
Closing Balance	1 592	1 123	423	3 138	3 151
Net Written Down Value	67	517	171	755	813

21. Payables	2002	2001
Trade Creditors	\$'000	\$'000
Other Payables	54	84
	166	193
	220	277
22. Provision for Employee Entitlements		
Current Liability:		
Provision for annual leave	44	40
Non-Current Liability:		
Provision for long service leave	5	6
23. Borrowings		
Harrison Series 12 Loan	-	75

The Corporation received a loan facility from Arts SA for \$400 000 to assist with the purchase of a Harrison Series 12 mixing console. Interest of 5.7 percent per annum was payable on this loan. The loan has been fully repaid as at 30 June 2002.

24. **Investments in Productions and Projects in Progress**
Included in productions and projects in progress at 30 June 2001 were investments totalling \$103 000 which were required to be repaid to investors when projects were funded for actual production. These investors include the Australian Film Commission and Cinema Verity (United Kingdom).

In 2001-02, Cinema Verity agreed to accept liability for the repayment of loans to investors with the resultant revenue amount being offset against the value of this project expensed and referred to in Note 18.

25. **Other Provisions**
On 28 January 1999, Cabinet approved a special allocation of \$500 000 for the television series, Chuck Finn. A condition of this allocation was that the Corporation would guarantee to repay \$250 000 to the Department of Treasury and Finance on or before 30 June 2007 from investment returns for the series. The Corporation has therefore made a provision of \$250 000 for the required recoupment to the Department of Treasury and Finance.

26. Accumulated Deficit	2002	2001
	\$'000	\$'000
Accumulated deficit at 1 July	1 717	2 965
Less: Net increase in assets resulting from ordinary activities	1 264	1 248
Accumulated Deficit at 30 June	453	1 717
27. Commitments		
(a) Operating Lease		
Not later than one year	156	168
Later than one year but not later than five years	160	332
Total Operating Lease Commitments (including GST)	316	500

Operating lease commitments are not recorded as a liability in the financial statements.

The operating lease is in respect of premises at Hendon which has a right of renewal for a further term.

(b) **Program Funds (Refer Note 4)**
Program Fund commitments to approved applicants, not recognised in the financial statements at 30 June 2002 were \$2 056 000 (\$2 077 000).

28. **Contingent Liabilities**
The Corporation has no material contingent liabilities.

29. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash consists of cash on hand and at bank and investments in money market instruments.

Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows

	2002	2001
	\$'000	\$'000
Cash assets	4 907	3 951

(b) Reconciliation of Net Cost of Services to Net Cash provided by Operating Activities

Net cost of services	(3 361)	(2 827)
Revenues from State Government	4 625	4 075
Non-cash flows:		
Depreciation and amortisation	1 669	1 142
Provision for doubtful debts	(7)	89
Expense on sale of plant and equipment	2	-
Write off of productions and projects in progress	25	-
Changes in assets and liabilities:		
(Increase) Decrease in inventories	(1)	3
Decrease (Increase) in receivables	121	(155)
Decrease in marketing expenditure recoverable	-	1
(Increase) in investments and unsecured loans	(1 957)	(1 229)
Decrease in production loans	64	107
(Decrease) in payables	(57)	(15)
Increase in provision for employee entitlements	3	1
Net Cash provided by Operating Activities	1 126	1 192

30. Administered Item: Distribution Returns Account

Balance at 1 July	175	120
Add: Receipts:		
Royalties, distribution advances, etc	3 853	4 319
Less: Expenditure:		
Disbursements to investors	2 821	3 921
Marketing expenditure	265	14
Other	411	329
Balance at 30 June	531	175

31. Additional Financial Instruments Disclosure**(a) Accounting Policies and Terms and Conditions Affecting Future Cash Flows***Financial Assets*

Cash assets are available at call and are recorded at cost.

Receivables, Productions and projects in progress, Investments in film projects and Investment in unlisted company are recorded at cost.

Production loans (refer Note 16) are advanced to production companies and are secured by way of a charge or guarantee appropriate to the circumstances of each loan. Interest is charged at rates consistent with usual Corporation policy, being 4 percent per annum. Production loans are recognised at cost and are classified between current asset and non-current asset elements based on the repayment terms specified in each agreement.

Financial Liabilities

Payables are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

Investments in productions and projects in progress (refer Note 24) represent amounts due to various investors upon funding of certain projects.

Borrowings (refer Note 23) are recognised when the relevant contract or agreement is executed by the Corporation. Repayments are classified between current liability and non-current liability elements based on the individual terms of each loan. All loans are unsecured.

(b) Interest Rate Risk

	2002				Weighted
	Fixed	Floating	Non-	Total	Average
	Interest	Interest	Interest	Carrying	Effective
	Rate	Rate	Bearing	Amount	Interest
	\$'000	\$'000	\$'000	\$'000	Rate
Financial Assets:					Percent
Cash assets	-	4 907	-	4 907	4.7
Receivables	-	-	216	216	
Investments and unsecured loans	-	-	1 413	1 413	
Production loans	1 225	-	-	1 225	4.0
	1 225	4 907	1 629	7 761	
Financial Liabilities:					
Payables	-	-	220	220	
Other Provisions	-	-	250	250	
	-	-	470	470	

(b) Interest Rate Risk (continued)	2001				Weighted Average Effective Interest Rate Percent
	Fixed Interest Rate \$'000	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000	
Financial Assets:					
Cash assets	-	3 951	-	3 951	5.8
Receivables	-	-	330	330	
Productions and projects in progress	-	-	128	128	
Investments and unsecured loans	-	-	959	959	
Production loans	1 289	-	-	1 289	4.0
	<u>1 289</u>	<u>3 951</u>	<u>1 417</u>	<u>6 657</u>	
Financial Liabilities:					
Payables	-	-	277	277	
Investments in productions and projects in progress	-	-	103	103	
Borrowings	75	-	-	75	5.7
Other Provisions	-	-	250	250	
	<u>75</u>	<u>-</u>	<u>630</u>	<u>705</u>	

(c) **Net Fair Values**

The net fair value of financial assets and liabilities of the Corporation approximate their fair value.

SOUTH AUSTRALIAN TOURISM COMMISSION

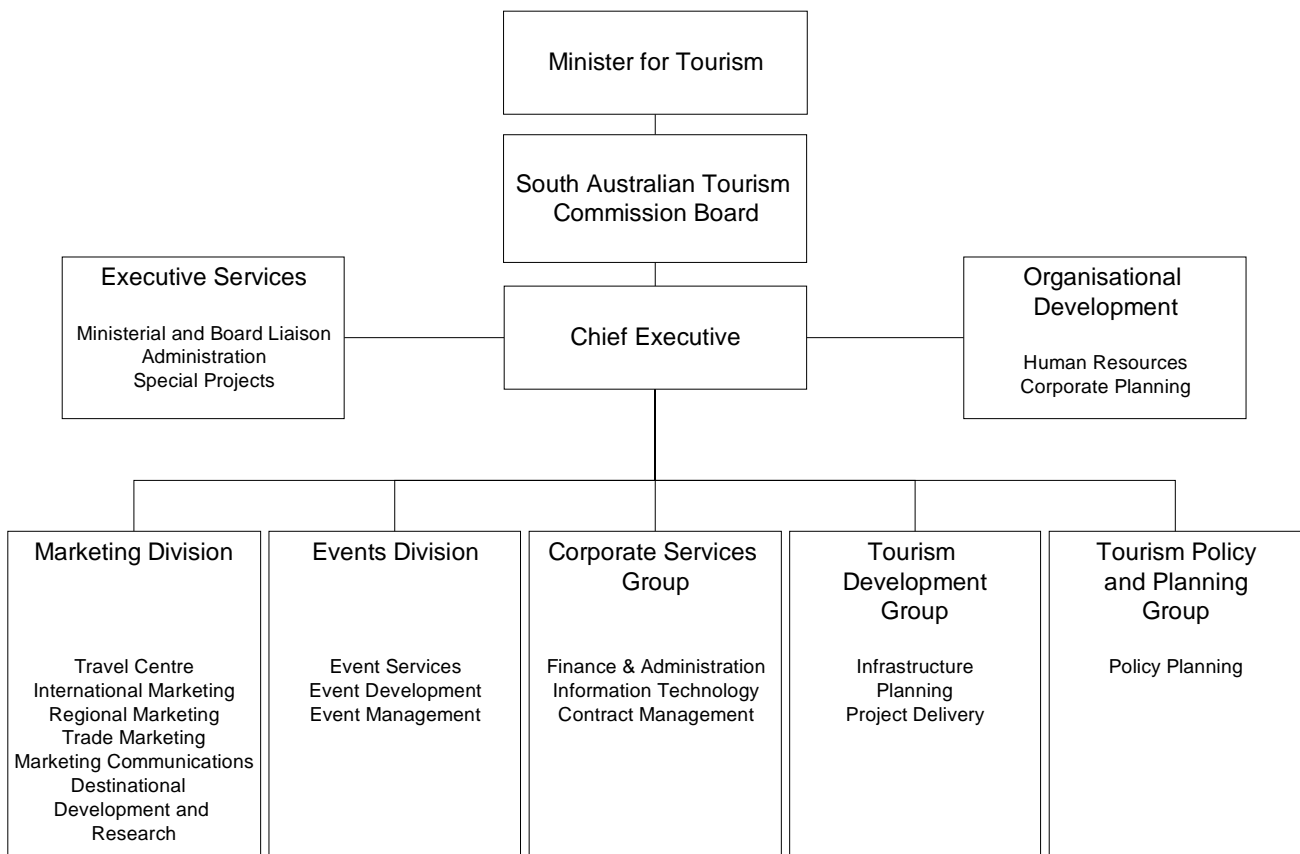
FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Commission, a body corporate, was established pursuant to the *South Australian Tourism Commission Act 1993*.

The principal goal of the Commission is to promote and expand South Australia's tourism industry for the benefit of both residents and visitors. To meet this the Commission's objectives are to:

- facilitate the development of a strong, competitive industry;
- develop a strong competitive market position;
- build strong networks and partnerships for mutual benefit;
- achieve sustainability of environment and economic benefits.

The following chart depicts the structure for the Commission.



AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 23(3) of the *South Australian Tourism Commission Act 1993* provides for the Auditor-General to audit the accounts of the Commission in respect of each financial year.

Scope of Audit

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

During 2001-02 specific areas of Audit attention included:

- follow-up of action taken by the Commission in response to matters raised last year regarding compliance with the Financial Management Framework.
- review of financial accounting and related processes covering:
 - revenue
 - ATLAS ticketing system
 - accounts payable
 - payroll
 - non-current assets
- review of the following Information Technology activities:
 - information resource strategy and planning
 - relationship with outsourced vendors
 - information security
 - business continuity planning

Audit Communications to Management

An Audit management letter conveying the scope of the audit and audit findings was forwarded to the Chief Executive of the Commission. Matters referred to the Chief Executive included:

- opportunities to implement minor improvements in financial accounting and related processes;
- opportunity to enhance business continuity planning by developing an appropriate paper that documents the resources necessary to operate critical business processes at a level acceptable to the Commission and the response to an unplanned interruption in normal business operations.

A satisfactory response was received to the matters raised.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control environment was assessed as satisfactory.

Follow up of 2000-01 Audit Issues

Last year Audit commented on matters in relation to compliance with the Financial Management Framework. The Commission advised it would address these matters during 2001-02. The status of these matters is as follows:

Risk Management Plan

Audit has commented in previous years on the need for the Commission to formulate a Risk Management Plan covering all operational areas of the organisation.

Audit follow up revealed that the Commission engaged a consultant to assist in the development of a risk management framework for the Commission and that considerable progress had been made, including:

- development of a Risk Management Policy Statement;
- preparation of Risk Management Plans for some divisions.

The Commission has advised the planned completion date of the risk management project is December 2002.

Internal Audit Related Activity

Audit has commented in previous years on the need for the Commission to implement a formal program of internal audit activity, utilising the Risk Management Plan as a basis to perform such activity.

Audit follow up revealed that as the Commission was still in the process of developing a risk management plan a formal program of internal audit activity had not been developed.

However, Audit noted that certain internal audits had been conducted during 2001-02. These reviews related to the:

- Commission's international representative arrangements in New Zealand, Germany and Singapore;
- management and promotion of the biennial 'Tasting Australia' event.

The Commission has advised that a formal program of internal audit activity will be implemented based on the evaluation of risks identified in the risk management plan currently under development.

Financial Management Policies and Procedures

Audit has commented in previous years on the need for the Commission to finalise its Policies and Procedures Manual to reflect the requirements of the Treasurer's Instructions and the Financial Management Framework.

Audit follow up revealed that although the Commission's policies and procedures had been updated, they did not cover all the required elements of the Treasurer's Instructions and the Financial Management Framework.

The Commission has indicated that it will review its current policies and procedures and update them to reflect the requirements of the Treasurer's Instructions and the Financial Management Framework.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Commission Operations

The Commission recorded an operating surplus of \$3 million (operating deficit of \$3.5 million). The surplus reflects:

- an \$11.7 million increase in total revenue to \$64.3 million, which is due mainly to an increase (\$11.4 million) in revenue from Government (refer Note 4 to the financial statements);
- a \$5.3 million increase in total expenses to \$61.4 million, which is due mainly to an increase (\$3.3 million) in advertising and promotion expenditure (refer Note 7 to the financial statements).

Administered Items

Note 1 to the Financial Statements, Schedule of Administered Revenues and Expenses and Schedule of Administered Assets and Liabilities provide details of activities administered by the Commission.

One such administered item relates to the Office of Venue Management. This Office has as its principal purpose the management of Hindmarsh Stadium.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Revenue from Government	4	55 241	43 856
Participation fees	5	3 948	5 668
Interest		569	971
Commission on sales		545	452
Other revenue	6	4 082	1 674
Proceeds from disposal of non-current assets		7	3
Total Revenue		64 292	52 624
EXPENSES FROM ORDINARY ACTIVITIES:			
Salaries, wages and related payments		10 470	9 632
Advertising and promotion	7	19 104	15 820
Industry assistance	8	16 094	15 550
Administrative costs		6 011	6 271
Event operations		7 045	6 426
Accommodation and services costs		1 847	1 713
Depreciation and amortisation	9	620	563
Interest on borrowings		93	73
Bad and doubtful debts expense		6	11
Carrying value of non-current assets disposed/written off		132	30
Total Expenses		61 422	56 089
OPERATING SURPLUS (DEFICIT)		2 970	(3 468)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	19,20	2 970	(3 468)

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash	23(b)	6 115	4 305
Receivables	10	3 134	3 141
Prepayments	11	47	50
Total Current Assets		9 296	7 496
NON-CURRENT ASSETS:			
Plant and equipment	12	2 336	2 556
Intangibles	13	138	308
Investment in Australian Tourism Data Warehouse Ltd	14	400	-
Total Non-Current Assets		2 874	2 864
Total Assets		12 170	10 360
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	15	3 169	4 035
Other liabilities	16	233	494
Employee entitlements	17	1 148	693
Borrowings	18	121	113
Total Current Liabilities		4 671	5 335
NON-CURRENT LIABILITIES:			
Payables	15	24	64
Other liabilities	16	15	15
Employee entitlements	17	145	480
Borrowings	18	1 166	1 287
Total Non-Current Liabilities		1 350	1 846
Total Liabilities		6 021	7 181
NET ASSETS		6 149	3 179
EQUITY:			
Tourism infrastructure reserve	19	4 858	1 481
Accumulated surplus	20	1 291	1 698
TOTAL EQUITY		6 149	3 179
Commitments	21		
Contingent Obligations	22		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Salaries, wages and related payments		(10 160)	(9 529)
Goods and services		(51 087)	(45 028)
Borrowing costs		(91)	(73)
GST paid to suppliers		(4 603)	(4 107)
RECEIPTS:			
Recurrent appropriation		53 841	40 511
Other State Government funding		1 400	3 345
Participation fees		4 043	5 668
Commission earned		546	452
Interest received		541	896
GST recovered from Australian Taxation Office		3 503	2 667
GST received from customers		1 059	714
Other		3 436	376
Net Cash provided by (used in) Operating Activities	23(a)	2 428	(4 108)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchases of plant and equipment		(362)	(2 073)
Payments for purchases of shares in Australian Tourism Data Warehouse Ltd		(150)	-
Proceeds from disposal of assets		7	3
Net Cash used in Investing Activities		(505)	(2 070)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Receipt of Borrowings		-	1 480
Repayment of Borrowings		(113)	(80)
Net Cash (used in) provided by Financing Activities		(113)	1 400
NET INCREASE (DECREASE) IN CASH HELD		1 810	(4 778)
CASH AT 1 JULY		4 305	9 083
CASH AT 30 JUNE	23(b)	6 115	4 305

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

	Olympic Football		SA Motor Sport Board		OVM*		Total	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
ADMINISTERED REVENUES:								
State Government appropriation								
Operations	-	-	1 950	2 750	2 321	-	4 271	2 750
Le Mans	-	-	-	7 593	-	-	-	7 593
Transfers from:								
Department of the Premier and Cabinet	-	2 878	-	-	-	-	-	2 878
South Australian Tourism Commission	-	-	-	330	-	-	-	330
Operating revenue	-	2 492	-	-	24 639	-	24 639	2 492
Total Administered Revenues	-	5 370	1 950	10 673	26 960	-	28 910	16 043
ADMINISTERED EXPENSES:								
Employee costs	-	117	-	-	152	-	152	97
Advertising and promotion	-	245	-	-	20	-	20	245
Administrative costs	-	3853	-	-	239	-	239	3 853
Event operations	-	439	-	-	84	-	84	439
Accommodation and service costs	-	146	-	-	190	-	190	146
Depreciation and Amortisation	-	-	-	-	10	-	10	-
Transfers to:								
Department of the Premier and Cabinet	148	839	-	-	-	-	148	839
SA Motor Sport Board	-	-	1 950	10 196	-	-	1 950	10 196
Total Administered Expenses	148	5 639	1 950	10 196	695	-	2 793	15 815

* Office of Venue Management

Schedule of Administered Assets and Liabilities as at 30 June 2002

	Olympic Football		SA Motor Sport Board		OVM*		Total	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
ADMINISTERED ASSETS:								
Cash	-	148	476	341	199	-	675	489
Receivables	-	-	-	330	97	-	97	330
Plant and Equipment	-	-	-	-	53	-	53	-
Land and Buildings	-	-	-	-	26 070	-	26 070	-
Total Administered Assets	-	148	476	671	26 419	-	26 895	819
ADMINISTERED LIABILITIES:								
Payables	-	-	-	194	69	-	69	194
Employee entitlements	-	-	-	-	13	-	13	-
Total Administered Liabilities	-	-	-	194	82	-	82	194

* Office of Venue Management

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

Objectives

The purpose of the South Australian Tourism Commission is, on behalf of the Government, to work in partnership with the private sector in marketing South Australia nationally and internationally as a world-class tourist and event destination. The principle goals of the Commission are to:

- add value to the efforts of the tourism industry and other government agencies, by ensuring a coordinated approach to the promotion of South Australia which results in an increase in visitor numbers to all regions of the State thereby increasing the value of tourism to the economy and generating employment for South Australians;
- attract, develop, own and support major and strategic events that generate substantial economic and social benefits for South Australia and promote the image and profile of Adelaide and South Australia;
- ensure the development of South Australia's tourism resources in a socially responsible way with emphasis on the continued maintenance and preservation of South Australia's environmental and cultural heritage and the profitability and effective utilisation of infrastructure;
- achieve a strong corporate team and positive corporate culture that uses its resources in the most effective and efficient manner.

Financial Arrangements

The Commission's principal source of funding consists of monies appropriated by Parliament.

The financial activities of the Commission are primarily conducted through a Special Deposit Account held at the Reserve Bank of Australia pursuant to section 21 of the *Public Finance and Audit Act 1987*.

Administered Funds

The Commission is responsible for the administration of the funds described below. These funds are not recorded in the Commission's Statement of Financial Performance or Statement of Financial Position as the Commission does not have control over how these funds are to be spent. Administered revenues, expenses, assets and liabilities are detailed separately within these statements and are shown in the Schedules of Administered Items. Administered items comprise:

- SA Motor Sport Board*
The Commission administered the appropriation transfers from the Department of Treasury and Finance to the South Australian Motor Sport Board until 30 June 2002.
- Office of Venue Management*
Funding for the management and operation of the Hindmarsh Stadium was administered by the Commission from 1 July 2001 on behalf of the Minister for Tourism.

2. Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been drawn up in accordance with the requirements of the Statements of Accounting Concepts, applicable Australian Accounting Standards, Treasurer's Instructions and applicable Accounting Policy Statements issued pursuant of the *Public Finance and Audit Act 1987* and other mandatory professional reporting requirements (Urgent Issues Group Consensus). The accrual basis has been used in the preparation of the financial statements.

(b) Recognition of Revenues*Commission*

Commission earned on sales of travel through the SA Travel and Visitor Centre is recognised at the date of ticketing.

Interest

Interest earned on deposit accounts at the Department of Treasury and Finance are recognised as revenue as it accrues.

Participation Fees

The Commission earns revenue from participants in the Tourism Industry through cooperative marketing schemes, subscriptions and training fees. This revenue is recognised as it accrues.

Revenues from Government

Appropriation from Government and contributions from other Government agencies are recognised as revenue in the period in which the monies are received and the Commission obtains control of the asset.

(c) **Depreciation and Amortisation**

Items of plant and equipment are depreciated on a straight line basis over their expected useful lives. The estimated useful lives of each asset class are as follows:

	Years
General plant and equipment	3-5
Christmas Pageant assets	5-15

Fitouts are depreciated over the length of the lease of the property using the straight line method.

(d) **Inventories**

Consumable supplies are not recognised in the Statement of Financial Position as the value of these supplies is not considered material.

(e) **Plant and Equipment**

All plant and equipment controlled by the Commission with an individual value greater than \$2 000 are recognised as plant and equipment in the Statement of Financial Position. Items of plant and equipment are recorded at Historic Cost less Accumulated Depreciation.

Minor items of plant and equipment and pageant assets with an individual value less than \$2 000 are expensed in the Statement of Financial Performance at the time of acquisition.

(f) **Intangible Assets**

Goodwill and intellectual property arising from acquisition of the Christmas Pageant is accounted for at cost and is amortised on a straight line basis over 20 years, the period in which the benefits are expected to arise. Purchase of the World Solar Challenge event is accounted for at cost and is amortised on a straight line basis over 10 years.

Change in Accounting Policy

As at the reporting date the value of future benefits associated with the World Solar Challenge naming rights were valued at zero and the unamortised balance was accordingly expensed.

(g) **Investment in Australian Tourism Data Warehouse Ltd**

During the year the Commission purchased 150 000 \$1 shares in Australian Tourism Data Warehouse (ATDW) Ltd, taking its total holding to 400 000 shares. The Commission's shareholding in the ATDW Ltd does not give the Commission controlling interest in the ATDW Ltd. The Commission's interest in the ATDW Ltd is brought to account at cost.

(h) **Employee Entitlements**

Provision has been made in the financial statements for the Commission's liability for employee entitlements arising from services rendered by employees to 30 June. Related on-costs consequential to the employment of employees has been included in Payables (Note 15).

Salaries and Wages

Salaries and wages due and receivable by employees as at the balance date.

Annual Leave

Provision has been made for the unused component of annual leave at 30 June. The provision has been calculated at nominal amounts based on current pay rates.

Long Service Leave

Provision has been made for employee entitlements to long service leave at 30 June. The provision has been calculated at nominal amounts based on current pay rates using a benchmark of eight years service as a shorthand estimation of long service leave liability in accordance with Accounting Standard AASB 1028 'Employee Benefits'.

Sick Leave

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

Superannuation

During 2001-02 a total of \$722 000 (\$704 000) was paid, or due and payable, to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of the Commission's employees. In addition, \$82 000 (\$79 000) was paid to other externally managed superannuation schemes. Superannuation contributions are charged as an expense in the period in which they occur. The Commission is not liable for payments to beneficiaries as this is the responsibility of the superannuation schemes.

(i) **Foreign Currency**

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated currency gains and losses are not material.

(j) **Financial Instruments**

The Commission's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2002, are as follows:

Financial Assets

Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.

(j) Financial Instruments (continued)

Cash comprises Cash on hand and at Treasury and Deposits at call. Cash is recorded at nominal amounts. Interest on cash is credited to revenue as it accrues.

Receivables are recognised at the nominal amounts due less provision for bad or doubtful debts (maximum credit risk). Credit terms are net 14 days.

Shares in Australian Tourism Data Warehouse Ltd are recognised at cost.

Financial Liabilities

Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.

Payables are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. With the exception of employee on-costs, payables are normally settled within 30 days. It is policy to effect early payment where a discount can be achieved.

Borrowings are recognised at their principal amounts. Interest is expensed as it accrues. The term of the loan is 10 years commencing in 2000-01. The Borrowings were for working capital purposes.

(k) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(l) Taxation

The Commission is exempt from income tax.

3. Output Class Schedule of Expenses and Revenues for the year ended 30 June 2002

The Commission has identified three broad output classes that reflect the nature of the services delivered to the South Australian community. These are:

Output Class 1: Marketing South Australia

Relates to the positioning of the State's tourism products and services and South Australia as a tourism destination within national and international markets and incorporates the development and management of major events.

Output Class 2: Tourism Development

Relates to the creation of a positive and supportive business environment within which private tourism enterprise can flourish and incorporates tourism infrastructure planning.

Output Class 3: Central Coordination and Policy Advice

Includes all coordination of whole-of-government initiatives as well as policy advice and development on tourism issues.

Revenues and Expenditure by Output Class for the year are as follows:

	Marketing South Australia	Tourism Develop- ment	Central Coordination & Policy Advice	2002 Total \$'000	2001 Total \$'000
REVENUES:					
Revenues from Government	42 674	11 810	757	55 241	23 856
Participation fees	3 764	182	2	3 948	5 668
Interest	-	569	-	569	971
Commission on sales	545	-	-	545	452
Other revenue	3 983	60	39	4 082	1 674
Proceeds from the disposal of plant and equipment	7	-	-	7	3
Total	50 973	12 621	798	64 392	52 624
EXPENSES:					
Salaries, wages and related payments	9 572	458	440	10 470	9 632
Advertising and promotion	19 033	11	60	19 104	15 820
Industry assistance	7 759	8 291	47	16 094	15 550
Administration costs	5 463	397	151	6 011	6 271
Event operations	7 045	-	-	7 045	6 426
Accommodation and services costs	1 727	56	64	1 847	1 713
Depreciation and amortisation	562	27	31	620	563
Interest on borrowings	84	4	5	93	73
Bad and doubtful debts expense	6	-	-	6	11
Carrying value of disposed plant and equipment	132	-	-	132	30
Total	51 380	9 244	798	61 422	56 089
OPERATING SURPLUS (DEFICIT)	(407)	3 377	-	2 970	(3 468)

4. Revenue from Government

	2002 \$'000	2001 \$'000
Recurrent appropriation from South Australian Government	53 841	40 511
Transfers from other government agencies	1 400	3 345
Total	55 241	43 856

5. Participation Fees		2002	2001
		\$'000	\$'000
Cooperative marketing/advertising		1 022	1 065
Sponsorship revenue		2 902	4 497
Subscriptions for tourism publications		-	22
Subscription to Tourism Accreditation Program		-	33
Workshops/training		24	51
		3 948	5 668
6. Other Revenue			
Event entry fees		2 202	673
Refunds/recoups of expenses		327	265
Service fees		269	104
Salary recoups		167	182
Familiarisation expenditure recouped		112	83
Sales of merchandise		127	68
Minor grants		60	133
Recognition of ATDW Ltd shares expensed in prior financial years		250	-
Sundry revenue		568	166
		4 082	1 674
7. Advertising and Promotion			
The increase of \$3.3 million in Advertising and Promotion expenditure is due mainly to activities associated with the Year of the Outback (\$884 000) and the Intrastate Marketing Campaign (\$1 683 000), which were new projects in 2001-02, and an increased expenditure in promoting South Australia in the international arena (\$452 000).			
8. Industry Assistance		2002	2001
		\$'000	\$'000
Sponsorship of events		4 025	2 018
Tourism infrastructure grants		8 411	9 177
Tourism marketing boards/information centre grants		2 014	2 202
Marketing support		756	1 241
Road signage program		769	683
Membership of tourism industry bodies		51	152
Trade show subsidies		68	77
		16 094	15 550
9. Depreciation and Amortisation			
The aggregate amount of depreciation and amortisation expensed during the year for each class of depreciable asset were as follows:			
Plant and equipment:			
General Plant and Equipment		254	213
Fitouts		246	231
Pageant assets		80	79
		580	523
Intangibles:			
Christmas Pageant Goodwill		10	10
World Solar Challenge Event Naming Rights		30	30
		40	40
		620	563
10. Receivables			
Debtors		2 301	2 371
Less: Provision for doubtful debts		18	20
		2 283	2 351
GST receivable		851	790
		3 134	3 141
11. Prepayments			
Event sponsorship and advertising		4	7
Other		43	43
		47	50
12. Plant and Equipment			
		2002	
		Office	Pageant
		Equipment	Assets
		\$'000	\$'000
Gross Carrying Amount:			Total
			\$'000
Balance at 1 July		1 072	585
Purchases		283	79
Disposals		(192)	(21)
Balance at 30 June		1 163	643
Accumulated Depreciation:			
Balance at 1 July		633	242
Depreciation expense		254	80
Disposals		(191)	(20)
Balance at 30 June		696	302
Net Book Value:			
As at 30 June 2001		439	343
As at 30 June 2002		467	341
		1 528	2 336

13. Intangibles	2002		Total \$'000
	Christmas Pageant Goodwill \$'000	World Solar Challenge Naming Rights \$'000	
Gross Carrying Amount:			
Balance at 1 July	200	300	50
Write off	-	(300)	(300)
Balance at 30 June	200	-	200
Accumulated Amortisation:			
Balance at 1 July	52	140	192
Amortisation expense	10	30	40
Write off	-	(170)	(170)
Balance at 30 June	62	-	62
Net Book Value:			
As at 30 June 2001	148	160	308
As at 30 June 2002	138	-	138
14. Investment in Australian Tourism Data Warehouse			
The Australian Tourism Data Warehouse (ATDW) is a joint project of all State and Territory tourism authorities working with the Australian Tourism Commission (ATC) to present and market Australian tourism product to the world through the ATC's website www.australia.com. Operators listed on the ATDW will then have their details uploaded onto the new consumer website offering worldwide exposure.			
During the year the Commission paid \$150 000 for 15 000 D Class shares as an equity interest in Australian Tourism Data Warehouse Ltd (the Company). The Commission paid \$65 000 in 1999-2000 and \$185 000 in 2000-01 for the purchase of 65 000 and 185 000 D Class shares respectively but due to an oversight, this was not recognised until this year. The Commission's shareholding of 400 000 D Class shares in the Company does not give the Commission controlling interest in the Company.			
15. Payables		2002	2001
Current:		\$'000	\$'000
Trade creditors		2 484	2 683
Accrued expenses		438	1 185
Employee on-costs		162	103
GST payable		85	64
		3 169	4 035
Non-Current:			
Employee on-costs		24	64
16. Other Liabilities			
Current:			
Unclaimed monies		51	46
Unearned revenue		177	444
Workers Compensation*		5	4
		233	494
Non-Current:			
Workers Compensation*		15	15
17. Employee Entitlements		2002	2001
Current:		\$'000	\$'000
Provision for annual leave		599	521
Provision for long service leave		549	172
		1 148	693
Non-Current:			
Provision for long service leave		145	480
18. Borrowings			
Balance 1 July		1 400	-
Add: Borrowings received		-	1 480
Less: Repayments		113	80
Balance 30 June		1 287	1 400
Represented by:			
Current borrowings		121	113
Non-current borrowings		1 166	1 287
		1 287	1 400

19. Tourism Infrastructure Reserve

The Commission receives appropriation from Parliament for specific Tourism Infrastructure projects. Funds not expended during the year are transferred to the Tourism Infrastructure Reserve. The movement in the Reserve for the year was:

	2002	2001
	\$'000	\$'000
Balance 1 July	1 481	4 482
Transfer from (to) accumulated surplus	3 377	(3 001)
Balance 30 June	4 858	1 481

20. Accumulated Surplus

Balance at 1 July	1 698	2 165
Operating Surplus (Deficit)	2 970	(3 468)
Transfer (to) from Tourism Infrastructure Reserve	(3 377)	3 001
Balance 30 June	1 291	1 698

21. Commitments**(a) Operating Lease Commitments**

At the reporting date, the Commission had the following obligations under non-cancellable leases, the sum of which is not recognised as a liability:

Not later than one year	990	843
Later than one year but not later than five years	1 913	2 104
Later than five years	540	671
	3 443	3 618

These commitments have been calculated at current rates as lease terms are reviewed at regular intervals.

(b) Other Commitments

The commission has entered into agreements in the nature of liabilities which, as at the reporting date, are not recognised in the Statement of Financial Position because they have been assessed as giving rise to a future rather than a present obligation for payment. These commitments are summarised as follows:

	2002	2001
	\$'000	\$'000
Tourism marketing boards	1 625	1 835
International Marketing representation fees	1 710	-
Tourism infrastructure projects	1 101	1 480
Events/sponsorship	1 814	885
Co-operative marketing	743	-
Service contracts	524	-

22. Contingent Obligations

Contingent obligations are items in the nature of liabilities which, as at the reporting date, are not recognised in the Statement of Financial Position because they have been assessed as being dependent on certain events taking place before a present obligation for the Commission to make payments in respect of them will arise.

The Commission is currently contesting a claim concerning the staging of the Le Mans event in Adelaide. It is not possible to estimate the amount payable, if any, with respect to this claim.

23. Notes to the Statement of Cash Flows

	2002	2001
	\$'000	\$'000
(a) Reconciliation of Net Cash provided by (used in) Operating Activities to Operating Result		
Net cash provided by (used in) operating activities	2 428	(4 108)
Proceeds from disposal of non-current assets	7	3
Depreciation and amortisation	(620)	(563)
Carrying value of non-current assets disposed/written off	(132)	(33)
Recognition of ATDW Ltd shares expensed in prior years	250	-
Change in assets and liabilities:		
Decrease in prepayments	(3)	(24)
(Decrease) Increase in receivables	(7)	2 408
Increase in employee entitlements	(120)	(65)
Decrease (Increase) in other liabilities	261	(274)
Decrease (Increase) in payables	906	(812)
Operating Surplus (Deficit)	2 970	(3 468)

(b) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes Cash on hand and at Treasury and Deposits at call. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at 30 June comprised:	2002	2001
	\$'000	\$'000
Cash on hand and at Treasury (unexpended balance)	4 954	3 386
Deposits at call (accrual appropriation funds)	1 161	919
	6 115	4 305

24. Financial Instrument**(a) Interest Rate Risk**

The following table details the Commission's exposure to interest rate risk.

	Average Interest Rate Percent	Variable Interest Rate \$'000	2002 Fixed Interest Rate Maturity			Non- Interest Bearing \$'000	Total \$'000
			Less than 1 year \$'000	1 to 5 years \$'000	Greater than 5 years \$'000		
Financial Assets:							
Cash - Operating account	4.27	4 954	-	-	-	4 954	
Cash - Accrual appropriation funds	4.52	1 161	-	-	-	1 161	
Receivables	-	-	-	-	3 134	3 134	
Shares	-	-	-	-	400	400	
		6 115	-	-	3 534	9 649	
Financial Liabilities:							
Payables	-	-	-	-	3 007	3 007	
Borrowings	6.72	-	121	573	593	1 287	
		-	121	573	593	4 294	
	Average Interest Rate Percent	Variable Interest Rate \$'000	2001 Fixed Interest Rate Maturity			Non- Interest Bearing \$'000	Total \$'000
			Less than 1 year \$'000	1 to 5 years \$'000	Greater than 5 years \$'000		
Financial Assets:							
Cash - Operating account	5.80	3 386	-	-	-	3 386	
Cash - Accrual appropriation funds	5.92	919	-	-	-	919	
Receivables	-	-	-	-	3 141	3 141	
		4 305	-	-	3 141	7 446	
Financial Liabilities:							
Payables	-	-	-	-	3 932	3 932	
Borrowings	6.72	-	114	536	750	1 400	
		-	114	536	750	5 332	

(b) Credit Risk

The Commission does not have any significant credit risk exposure to any single creditor.

The carrying amount of financial assets recorded in the Statement of Financial Position, net of provisions for doubtful debts, represent the Commission's maximum exposure to credit risk.

(c) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the Statement of Financial Position represent their respective net fair values.

25. Targeted Voluntary Separation Packages (TVSPs)

In accordance with government policy to reduce the public sector work force, 1 (4) employees of the Commission were paid TVSPs during 2001-02. Payments totalling \$30 000 (\$94 000) were met by the Commission and have been or will be recovered from the Department of the Premier and Cabinet. During the year \$30 000 (\$187 000) was recovered from the Department of the Premier and Cabinet.

In addition, accrued annual leave and long service leave entitlements amounting to \$8 000 (\$18 000) were paid to those employees who received a TVSP.

26. Related Party Information**(a) Directors**

The following persons held office as a Director of the Board of the South Australian Tourism Commission during the year:

R Cook (Chair)	P Hurley
P Hoffman (Deputy Chair)	M Angelakis
R Davis (from 20.9.01)	L Bowes
D Minear (from 20.9.01)	P Styles (until 31.8.01)
J Jeffreys (from 20.9.01)	N Downer (until 31.8.01)
A Skipper (from 6.6.02)	T Bettess (until 31.8.01)

(b) Transactions

There have been a number of transactions with Board members which have been carried out under terms and conditions no more favourable than those which would have applied if the transactions were at arm's length.

27. Remuneration of Directors of the Board

The number of Directors whose total remuneration received or due and receivable fell within the following bands was:

	2002 Number of Board Members	2001 Number of Board Members
\$0 - \$10 000	4	-
\$10 001 - \$20 000	7	6
\$20 001 - \$30 000	-	1
\$30 001 - \$40 000	1	1

The total remuneration received, or due and receivable, by Directors was \$152 000 (\$135 000). The total remuneration includes board sitting fees, superannuation, non-monetary benefits including associated fringe benefits tax and sitting fees for representing the South Australian Tourism Commission on committees other than the South Australian Tourism Commission Board.

28. Remuneration of Employees

The number of employees whose total remuneration received or due and receivable fell within the following bands was:

	2002	2001
	Number of Employees	Number of Employees
\$100 001 - \$110 000	-	1
\$120 001 - \$130 000	1	2
\$130 001 - \$140 000	1	-
\$140 001 - \$150 000	1	-
\$150 001 - \$160 000	-	1
\$170 001 - \$180 000	1	-
\$210 001 - \$220 000	-	1
\$220 001 - \$230 000	1	-

The total remuneration received or due and receivable by employees whose remuneration exceeded \$100 000 was \$807 000 (\$733 000). The remuneration includes salary, employer's superannuation costs, use of a motor vehicle, associated fringe benefits tax and termination payments where applicable.

29. Auditors' Remuneration

Amounts received, or due and receivable by the Auditor-General's Department for auditing of the accounts

2002	2001
\$'000	\$'000
55	53

30. Consultants

Total expenditure on 28 (17) consultancies in 2001-02 amounted to \$164 000 (\$249 000).

	2002	
	Number of Consultants	\$'000
Less than \$10 000	24	72
\$10 000 - \$50 000	4	92

Consultancies costing between \$10 000 and \$50 000 per Consultancy

<i>Project</i>	<i>Consultants</i>	
Risk Management Planning	MQM	34
Statewide Tourism Plan Amendment Review	Nolan Rumsby Planners	20
Risk Assessment of Co-operative Marketing	Andersen	22
Innamincka water/effluent and power study	Halliburton KBR	16

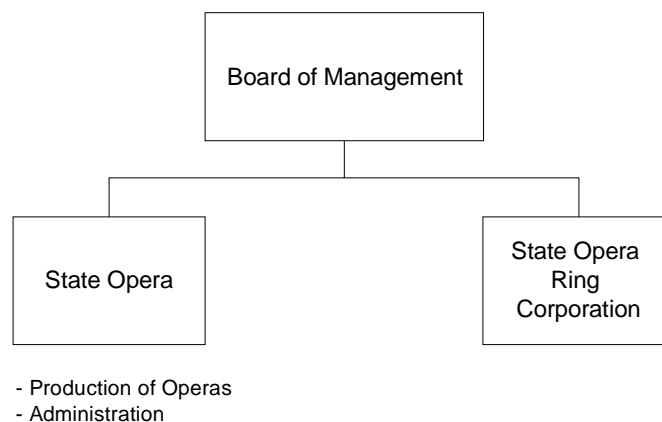
THE STATE OPERA OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The State Opera, a body corporate established pursuant to subsection 5(1) of the *State Opera of South Australia Act 1976*, promotes the art of the opera and related theatrical arts by presenting performances; commissioning the scoring and writing of operas; training people concerned in operatic presentations; and establishing and conducting educational programs.

The State Opera Ring Corporation was established pursuant to the *Public Corporations Act 1993*, as a subsidiary of the State Opera. Its primary functions were to produce and stage in Adelaide during November and December 1998, four major Wagner operas comprising *Der Ring des Nibelungen* (The Ring) and to market and promote The Ring within and outside the State.

The structure of the State Opera is:



CHANGES TO AGENCY ORGANISATIONAL STRUCTURE

A decision to wind up the State Opera Ring Corporation (SORC), was made on 31 May 2000 and it was subsequently agreed to distribute the remaining surplus of \$22 000 to the State Opera. The process of legally winding up SORC is the responsibility of the Department for Transport, Urban Planning and the Arts and is expected to be finalised during 2002-03.

SIGNIFICANT FEATURES

- The operating result was a surplus of \$1 120 000 (\$143 000).
- Box office and production revenue increased by \$789 000 to \$1.8 million, while production costs increased by \$1.9 million to \$4.1 million reflecting the increase in the number and scale of performances staged.
- Cash assets and investments increased by \$617 000 to \$1.8 million, mainly as a result of \$703 000 Special Purpose Commonwealth funding and donations of \$109 000 received in advance for the 2004-05 Wagner Ring Cycle.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 23(3) of the *State Opera of South Australia Act 1976* provides for the Auditor-General to audit the accounts of the State Opera in respect of each financial year. The authority for the Auditor-General to audit the State Opera Ring Corporation is provided by subclause 13(3) of the Schedule to the *Public Corporations Act 1993* which relates to subsidiaries.

Scope of Audit

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

The specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll, including employment contracts
- revenue, including cash receipting and banking
- general ledger.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the General Director. The main issues related to opportunities to improve the control environment through enhanced segregation of responsibilities within the finance function. A satisfactory response was received.

Further details relating to these issues are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Segregation of Duties

Audit noted that there was room to improve the State Opera's level of segregation of duties associated with the banking of money, completion of monthly bank reconciliations, authorisation of electronic fund transfers and the recording of transactions in the general ledger.

Management responded that enhanced segregation of responsibilities would be established.

Risk Management

Audit noted last year that the State Opera had not established a formal process for identifying, assessing and managing risk as required by the Financial Management Framework.

During 2001-02 the State Opera developed a draft Risk Management Policy which provides a formal basis for the identification, assessment and management of risks. The Risk Management Policy was approved by the Board in June 2002.

Monitoring of Controls

Audit noted last year that there was room for improvement in respect of the provision to the General Director of regular assurance that controls over management and financial reporting have been operating effectively.

The State Opera has implemented an internal controls checklist certified by the Finance Director that is provided to the General Director each month.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Revenues

Box office and production revenue increased by \$789 000 to \$1.8 million reflecting the increase in the number and scale of performances staged.

Revenues from State and Commonwealth grants (net of payments to the Adelaide Symphony Orchestra) increased by \$1.2 million to \$3.0 million mainly as a result of special purpose funding received from the State Government for the opera Parsifal (\$200 000) and special purpose funding from the Commonwealth Government for the 2004-05 Wagner Ring Cycle (\$703 000).

The special purpose funding of \$703 000 includes \$203 000 provided by the Australia Council under a funding agreement between the Australia Council and the State Opera for the production of Wagner's Der Ring des Nibelungen (Wagner's Ring Cycle) in 2004-05. Contributions provided by the Australia Council pursuant to this agreement have been provided on the basis that, if for any reason whatsoever the State Opera fails to carry out the 2004-05 Wagner Ring Cycle, any unexpended moneys provided by the Australia Council for this opera must be refunded.

State and Government grants represent 50 percent of total revenues and indicate the extent of the economic dependency of the State Opera on Government grants. The Australia Council and Arts South Australia have, through a funding agreement with the State Opera, agreed to maintain grants at their current levels or better for the period 1 January 2001 to 31 December 2003.

Revenues from other sources increased by \$1.7 million to \$3.0 million.

Expenses

Production costs have increased by \$1.9 million to \$4.1 million reflecting the increase in the number of major performances staged in 2001-02.

Statement of Financial Position

Cash assets have increased by \$458 000 due mainly as a result of Special Purpose Commonwealth Funding (\$703 000) received in advance and Special Purpose State Funding (\$200 000) received as referred to under revenue previously, offset by the decrease of \$466 000 in advance box office sales reflecting the expected decrease in the number of performances staged during 2002-03.

The State Opera have transferred \$1.1 million of accumulated surplus to reserves, reflecting a desire to set aside amounts for future events including the 2004-05 Wagner Ring Cycle.

FURTHER COMMENTARY ON OPERATIONS

Production Statistics

Unaudited statistical details on major productions for the last three years, as provided by the State Opera, are presented in the following table:

	2001-02	2000-01	1999-2000
Number of major productions	5	3	5
Number of performances	23	16	23
Total seat capacity	22 900	28 700	42 000
Number of seats sold*	17 800	21 300	33 300
Average number of seats sold per performance	770	1 330	1 450
	\$	\$	\$
Production costs per seat sold**	210	80	81
Box office and production revenue per seat sold	99	45	49
Subsidy per seat sold***	111	35	32

* Seats sold exclude complimentary tickets.

** Excludes Opera Conference support and other production costs.

*** Subsidy per seat sold represents the amount of government grants, private sponsorship and donations received by the State Opera per seat sold.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
State Government grants		1 427	1 058
Less: Payment to Adelaide Symphony Orchestra		(230)	(230)
	3	1 197	828
Commonwealth Government grants	3	1 791	911
Box office and production revenue	4	1 813	1 024
Donations	5	635	132
Sponsorship		547	130
Interest and sundry revenue		36	52
Total Revenues		6 019	3 077
EXPENSES FROM ORDINARY ACTIVITIES:			
PRODUCTION COSTS:			
Performers and employee entitlements		1 864	1 010
Theatre hire and related expenses		709	445
Costumes and sets		540	94
Travel and accommodation		348	158
Advertising		183	130
Opera conference support		158	157
Shipping and freight		48	82
Other expenses		269	106
	6	4 119	2 182
ADMINISTRATION, MARKETING AND FINANCIAL:			
Employee entitlements		366	347
Rental accommodation and service expenses		150	145
Subscription and marketing costs		78	65
Other expenses		186	195
		780	752
Total Expenses		4 899	2 934
OPERATING SURPLUS		1 120	143
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER			
		1 120	143

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	7,15	1 592	1 134
Prepayments		604	681
Receivables		51	84
Inventories		16	18
Total Current Assets		2 263	1 917
NON-CURRENT ASSETS:			
Investments		159	-
Plant and equipment	8	73	91
Total Non-Current Assets		232	91
Total Assets		2 495	2 008
LIABILITIES:			
CURRENT LIABILITIES:			
Advance box office revenue		468	934
Creditors		219	388
Advance sponsorship		76	262
Accruals		29	68
Provision for employee entitlements	9	28	31
Total Current Liabilities		820	1 683
NON-CURRENT LIABILITIES:			
Advance sponsorship		300	-
Trust funds	2	-	74
Provision for employee entitlements	9	98	94
Total Non-Current Liabilities		398	168
Total Liabilities		1 218	1 851
NET ASSETS		1 277	157
EQUITY:			
Reserves	10	1 245	155
Accumulated surplus	10	32	2
TOTAL EQUITY		1 277	157
Commitments and Contingent Liabilities	11		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Grants - State and Commonwealth Government		3 198	2 049
Box office and production		1 485	1 869
Sponsorship		568	115
Donations		565	132
Interest and sundries		30	52
Goods and Services Tax refund		13	90
PAYMENTS:			
Performers and employee entitlements		(2 229)	(1 346)
Production, administration, marketing and other payments		(3 009)	(2 133)
Net Cash provided by Operating Activities	16	621	828
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for investments		(159)	-
Payments for plant and equipment		(4)	(7)
Net Cash used in Investing Activities		(163)	(7)
NET INCREASE IN CASH HELD		458	821
CASH AT 1 JULY		1 134	313
CASH AT 30 JUNE	15	1 592	1 134

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. State Opera of South Australia Objectives and Funding

The State Opera of South Australia (the Company) objectives are to:

- promote and develop The State Opera of South Australia as one of Australia's most exciting and innovative performing arts companies.
- reinforce, through the Company's activities, South Australia's reputation both nationally and internationally as a State recognised for its rich cultural life and artistic excellence.
- be recognised nationally and internationally as a forward-thinking performing arts company that 'does it differently'.
- be renowned nationally and internationally as the performing arts company that makes Adelaide a 'Wagner City'.

The State Opera of South Australia's principal source of funds are State Government appropriations, Commonwealth Government grants (through Australia Council) and box office and production revenues.

Group Financial Statements

Consolidated financial statements have not been prepared for the State Opera of South Australia because the application of the Accounting Standard AASB 1024 'Consolidated Accounts' in this instance is not considered to be of material consequence. At 30 June 2002, the wholly owned controlled entity State Opera Ring Corporation had ceased trading.

The winding up of the State Opera Ring Corporation, which was established under the *Public Corporations Act 1993*, is expected to be completed in 2002-03.

2. Statement of Significant Accounting Policies

The significant accounting policies adopted by the Company are stated in order to assist in a general understanding of the financial report. These policies have been consistently applied except as otherwise indicated.

Basis of Accounting

The general purpose financial report has been prepared on the basis of historical cost and in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Department of Treasury and Finance Accounting Policy Statements and the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*. The accrual method of accounting has been used. The financial statements do not take into account changing money values or, except where stated, the current valuations of non-current assets.

Employee Entitlements

Employee entitlements include entitlements to salaries, wages, long service leave, annual leave and superannuation benefits.

Long service leave and annual leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. Liabilities in respect of these entitlements have been calculated at nominal amounts based on current salaries and wages rates and include related on-costs. The Department of Treasury and Finance has advised that a benchmark of eight years can be used for a shorthand estimation of the long service leave liability in accordance with the provisions of Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. This advice has been adopted and the long service leave liability has been calculated on that basis.

The superannuation expense comprises contributions to accumulation style superannuation schemes for performers and employees. In addition, in accordance with employment agreements, amounts are payable to externally managed funds. The schemes have the responsibility for meeting benefit payments, in accordance with scheme rules.

Sick leave is not provided for as it is non-vesting, however, entitlements are accumulated.

The State Opera of South Australia pay workers compensation insurance premiums to the WorkCover Corporation, and as such no liability for workers compensation has been reflected in the financial report.

Depreciation of Non-Current Assets

Depreciation of plant and equipment is calculated using the straight line method of allocation and is recognised in the financial report from 1 July following acquisition. All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner, which reflects the consumption of their service potential. Useful lives are reviewed annually. The expected useful lives are as follows:

	Years
Computer equipment	3
Office furniture and equipment	5
Production equipment	10

Result of Operations

Ticket sales for, and production costs of, future productions are carried forward as accruals and prepayments and are not included in revenues and expenses for the year.

Rounding

All amounts are rounded to the nearest thousand dollars.

Operating Grants

The State Government and Australia Council grants are based on the Company's cash flows and as such do not take into account accrued expenses and amounts set aside for depreciation and future employee entitlements.

Economic Dependency

The normal business activities of the State Opera of South Australia are dependent on the continuation of grants from the State Government and the Australia Council at an appropriate level. The State Opera of SA, Arts South Australia and the Australia Council have entered into a formal agreement which maintains funding at current levels or better until 31 December 2003.

Financial Instruments

The Company's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2002, are as follows:

Financial Assets

Cash at bank (Note 7) comprises deposits at call with the Commonwealth Bank of Australia. No interest is earned on this account.

Short term deposits (Note 7) comprises deposits at call with the:

- South Australian Government Financing Authority (SAFA)
- Commonwealth Bank - Thora and Frank Pearce Opera Foundation
- Adelaide Bank and Suncorp Metway - Diana Ramsay Fund.

Interest revenues are recognised as they accrue. Interest rates are at market rates and have fluctuated between 3.5 percent and 4.9 percent for the year ended 30 June 2002 (between 4.9 percent and 6.15 percent in 2000-01).

Receivables are reported at amounts due, less provision for doubtful debts.

Investments comprise equity shares and are brought to account at cost and dividends are credited to revenue when they are declared. The fair value of investments as at 30 June 2002 was \$163 000.

Financial Liabilities

Creditors are raised for amounts billed but unpaid and are normally settled within 30 days.

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

Revenue Recognition

Government grants and other revenue are recognised on receipt. Interest revenues are recognised as they accrue. Box office and production and sponsorship revenue is recognised after the service has been provided.

Trust Funds

At 30 June 2001 the State Opera of South Australia as trustee administered the Thora and Frank Pearce Opera Foundation with assets totalling \$74 000. In 2001-02 the State Opera of South Australia reviewed the accounting arrangements and determined it effectively controlled the assets of the Foundation. Accordingly the financial transactions and assets of the Foundation have now been included as part of the State Opera of South Australia reporting entity. The effect of this revised accounting treatment in 2001-02 Statement of Financial Performance was an increase in donations and interest revenue of \$76 000 and an increase in other expenses of \$2 000 resulting in an increase in State Opera's operating surplus of \$74 000.

Administered Funds

State Opera of South Australia also received funds of \$30 000 in 2001-02 from the Commonwealth Government for use by the Restless Dance Company for a project currently committed for completion in 2003. As at 30 June 2002 these funds have not been expended.

State Opera of South Australia administered funds of \$10 000 received in 2000-01 from the Commonwealth Government for a Holdfast Bay Community project associated with the 2002 Adelaide Festival. As at 30 June 2002 these funds have been fully expended.

These funds have not been included in the balance of cash assets at 30 June as they are not controlled by the State Opera of South Australia reporting entity.

Accounting for the Goods and Services Tax (GST)

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

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

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

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

Tax Status

The activities of the State Opera of South Australia are exempt from Commonwealth income tax but subject to other Commonwealth taxes such as Fringe Benefits Tax, Goods and Services Tax and other State taxes (including payroll tax).

3.	Grant Revenues comprise:	2002	2001
	State Government:	\$'000	\$'000
	From Arts SA for:		
	General	997	828
	Special purpose relating to the opera <i>Parsifal</i>	200	-
	Orchestral services	230	230
		1 427	1 058
	Less: Payment to Adelaide Symphony Orchestra	230	230
		1 197	828
	Commonwealth Government:		
	From Australia Council for:		
	General	871	704
	Special purpose relating to the 2004-05 operas Wagner Ring Cycle*	703	-
	Opera conference	158	157
	Special purpose relating to seed funding	59	50
		1 791	911

* Includes Special purpose funding of \$203 000 provided under a separate funding agreement for the production of Wagner's Der Ring des Nibelungen (Wagner Ring Cycle) in 2004-05.

Contributions received from the Australia Council under this agreement have been provided on the basis, that if for any reason whatsoever the State Opera fails to carry out the 2004-05 Wagner Ring Cycle any unexpended monies provided must be refunded.

4.	Box Office and Production Revenue	2002
	Comprises revenue for operas and other events staged during the year:	\$'000
	Opera:	
	<i>Parsifal</i>	1 058
	<i>Andrea Chenier</i>	364
	<i>Verdi Requiem</i>	203
	<i>The Turn of the Screw</i>	183
	<i>Sacred and Profane*</i>	50
	<i>Akhnaten</i>	25
		1 883
	Less: BASS ticket service charges	70
		1 813

* Comprises production revenue received in 2001-02 for the opera *Sacred and Profane* which was staged by the Company in 2000-01.

In 2000-01 there were four operas staged which generated revenue of \$1 024 000.

5.	Donations	2002	2001
	This comprises money received from:	\$'000	\$'000
	Diana Ramsay Fund	200	-
	Patrons	256	132
	Patrons specifically for 2004-05 Wagner Ring Cycle	109	-
	Thora and Frank Pearce Opera Foundation	70	-
		635	132

State Opera

6. Production Costs	2002
Production costs which can be directly attributed to operas, staged during the year, other events and other production costs, are as follows:	\$'000
Opera:	
<i>Parsifal</i>	2 274
<i>Andrea Chenier</i>	944
<i>The Turn of the Screw</i>	246
<i>Verdi Requiem</i>	152
<i>Akhnaten</i>	91
Contribution to the Adelaide Festival	35
Opera conference support	158
Other production costs	219
	<u>4 119</u>

In 2000-01 there were four operas staged and one workshop at a production cost of \$2 182 000.

7. Cash Assets	2002	2001
Cash assets comprise:	\$'000	\$'000
Short term deposits	1 563	1 124
Cash at bank	27	9
Cash on hand	2	1
	<u>1 592</u>	<u>1 134</u>

8. Plant and Equipment		
Production equipment - At cost	115	115
Less: Accumulated depreciation	57	49
	<u>58</u>	<u>66</u>
Office furniture and equipment - At cost	56	55
Less: Accumulated depreciation	50	47
	<u>6</u>	<u>8</u>
Computers - At cost	45	42
Less: Accumulated depreciation	36	25
	<u>9</u>	<u>17</u>
	<u>73</u>	<u>91</u>

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:	Production Equipment	Office Equipment	Computer Equipment	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	66	8	17	91
Additions	-	1	3	4
Disposals	-	-	-	-
Depreciation expense	(8)	(3)	(11)	(22)
Carrying Amount at 30 June	<u>58</u>	<u>6</u>	<u>9</u>	<u>73</u>

9. Provision for Employee Entitlements	2002	2001
Current:	\$'000	\$'000
Annual leave	28	31
Non-Current:		
Long service leave	98	94

10. Equity		
Movements during the year were:		
Reserves:		
Balance at 1 July	155	95
Net transfer from accumulated surplus	1 090	60
Balance at 30 June	<u>1 245</u>	<u>155</u>

Reserves are for 2004-05 Wagner Ring Cycle, Diana Ramsay Fund, the Thora and Frank Pearce Opera Foundation and future periods.

Accumulated Surplus:		
Accumulated Surplus (Deficit) at 1 July	2	(81)
Operating surplus	1 120	143
Net transfers to reserves	(1 090)	(60)
Accumulated Surplus at 30 June	<u>32</u>	<u>2</u>

11. Commitments and Contingent Liabilities

The Company, by the nature of its operations, has entered into contracts with artists and theatre proprietors for performances scheduled to take place subsequent to 30 June 2002. The terms and conditions of the contracts may also place a liability on the Company to pay some or all of these amounts should the artist not be engaged or the theatre, hired scenery, or costumes not be used.

These commitments have been made on the basis that ongoing funding will continue from the State and Federal Governments at an appropriate level.

	Due within 1 year \$'000	Due within 1-5 years \$'000	2002 Total \$'000	2001 Total \$'000
Performers' salaries, etc	723	2 552	3 275	1 538
Hire agreements	225	76	301	478
	948	2 628	3 576	2 016

12. Related Party Information

The Board members who have held office during the financial year are :

Mr Colin Dunsford (Chair to 30.09.01)	Lady Neal (from 01.10.01)
Mr Ian Kowalick (Chair from 01.10.01)	Mr Robert Pontifex (from 20.12.01)
Mr Terry Evans (from 01.10.01)	Mrs Jeanette Sandford-Morgan OAM
Ms Patricia Lange	Mr Christopher Stone
Ms Deborah Morgan	Mr Greg Story (to 30.09.01)

No Board member received any remuneration from the Company during the 12 months to 30 June 2002 (\$Nil). All Board members have waived the basic sitting fees as a contribution to the Company. Members of the Board of Management use the services of the Company no more favourably than members of the public, except for the provision of tickets to each staged production.

13. Remuneration of Employees

Remuneration includes salary and other employee entitlements and benefits that form the total remuneration package for an employee. The Company has one employee whose normal remuneration fell within the band \$130 000-\$140 000. Total remuneration paid to that employee was \$135 000 (\$114 000).

14. Auditors' Remuneration

The amount received or due and receivable by the Auditor-General for auditing the accounts was:	2002 \$'000	2001 \$'000
	17	17

The auditor provided no other services.

15. Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, at bank and short-term deposits.

Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

State Opera - Cash on hand	1 474	1 060
Trust funds - Cash on hand (refer Note 18)	118	74
	1 592	1 134

16. Reconciliation of Operating Surplus to Net Cash provided by Operating Activities

Operating surplus	1 120	143
Depreciation of plant and equipment	22	23
Decrease (Increase) in receivables and prepayments	110	(513)
Decrease (Increase) in stock on hand	2	(18)
(Decrease) Increase in advance box office sales and advanced sponsorship	(352)	832
(Decrease) Increase in creditors and accruals	(208)	350
(Decrease) in Trust funds (not controlled)	(74)	-
Increase in provisions	1	11
Net Cash provided by Operating Activities	621	828

17. Consultants

	Total Cost of Consultants	
Total expenditure on one consultant amounting to \$69 000 for a development retainer was paid to Artefoglio Pty Ltd	2002 \$'000	2001 \$'000
Greater than \$50 000	69	-

18. Trust Funds

The State Opera of South Australia holds funds in a trustee capacity. These funds are included in the financial statements as they are effectively controlled by the State Opera.

The State Opera administers the Thora and Frank Pearce Opera Foundation established in August 1999 and the Diana Ramsay Fund established in November 2001. The Foundation and the Fund are both financed by public donations. All funds are to be used exclusively for cultural purposes associated with opera.

State Opera

18. Trust Funds (continued)

The revenues and expenses of controlled Trusts reflected in the Statement of Financial Performance for the year ended 30 June 2002 were:

	Thora and Frank Pearce Opera Foundation*	Diana Ramsay Fund	Total
	\$'000	\$'000	\$'000
Revenues from Ordinary Activities:			
Donations	70	200	270
Interest and sundry revenue	6	3	9
Expenses from Ordinary Activities:			
Other Expenses	2	-	2
	<u>74</u>	<u>203</u>	<u>277</u>
Represented by:			
Cash assets	74	44	118
Investments	-	159	159
	<u>74</u>	<u>203</u>	<u>277</u>

* Comprises revenues and expenses received in prior years not previously recognised in the Statement of Financial Performance.

In previous years the State Opera accounted for the Foundation on the basis it did not control the assets of the Foundation and accordingly the Foundation was not treated as part of the State Opera of South Australia reporting entity.

STATE THEATRE COMPANY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

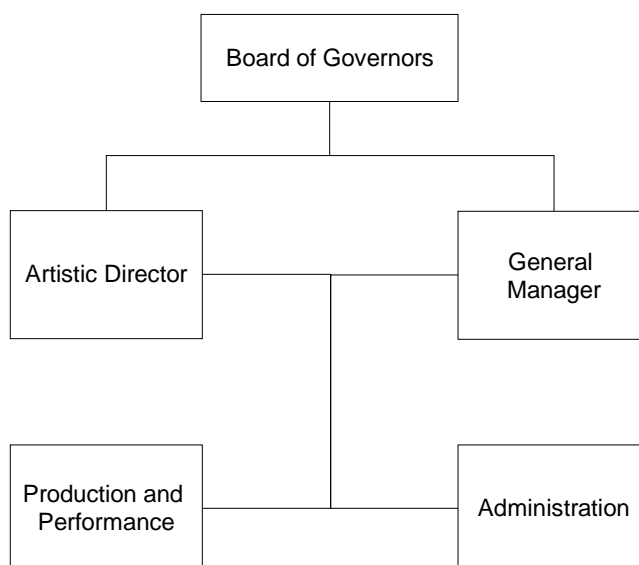
The State Theatre Company (the Company), a body corporate, established pursuant to subsection 5(1) of the *State Theatre Company of South Australia Act 1972* (the Act), is administered by a Board of Governors.

The objectives of the Company are to:

- present theatrical performances to promote the art of the theatre;
- promote and commission the writing of works for theatrical performances;
- promote the training of people concerned in the production, presentation and performance of theatrical works;
- promote public interest and participation in the art of the theatre;
- establish and conduct educational programs.

The Company uses the facilities of the Adelaide Festival Centre to stage theatrical performances and occupies workshops and offices within and adjacent to the Centre. The Adelaide Festival Centre Trust charges the Company for the use of those facilities and premises.

The structure of the Company is:



SIGNIFICANT FEATURES

- Surplus from ordinary activities was \$31 000 (\$127 000).
- Production and performance employee expense increased by \$313 000 to \$1.9 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 26(2) of the *State Theatre Company of South Australia Act 1972* provides for the Auditor-General to audit the accounts of the Company in respect of each financial year.

Scope of Audit

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

The specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including box office sales and grants received.

Audit Communications to Management

During the year, a management letter communicating issues arising from the audit was forwarded to the General Manager. The main issues related to the provision of the Company's budgeted revenue and expenditure to the Minister before the beginning of the financial year, and opportunities to improve the control environment through the documentation of policies and procedures. A satisfactory response was received.

Further details relating to these issues are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall assessment of the Company's control structure was that it was satisfactory, although there was room for improving compliance with the prescribed elements of the Financial Management Framework relating to the documentation of policies and procedures.

Documentation of Policies and Procedures

In past Reports, Audit commented on the need for the Company to document its policies and procedures for all major activities as required by the prescribed elements of the Financial Management Framework.

Audit noted that this matter remained to be finalised in 2001-02.

The Company advised that a policies and procedures manual is expected to be completed by the end of December 2002.

Monitoring of Controls

Audit noted last year that there was room for improvement in respect of the provision to the General Manager of regular assurance that controls over management reporting and financial reporting have been operating effectively.

The Company has since established an account reconciliation checklist certified by the Finance Manager that is provided to the General Manager each month.

Approval of Budget by the Minister

Audit identified that the Company's budgeted revenue and expenditure for 2001-02 and 2002-03 was not provided to the Minister before the beginning of the respective financial years as required by section 29(1) of the *State Theatre Company of South Australia Act 1972*. Furthermore, there was no evidence that the Minister approved the 2001-02 budget. Section 29(3) of the Act specifies that the Company shall not, without the consent of the Minister, incur any expenditure that is not authorised by a budget approved by the Minister.

The Company responded that it would endeavour to meet the statutory deadlines in respect of future budgets and that such deadlines are not consistent with those specified in the Tripartite Funding Agreement with the State and Commonwealth Governments.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Expenses and Revenues

Revenues from State and Commonwealth grants represent 56 percent (55 percent) of total revenues. The extent of the economic dependency of the Company on Government grants is stated in Note 2 to the Financial Statements.

Production and performance employee expenses increased by \$313 000 to \$1.9 million due mainly to the employment of additional artists and increased use of musicians and interstate artists.

Statement of Financial Position

Cash assets increased by \$90 000 to \$586 000 due mainly to an increase in one-off project grants from the State and Commonwealth Governments.

FURTHER COMMENTARY ON OPERATIONS

Production Statistics

Unaudited statistical details on productions for the last four years, as provided by the Company, are presented in the following table:

	*2001-02	2000-01	1999-2000	1998-99
Number of productions	7	7	8	7
Number of performances	161	161	198	144
Number of seats sold	42 253	42 000	51 000	38 000
	\$	\$	\$	\$
Total expenses per seat sold	91	82	75	84
Box office and other internally generated revenue per seat sold	40	39	38	33
Subsidy per seat sold	51	43	37	51

* In 2001-02 the Company received grant funding of \$120 000 from Arts SA and the Australia Council to undertake a production, that had limited performances, as part of the Adelaide Festival Program. The grant funding is not included in box office and other internally generated revenue.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Grants	3	2 184	1 956
Box office and related revenue	3	1 143	1 014
Commercial sponsorship	3	323	310
Other revenue	3	242	306
Total Revenues		3 892	3 586
EXPENSES FROM ORDINARY ACTIVITIES:			
PRODUCTION AND PERFORMANCE:			
Employee entitlements		1 933	1 620
Production and play expenses		1 045	1 070
Sales and sponsorship expenses		421	401
		3 399	3 091
ADMINISTRATION:			
Employee entitlements		220	186
Other expenses		242	182
		462	368
Total Expenses		3 861	3 459
SURPLUS FROM ORDINARY ACTIVITIES	4	31	127
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		31	127

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	5	586	496
Receivables and prepayments	6	173	159
Stock on hand		3	3
Total Current Assets		762	658
NON-CURRENT ASSETS:			
Plant and equipment	7	63	66
Total Non-Current Assets		63	66
Total Assets		825	724
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	8	614	557
Employee entitlements	9	61	36
Special funds	10	4	4
Total Current Liabilities		679	597
NON-CURRENT LIABILITIES:			
Payables	8	11	24
Employee entitlements	9	75	64
Special funds	10	21	31
Total Non-Current Liabilities		107	119
Total Liabilities		786	716
NET ASSETS		39	8
TOTAL EQUITY:			
Accumulated surplus	11	39	8
TOTAL EQUITY		39	8
Commitments and Contingent Liabilities	12		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee entitlements		(2 119)	(1 796)
Suppliers		(1 648)	(1 587)
GST paid to suppliers		(194)	(172)
RECEIPTS:			
Grants from funding bodies		2 184	1 956
Box office and other receipts		1 689	1 664
Interest received		28	27
GST received		120	92
GST refunded by Australian Taxation Office		74	80
Net Cash provided by Operating Activities	15.2	134	264
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for plant and equipment		(32)	(3)
Proceeds from sale of plant and equipment		14	-
Net Cash used in Investing Activities		(18)	(3)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of finance leases		(16)	(16)
Net Cash used in Financing Activities		(16)	(16)
NET INCREASE IN CASH HELD		100	245
CASH AT 1 JULY		461	216
CASH AT 30 JUNE	15.1	561	461

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The State Theatre Company of South Australia aims to establish itself as a parent body to innovation that is also successful in producing populist and commercial work that appeals to a broad audience. Our vision is to present, produce, manage and conduct theatrical performances, and be a Company that is driven by artists and ideas.

The State Theatre Company of South Australia's principal source of funds are State Government appropriations, Commonwealth Government grants and box office and related revenues.

2. Statement of Significant Accounting Policies

These policies are consistent with those adopted in the previous year.

Basis of Accounting

The general purpose financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Department of Treasury and Finance Accounting Policy Statements and the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, and the historical cost convention using the accrual method of accounting.

Economic Dependency

The normal business activities of the Company are dependent on the continuation of grants from the State Government and the Australia Council at appropriate levels. The State Government has advised that funding at current levels will be maintained through to 30 June 2003. Accordingly, this financial report has been prepared on a going concern basis.

Operating Grants

The State Government and Australia Council grants are based on the Company's cash flow and do not take into account accrued expenses and amounts set aside for depreciation, amortisation and future employee entitlements.

In accordance with Department of Treasury and Finance Accounting Policy Statement APS 11, 'Contributions', grants received to fund expenses in the following financial year are recognised as revenues when received.

Result of Operations

Ticket sales for, and production costs of, future productions are carried forward as accruals and prepayments and are not included in revenues and expenses from ordinary activities for the year.

Stock on Hand

In addition to the assets reported, the Company also holds stocks of costumes and theatre props. However, given the special purpose nature of these items, the Board of Governors does not believe it appropriate to bring the value of costumes and theatre props to account.

Provision for Doubtful Debts

The Company established a provision for any doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off when they are identified.

Plant and Equipment

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Useful lives are reviewed annually. The major asset categories and their expected useful lives are as follows:

	Years
Motor vehicles	5
Office equipment	5
Computer equipment	4

Depreciation of plant and equipment is calculated using the straight line method of allocation and is recognised in the financial statements from the date of acquisition. Acquisitions of \$1 000 or less are expensed.

Leased Assets

Assets of the Company acquired under finance leases are capitalised. Leased assets are amortised over the life of the relevant lease, or where it is likely the Company will obtain ownership of the asset on expiration of the lease, the expected useful life of the asset.

Employee Entitlements

Employee entitlements include entitlements to salaries, wages and contract fees, long service leave, annual leave and superannuation benefits.

Long service leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. Liabilities in respect of these entitlements have been calculated at nominal amounts based on current salary and wages rates and include related on-costs. The Department of Treasury and Finance has advised that a benchmark of eight years can be used for a short hand estimation of long service leave liability in accordance with the provisions of Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. This advice has been adopted and the long service leave liability has been calculated on that basis.

The superannuation expense comprises contributions to accumulation style superannuation schemes for employees. In addition, in accordance with employment agreements for employees and artists, amounts are payable to externally managed funds. The schemes have the responsibility for meeting benefit payments, in accordance with the rules.

The State Theatre Company of South Australia pays workers compensation insurance premiums to the WorkCover Corporation and as such no liability for workers compensation has been reflected in the financial report.

Sick leave is not provided for as it is non-vesting, however, entitlements are accumulated.

Tax Status

The activities of the State Theatre Company of South Australia are exempt from Commonwealth income tax but subject to other Commonwealth taxes such as fringe benefits tax, goods and services tax and other State taxes (including payroll tax).

Financial Instruments

The Company's accounting policies, including the terms and conditions of each class of financial asset and financial liability, are as follows:

Financial Assets

Cash at bank comprises deposits at call with Bank SA and are recorded at cost.

Interest revenues are recognised as they accrue. The interest rate for 2001-02 was 1 percent (1 percent in 2000-01).

Short term deposits (Note 5) includes deposits at call with the South Australian Government Financing Authority and are recorded at cost. Interest revenues are recognised as they accrue. Interest rates are at market rates and have fluctuated between 4.15 percent and 4.9 percent for the year ended 30 June 2002 (4.9 percent and 6.15 percent in 2000-01).

Trade Receivables (Note 6) are reported at amounts due.

Financial Liabilities

Trade Creditors (Note 8) are raised for amounts billed but unpaid and are normally settled within 30 days.

Finance leases (Notes 8 and 12) are recognised at the present value of the minimum lease payments at the beginning of the lease. The discount rates used are estimates of the interest rates implicit in the leases. At the reporting date, the Company had two finance leases with terms of 1 year (2 years), and 3 years (4 years) and interest rates of 14 percent and 9 percent respectively. Lease liabilities are reduced by the principal component of lease payments and are secured by the leased assets. The interest component is charged as an operating expense.

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

Revenue Recognition

Government grants and other revenue are recognised on receipt. Interest revenues are recognised as they accrue. Box office and related revenue is recognised after the performance has been provided.

Accounting for the Goods and Services Tax (GST)

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

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

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

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

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

Rounding

All amounts are rounded to the nearest thousand dollars.

3. Operating Revenues Comprise	2002	2001
Grants from the:	\$'000	\$'000
State Government:		
Operating	1 598	1 513
Special purpose	100	13
Australia Council:		
General	391	385
Special purpose:		
Relating to current period	95	45
Total Grants	2 184	1 956
	<hr/>	<hr/>
Box Office and Related Revenue		
There were seven productions staged during the year and seven productions staged last year	1 143	1 014
	<hr/>	<hr/>
Commercial sponsorship	323	310
	<hr/>	<hr/>
Other Revenue:		
Interest	28	27
Prop Shop income	83	91
Miscellaneous revenue	131	188
Total Other Revenue	242	306
	<hr/>	<hr/>
4. Operating Surplus		
The operating surplus includes the following expenses whose disclosure is relevant in explaining the financial performance of State Theatre:		
Fees paid and payable to the Auditor-General for auditing the accounts*	18	18
Depreciation of plant and equipment	24	23
* The auditor provided no other services.		
5. Cash Assets		
Cash assets comprise:		
Cash on hand	5	2
Short-term deposits	561	573
Cash at bank (Overdraft)	20	(79)
	586	496
	<hr/>	<hr/>
6. Receivables and Prepayments		
Prepayments for future productions	129	148
Trade receivables	46	13
Less: Provision for doubtful debts	2	2
	173	159
	<hr/>	<hr/>
7. Plant and Equipment		
Production equipment - At cost	5	5
Less: Accumulated depreciation	5	5
	<hr/>	<hr/>
Motor vehicle - At cost	21	20
Less: Accumulated depreciation	3	8
	18	12
	<hr/>	<hr/>
Office equipment - At cost	138	147
Less: Accumulated depreciation	129	131
	9	16
	<hr/>	<hr/>
Computer equipment - At cost	163	188
Less: Accumulated depreciation	127	150
	36	38
	<hr/>	<hr/>
Total	63	66
	<hr/>	<hr/>

7. Plant and Equipment (continued)

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year are as follows:

	Production Equipment \$'000	Motor Vehicles \$'000	Office Equipment \$'000	Computer Equipment \$'000	Total \$'000
Balance as at 1 July	-	12	16	38	66
Additions	-	21	-	11	32
Disposals	-	(11)	-	-	(11)
Depreciation expense	-	(4)	(7)	(13)	(24)
Carrying Amount at 30 June	-	18	9	36	63

8. Payables

	2002 \$'000	2001 \$'000
Current Liabilities:		
Trade creditors	175	162
Advance box office revenue	368	341
Accruals and advances	59	39
Finance leases	12	15
	614	557
Non-Current Liability:		
Finance leases	11	24

9. Employee Entitlements

Current Liability:		
Annual leave	61	36
Non-Current Liability:		
Long service leave	75	64

10. Special Funds

The Company administers two special funds, the Adele Koh Scholarship Acting Fund and the Jill Blewett Playwright's Award, both of which are financed by public donations.

	2002 \$'000	2001 \$'000
Adele Koh Scholarship Acting Fund:		
Balance at 1 July	18	19
Interest	-	1
Less: Payments	9	2
Balance at 30 June	9	18
Jill Blewett Playwright's Award Fund		
Balance at 1 July	17	17
Interest	1	-
Less: Payments	2	-
Balance at 30 June	16	17

11. Accumulated Surplus

Accumulated surplus (deficit) at 1 July	8	(119)
Surplus from ordinary activities	31	127
Accumulated Surplus at 30 June	39	8

12. Commitments and Contingent Liabilities**Finance Leases**

Finance leases expenditure (excluding GST) contracted for is payable as follows:

Not later than one year	14	18
Later than one year but not later than five years	13	28
	27	46
Less: Future finance charges	4	7
Net Finance Lease Liability	23	39
Current liability*	12	15
Non-current liability*	11	24
	23	39

* Refer Note 8.

Operating Leases

Operating leases commitments (excluding GST) contracted for are payable as follows:

Not later than one year	52	67
Later than one year but not later than five years	18	45
	70	112

One of the operating leases disclosed above is for administrative properties located at Lot 1004 Glenroy Street, Athol Park and is for a term of 5 years expiring 1 March 2003. The lease contains renewal options for both lessee and lessor. The lease property is sublet to other parties with rentals of \$23 000 for 2001-02. The remainder of the commitments relates to a lease of a photocopier.

Production Contracts

The Company, given the nature of its operations, has entered into contracts with artists and arrangements with interstate Theatre Companies for theatre performances scheduled to take place subsequent to 30 June 2002. The terms and conditions of the contracts and the arrangements may place a liability on the Company to pay some or all of these amounts should the artists or the interstate Theatre Companies not be engaged.

Contracts and arrangements amounting to \$273 000 were entered into as at 30 June 2002 (\$270 000 as at 30 June 2001) and are all due for payment as follows:

	2002	2001
	Due within	Due within
	1 Year	1 Year
	\$'000	\$'000
Performers' salaries	257	195
Hire agreement	16	75
	273	270

13. Related Party Information

Members of the Board of Governors who have held office during the year are:

Ms Elizabeth Raupach (Chair)	(Term expired 30.9.01)	Ms Kaye Weeks	(Appointed 30.7.01)
Mr David Gray (Chair)	(Appointed 1.10.01)	Mr Peter Vaughan	
Ms Catherine Fitzgerald		Ms Barbara Messenger	
Ms Julie Brennan		Ms Liz Wilson	
Mr John Meyer	(Term expired 3.8.01)	Ms Georgina Legoe	(Appointed 5.7.01)

No member of the Board of Governors received remuneration from the Company, during the reporting period ended 30 June 2002 (No members received remuneration in 2000-01). Members of the Board of Governors use the services of the Company no more favourably than members of the public, except for members receiving complimentary tickets to each production.

14. Remuneration of Employees

The Company has no employees whose remuneration exceeded \$100 000 in 2001-02 (\$nil in 2000-01).

15. Statement of Cash Flows**15.1 Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits, net of bank overdraft and cash held in trust. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2002	2001
	\$'000	\$'000
Cash assets	586	496
Less: Cash held in trust	25	35
	561	461

15.2 Reconciliation of Surplus from Ordinary Activities to Net Cash provided by Operating Activities

Surplus from ordinary activities	31	127
Adjustments for non-cash revenue and expense items:		
Depreciation and amortisation	24	23
(Revenue) from sale of plant and equipment	(3)	-
Changes in assets and liabilities:		
(Increase) Decrease in receivables	(33)	11
Decrease in prepayments	19	31
Decrease in stock on hand	-	2
Increase in payables (excluding finance lease payables)	60	61
Increase in employee entitlements	36	9
Net Cash provided by Operating Activities	134	264

OFFICE OF VENUE MANAGEMENT

FUNCTIONAL RESPONSIBILITY

The Office of Venue Management is an administrative unit established on 21 December 2000 under the *Public Sector Management Act 1995*. The Office is responsible to the Minister for Tourism.

The principal function of the Office is to manage, on behalf of the Government, the Hindmarsh Stadium. The Government acquired ownership of the Hindmarsh Stadium from the City of Charles Sturt in September 2001.

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

From 1 July 2001 the South Australian Tourism Commission provided the Office with a range of accounting services including processing of financial transactions, financial management recording and reporting and preparation of annual financial statements.

The audit of the financial operations of the Office was covered as part of the review of financial systems of the South Australian Tourism Commission.

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

During 2001-02 specific areas of Audit attention included:

- revenue collection
- accounts payable
- payroll
- non-current assets.

Audit Communications to Management

An Audit management letter conveying the scope of the audit and audit findings was forwarded to the Chief Executive of the Office. Matters referred to the Chief Executive included the need:

- to establish a Service Level Agreement between the Office and the South Australian Tourism Commission for the services provided;
- to recognise the value of the Hindmarsh Stadium in the financial records of the Office;
- for the Office to finalise its annual report for the year ending 30 June 2001 in accordance with Department of the Premier and Cabinet Circular Number 13 'Annual Reporting Requirements'.

A satisfactory response was received to the matters raised.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control environment was assessed as satisfactory.

CONTROLS OPINION

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

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Operating Result

The operating surplus of \$25.6 million is due mainly to the recognition of the Hindmarsh Stadium acquisition by the Government. The valuation accorded to the building as at 30 June 2002 was \$23.7 million. Notes 2(b) and 8 to the financial statements disclose financial details concerning the acquisition.

Loan Obligations relating to the Hindmarsh Stadium Construction

The construction of the Hindmarsh Stadium involved both government outlays and debt financing by the South Australian Soccer Federation guaranteed by the Treasurer.

Due to the inability of the South Australian Soccer Federation to meet the loan repayment obligations these have been met by the Government through the operation of the Treasurer's guarantee.

Payments during 2001-02 concerning these obligations were made by the Office for Recreation and Sport of the Department for Administrative and Information Services and are recognised in that Department's financial statements.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Revenue from government	3	2 321	282
Interest		15	-
User charges and fees	4	254	-
Recognition of Hindmarsh Stadium	2(b)	23 670	-
Total Revenue		26 260	282
EXPENSES FROM ORDINARY ACTIVITIES:			
Salaries, wages and related payments		152	89
Administrative costs		192	89
Insurance		67	-
Stadium even operations		84	-
Accommodation and services costs		190	58
Depreciation	5	10	-
Total Expenses		695	236
OPERATING SURPLUS		25 565	72
Increase in asset revaluation reserve		700	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	10	26 265	72

Statement of Financial Position as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash	12(b)	199	-
Receivables	6	97	307
Total Current Assets		296	307
NON-CURRENT ASSETS:			
Plant and equipment	7	53	-
Land and buildings	8	26 070	-
Total Non-Current Assets		26 123	-
Total Assets		26 419	307
LIABILITIES:			
CURRENT LIABILITIES:			
Overdraft	12(b)	-	221
Payables	9	69	2
Employee entitlements	10	13	12
Total Current Liabilities		82	235
Total Liabilities		82	235
NET ASSETS		26 337	72
EQUITY:			
Asset revaluation reserve	11	700	-
Accumulated surplus	12	25 637	72
TOTAL EQUITY		26 337	72
Contingent Liabilities	17		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Salaries, wages and related payments		(151)	(74)
Goods and services		(468)	(58)
GST paid to suppliers		(44)	(89)
RECEIPTS:			
Recurrent appropriation		2 321	-
Other state government funding		282	-
User charges and fees		188	-
Interest received		15	-
GST recovered from Australian Taxation Office		9	-
GST received from customers		31	-
Net Cash provided by (used in) by Operating Activities	13(a)	2 183	(221)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for purchase of land and buildings		(1 700)	-
Payments for purchase of office, electrical equipment and machinery		(63)	-
Net Cash used in investing Activities		(1 763)	-
NET INCREASE (DECREASE) IN CASH HELD		420	(221)
CASH AT 1 JULY		(221)	-
CASH AT 30 JUNE	13(b)	199	(221)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

Objectives

On the 21 December 2000 Cabinet approved the establishment of the Office of Venue Management (the Office). The function of the Office is to manage, on behalf of the Government, the Hindmarsh Stadium.

Financial Arrangements

The Office's principal source of funding consists of monies appropriated by Parliament.

The financial activities of the Office are administered by the South Australian Tourism Commission. The activities were primarily conducted through a Special Deposit Account held at the Department of Treasury and Finance pursuant to section 21 of the *Public Finance and Audit Act 1987*.

Change of Responsibility Arrangements - June 2002

On 11 June 2002 Cabinet approved the transfer of the management and control of the Hindmarsh Stadium from the Office of Venue Management to the Office for Recreation and Sport of the Department for Administrative and Information Services. However, as at 30 June 2002 the transfer had yet to occur. As such, the financial statements of the Office at 30 June 2002 recognise the non-current asset, Hindmarsh Stadium, and associated financial transactions.

2. Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the Statements of Accounting Concepts, applicable Australian Accounting Standards, Treasurer's Instructions and applicable Accounting Policy Statements issued pursuant of the *Public Finance and Audit Act 1987* and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views). The accrual basis has been used in the preparation of the financial statements.

(b) Recognition of Revenues*Interest*

Interest earned on the deposit account at the Department of Treasury and Finance is recognised as revenue as it accrues.

User Charges and Fees

The Office earns revenue from charging a fee for the hire of the Corporate Boxes at the Stadium. This revenue is recognised as it accrues.

Revenues from Government

Appropriation from Government and contributions from other Government agencies are recognised as revenue in the period in which the monies are received and the Office obtains control of the asset.

Purchase of Hindmarsh Stadium

On 28 September 2001 the Office acquired the ownership and control of the Hindmarsh Stadium on behalf of the Minister for Tourism for \$1.7 million. The Buildings were independently valued by Valuation SA as at 30 June 2002 at a deprival value of \$23.7 million. Consistent with Accounting Standard AASB 1015 'Acquisitions of Assets', the recognition of the Buildings has resulted in the recording of \$23.7 million as revenue in the Statement of Financial Performance.

(c) Depreciation

Items of property, plant and equipment are depreciated on a straight line basis over their expected useful lives. The estimated useful lives of each asset class are as follows:

	Years
Office and electrical equipment	3
Machinery	5
Buildings*	10-30

* An independent valuation of the Hindmarsh Stadium was conducted by Valuation SA as at the 30 June. Consequently, no depreciation has been recorded for the period ended 30 June 2002.

(d) Inventories

Consumable supplies are not recognised in the Statement of Financial Position as the value of these supplies is not considered material.

(e) Plant and Equipment

Items of plant and equipment controlled by the Office with an individual value greater than \$2 000 are recognised as Plant and Equipment in the Statement of Financial Position. Items of plant and equipment are recorded at Historic Cost less Accumulated Depreciation.

Minor items of Plant and Equipment with an individual value less than \$2 000 are expensed in the Statement of Financial Performance at the time of acquisition.

(f) Land and Buildings

On the 28 September 2001 the Office acquired the ownership of the Stadium on behalf of the Minister for Tourism. An independent valuation was carried out for land and buildings as at 30 June 2002 by Valuation SA, licensed valuers, using the deprival value basis.

(g) Employee Entitlements

Provision has been made in the financial statements for the Office's liability for employee entitlements arising from services rendered by employees to 30 June. Related on-costs consequential to the employment of employees has been included in Payables (refer Note 9).

Salaries and Wages

Salaries and wages reflect remuneration received or due and receivable by employees as at the balance date.

Annual Leave

Provision has been made for the unused component or annual leave at 30 June. The provision has been calculated at nominal amounts based on current pay rates.

Long Service Leave

No provision has been made in respect of long service leave. As no staff had met a benchmark of eight years, a shorthand estimation of long service leave liability in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements', no liability is recognised.

Sick Leave

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

Superannuation

During 2001-02 a total of \$11 000 (\$6 000) was paid, or due and payable, to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of the Office's employees. Superannuation contributions are charged as an expense in the period in which they occur. The Office is not liable for payments to beneficiaries as this is the responsibility of the superannuation schemes.

(h) Financial Instruments

The Office's accounting policies including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2002 are as follows:

Financial Assets

Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.

Cash comprises Cash on hand and at Treasury. Cash is recorded at nominal amounts.

Receivables are recognised at the nominal amounts due less provision for bad or doubtful debts (maximum credit risk). Credit terms are net 14 days.

Financial Liabilities

Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.

Payables are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. With the exception of employee on-costs, payables are normally settled within 30 days. It is policy to effect early payment where a discount can be achieved.

(i) Taxation

The Office is exempt from income tax.

(j) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. Revenue from Government		2002	2001
		\$'000	\$'000
Recurrent appropriation from South Australian Government		2 321	-
Transfers from other government agencies		-	282
		2 321	282
4. User Charges and Fees			
Hire of stadium		237	-
Sundry revenue		17	-
		254	-
5. Depreciation			
The aggregate amount of depreciation expensed during the year for each class of depreciable asset were as follows:			
Plant and Equipment:			
Office and Electrical Equipment		4	-
Machinery		6	-
		10	-
6. Receivables			
Debtors		91	307
GST receivable		6	-
		97	307

7. Plant and Equipment	<table border="0" style="width: 100%;"> <thead> <tr> <th colspan="2"></th> <th colspan="2" style="text-align: center;">2002</th> </tr> <tr> <th></th> <th style="text-align: center;">Office and Electrical Equipment \$'000</th> <th style="text-align: center;">Machinery \$'000</th> <th style="text-align: center;">Total \$'000</th> </tr> </thead> <tbody> <tr> <td>Gross Carrying Amount:</td> <td></td> <td></td> <td></td> </tr> <tr> <td> Balance at 1 July</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td> Purchases</td> <td style="text-align: right;">18</td> <td style="text-align: right;">45</td> <td style="text-align: right;">63</td> </tr> <tr> <td> Balance at 30 June</td> <td style="text-align: right;">18</td> <td style="text-align: right;">45</td> <td style="text-align: right;">63</td> </tr> <tr> <td>Accumulated Depreciation:</td> <td></td> <td></td> <td></td> </tr> <tr> <td> Balance at 1 July</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td> Depreciation expense</td> <td style="text-align: right;">4</td> <td style="text-align: right;">6</td> <td style="text-align: right;">10</td> </tr> <tr> <td> Balance at 30 June</td> <td style="text-align: right;">4</td> <td style="text-align: right;">6</td> <td style="text-align: right;">10</td> </tr> <tr> <td>Net Book Value:</td> <td></td> <td></td> <td></td> </tr> <tr> <td> As at 30 June 2001</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td> As at 30 June 2002</td> <td style="text-align: right;">14</td> <td style="text-align: right;">39</td> <td style="text-align: right;">53</td> </tr> </tbody> </table>			2002			Office and Electrical Equipment \$'000	Machinery \$'000	Total \$'000	Gross Carrying Amount:				Balance at 1 July	-	-	-	Purchases	18	45	63	Balance at 30 June	18	45	63	Accumulated Depreciation:				Balance at 1 July	-	-	-	Depreciation expense	4	6	10	Balance at 30 June	4	6	10	Net Book Value:				As at 30 June 2001	-	-	-	As at 30 June 2002	14	39	53																							
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Increase in payables	(67)	(2)																																																																										
Operating Surplus	25 565	72																																																																										
(b) Reconciliation of Cash	<p>For the purpose of the Statement of Cash Flows, cash includes Cash on hand and at Treasury. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:</p> <table border="0" style="width: 100%;"> <tbody> <tr> <td>Cash at 30 June comprised:</td> <td></td> <td></td> </tr> <tr> <td> Cash on hand and at Treasury</td> <td style="text-align: right;">199</td> <td style="text-align: right;">-</td> </tr> <tr> <td> Overdraft</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(221)</td> </tr> <tr> <td></td> <td style="text-align: right;">199</td> <td style="text-align: right;">(221)</td> </tr> </tbody> </table>	Cash at 30 June comprised:			Cash on hand and at Treasury	199	-	Overdraft	-	(221)		199	(221)																																																															
Cash at 30 June comprised:																																																																												
Cash on hand and at Treasury	199	-																																																																										
Overdraft	-	(221)																																																																										
	199	(221)																																																																										

14. Financial Instruments		Average	Variable	Non-	
(a) Interest Rate Risk		Interest	Interest	Interest	
	The following table details the Office's exposure to interest rate risk	Rate	Rate	Bearing	Total
	as at 30 June 2002:	Percent	\$'000	\$'000	\$'000
	Financial Assets:				
	Cash - Operating Account	4.27	199	-	199
	Receivables	-	-	97	97
			<hr/>	<hr/>	<hr/>
	Financial Liabilities:				
	Payables	-	-	67	67
			<hr/>	<hr/>	<hr/>
				67	67

(b) Credit Risk

The Office does not have any significant credit risk exposure to any single creditor.

The carrying amount of financial assets recorded in the Statement of Financial Position, net of provisions for doubtful debts, represent the Office's maximum exposure to credit risk.

(c) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the Statement of Financial Position represent their respective net fair values.

15. Remuneration of Employees

The number of employees

2002	2000
Number of	Number of
Employees	Employees
3	1

No employee's remuneration exceeds \$100 000.

16. Auditors' Remuneration

Amounts received, or due and receivable, by the Auditor-General's Department for the audit of the Office for the reporting period were \$15 000.

17. Contingent Liabilities

The Office has no known contingent liabilities.

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