

**SOUTH AUSTRALIA**

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**Report**  
**of the**  
**Auditor-General**

**Annual Report**  
**for the**  
**year ended 30 June 2007**

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**Second Session, Fifty-First Parliament**

**Part B: Agency Audit Reports**

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**Report of the Auditor-General  
Annual Report for the year ended 30 June 2007**

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APF III	Asset Accounting Framework
APF IV	Financial Asset and Liability Framework
APF V	Income Framework
APF VI	Definitions

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Reference	Title
PFAA	<i>Public Finance and Audit Act 1987</i>
PCA	<i>Public Corporations Act 1993</i>
PSMAAct	<i>Public Sector Management Act 1995</i>
SPA	<i>State Procurement Act 2004</i>
SPR	<i>State Procurement Regulations 2005</i>
BWCA	<i>Building Work Contractors Act 1995</i>
NRMA	<i>Natural Resources Management Act 2004</i>
OHSWA	<i>Occupational Health, Safety and Welfare Act 1996</i>
OHSAA	<i>Occupational Health Safety (SafeWork SA) Amendment Act 2005</i>
ITAA	<i>Income Tax Assessment Act 1997</i>
WRCA	<i>Workers Rehabilitation and Compensation Act 1986</i>

## ACRONYMS

Reference	Title
AASs	Australian Accounting Standards <sup>1</sup>
AGAAP	Australian Generally Accepted Accounting Principles
AIFRS	Australian equivalents to International Financial Reporting Standards
APF	Accounting Policy Framework
APS	Accounting Policy Statement
CHRIS	Complete Human Resource Information System
CIO	Chief Information Officer
CPE	Computer Processing Environment
FBT	Fringe Benefits Tax
FMF	Financial Management Framework
GFS	Government Financial Statistics
GST	Goods and Services Tax
ICT	Information and Communications Technology
ISMF	Information Security Management Framework
LOTS	Land Ownership and Tenure System
Supply SA	Government Supplies Warehouse
TI	Treasurer's Instruction
TVSP	Targeted Voluntary Separation Package

<sup>1</sup> 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board and any of the following standards: AAS 25, AAS 29 and AAS 31 and associated amendments to transitional provisions (AAS 29A, AAS 31A) which are in force in relation to the reporting period to which the financial report relates.





## VOLUMES I, II, III, IV AND V

### 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. This list is not exhaustive, as many other issues are reported in Volumes I, II, III, IV and V of Part B of this Report.

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# DEPARTMENT OF EDUCATION AND CHILDREN'S SERVICES

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Department of Education and Children's Services (the Department) is an Administrative Unit established pursuant to the PSM Act, and is responsible to the Minister for Education and Children's Services.

### Functions

The functions of the Department are to:

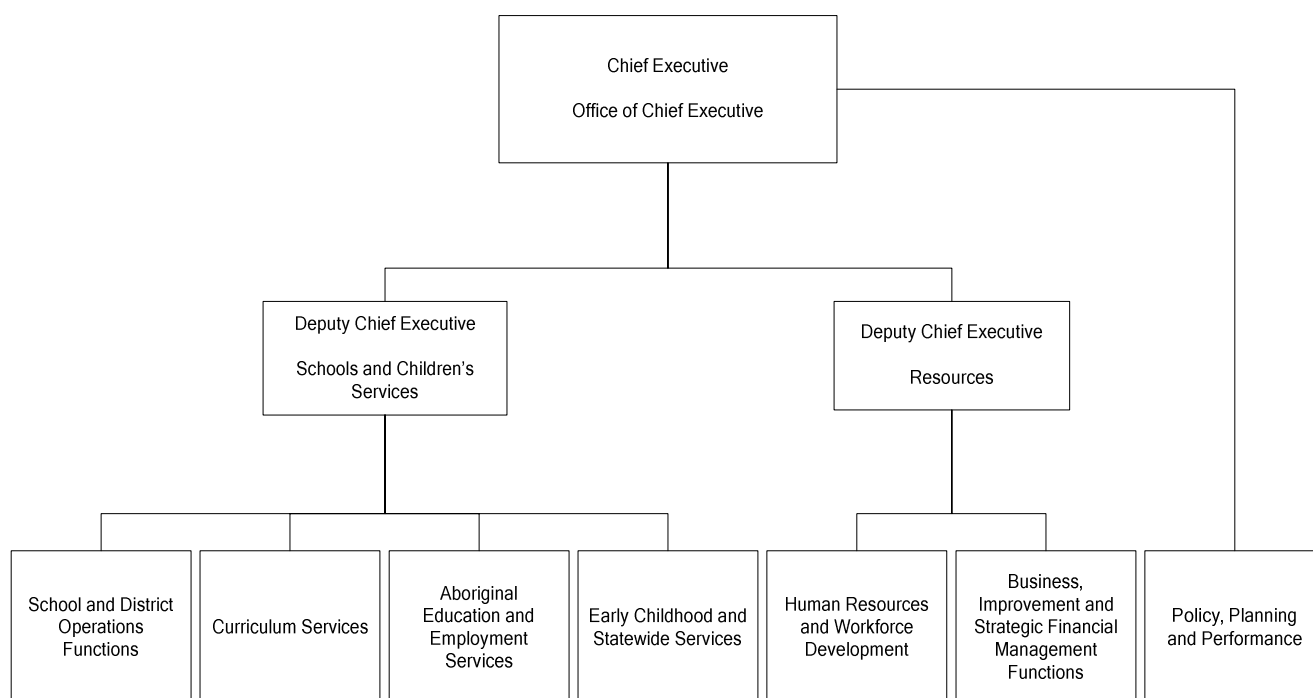
- establish and operate Government schools that provide preschool, primary and secondary education;
- approve the providers of child care services including child care centres, baby sitting agencies and family day care agencies.

The Department also administers certain activities on behalf of the Minister for Education and Children's Services. The principal administered activities include the payment of:

- the State and Commonwealth Government contributions to non-Government schools;
- the State Government contribution to the Senior Secondary Assessment Board of South Australia (SSABSA);
- subsidies to the Public Transport Division of the Department for Transport, Energy and Infrastructure (DTEI) for student travel concessions on metropolitan and country transport services, eg bus, train.

### Structure

The structure of the Department at 30 June 2007 is illustrated in the following organisation chart.



## **AUDIT MANDATE AND COVERAGE**

### **Audit Authority**

#### ***Audit of the Financial Report***

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

#### ***Assessment of Controls***

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

#### **Scope of Audit**

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

During 2006-07, specific areas of audit attention included:

- revenue
- expenditure and accounts payable
- maintenance of school buildings
- capital works
- payroll
- grants to non-Government schools.

In addition, certain matters of a management and control nature relating to computer information systems and environment were reviewed or subject to follow up review.

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

- Audit of school enrolment data used to determine the amount of funding provided to each Government school.
- Audit of Government schools performed by contractors appointed, managed and monitored by the internal auditor.
- Audit of procurement activities.

## **AUDIT FINDINGS AND COMMENTS**

### **Auditor's Report on the Financial Report**

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Department of Education and Children's Services as at 30 June 2007, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

#### **Assessment of Controls**

Audit formed the opinion that the controls exercised by the Department of Education and Children's Services in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to State Grants to non-Government Schools and Preschools, Fee-Paying Overseas Students and Payroll, as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Department have been conducted properly and in accordance with law.

## **Communication of Audit Matters**

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Department of Education and Children's Services. Responses to the management letters were generally considered to be satisfactory. The major matters raised with the Department and the related responses are outlined below.

## **Provision of Grants**

### ***State Grants to Non-Government Schools (excluding preschools)***

In 2006-07 the Minister for Education and Children's Services provided State grants of approximately \$122 million to 201 non-Government schools. Approximately \$55 million of these grants were calculated using enrolment census figures provided by schools.

Audit has previously reported deficiencies in the controls that are designed to provide reasonable assurance of the accuracy and validity of the enrolment census figures provided by schools. More specifically, the audits of the census figures by auditors appointed by the schools were deficient.

Audit recommended that:

- the census returns should have explicit instructions for the auditor to confirm the existence of the students by agreeing the enrolment census figures to the student attendance records or roll books signed by teachers;
- a process be established for checking that the persons appointed by schools to certify the census figures have adequately audited the figures.

Follow up by Audit revealed the Department implemented the recommendations in the latter half of the 2006 calendar year. However, a proportion of the \$41 million in grants paid to non-Government schools in December 2006 were based on the average of the February and August 2006 census figures. This means the February 2006 census figures were obtained before the implementation of Audit's recommendations.

This has resulted in the control activity continuing to be deficient during 2006-07.

### ***State Grants to Non-Government Preschools***

The Department controls the provision of State grants to non-Government preschools of approximately \$2 million a year. Attendance data provided by preschools is used to calculate the value of these grants.

The Department verifies the validity of attendance data by comparing current attendance data of each preschool against past data and obtains reasons for unusual increases from the preschool rather than from an independent source. Audit noted that the Department had not addressed Audit's suggestion first made in August 2005 that the attendance data used to calculate the value of the State grants be certified as complete and accurate by the preschool's accountant or auditor.

The Department advised that Audit's suggestion will be incorporated into the revised service and funding agreement with non-Government preschools which is currently being finalised.

The time lag in implementing the suggestion has resulted in the control activity continuing to be deficient during 2006-07.

## ***Other Grants***

Audit has commenced a review of aspects of accountability arrangements applying to grants provided to non-school organisations.

## **Fee-Paying Overseas Students**

### ***Financial Performance***

There has been a significant growth in the number of full fee-paying overseas students enrolled in Government schools. The number has grown from 732 full time equivalent students in February 2005 to 999 in February 2007.

Audit noted the Department has not regularly measured and monitored the financial performance of its fee-paying overseas students program. This has increased the risk of tuition fees being set at levels that do not cover teaching and other program costs.

The Department advised that a process will be implemented to regularly measure and monitor the financial performance of its fee-paying overseas students program.

### **Tuition Fees**

The Department charged tuition fees to full fee-paying overseas students of approximately \$11.5 million in 2006-07.

Audit identified that increases in certain tuition fees charged to overseas students in 2007 were not gazetted. This contravened the *Education Act 1972*.

The Department advised that any overcharged student fees determined would be refunded and new business processes established to ensure that fees are gazetted on time.

### **Payroll**

The Department's payroll was approximately \$1.45 billion in 2006-07. The Department employs approximately 20 400 full time equivalents.

### **Attendance Policies and Procedures**

Audit regards accurate attendance records as essential for identifying employee absences for recording in the Valeo Leave System to reduce the risk of employees being paid for hours not worked or repeatedly paid for the same leave entitlements.

In past years, Audit recommended the Department establish a policy and procedure for employee attendance that clarifies whether every employee must maintain an attendance record and the type of attendance record to be used. The Department established a policy and procedure for employee attendance which took effect after 2006-07.

### **Documentation of Policies and Procedures**

Audit noted that documented policies and procedures specifying the controls that have to be performed by pay clerks, their supervisors and worksite managers have not been updated since the inception of Valeo in July 2004.

The Department advised that:

- some policies and procedures have been updated;
- all current policies and procedures will be reviewed;
- a document management process will be established that involves version control, filing and retrieval;
- all policies and procedures will be placed on the Valeo on-line help facility.

### **Input Validation Checks**

Audit has advised the Department every year since the inception of Valeo in 2004-05 that the design of the Valeo on-line verification check does not provide assurance that all changes to employee pay and leave files are verified by checking officers. This view is consistent with the results of a review performed in June 2005 by a contractor appointed by the Department to assess the design of controls within Valeo.

In 2006-07, the Department established some additional controls to increase the chance of detecting invalid or inaccurate entries. However, this risk could be further reduced by implementing Audit's past recommendation that either:

- an output report be produced of all changes processed by each pay clerk for verification by another pay clerk against the new employee, pay and leave documents; or
- a computer system control be established that requires the pay clerk to input data and another pay clerk to verify and authorise that data on-line before it will be accepted by the system. Valeo could have password authentication controls that prevent the same pay clerk from inputting, verifying and authorising the same data.



The Department advised that the feasibility of producing an output report of all changes processed by each pay clerk would be assessed, but expects the production of this report will be extremely difficult due to the complex nature of Valeo.

The Department considered the establishment of a computer system control to be not possible at this stage given that:

- significant system changes to Valeo would be required with extensive associated costs;
- additional resources would be required to ensure all transactions are authorised within already tight timelines;
- transactions are unlikely to be processed in time for the pay run.

#### **Notification of Changes to Employee Pays**

Valeo will continue to pay each employee their standard fortnightly pay until pay clerks receive and process notifications to stop or change the employee's pay.

The Department has established the following controls to ensure pay clerks receive notifications to change employee pays:

- Worksite managers must review their fortnightly Valeo bona fide reports and notify the Payroll Unit of any errors. The reports show the name of each employee and the key information used to calculate their pay.
- Schools must provide the Payroll Unit with a monthly listing of leave taken by employees for comparison to leave recorded in the Leave System.

The audit revealed that the Payroll Unit only requires worksites to return certified bona fide reports for six of the 26 fortnightly pay periods. In the intervening pay periods the Payroll Unit has no assurance that bona fide reports are reviewed diligently by all worksite managers.

The audit also revealed that, consistent with past years, some pay clerks and their supervisors are not following-up missing bona fide reports and monthly leave returns. In 2006-07 the Department established a central register to monitor the level of outstanding bona fide reports and monthly leave returns. According to the central register many bona fide reports and monthly leave returns are outstanding.

Audit recommended the Department consider replacing the hardcopy bona fide reports and monthly leave reports with an electronic version that worksite managers can return by email fortnightly.

The Department advised that:

- procedures are being reviewed to ensure missing bona fide reports and monthly leave returns are followed up in a more timely manner;
- the feasibility of replacing hardcopy bona fide reports and monthly leave reports with an electronic version would be investigated when assessing other initiatives relating to electronic work flows;
- electronic work flow initiatives will be assessed within the context of information technology governance processes, budget availability and the impact of Whole of Government Shared Services Reform.

#### **Authorisation of Input Forms**

Pay clerks make changes to payroll and leave files based on a variety of forms that must be signed by officers with delegated authority.

The audit again revealed that pay clerks do not have copies of specimen signatures to enable the authentication of the authorising signatures on the forms. The Department advised Audit last year that maintaining copies of specimen signatures is impractical and that use of electronic forms would be considered.

Follow-up by Audit revealed the Department had not made a decision on the use of electronic forms and approvals.

The Department advised that the use of electronic forms it is still being considered and the use of electronic approvals will be considered when assessing other initiatives relating to electronic work flows.

## **Other Issues Raised with the Department**

### **Monitoring of School Finances**

The Department identifies schools in financial difficulty by monitoring each school's balance of investments held in the SA School Investment Fund. However, monitoring of these balances will not always identify schools with insufficient funds to cover their debts. To solve this problem, the Department also analyses each school's financial statements. Audit noted that the financial statements are only available annually. This can cause delays in the identification of schools in financial difficulty.

The Department advised the development and implementation of the School Performance Information Management System has re-commenced after being temporarily postponed. The Department anticipates the system will provide immediate access to the financial results of schools recorded in each school's general ledger. This will enable more timely identification and investigation of schools that have insufficient funds to cover their debts.

### **Completeness of School Financial Information**

Many schools operate multiple bank accounts and hold multiple investments.

The Department requires schools to submit annually a schedule of investments and bank accounts. The Department uses the schedule to identify any bank accounts or investments not accounted for in the Education Department School Administration System (EDSAS) and consequently not incorporated into the Department's consolidated financial report. EDSAS is the accounting software used by schools.

Audit noted the potential for schools to deliberately or inadvertently omit some bank accounts and investments from their schedule. This increases the risk of misstatements in the Department's consolidated financial report.

The Department advised that it intends to reduce this risk by obtaining details from major banks of all accounts held in the name of every Government school. Comparison of bank records to Departmental records should identify bank accounts and investments that schools have omitted from their schedule of school accounts. In addition, the Department advised that it will amend the wording on the schedule of school accounts to require the school principal to certify that the school does not have a bank account or investment which is not accounted for in EDSAS.

### **Controls over Processing Expenditure**

The audit revealed that controls relating to the processing of expenditure could be improved by:

- clarifying the type of check that accounts payable officers are required to perform to prevent or detect invalid, unauthorised or incorrectly coded invoices and specifying the check in the Department's accounts payable manual;
- documenting the policy and procedures for the:
  - management, control and payment of bus contractors,
  - management, control and payment of disabled student taxi transport.

The Department advised that:

- the type of check that accounts payable officers are required to perform to prevent or detect invalid, unauthorised or incorrectly coded invoices will be clarified and specified in the Department's accounts payable manual;
- a new system was implemented in June 2007 to pay school bus contractors. The policies and procedures for paying school bus contractors will be documented, approved and implemented by the end of 2007;
- the policies and procedures for the management, control and payment of disabled taxi transport is being reviewed with the intention that a new, more efficient and easily managed system be implemented. Policies and procedures will be documented and approved within three months of implementing the new system.

## **Procurement**

### ***Procurement of Security Services***

Audit noted that the Department has not:

- established service level agreements with the Police Security Services Branch of the South Australia Police which provides security services to the Department;
- instituted written contracts with private sector suppliers of security services.

The Department advised that:

- the service level agreement with Police Security Services Branch is being finalised and new security arrangements are planned to be in place by November 2007;
- the service level agreement will significantly reduce the requirement for private sector security providers;
- the requirement to have formal arrangements in place with private sector security providers will be assessed after the service level agreement is in place.

### ***Procurement of Transport Services under the New Arrivals Program***

Audit also found that some schools did not comply with the Department's procurement policies when procuring bus firms to transport students under the New Arrivals Program. Schools pay the bus firms and obtain re-imburement from the Department.

The Department advised that:

- the policies and procedures for procuring, managing and paying bus firms to transport students under the New Arrivals Program will be reviewed;
- following this review and recommendations being made the policies and procedures will be documented, approved and implemented.

## **Maintenance**

### ***Backlog of Maintenance***

Audit considers an effective performance indicator for measuring whether school buildings are adequately maintained is the backlog of maintenance.

Audit noted there is no frequent reporting to the Chief Executive on the estimated backlog of maintenance, risks associated with the backlog and results of strategies to mitigate these risks.

The Department advised that the current annual reporting of the department's backlog of maintenance and associated risks as part of the formation of the Department's Capital Works budget bid to State Cabinet enables departmental officers to identify emerging trends. Issues are investigated, assessed and risk mitigation strategies developed.

Supporting this annual process is a contingency fund to address urgent maintenance matters. The Chief Executive is informed of issues and the planned actions to address the identified risks.

### ***Risk Management of Maintenance***

The Department is responsible for the maintenance of school buildings and, consequently, responsible for ensuring risks associated with the maintenance of schools are properly managed. Some of these risks are managed by the DTEI which provides maintenance services to schools.

Audit recommended the Department establish a risk management plan to ensure all risks associated with the maintenance of school buildings are being systematically identified, assessed and controlled. The plan should cover the Department's process for obtaining assurance that risks are managed effectively by DTEI.

The Department advised that it will develop a risk management plan.

### **Performance Reports on Maintenance Services**

The Department receive from DTEI a number of performance reports on the quality of maintenance services.

Audit noted the performance reports contained actual performance statistics without comparison to agreed performance standards. This has prevented the reader from readily determining whether agreed performance standards are being met.

Audit also noted the reports lacked information on the reasonableness of time taken to:

- complete preventative maintenance, programmed maintenance and minor works;
- resolve disputes between schools and maintenance contractors and the nature of the disputes, eg overcharging, quality of work etc.

The Department advised that these matters have been referred to DTEI for advice. The Department has also indicated that progress on the response from DTEI will be monitored and issues will be negotiated with DTEI for incorporation into the DECS Maintenance Risk Management Plan.

### **Audit of Maintenance Charges**

DTEI audit maintenance charges to ensure contractors do not overcharge schools for maintenance.

Audit noted the Department is not advised of the scope and outcomes of these audits to provide reasonable assurance that schools are not overcharged.

The Department advised that these matters have been referred to DTEI for advice and will be incorporated into the DECS Maintenance Risk Management Plan.

### **Risk Management**

Audit has previously reported that the management of the Department's risks would be improved by establishing a process that ensures officers apply the Department's Risk Management Framework to their recurrent operations and requiring officers to prepare risk management plans to underpin their local business plans.

Audit also reported that risk management would be improved through the establishment of a risk management plan for the whole Department that:

- underpins the Department's strategic plan;
- identifies material internal and external risks associated with the achievement of the Department's strategic objectives;
- identifies techniques to mitigate or minimise risks.

The Department advised that a Strategic Risk Manager was appointed in July 2006 who has:

- assisted the Department's executive to identify and document strategic risks that will be considered when developing a strategic risk management plan for the whole Department;
- assisted the Department's managers to identify risks associated with specific programs and projects.

### **Computer Information Services and Environment - Valeo Human Resource Management System**

During the year, Audit undertook a review of the Valeo Human Resource Management System CPE at the Glenside Information Processing Centre

The specific focus of the audit review was to determine whether appropriate controls were in place on the CPE. The review included key control aspects relating to information security, information systems operations, business continuity planning, application system implementation and maintenance, database implementation and support, systems software support and network support.

Certain matters arising from the review to be addressed by the Department were:

- the need to review a number of system settings to ensure that they were appropriate;
- reduce the ability to directly access through the 'super user' account;
- improve password controls and security for remote access;
- improve logging for administrative accounts and logging generally;
- install a number of specific security related system fixes;
- upgrade database software to the latest supported version;
- consider implementing changes to improve detection of changes to certain files;
- improve aspects relating to system recovery and business continuity.

The Department advised that some matters had been addressed and that resolution of the remainder of the action items would be addressed.

At the time of preparation of this Report, Audit was in the process of following up the status of the implementation and operation of remedial action taken by the Department.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

The following commentary relates to the Department only, and not schools.

### Highlights of the Financial Report (DECS)

	2007 \$'million	2006 \$'million	Percentage Change
<b>INCOME</b>			
Revenues from (payments to) State Government	1 608	1 568	3
Commonwealth revenue	225	221	2
Other	60	55	9
<b>Total Income</b>	<b>1 893</b>	<b>1 844</b>	<b>3</b>
<b>EXPENSES</b>			
Employee benefit expense	1 472	1 428	3
Other expenses	433	437	(1)
<b>Total Expenses</b>	<b>1 905</b>	<b>1 865</b>	<b>2</b>
<b>Net Result</b>	<b>(12)</b>	<b>(21)</b>	<b>43</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>62</b>	<b>96</b>	<b>(35)</b>
<b>ASSETS</b>			
Current assets	200	198	1
Non-current assets	2 275	2 097	8
<b>Total Assets</b>	<b>2 475</b>	<b>2 295</b>	<b>8</b>
<b>LIABILITIES</b>			
Current liabilities	218	215	1
Non-current liabilities	422	402	5
<b>Total Liabilities</b>	<b>640</b>	<b>617</b>	<b>4</b>
<b>EQUITY</b>	<b>1 835</b>	<b>1 678</b>	<b>9</b>

### Income Statement (DECS)

#### Income

Revenues from the State Government rose by \$40 million to \$1.6 billion principally to fund salary and wages increases.

There was a small increase of \$4 million in Commonwealth revenue.

Other revenues rose by \$5 million due to a rise in assets recognised for the first time of \$18 million offset by a loss of \$5 million from the sale of assets and a fall in interest income of \$8 million due to the Department of Treasury and Finance ceasing to pay interest on balances held in the Special Deposit Account.

**Expenses**

Employee benefit expense rose by \$44 million to \$1.5 billion due mainly to enterprise bargaining pay increases in October 2006 and the employment of additional staff.

Other expenses fell by \$4 million to \$433 million due mainly to a decrease in minor works and maintenance of \$10 million offset by an increase of \$7 million in assets written off.

**Net Result**

For the second consecutive year the Department's expenses exceeded income resulting in a deficit. In 2006-07 the deficit was \$12 million (\$21 million).

**Balance Sheet (DECS)**

Non-current assets increased by \$178 million due mainly to the revaluation of land and buildings. The revaluation resulted in an increment of \$174 million which is also recognised in the asset revaluation reserve under equity.

The total liabilities increased by \$23 million to \$640 million due mainly to a \$20 million increase in the provision for long service leave caused by pay increases and reduction in the benchmark number of years for calculating the provision.

At 30 June 2007 the employee benefit and related on-cost liability of \$463 million (\$442 million) comprised 72 percent (72 percent) of total liabilities and was for the following full time equivalent employees (FTEs) by category:

	<b>2007</b>	2006	
	<b>FTE</b>	FTE	Change
<b>Department</b>			
<i>Education Act 1972</i>	<b>13 918</b>	13 870	48
Schools Services Officers Award	<b>3 764</b>	3 672	92
<i>Children's Services Act 1985</i>	<b>918</b>	939	(21)
<i>Public Sector Management Act 1995</i>	<b>1 242</b>	1 236	6
Weekly paid	<b>327</b>	337	(10)
Other	<b>234</b>	208	26
<b>Total</b>	<b>20 403</b>	20 262	141
<b>Administered Activities</b>			
<i>Public Sector Management Act 1995</i>	<b>12</b>	10	2
<i>Education Act</i>	<b>5</b>	8	(3)
Other	<b>1</b>	-	1
<b>Total</b>	<b>18</b>	18	-

**Cash Flow Statement (DECS)**

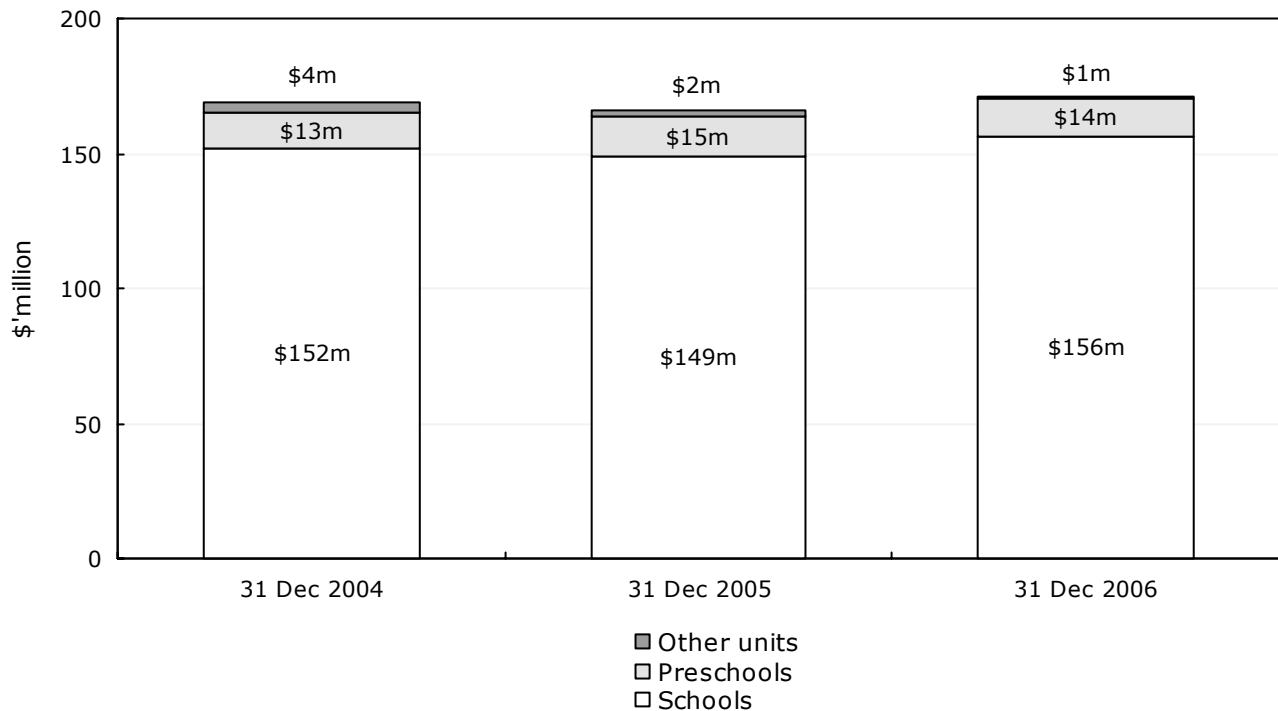
The following table summarises the net cash flows for the two years to 2007.

	<b>2007</b>	2006
	<b>\$'million</b>	\$'million
<b>Net Cash Flows</b>		
Cash at 1 July	<b>164</b>	116
Operations	<b>62</b>	96
Investing	<b>(52)</b>	(46)
Financing	<b>(5)</b>	(2)
Change in Cash	<b>5</b>	48
Cash at 30 June	<b>169</b>	164

As disclosed in Note 18, cash of \$169 million includes \$127 million held with the Department of Treasury and Finance in the Accrual Appropriation account.

In 2006-07 the Department transferred \$16 million of its cash balance to the Consolidated Account in accordance with the Government's policy of aligning agency cash balances with appropriation and expenditure authority. Refer Note 2(h).

Note 18 also shows the funds held in the SA School Investment Fund (SASIF) on behalf of Government primary and secondary schools as at 31 December 2006. The following chart shows the balances held in SASIF on behalf of Government schools, preschools and other units at 31 December of each year from 2004 to 2006.



### Administered Items

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

- grants to non-Government schools of \$583 million (\$531 million);
- subsidies of \$11 million (\$10 million) to the Public Transport Division of the Department for Transport, Energy and Infrastructure for student travel concessions on metropolitan and country transport services, eg bus, train;
- an operating grant to Senior Secondary Assessment Board of South Australia of \$11 million (\$11 million).

### Administered Grants to Non-Government Schools

The Department administered the payment of \$122 million (\$109 million) in State grants to non-Government schools. The grants were based on two components. The average annual enrolment and the 'needs' of the school and its students.

The 'needs' of the school and its students was determined by the Advisory Committee on non-Government schools. In making its determination, the Committee took into account:

- special needs students
- school card
- non-English speaking background/Aboriginality
- fee remission
- boarding

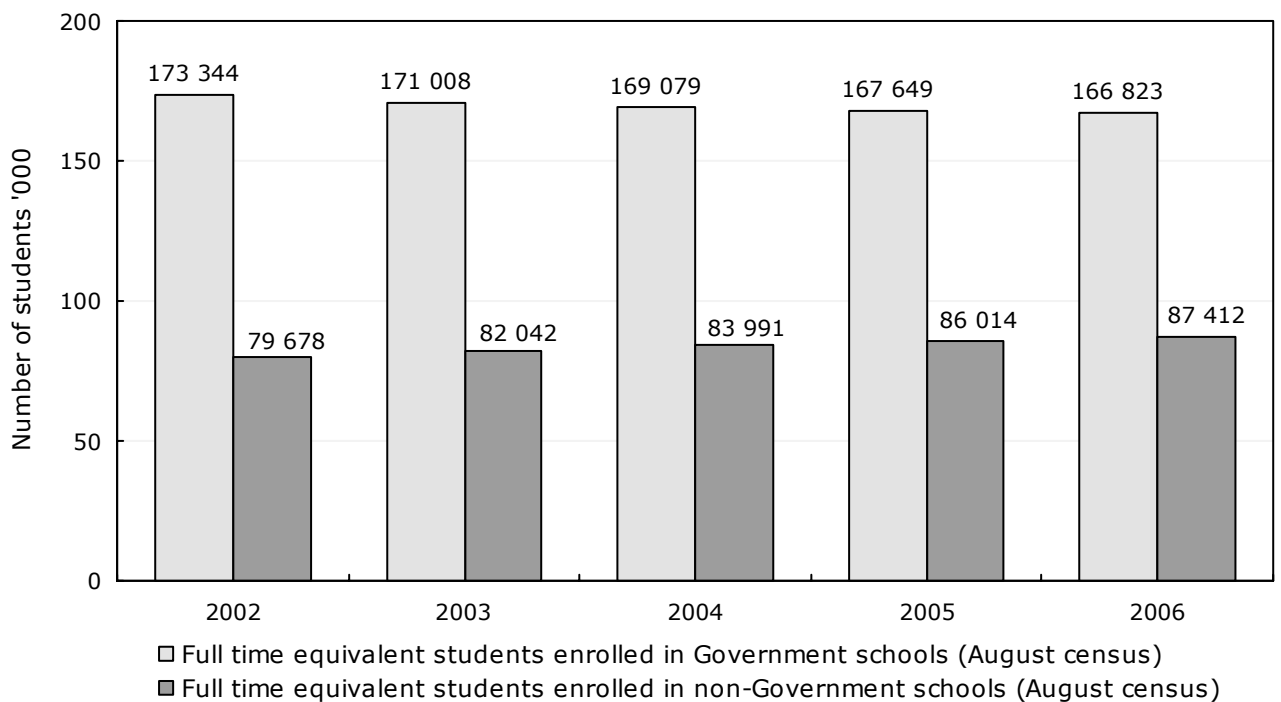
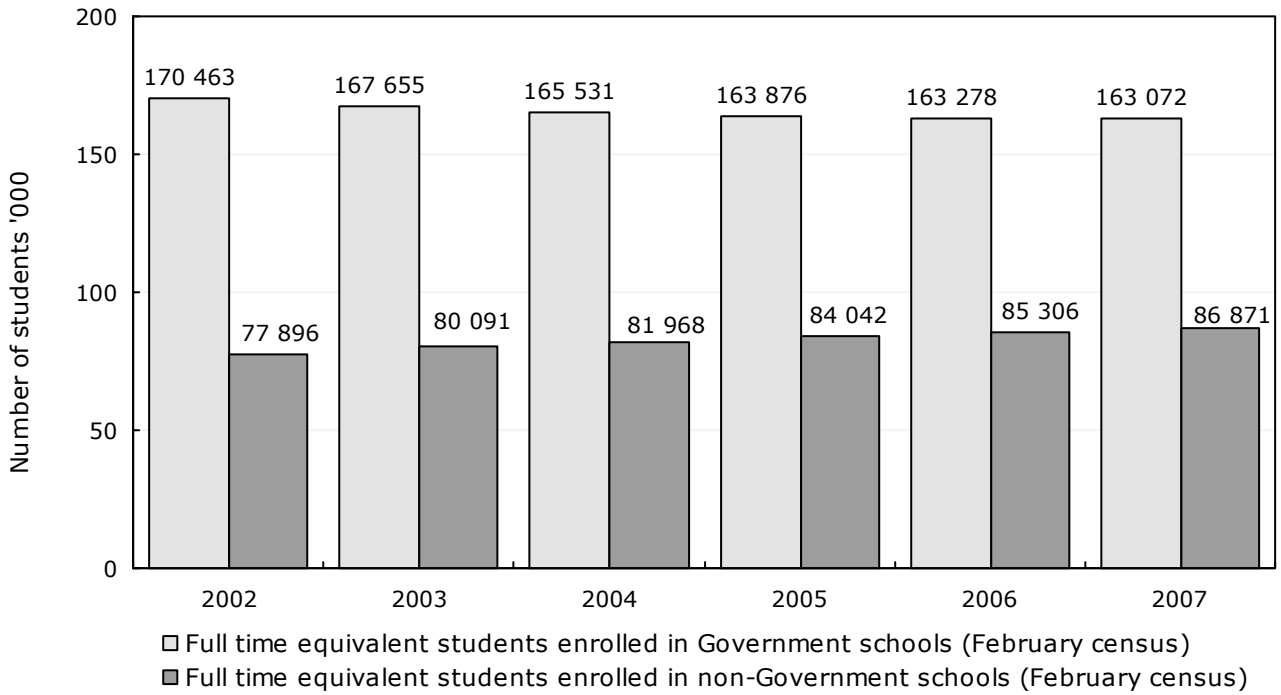
- isolation of schools
- interest subsidy
- index of disadvantage.

The Department also administered the provision of Commonwealth grants to non-Government schools including \$439 million for operating and capital purposes.

**FURTHER COMMENTARY ON OPERATIONS**

**Student Enrolments**

The following chart shows the gradual shift of enrolled full time equivalent students from Government Schools to non-Government Schools. The chart includes fee paying overseas students.





## Income Statement for the year ended 30 June 2007

	Note	Consolidated		DECS	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>EXPENSES:</b>					
Employee benefit expense	6	1 491 530	1 444 279	1 472 373	1 428 345
Supplies and services	7	500 710	483 243	266 111	278 394
Grants and subsidies	8	12 520	12 365	102 291	101 968
Depreciation and amortisation expense	9	58 548	57 819	55 686	55 419
Finance costs		214	394	170	336
Other expenses	10	11 165	2 953	8 818	93
<b>Total Expenses</b>		<b>2 074 687</b>	<b>2 001 053</b>	<b>1 905 449</b>	<b>1 864 555</b>
<b>INCOME:</b>					
Commonwealth revenue	12a	225 118	220 662	225 118	220 662
Student and other fees and charges	13	85 537	87 290	17 735	17 936
Other grants and contributions		68 390	28 775	12 452	13 071
Interest revenues	14	10 280	18 023	337	8 665
Net (loss) gain from disposal of assets	15	(5 350)	1 166	(5 431)	815
Other revenue	16	79 822	60 385	35 130	14 658
<b>Total Income</b>		<b>463 797</b>	<b>416 301</b>	<b>285 341</b>	<b>275 807</b>
<b>NET COST OF PROVIDING SERVICES</b>		<b>1 610 890</b>	<b>1 584 752</b>	<b>1 620 108</b>	<b>1 588 748</b>
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>					
Revenues from SA Government	17	1 619 274	1 568 171	1 619 274	1 568 171
Payments to SA Government	17	(11 437)	-	(11 437)	-
<b>NET RESULT</b>		<b>(3 053)</b>	<b>(16 581)</b>	<b>(12 271)</b>	<b>(20 577)</b>

Net result is attributable to the SA Government as owner

## Balance Sheet as at 30 June 2007

	Note	Consolidated		DECS	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>CURRENT ASSETS:</b>					
Cash	18	338 702	326 207	169 270	163 849
Receivables	19	18 370	17 316	24 731	24 960
Inventories	20	2 895	1 441	142	98
Financial assets	21	8 359	6 931	-	-
Other current assets	25	1 169	835	356	368
		<b>369 495</b>	352 730	<b>194 499</b>	189 275
Non-current assets held-for-sale	22	5 595	8 577	5 595	8 577
<b>Total Current Assets</b>		<b>375 090</b>	361 307	<b>200 094</b>	197 852
<b>NON-CURRENT ASSETS:</b>					
Receivables	19	477	581	4 517	3 536
Financial assets	21	545	644	-	-
Property, plant and equipment	23	2 279 342	2 102 640	2 268 162	2 089 707
Intangible assets	24	2 612	3 483	2 612	3 483
<b>Total Non-Current Assets</b>		<b>2 282 976</b>	2 107 348	<b>2 275 291</b>	2 096 726
<b>Total Assets</b>		<b>2 658 066</b>	2 468 655	<b>2 475 385</b>	2 294 578
<b>CURRENT LIABILITIES:</b>					
Payables	26	64 016	70 450	65 975	73 001
Borrowings	27	2 208	358	2 126	300
Employee benefits	28	115 005	110 802	114 666	110 548
Provisions	29	20 438	19 298	21 096	20 359
Other current liabilities	30	20 557	18 476	14 094	10 803
<b>Total Current Liabilities</b>		<b>222 224</b>	219 384	<b>217 957</b>	215 011
<b>NON-CURRENT LIABILITIES:</b>					
Payables	26	24 787	25 247	24 662	24 769
Borrowings	27	295	2 112	121	1 947
Employee benefits	28	308 786	291 315	307 652	290 361
Provisions	29	89 494	84 566	89 494	84 566
Other non-current liabilities	30	2 248	2 592	-	-
<b>Total Non-Current Liabilities</b>		<b>425 610</b>	405 832	<b>421 929</b>	401 643
<b>Total Liabilities</b>		<b>647 834</b>	625 216	<b>639 886</b>	616 654
<b>NET ASSETS</b>		<b>2 010 232</b>	1 843 439	<b>1 835 499</b>	1 677 924
<b>EQUITY:</b>					
Retained earnings	31	1 138 256	1 137 122	963 523	971 607
Asset revaluation reserve	31	871 976	701 854	871 976	701 854
Contributed capital	31	-	4 463	-	4 463
<b>TOTAL EQUITY</b>		<b>2 010 232</b>	1 843 439	<b>1 835 499</b>	1 677 924
Total Equity is attributable to the SA Government as owner					
Commitments	32				
Contingent assets and liabilities	33				

## Statement of Changes in Equity for the year ended 30 June 2007

		Consolidated			
		Asset			
	Note	Contributed Capital \$'000	Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 30 June 2005</b>		4 463	628 063	1 153 663	1 786 189
Gain on revaluation of property during 2005-06		-	73 831	-	73 831
Transfer asset revaluation reserve on disposal of property, plant and equipment		-	(40)	40	-
<b>Net result for 2005-06</b>		-	-	(16 581)	(16 581)
<b>Total recognised income and expense for 2005-06</b>		-	73 791	(16 541)	57 250
<b>Balance at 30 June 2006</b>	31	4 463	701 854	1 137 122	1 843 439
Gain on revaluation of property during 2006-07		-	174 309	-	174 309
Transfer asset revaluation reserve on disposal of property, plant and equipment		-	(4 187)	4 187	-
<b>Net result for 2006-07</b>		-	-	(3 053)	(3 053)
<b>Total recognised income and expense for 2006-07</b>		-	170 122	1 134	171 256
Repayment of equity contributed to SA Government		(4 463)	-	-	(4 463)
<b>Balance at 30 June 2007</b>	31	<b>-</b>	<b>871 976</b>	<b>1 138 256</b>	<b>2 010 232</b>

		DECS			
		Asset			
	Note	Contributed Capital \$'000	Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 30 June 2005</b>		4 463	628 063	992 144	1 624 670
Gain on revaluation of property during 2005-06		-	73 831	-	73 831
Transfer asset revaluation reserve on disposal of property, plant and equipment		-	(40)	40	-
<b>Net result for 2005-06</b>		-	-	(20 577)	(20 577)
<b>Total recognised income and expense for 2005-06</b>		-	73 791	(20 537)	53 254
<b>Balance at 30 June 2006</b>	31	4 463	701 854	971 607	1 677 924
Gain on revaluation of property during 2006-07		-	174 309	-	174 309
Transfer asset revaluation reserve on disposal of property, plant and equipment		-	(4 187)	4 187	-
<b>Net result for 2006-07</b>		-	-	(12 271)	(12 271)
<b>Total recognised income and expense for 2006-07</b>		-	170 122	(8 084)	162 038
Repayment of equity contributed to SA Government		(4 463)	-	-	(4 463)
<b>Balance at 30 June 2007</b>	31	<b>-</b>	<b>871 976</b>	<b>963 523</b>	<b>1 835 499</b>

All Changes in Equity are attributable to the SA Government as owner

## Cash Flow Statement for the year ended 30 June 2007

		Consolidated		DECS	
		2007	2006	2007	2006
		<b>Inflows</b> <b>(Outflows)</b>	Inflows (Outflows)	<b>Inflows</b> <b>(Outflows)</b>	Inflows (Outflows)
		<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
CASH OUTFLOWS:	Note				
Employee benefit payments		<b>(1 470 347)</b>	(1 404 074)	<b>(1 456 247)</b>	(1 388 223)
Supplies and services		<b>(500 611)</b>	(474 431)	<b>(260 914)</b>	(264 918)
Grants and subsidies		<b>(11 916)</b>	(11 562)	<b>(100 466)</b>	(97 599)
Interest paid		<b>(26)</b>	(413)	-	(354)
GST payments on purchases		<b>(53 361)</b>	(53 633)	<b>(30 439)</b>	(34 813)
Other payments		<b>(1 215)</b>	(1 043)	<b>(1 208)</b>	(1 036)
<b>Cash used in Operations</b>		<b>(2 037 476)</b>	(1 945 156)	<b>(1 849 274)</b>	(1 786 943)
CASH INFLOWS:					
Receipts from Commonwealth		<b>225 265</b>	220 662	<b>225 265</b>	220 662
Student and other fees and charges		<b>81 836</b>	83 311	<b>18 498</b>	19 753
Other grants and contributions received		<b>68 390</b>	28 775	<b>12 452</b>	13 071
Interest received		<b>10 474</b>	18 677	<b>531</b>	9 050
GST input tax credits		<b>46 455</b>	49 784	<b>26 975</b>	34 645
GST receipts on receivables		<b>6 410</b>	6 489	<b>3 130</b>	3 335
Other receipts		<b>60 691</b>	64 229	<b>16 317</b>	14 148
<b>Cash generated from Operations</b>		<b>499 521</b>	471 927	<b>303 168</b>	314 664
CASH FLOWS FROM SA GOVERNMENT:					
Receipts from State Government		<b>1 619 274</b>	1 568 171	<b>1 619 274</b>	1 568 171
Payments to SA Government		<b>(11 437)</b>	-	<b>(11 437)</b>	-
<b>Cash generated from SA Government</b>		<b>1 607 837</b>	1 568 171	<b>1 607 837</b>	1 568 171
<b>Net Cash provided by Operating Activities</b>	36	<b>69 882</b>	94 942	<b>61 731</b>	95 892
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
CASH OUTFLOWS:					
Purchase of property, plant and equipment		<b>(53 818)</b>	(53 022)	<b>(52 458)</b>	(49 917)
Purchase of investments		<b>(1 428)</b>	(2 743)	-	-
Loans advanced		-	-	<b>(1 406)</b>	(1 145)
<b>Cash used in Investing Activities</b>		<b>(55 246)</b>	(55 765)	<b>(53 864)</b>	(51 062)
CASH INFLOWS:					
Sales of property, plant and equipment		<b>2 180</b>	4 927	<b>1 764</b>	4 295
Maturing term deposits		<b>99</b>	-	-	-
Repayment of loans		-	-	<b>253</b>	278
<b>Cash generated from Investing Activities</b>		<b>2 279</b>	4 927	<b>2 017</b>	4 573
<b>Net Cash used in Investing Activities</b>		<b>(52 967)</b>	(50 838)	<b>(51 847)</b>	(46 489)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
CASH OUTFLOWS:					
Repayment of capital contribution from Government		<b>(4 463)</b>	-	<b>(4 463)</b>	-
Repayments of borrowings		<b>43</b>	(2 486)	-	(1 771)
<b>Cash used in Financing Activities</b>		<b>(4 420)</b>	(2 486)	<b>(4 463)</b>	(1 771)
<b>Net Cash used in Financing Activities</b>		<b>(4 420)</b>	(2 486)	<b>(4 463)</b>	(1 771)
<b>NET INCREASE IN CASH HELD</b>		<b>12 495</b>	41 618	<b>5 421</b>	47 632
<b>CASH AT 1 JULY</b>		<b>326 207</b>	284 589	<b>163 849</b>	116 217
<b>CASH AT 30 JUNE</b>	18	<b>338 702</b>	326 207	<b>169 270</b>	163 849

## Program Schedule of Expenses and Income for the year ended 30 June 2007

	<b>Consolidated</b>					
	Early Years Education and Care (Birth to Preschool)				Education: Early Years Education	
	Early Childhood Education and Care (Birth - Preschool)		Pre-School Services		Reception to Year 2 Education	
	<b>2007</b>	2006	<b>2007</b>	2006	<b>2007</b>	2006
<b>EXPENSES:</b>	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Employee benefit expenses	<b>10 802</b>	12 615	<b>76 098</b>	85 298	<b>330 822</b>	318 550
Supplies and services	<b>24 341</b>	26 783	<b>7 418</b>	9 271	<b>109 926</b>	105 805
Grants and subsidies	<b>1 095</b>	1 492	<b>9 362</b>	8 793	<b>(928)</b>	492
Depreciation and amortisation	<b>14</b>	25	<b>88</b>	520	<b>13 828</b>	13 551
Finance costs	-	-	-	-	<b>51</b>	93
Other expenses	<b>205</b>	344	<b>205</b>	192	<b>2 228</b>	572
<b>Total Expenses</b>	<b>36 457</b>	41 259	<b>93 171</b>	104 074	<b>455 927</b>	439 063
<b>INCOME:</b>						
Commonwealth revenues	<b>29 088</b>	34 129	<b>116</b>	189	<b>46 353</b>	44 089
Student and other fees and charges	<b>1 003</b>	1 230	<b>140</b>	69	<b>19 968</b>	20 337
Other grants and contributions	<b>66</b>	71	<b>35</b>	13	<b>15 446</b>	6 800
Interest revenues	-	-	-	1 356	<b>2 433</b>	3 943
Net (loss) gain from disposal of assets	-	-	-	-	<b>(94)</b>	276
Other revenues	<b>2 858</b>	41	<b>531</b>	-	<b>18 303</b>	14 278
<b>Total Income</b>	<b>33 015</b>	35 471	<b>822</b>	1 627	<b>102 409</b>	89 723
<b>NET COST OF PROVIDING SERVICES</b>	<b>3 442</b>	5 788	<b>92 349</b>	102 447	<b>353 518</b>	349 340
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>						
Revenues from SA Government	<b>5 582</b>	4 963	<b>92 149</b>	101 170	<b>356 094</b>	345 918
Payments to SA Government	<b>(39)</b>	-	<b>(651)</b>	-	<b>(2 515)</b>	-
<b>NET RESULT</b>	<b>2 101</b>	(825)	<b>(851)</b>	(1 277)	<b>61</b>	(3 422)

## Program Schedule of Expenses and Income for the year ended 30 June 2007 (continued)

	Consolidated							
	Education: Primary & Secondary Education							
	Year 3 to Year 7		Year 8 to Year 10		Year 11 to Year 12+		Total	
	Education		Education		Education		Education	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>EXPENSES:</b>								
Employee benefit expenses	483 082	464 631	355 540	342 112	235 186	221 073	1 491 530	1 444 279
Supplies and services	162 246	154 325	118 060	113 631	78 719	73 428	500 710	483 243
Grants and subsidies	(409)	717	(867)	529	4 267	342	12 520	12 365
Depreciation and amortisation	20 170	19 764	14 851	14 554	9 597	9 405	58 548	57 819
Finance costs	74	136	54	100	35	65	214	394
Other expenses	3 250	834	3 205	614	2 072	397	11 165	2 953
<b>Total Expenses</b>	<b>668 413</b>	<b>640 407</b>	<b>490 843</b>	<b>471 540</b>	<b>329 876</b>	<b>304 710</b>	<b>2 074 687</b>	<b>2 001 053</b>
<b>INCOME:</b>								
Commonwealth revenues	67 610	64 307	49 782	47 350	32 169	30 598	225 118	220 662
Student and other fees and charges	29 124	29 699	21 444	21 841	13 858	14 114	85 537	87 290
Other grants and contributions	22 529	9 869	16 589	7 303	13 725	4 719	68 390	28 775
Interest revenues	3 547	5 752	2 612	4 235	1 688	2 737	10 280	18 023
Net (loss) gain from disposal of assets	(139)	403	(3 108)	296	(2 009)	191	(5 350)	1 166
Other revenues	27 034	20 823	18 171	15 334	12 925	9 909	79 822	60 385
<b>Total Income</b>	<b>149 705</b>	<b>130 853</b>	<b>105 490</b>	<b>96 359</b>	<b>72 356</b>	<b>62 268</b>	<b>463 797</b>	<b>416 301</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>518 708</b>	<b>509 554</b>	<b>385 353</b>	<b>375 181</b>	<b>257 520</b>	<b>242 442</b>	<b>1 610 890</b>	<b>1 584 752</b>
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>								
Revenues from SA Government	522 445	504 549	385 466	371 504	257 538	240 067	1 619 274	1 568 171
Payments to SA Government	(3 690)	-	(2 723)	-	(1 819)	-	(11 437)	-
<b>NET RESULT</b>	<b>47</b>	<b>(5 005)</b>	<b>(2 610)</b>	<b>(3 677)</b>	<b>(1 801)</b>	<b>(2 375)</b>	<b>(3 053)</b>	<b>(16 581)</b>

## Program Schedule of Expenses and Income for the year ended 30 June 2007

	DECS					
	Early Years Education and Care (Birth to Preschool)				Education: Early Years Education	
	Early Childhood Education and Care (Birth - Preschool)		Pre-School Services		Reception to Year 2 Education	
	2007	2006	2007	2006	2007	2006
<b>EXPENSES:</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Employee benefit expenses	10 802	12 615	76 099	85 298	326 288	314 780
Supplies and services	24 341	26 783	7 418	9 272	54 419	57 337
Grants and subsidies	1 095	1 492	9 361	8 793	20 312	21 692
Depreciation and amortisation	14	25	87	520	13 151	12 983
Finance costs	-	-	-	-	40	79
Other expenses	205	13	206	13	1 674	16
<b>Total Expenses</b>	<b>36 457</b>	<b>40 928</b>	<b>93 171</b>	<b>103 896</b>	<b>415 884</b>	<b>406 887</b>
<b>INCOME:</b>						
Commonwealth revenues	29 088	34 129	116	189	46 353	44 089
Student and other fees and charges	1 003	1 230	140	69	3 926	3 936
Other grants and contributions	65	71	35	13	2 211	3 072
Interest revenues	-	-	-	1 356	80	1 729
Net (loss) gain from disposal of assets	-	-	-	-	(113)	193
Other revenues	2 859	41	531	-	7 729	3 459
<b>Total Income</b>	<b>33 015</b>	<b>35 471</b>	<b>822</b>	<b>1 627</b>	<b>60 186</b>	<b>56 478</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>3 442</b>	<b>5 457</b>	<b>92 349</b>	<b>102 269</b>	<b>355 698</b>	<b>350 409</b>
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>						
Revenues from SA Government	5 582	4 963	92 149	101 170	356 094	345 918
Payments to SA Government	(39)	-	(651)	-	(2 515)	-
<b>NET RESULT</b>	<b>2 101</b>	<b>(494)</b>	<b>(851)</b>	<b>(1 099)</b>	<b>(2 119)</b>	<b>(4 491)</b>

## Program Schedule of Expenses and Income for the year ended 30 June 2007 (continued)

	DECS							
	Education: Primary & Secondary Education							
	Year 3 to Year 7		Year 8 to Year 10		Year 11 to Year 12+		Total	
	Education		Education		Education		Education	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>EXPENSES:</b>								
Employee benefit expenses	476 471	459 132	350 672	338 063	232 041	218 457	1 472 373	1 428 345
Supplies and services	81 286	83 631	58 449	61 579	40 198	39 792	266 111	278 394
Grants and subsidies	30 571	31 640	21 944	23 297	19 008	15 054	102 291	101 968
Depreciation and amortisation	19 183	18 937	14 124	13 944	9 127	9 010	55 686	55 419
Finance costs	58	117	44	85	28	55	170	336
Other expenses	2 440	23	2 608	17	1 685	11	8 818	93
<b>Total Expenses</b>	<b>610 009</b>	<b>593 480</b>	<b>447 841</b>	<b>436 985</b>	<b>302 087</b>	<b>282 379</b>	<b>1 905 449</b>	<b>1 864 555</b>
<b>INCOME:</b>								
Commonwealth revenues	67 610	64 307	49 782	47 350	32 169	30 598	225 118	220 662
Student and other fees and charges	5 726	5 742	4 216	4 227	2 724	2 732	17 735	17 936
Other grants and contributions	3 225	4 483	2 375	3 300	4 541	2 132	12 452	13 071
Interest revenues	116	2 523	86	1 857	55	1 200	337	8 665
Net (loss) gain from disposal of assets	(167)	281	(3 129)	207	(2 022)	134	(5 431)	815
Other revenues	11 609	5 043	6 815	3 715	5 587	2 400	35 130	14 658
<b>Total Income</b>	<b>88 119</b>	<b>82 379</b>	<b>60 145</b>	<b>60 656</b>	<b>43 054</b>	<b>39 196</b>	<b>285 341</b>	<b>275 807</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>521 890</b>	<b>511 101</b>	<b>387 696</b>	<b>376 329</b>	<b>259 033</b>	<b>243 183</b>	<b>1 620 108</b>	<b>1 588 748</b>
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>								
Revenues from SA Government	522 445	504 549	385 466	371 504	257 538	240 067	1 619 274	1 568 171
Payments to SA Government	(3 690)	-	(2 723)	-	(1 819)	-	(11 437)	-
<b>NET RESULT</b>	<b>(3 135)</b>	<b>(6 552)</b>	<b>(4 953)</b>	<b>(4 825)</b>	<b>(3 314)</b>	<b>(3 116)</b>	<b>(12 271)</b>	<b>(20 577)</b>

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1. Objectives of the Department

The Department of Education and Children's Services (DECS) operates within the:

- *Education Act 1972* and the Education Regulations 1997;
- *Children's Services Act 1985* and the Regulations under the *Children's Services Act 1985*;
- PSMAct.

The Department's purpose is to engage every child and student so that they achieve at the highest possible level of their learning and wellbeing through quality care and teaching. Its key functions are to:

#### **Set the Directions for Education and Care in South Australia**

The Department ensures the state's education system is well positioned to deliver high quality education and care through strategic and coordinated leadership in implementing South Australia's Strategic Plan, integrated policy development in collaboration with key stakeholders and planning for an effective workforce to meet current and future requirements.

#### **Provide and Regulate Children's Services**

The role of the Department in relation to children's services involves the provision of preschool services, administration of Family Day Care, sponsorship of Outside School Hours Care programs and the establishment and enforcement of minimum standards for all types of child care, including child care centres.

#### **Manage the State's Education System**

The Department delivers high quality primary and secondary education to more than 160 000 school students in 604 schools across the state. DECS is responsible for the education of children and students across all areas of the curriculum and preparing young people to be active and productive members of a democratic society. DECS involves parents and communities in the education of children and students.



**Manage the State's Education System (continued)**

The Department's eight goals and key objectives are summarised below:

*Strong Beginnings for All Children*

- Strengthen and integrate Early Childhood Services to improve their capacity and quality
- Increase the number of young children experiencing successful learning and development

*Excellence in Learning: Provision, Achievement and Pathways*

- Improve overall student achievement
- Strengthen literacy and numeracy
- Provide engaging, stimulating and flexible learning programs
- Support students to be equipped to respond to a changing world
- Increase the number of international students

*Engagement and Wellbeing*

- Increase levels of child and student attendance, retention and engagement in learning programs
- Enhance child and student wellbeing

*Build Workforce Capability, Flexibility and Resilience*

- Enhance the capabilities and performance of our workforce
- Develop a culture that values staff morale and wellbeing
- Improve systems and processes to be more responsive

*Quality Teaching*

- Expect all teachers to achieve recognised professional standards
- Develop the skills and knowledge of our teaching workforce

*Access to Integrated Services*

- Increase the responsiveness and integration of support services to children, students and their families

*An Interdependent DECS*

- Improve service delivery through local decision making
- Foster the interdependence between local sites, district offices and state office

*A Sustainable System*

- Promote a culture of sustainability
- Reduce energy and water consumption
- Provide more efficient and effective ICT and management systems

**2007 Key Focus Areas**

DECS introduced Key Focus Areas for the 2007 calendar year to highlight areas of priority for schools, preschools, districts and central office groups. These priority areas are:

*Early Years*

- Developing more flexible, high quality programs and services to meet the needs of families and enhance children's learning and development, through children's centres, preschools, child care, family day care, out of school hours care, occasional care, and the early years of school.

*Senior Secondary*

- Improving pathways for all young South Australians to engage in further education, training and/or employment.
- Implementation of the Government's 'School to Work' strategy including the future SA Certificate of Education and 'Trade Schools for the Future'.

*Aboriginal Young People and Employees*

- Significantly improved participation, well being and achievement for Aboriginal children and students.
- Improved employment opportunities for Aboriginal people.

*Achievement in Literacy, Numeracy and Science*

- Improved engagement and achievement in literacy, numeracy and science, from the early years to Year 12.

The four Key Focus Areas are supported through:

- Quality teaching with a focus on achievement, engagement and well being.
- High performing and accountable leadership.
- Effective community engagement and governance.
- Develop infrastructure and organisational practices that connect and support learning and wellbeing Birth to Year 12.

**2. Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AAS and TI and APS promulgated under the provision of the PFAA.

**Statement of Compliance**

AAS include AIFRS and AAS 29. The Department has early adopted the amendments to AASB 101. Refer to Note 4.

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the department's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes;
- compliance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19. In the interest of public accountability and transparency, the APSs require the following note disclosures, that have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;
  - (b) expenses incurred as a result of engaging consultants (as reported in the Income Statement);
  - (c) employee TVSP information;
  - (d) employee whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees;
  - (e) board/committee members and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

The Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a 12 month operating cycle and presented in Australian currency.

**(b) Reporting Entity**

DECS produces both Departmental and Administered financial statements. The Departmental financial statements include the use of income, expenses, assets and liabilities controlled or incurred by the Department in its own right. The Administered financial statements include the income, expenses, assets and liabilities, which the Department administers on behalf of the Minister for Education and Children's Services, but does not control.

DECS economic entity comprises:

- the Corporate Department including its operational units;
- government schools (including school councils, canteens, out of school hours care and vacation care programs);
- other non-corporate operational units viz;
  - preschools;
  - long day care centres (those referred to as 'Bowen Funded Centres' only);
  - neighbourhood houses;
  - toy libraries;
  - child parent centres.

The values in the Consolidated column in the financial statements incorporate the activities of the Corporate Department and government schools but exclude funds separately generated by the other non-corporate operational units. As a consequence, the financial statements treat any transactions with these units as transactions with third parties. All material transactions between the Corporate Department and schools have been eliminated, as required by AAS.

The values in the DECS column in the financial statements incorporate the activities of the Corporate Department but exclude funds separately generated by government schools and other non-corporate operational units. As a consequence, the DECS financial statements treat any transactions with these sites as transactions with third parties. The amounts reported in the DECS financial statements do include material expenses paid on behalf of schools and preschools (ie salaries and wages, salary related on costs and utilities expenses), and major assets and liabilities (ie land and buildings, employee benefits).

Financial data was collected from government schools for the school year ended 31 December 2006 for the purpose of consolidating it with data from State Office. Where material, adjustments have been made to the consolidated figures to take into account the effect of schools having a different reporting period to State Office. It is not intended that data for other non-corporate operational units be included in the financial statements, as it is not considered material.

**(b) Reporting Entity (continued)**

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

The main administered funds are:

*Minister for Education and Children's Services - Payments*

Funds are appropriated to the Minister for Education and Children's Services and are disbursed at the discretion of the Minister. The principal payments are:

- the State Government contribution to the operation of the Senior Secondary Assessment Board of South Australia (SSABSA);
- payments to the Public Transport Division of the Department for Transport, Energy and Infrastructure for the purposes of student travel;
- the State Government contribution to the operation of non-government schools, organisations and services to students with disabilities.

In addition, the Commonwealth Government contribution to the operation of non-government schools, organisations, services to students with disabilities and Investing in Our Schools Program is reflected in these funds.

*Minister's Salary and Allowances*

The Minister's salary and allowances are funded by Special Acts Appropriation, therefore the Department has no control over this part of the annual appropriation.

*Minister's Borrowings*

The Minister for Education and Children's Services is liable for funds borrowed from the Department of Treasury and Finance. The funds were loaned to the Department and various schools by the Minister to undertake capital works projects.

**(c) Comparative Information**

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

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

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

**(d) Rounding**

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

**(e) Taxation**

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, and emergency services levies.

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

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

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

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

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

**(f) Income and Expenses**

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

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

**(f) Income and Expenses (continued)**

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

The following are specific recognition criteria:

*Revenues from/Payments to SA Government*

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

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

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

*Resources Received/Provided Free of Charge*

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

*Contributions Received/Paid*

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

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

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

All contributions received by the Department, apart from some Commonwealth specific purpose revenues, have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

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

All contributions paid by the Department have been contributions with unconditional stipulations attached.

*Finance Costs*

All finance costs are recognised as expenses.

*Fees and Charges*

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

*Disposal of Non-Current Assets*

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

**(g) Current and Non-Current Classification**

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

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

**(h) Cash and Cash Equivalents**

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

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

Cash is measured at nominal value.

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with appropriation and expenditure authority. During this financial year the Department was required to transfer \$15.9 million of its cash balance to the Consolidated Account via the repayment of contributed capital (\$4.5 million) and payment to Government (\$11.4 million).

**(i) Receivables**

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

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

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

**(j) Inventories**

Inventories held for distribution for no or nominal consideration are measured at the lower of cost and replacement cost. Inventories (other than those held for distribution at no or nominal consideration) are measured at the lower of cost or their net realisable value.

Cost is allocated in accordance with the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

The amount of inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

Inventories include canteen stock, uniforms and stationery at school sites, and reference material and resources at corporate office.

**(k) Other Financial Assets**

The Department measures financial assets and debt at historical cost.

**(l) Non-Current Asset Acquisition and Recognition**

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

Where the payment for an asset is deferred, the Department measures the obligation at the present value of the future outflow, discounted using the interest rate of a similar length borrowing.

All non-current tangible assets with a value of \$5000 or greater are capitalised.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

**Land**

Land valuations reflect the Valuer-General's values (for rating purposes) as at 30 June 2007. The Valuer-General's values are deemed to be fair value for financial reporting purposes.

**Buildings and Improvements**

Information was obtained from the Strategic Asset Management Information System (SAMIS), maintained by the Department for Transport, Energy and Infrastructure. Buildings and improvements are valued at current replacement cost less accumulated depreciation. Replacement costs have been established by reference to Quantity Surveyors estimates and updated through the application of a relevant building index. The valuations for buildings are current as at 30 June 2007, asphalt paved areas are current as at 30 June 2007 and swimming pools are current as at 30 June 2006. The building data provided in the statements relates specifically to buildings, paved areas and swimming pools. The building data excludes landscaping, infrastructure, pergolas, playground equipment, sheds and some paving, fencing and leasehold improvements because they either cannot be reliably measured or no information is centrally recorded.

*Buildings and Improvements (continued)*

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

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

*Buses*

Buses are recorded at current replacement cost as at 30 June 2006 less accumulated depreciation. Buses purchased after this date are recorded at cost.

*Plant and Equipment*

Items within administrative sites of the Department acquired prior to 1 July 1997 are recorded at current replacement cost as at 1 July 1997 less accumulated depreciation. Items acquired after 1 July 1997 are recorded at historical cost less accumulated depreciation.

**(m) Revaluation of Non-Current Assets**

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

Every three years, the Department revalues its land, buildings and leasehold improvements. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

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

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

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

**(n) Impairment**

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

For revalued assets, an impairment loss is offset against the asset revaluation reserve.

**(o) Non-Current Assets (or Disposal Groups) Held-for-sale**

Non-current assets (or disposal groups) are classified as held-for-sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the Balance Sheet. The liabilities of a disposal group classified as held-for-sale are presented separately from the other liabilities in the Balance Sheet.

**(p) Depreciation and Amortisation of Non-Current Assets**

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

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

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

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

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

**(p) Depreciation and Amortisation of Non-Current Assets (continued)**

Depreciation/amortisation for non-current assets is calculated on a straight line basis over the estimated useful life of the following classes of assets:

<i>Class of Asset</i>	<i>Useful Life Years</i>
Buildings and improvements	25 to 106
Leasehold improvements	life of lease
Buses/motor vehicles	12 to 20
Computing communication equipment, furniture and equipment	3 to 15
Intangible assets	5
Other assets	7 to 10

**(q) Intangible Assets**

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

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

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

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

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

**(r) Payables**

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

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

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

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

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

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

**(s) Employee Benefits**

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

*Wages, Salaries, Annual Leave and Sick Leave*

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

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

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

*Long Service Leave*

The liability for long service leave is recognised after an employee has completed eight years and six months of service (previously nine years). An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

**(t) Provisions**

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

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

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

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Wellbeing group within the Public Sector Workforce Division of the Department of the Premier and Cabinet.

A provision is also raised to reflect the liability for outstanding (unsettled) vicarious liability claims. Provisions for outstanding fire claims yet to be settled as at balance date are also reported, as required by AASB 137. This provision is between the Corporate Department and schools, therefore is eliminated on consolidation.

**(u) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Department has entered into operating leases, but no finance leases.

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

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

**(v) Insurance**

The Department has insured for risks through the South Australian Government Financing Authority, SAICORP Division. Under these insurance arrangements the Department will meet the first \$200 000 (except for fire claims \$1 000 000) deductible of a loss or claim arising from property damage or civil liability (including public liability, products liability, professional indemnity and Directors' and Officers' liability).

**3. Financial Risk Management**

The Department has significant non-interest bearing assets (cash on hand and on call, and receivables) and liabilities (payables); and interest bearing assets (held to maturity investments) and liabilities (borrowings from the SA Government). The Department's exposure to market risk and cash flow interest risk is minimal.

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

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its current programs, is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs.

**4. Changes in Accounting Policies  
Impact of Accounting Standards**

Except for the amendments to AASB 101, which the Department has early-adopted, AAS and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the reporting period ending 30 June 2007.

The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the Accounting Policies or financial report of the Department.

**5. Programs of the Department**

In achieving its objective the Department provides a range of services classified into the following programs and sub-programs:

**Program 1: Early Years Education and Care (Birth to Preschool)**

Provision of a flexible range of high quality programs and services which meet the changing needs of families and enhance children's development in the critical early years, including the provision of child care centres, preschools, family day care, out of school-hours care and occasional care.



*Sub-program 1.1 Early Childhood Education and Care (Birth – Preschool)*  
Provision of a flexible range of high quality programs and services which meet the changing needs of families and enhance children's development, including child care centres, family day care, out of school hours care and occasional care.

*Sub-program 1.2 Preschool Services*  
Provision of early childhood education through preschools, child-parent centres and the purchase (coordination, policy, planning, curriculum, quality regulation and funding) of preschool positions through independent community organisations.

**Program 2: Education: Early Years Education (R-2)**  
Delivery of Reception to Year 2 educational programs at the local level.

**Program 3: Education: Primary and Secondary Education (3-12)**  
Provision of Primary and Secondary Education.

*Sub-program 3.1 Year 3 to Year 7 Education Provision*  
Delivery of Year 3 to Year 7 educational programs at the local level.

*Sub-program 3.2 Year 8 to Year 10 Education Provision*  
Delivery of Year 8 to Year 10 educational programs at the local level.

*Sub-program 3.3 Year 11 to Year 12 Education Provision*  
Delivery of Year 11 to Year 12+ educational programs at the local level.

**6. Employee Benefit Expenses**

	Consolidated		DECS	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Salaries and wages (including annual leave)	1 192 790	1 143 654	1 176 085	1 129 754
Employment on-costs - Superannuation	139 508	130 451	137 722	128 939
Employment on-costs - Payroll tax	74 583	74 421	74 583	74 422
Long service leave	56 167	67 246	55 762	66 932
Workers compensation	23 944	18 935	23 871	18 906
TVSP (refer below)	1	4 779	1	4 779
Other employee related costs	4 537	4 793	4 349	4 613
<b>Total Employee Benefit Expenses</b>	<b>1 491 530</b>	<b>1 444 279</b>	<b>1 472 373</b>	<b>1 428 345</b>

**TVSP**

	Consolidated	DECS
	2007	2006
	Number of Employees	Number of Employees
TVSPs paid to employees during the reporting period	-	4 779
Annual leave and long service leave paid during the period	-	860
<b>Total for TVSPs</b>	<b>-</b>	<b>5 639</b>

Appropriation received from the Department of Treasury and Finance for TVSPs paid	-	4 779	-	4 779
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	Consolidated		DECS	
	2007 Number of Employees	2006 Number of Employees	2007 Number of Employees	2006 Number of Employees
Number of employees who were paid TVSPs during the reporting period	-	42	-	42

**Remuneration of Employees**

	Consolidated		DECS	
	2007 Number of Executives*	2007 Number of Employees	2006 Number of Executives*	2006 Number of Employees
The number of employees whose remuneration received or receivable exceeded \$100 000 for this period are grouped within the following bands:				
\$100 000 - \$109 999	-	297	2	208
\$110 000 - \$119 999	1	158	4	113
\$120 000 - \$129 999	5	59	5	43
\$130 000 - \$139 999	4	39	6	41
\$140 000 - \$149 999	3	18	1	8
\$150 000 - \$159 999	3	12	3	9
\$160 000 - \$169 999	4	7	2	2
\$170 000 - \$179 999	2	3	5	5
\$180 000 - \$189 999	2	2	-	1
\$190 000 - \$199 999	2	3	-	1
\$200 000 - \$209 999	2	2	1	2
\$210 000 - \$219 999	1	1	-	-
\$220 000 - \$229 999	1	1	1	1
\$230 000 - \$239 999	-	1	1	1
\$240 000 - \$249 999	2	2	-	-
\$280 000 - \$289 999	-	-	1	1
<b>Total Number of Executives/ Employees</b>	<b>32</b>	<b>605</b>	<b>32</b>	<b>436</b>

\* Based on the Department's Executive Organisation Structure.

**Remuneration of Employees (continued)**

Total remuneration received or due and receivable by the above employees was \$70.4 million (\$50.9 million), which is included in employee expenses. This number of employees includes 56 (50) who received country incentive payments. The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated FBT, but does not include any amounts payable due to retirement under the TVSP scheme. There were 0 (2) persons who received an amount under the TVSP scheme that retired at the over \$100 000 remuneration level and an additional 25 (44) persons who did not receive an amount under the TVSP scheme that retired at the over \$100 000 remuneration level. These 25 (44) persons are included in the above employee numbers. Salary rates during 2006-07 have increased by 3.5 percent for *Education Act* employees, PSMAAct employees and Executives due to enterprise agreements.

**Number of Employees as at the Reporting Date**

As at 30 June, the Department employed 20 403 (20 262) full time equivalents.

7. <b>Supplies and Services</b>	Consolidated		DECS	
	2007	2006	2007	2006
Supplies and Services provided by Entities within the SA Government:	\$'000	\$'000	\$'000	\$'000
Minor works, maintenance and equipment	62 251	70 120	63 794	70 932
Rentals and leases	14 267	13 098	14 315	13 110
Management fees, fees and charges	10 999	10 074	11 018	10 072
Computer communications	2 719	5 526	2 727	5 531
Utilities	7 223	6 897	7 240	6 906
Vehicle and travelling expenses	4 871	4 744	6 264	6 260
Insurance (including self insurance)	3 491	4 335	3 897	5 065
Telecommunications	2 385	2 630	2 402	2 630
Security	3 655	3 053	3 657	3 054
Legal	847	565	868	570
Fees - Contractors and other outsourced services	1 211	1 129	4 805	4 211
Other	806	1 065	2 171	1 616
<b>Total Supplies and Services - SA Government Entities</b>	<b>114 725</b>	<b>123 236</b>	<b>123 158</b>	<b>129 957</b>
Supplies and Services provided by Entities external to the SA Government:				
Printing, postage and consumables	64 429	59 877	6 477	5 851
Minor works, maintenance and equipment	36 666	27 585	7 003	9 450
Child care assistance, school card and other allowances	26 128	28 002	26 128	28 002
Cleaning	27 347	25 633	2 900	2 417
Student learning materials	22 046	22 119	-	-
Utilities	18 282	18 355	16 793	17 110
Cost of goods sold	16 766	17 933	-	-
Vehicle and travelling expenses	19 187	19 344	16 885	17 387
Bus contractors	17 012	16 749	17 012	16 749
Telecommunications	12 425	13 184	11 014	12 095
Fees - Consultants, contractors and other outsourced services	15 560	13 189	14 566	12 693
Excursions and camps	15 513	14 465	-	-
Security	2 366	3 448	2 057	3 124
Computer communications	8 636	7 167	7 197	5 885
Training and development	4 444	4 486	1 838	1 920
Rentals and leases	4 314	3 632	2 183	1 974
Other	74 864	64 839	10 900	13 780
<b>Total Supplies and Services - Non-SA Government Entities</b>	<b>385 985</b>	<b>360 007</b>	<b>142 953</b>	<b>148 437</b>
<b>Total Supplies and Services</b>	<b>500 710</b>	<b>483 243</b>	<b>266 111</b>	<b>278 394</b>

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	Consolidated		DECS	
	2007	2006	2007	2006
	Number	\$'000	Number	\$'000
Below \$10 000	-	-	-	-
Between \$10 000 and \$50 000	-	-	1	15
Above \$50 000	1	257	1	53
<b>Total paid/payable to the Consultants Engaged</b>	<b>1</b>	<b>257</b>	<b>2</b>	<b>68</b>

8. <b>Grants and Subsidies</b>	Consolidated		DECS	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Grants and Subsidies paid/payable to Entities within the SA Government:				
Recurrent grants paid to schools and units	-	-	89 771	89 603
Recurrent grants paid to preschools	3 468	4 051	3 468	4 051
Recurrent grants paid to other organisations	560	969	560	969
<b>Total Grants and Subsidies - SA Government Entities</b>	<b>4 028</b>	5 020	<b>93 799</b>	94 623
Grants and Subsidies paid/payable to Entities external to the SA Government:				
Recurrent grants paid to other organisations	8 492	7 345	8 492	7 345
<b>Total Grants and Subsidies - Non-SA Government Entities</b>	<b>8 492</b>	7 345	<b>8 492</b>	7 345
<b>Total Grants and Subsidies</b>	<b>12 520</b>	12 365	<b>102 291</b>	101 968
<b>9. Depreciation and Amortisation</b>				
Depreciation:				
Buildings and improvements	48 385	48 312	48 360	48 290
Computing, communication equipment, furniture and equipment	4 712	4 555	2 636	2 688
Buses/motor vehicles	2 657	2 290	2 226	1 994
Other	610	550	280	335
<b>Total Depreciation</b>	<b>56 364</b>	55 707	<b>53 502</b>	53 307
Amortisation:				
Leasehold improvements	1 313	1 315	1 313	1 315
Intangible assets	871	797	871	797
<b>Total Amortisation</b>	<b>2 184</b>	2 112	<b>2 184</b>	2 112
<b>Total Depreciation and Amortisation</b>	<b>58 548</b>	57 819	<b>55 686</b>	55 419
<b>10. Other Expenses</b>				
Other Expenses paid/payable to Entities within the SA Government:				
Auditor's Remuneration - Auditor-General's Department	502	465	502	465
<b>Total Other Expenses - SA Government Entities</b>	<b>502</b>	465	<b>502</b>	465
Other Expenses paid/payable to Entities external to the SA Government:				
Auditor's Remuneration - School/Preschool auditors	711	579	706	572
Allowance for doubtful debts and debt write offs	1 818	644	(524)	(2 209)
Non-current assets written off	8 134	1 265	8 134	1 265
<b>Total Other Expenses - Non-SA Government Entities</b>	<b>10 663</b>	2 488	<b>8 316</b>	(372)
<b>Total Other Expenses</b>	<b>11 165</b>	2 953	<b>8 818</b>	93
<b>11. Auditors' Remuneration</b>				
Audit fees paid/payable to the Auditor-General's Department excluding GST	502	465	502	465
Audit fees paid/payable to school/preschool auditors excluding GST	711	579	706	572
<b>Total Audit Fees</b>	<b>1 213</b>	1 044	<b>1 208</b>	1 037
<b>Other Services</b>				
The Auditor-General's Department provided no other services and received no other benefits.				
<b>12. (a) Commonwealth Revenue</b>				
Recurrent Revenue:				
General purpose	132 793	126 139	132 793	126 139
Specific purpose	70 322	72 922	70 322	72 922
<b>Total Recurrent Revenue</b>	<b>203 115</b>	199 061	<b>203 115</b>	199 061
Capital Revenue:				
General purpose	22 003	21 601	22 003	21 601
<b>Total Capital Revenue</b>	<b>22 003</b>	21 601	<b>22 003</b>	21 601
<b>Total Commonwealth Revenue</b>	<b>225 118</b>	220 662	<b>225 118</b>	220 662

**(b) Conditions Over Revenue**

The following revenues were recognised for the year ended 30 June 2007 with the condition that they be expended in a particular manner, but had yet to be applied in that manner at 30 June 2007:

	Opening Balance 01.07.06	Revenue for 2006-07	*Expenses for 2006-07	Closing Balance 30.06.07
Commonwealth Revenue for:	\$'000	\$'000	\$'000	\$'000
Primary and secondary education	1 310	40 443	(37 727)	4 026
Child care services	3 599	29 879	(30 022)	3 456
<b>Total Recurrent Revenue</b>	<b>4 909</b>	<b>70 322</b>	<b>(67 749)</b>	<b>7 482</b>

\* Included in expenses is an amount of \$49 million transferred to Schools and providers of Child Care Services to be applied for the purposes required under the funding agreements.

13. <b>Student and Other Fees and Charges</b>	Consolidated		DECS	
	2007	2006	2007	2006
Fees and Charges received/receivable from Entities within the SA Government:	\$'000	\$'000	\$'000	\$'000
Sales/fee for service revenue	406	504	576	623
Other user fees and charges	1 070	1 661	2 826	3 756
<b>Total Fees and Charges - SA Government Entities</b>	<b>1 476</b>	<b>2 165</b>	<b>3 402</b>	<b>4 379</b>
Fees and Charges received/receivable from Entities external to the SA Government:				
Sales/fee for service revenue	3 905	3 123	3 624	2 936
Student enrolment fees and charges	72 116	74 052	2 669	2 670
Other user fees and charges	8 040	7 950	8 040	7 951
<b>Total Fees and Charges - Non-SA Government Entities</b>	<b>84 061</b>	<b>85 125</b>	<b>14 333</b>	<b>13 557</b>
<b>Total Student and Other Fees and Charges</b>	<b>85 537</b>	<b>87 290</b>	<b>17 735</b>	<b>17 936</b>
<b>14. Interest Revenues</b>				
Interest from entities within the SA Government	9 680	17 575	273	8 665
Other	600	448	64	-
<b>Total Interest Revenue Received</b>	<b>10 280</b>	<b>18 023</b>	<b>337</b>	<b>8 665</b>
Interest revenues have decreased in 2006-07 due to the Department of Treasure and Finance ceasing to pay interest on balances held in the Special Deposit Account.				
<b>15. Net (Loss) Gain from Disposal of Assets</b>				
Land and Buildings:				
Proceeds from disposal	1 703	4 153	1 703	4 153
Less: Net book value of assets disposed	7 046	3 124	7 046	3 124
<b>Net (loss) gain from disposal of land and building</b>	<b>(5 343)</b>	<b>1 029</b>	<b>(5 343)</b>	<b>1 029</b>
Plant and Equipment:				
Proceeds from disposal	477	774	61	142
Less: Net book value of assets disposed	484	637	149	356
<b>Net loss (gain) from disposal of plant and equipment</b>	<b>(7)</b>	<b>137</b>	<b>(88)</b>	<b>(214)</b>
Total Assets:				
Total proceeds from disposal	2 180	4 927	1 764	4 295
Less: Total value of assets disposed	7 530	3 761	7 195	3 480
<b>Total Net (Loss) Gain from Disposal of Assets</b>	<b>(5 350)</b>	<b>1 166</b>	<b>(5 431)</b>	<b>815</b>
<b>16. Other Revenue</b>				
Recoveries- Other	4 801	1 561	5 341	2 358
Assets recognised for the first time	18 485	465	18 485	465
School canteen revenue	20 163	20 610	-	-
Other revenue	36 373	37 749	11 304	11 835
<b>Total Other Revenue</b>	<b>79 822</b>	<b>60 385</b>	<b>35 130</b>	<b>14 658</b>
<b>17. Revenue from (Payments to) SA Government Revenues from SA Government</b>				
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	1 617 108	1 494 042	1 617 108	1 494 042
Appropriation received under other acts	-	11 925	-	11 925
Transfers from contingencies	2 166	62 204	2 166	62 204
<b>Total Revenues from SA Government</b>	<b>1 619 274</b>	<b>1 568 171</b>	<b>1 619 274</b>	<b>1 568 171</b>

17. Revenue from (Payments to) SA Government (continued) <b>Payments to SA Government</b>	Consolidated		DECS	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Return of surplus cash pursuant to cash alignment policy	(11 437)	-	(11 437)	-
<b>Total Payments to SA Government</b>	<b>(11 437)</b>	<b>-</b>	<b>(11 437)</b>	<b>-</b>

18. Cash	Consolidated		DECS	
Deposits at call - Westpac	41 089	44 540	41 089	44 540
Deposits with the Treasurer	127 104	118 892	127 104	118 892
Cash at bank - SA School Investment Fund (SASIF) *	156 896	150 321	-	-
Cash at bank and on hand	13 280	12 129	744	92
Section 21 Deposit Accounts	333	325	333	325
<b>Total Cash</b>	<b>338 702</b>	<b>326 207</b>	<b>169 270</b>	<b>163 849</b>

**Deposits with the Treasurer**

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, i.e. funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

**SA School Investment Fund**

\* Represents the amounts held in schools SASIF accounts at 31 December 2006.

The amount held in schools and units SASIF accounts as at 30 June 2007 was \$201 million (\$177.1 million) and does not include \$16.6 million (\$17.1 million) held in the account for preschools and some units as these have been treated as transactions with third parties refer Note 2b Reporting Entities.

19. Receivables	Consolidated		DECS	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current:				
Fees, charges and other receivables	19 684	18 664	19 751	20 442
Less: Provision for doubtful debts	8 326	8 202	420	997
GST recoverable from the Australian Taxation Office	6 517	6 020	4 501	4 168
Accrued revenues	495	824	624	1 139
Loan receivables	64	74	339	272
Less: Provision for doubtful debts loans	64	64	64	64
<b>Total Current Receivables</b>	<b>18 370</b>	<b>17 316</b>	<b>24 731</b>	<b>24 960</b>
Non-Current:				
Workers compensation receivable	446	550	446	550
Loan receivables	31	31	4 071	2 986
<b>Total Non-Current Receivables</b>	<b>477</b>	<b>581</b>	<b>4 517</b>	<b>3 536</b>
<b>Total Receivables</b>	<b>18 847</b>	<b>17 897</b>	<b>29 248</b>	<b>28 496</b>

**Government/Non-Government Receivables**

Receivables from SA Government Entities:

Fees, charges and other receivables	1 984	1 081	11 651	12 974
Less: Provision for doubtful debts	10	40	77	454
Loan receivables	-	-	4 315	3 153
Accrued revenues	428	487	557	802
<b>Total Receivables from SA Government Entities</b>	<b>2 402</b>	<b>1 528</b>	<b>16 446</b>	<b>16 475</b>

Receivables from Non-SA Government Entities:

Fees, charges and other receivables	17 700	17 583	8 100	7 468
Less: Provision for doubtful debts	8 316	8 162	343	543
GST recoverable from the Australian Taxation Office	6 517	6 020	4 501	4 168
Workers compensation receivable	446	550	446	550
Accrued revenues	67	337	67	337
Loan receivables	95	105	95	105
Less: Provision for doubtful debts loans	64	64	64	64
<b>Total Receivables from Non-SA Government Entities</b>	<b>16 445</b>	<b>16 369</b>	<b>12 802</b>	<b>12 021</b>
<b>Total Receivables</b>	<b>18 847</b>	<b>17 897</b>	<b>29 248</b>	<b>28 496</b>

**Provision for Doubtful Debts**

The provision for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in 'other expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

**Provision for Doubtful Debts (continued)**

	Consolidated		DECS	
	2007	2006	2007	2006
Movements in the provision for doubtful debts (impairment loss):	\$'000	\$'000	\$'000	\$'000
Carrying Amount at 1 July	8 266	7 876	1 061	3 296
Increase (Decrease) in the provision	1 818	644	(524)	(2 209)
Amounts written off	(1 694)	(254)	(52)	(26)
<b>Carrying Amount at 30 June</b>	<b>8 390</b>	<b>8 266</b>	<b>485</b>	<b>1 061</b>

**Interest Rate and Credit Risk**

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

**Bad and Doubtful Debts**

The Department has recognised a bad and doubtful debt expense of \$1.8 million (\$644 000) and (\$524 000) ((\$2.2 million)) in the Income Statement for the Consolidated and DECS entities, respectively.

**20. Inventories**

	Consolidated		DECS	
	2007	2006	2007	2006
Current:	\$'000	\$'000	\$'000	\$'000
Materials at net realisable value	2 895	1 441	142	98
<b>Total Current Inventories</b>	<b>2 895</b>	<b>1 441</b>	<b>142</b>	<b>98</b>
<b>Total Inventories</b>	<b>2 895</b>	<b>1 441</b>	<b>142</b>	<b>98</b>

**21. Financial Assets**

Current:				
Term deposits	8 359	6 931	-	-
<b>Total Current Investments</b>	<b>8 359</b>	<b>6 931</b>	<b>-</b>	<b>-</b>
Non-Current:				
Term deposits	545	644	-	-
<b>Total Non-Current Investments</b>	<b>545</b>	<b>644</b>	<b>-</b>	<b>-</b>
<b>Total Investments</b>	<b>8 904</b>	<b>7 575</b>	<b>-</b>	<b>-</b>

**22. Non-Current Assets Classified as Held-for-Sale**

Current:				
Land	5 167	6 118	5 167	6 118
Buildings and improvements	320	2 318	320	2 318
Buses	108	141	108	141
<b>Total Current Non-Current Assets Held-for-Sale</b>	<b>5 595</b>	<b>8 577</b>	<b>5 595</b>	<b>8 577</b>

**23. Property, Plant and Equipment**

Land:				
Land at valuation	903 698	829 759	903 698	829 759
Land at cost	212	212	-	-
<b>Total Land</b>	<b>903 910</b>	<b>829 971</b>	<b>903 698</b>	<b>829 759</b>
Buildings and Improvements:				
Buildings and improvements at valuation	3 533 024	3 106 527	3 533 024	3 106 527
Accumulated depreciation	(2 273 055)	(1 959 652)	(2 273 055)	(1 959 652)
Buildings and improvements at cost	23 658	46 393	22 662	44 736
Accumulated depreciation	(6 434)	(1 122)	(6 378)	(1 112)
<b>Total Buildings and Improvements</b>	<b>1 277 193</b>	<b>1 192 146</b>	<b>1 276 253</b>	<b>1 190 499</b>
Leasehold Improvements:				
Leasehold improvements at cost	13 331	13 331	13 331	13 331
Accumulated amortisation	(3 870)	(2 558)	(3 870)	(2 558)
<b>Total Leasehold Improvements</b>	<b>9 461</b>	<b>10 773</b>	<b>9 461</b>	<b>10 773</b>
Construction Work in Progress:				
Construction work in progress at cost	57 019	33 440	57 019	33 440
<b>Total Construction Work in Progress</b>	<b>57 019</b>	<b>33 440</b>	<b>57 019</b>	<b>33 440</b>
Buses/Motor Vehicles:				
Buses/motor vehicles at valuation	54 656	56 794	54 656	56 794
Accumulated depreciation	(43 800)	(43 851)	(43 800)	(43 851)
Buses/motor vehicles at cost	7 431	6 376	672	-
Accumulated depreciation	(3 547)	(3 408)	3	-
<b>Total Buses/Motor Vehicles</b>	<b>14 740</b>	<b>15 911</b>	<b>11 531</b>	<b>12 943</b>

23. Property, Plant and Equipment (continued)	Consolidated		DECS	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current:				
Computing, Communication Equipment, Furniture and Equipment:				
Computing, communication equipment, furniture and equipment at valuation	2 410	2 410	2 410	2 410
Accumulated depreciation	(2 410)	(2 389)	(2 410)	(2 389)
Computing, communication equipment, furniture and equipment at cost	34 900	34 764	17 949	17 456
Accumulated depreciation	(20 077)	(16 473)	(9 118)	(6 509)
<b>Total Computing,     Communication Equipment,     Furniture and Equipment</b>	<b>14 823</b>	18 312	<b>8 831</b>	10 968
Other Assets:				
Other assets at cost	6 402	5 903	4 061	3 737
Accumulated depreciation	(4 206)	(3 816)	(2 692)	(2 412)
<b>Total Other Assets</b>	<b>2 196</b>	2 087	<b>1 369</b>	1 325
<b>Total Property Plant and Equipment</b>	<b>2 279 342</b>	2 102 640	<b>2 268 162</b>	2 089 707

### Valuation of Non-Current Assets

#### DECS

Valuations for land, buildings and paving were performed as at 30 June 2007, and swimming pools as at 30 June 2006. The land valuations were performed by the Valuer-General and buildings, paving and swimming pool valuations by the Department for Transport, Energy and Infrastructure. Valuations of computing and communication equipment, furniture and equipment, and buses are based on current replacement cost in accordance with the Department of Treasury and Finance policy on valuations of non-current assets.

#### Schools

Schools' plant and equipment is recorded at cost.

### Reconciliation of Non-Current Assets

The following table shows the movement of non-current assets during 2006-07:

	DECS 2006-07				
	Land \$'000	Buildings \$'000	Leasehold Improvements \$'000	Computing, Communicatn Equipment, Furniture and Equipment \$'000	Buses/ Motor Vehicles \$'000
Carrying amount at 1 July	829 759	1 190 499	10 773	10 968	12 943
Additions	727	2 312	1	499	929
Disposals eg sales, write-off	(957)	(10 944)	-	-	(24)
Reclassified as assets held-for-sale	760	(320)	-	-	(91)
Transfers to WIP	-	23 681	-	-	-
Revaluation increment (decrement)	73 387	100 922	-	-	-
Depreciation and amortisation	-	(48 360)	(1 313)	(2 636)	(2 226)
Other movements	22	18 463	-	-	-
<b>Carrying Amount at 30 June</b>	<b>903 698</b>	<b>1 276 253</b>	<b>9 461</b>	<b>8 831</b>	<b>11 531</b>
	Construction Work in Progress \$'000	Other Assets \$'000	<b>Tangible Assets Total \$'000</b>	Internally Developed Computer Software \$'000	<b>Intangible Asset Total \$'000</b>
Carrying amount at 1 July	33 440	1 325	2 089 707	3 483	3 483
Additions	48 031	324	52 823	-	-
Disposals eg sales, write-off	(771)	-	(12 696)	-	-
Reclassified as assets held-for-sale	-	-	349	-	-
Transfer from WIP	(23 681)	-	-	-	-
Revaluation increment (decrement)	-	-	174 309	-	-
Depreciation and amortisation	-	(280)	(54 815)	(871)	(871)
Other movements	-	-	18 485	-	-
<b>Carrying Amount at 30 June</b>	<b>57 019</b>	<b>1 369</b>	<b>2 268 162</b>	<b>2 612</b>	<b>2 612</b>

**Reconciliation of Non-Current Assets (continued)**

	DECS 2005-06				
	Land \$'000	Buildings \$'000	Leasehold Improvements \$'000	Computing, Communicatn Furniture and Equipment \$'000	Buses/ Motor Vehicles \$'000
Carrying amount at 1 July	758 331	1 200 245	12 088	13 296	12 005
Additions	2 801	3 050	-	649	924
Disposals eg sales, write-off	(1 728)	(1 396)	-	-	(168)
Reclassified as assets held-for-sale	(460)	(47)	-	-	(141)
Transfer to WIP	-	37 503	-	-	-
Revaluation increment (decrement)	71 182	332	-	-	2 317
Depreciation and amortisation	-	(48 290)	(1 315)	(2 977)	(1 994)
Other movements	(367)	(898)	-	-	-
<b>Carrying Amount at 30 June</b>	<b>829 759</b>	<b>1 190 499</b>	<b>10 773</b>	<b>10 968</b>	<b>12 943</b>

	DECS 2005-06				
	Construction Work in Progress \$'000	Other Assets \$'000	Tangible Assets Total \$'000	Internally Developed Computer Software \$'000	Intangible Asset Total \$'000
Carrying amount at 1 July	32 074	1 337	2 029 376	3 991	3 991
Additions	41 930	323	49 677	-	-
Disposals eg sales, write-off	-	-	(3 292)	-	-
Reclassified as assets held-for-sale	-	-	(648)	-	-
Transfer from WIP	(37 503)	-	-	-	-
Revaluation increment (decrement)	-	-	73 831	-	-
Depreciation and amortisation	-	(335)	(54 911)	(508)	(508)
Other movements	(3 061)	-	(4 326)	-	-
<b>Carrying Amount at 30 June</b>	<b>33 440</b>	<b>1 325</b>	<b>2 089 707</b>	<b>3 483</b>	<b>3 483</b>

**24. Intangible Assets**

	Consolidated		DECS	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Computer Software:				
Internally developed computer software	4 354	4 354	4 354	4 354
Accumulated amortisation	(1 742)	(871)	(1 742)	(871)
<b>Total Computer Software</b>	<b>2 612</b>	<b>3 483</b>	<b>2 612</b>	<b>3 483</b>

The internally developed computer software relates to the Department's Human Resource Management System (VALEO) with a remaining useful life of three years and carrying amount of \$2 612 000. Prior to June 2003 costs associated with the development of VALEO were expensed, and after that date capitalised.

**25. Other Assets**

	Consolidated		DECS	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current Assets:				
Prepayments	980	783	356	368
Other	189	52	-	-
<b>Total Current Other Assets</b>	<b>1 169</b>	<b>835</b>	<b>356</b>	<b>368</b>

**26. Payables**

Current:				
Creditors	40 437	49 863	44 116	52 864
Accrued expenses	7 359	4 340	5 714	4 108
Employment on-costs	16 145	16 029	16 145	16 029
Lease payables	75	218	-	-
<b>Total Current Payables</b>	<b>64 016</b>	<b>70 450</b>	<b>65 975</b>	<b>73 001</b>
Non-Current:				
Employment on-costs	24 662	24 769	24 662	24 769
Lease payables	125	478	-	-
<b>Total Non-Current Payables</b>	<b>24 787</b>	<b>25 247</b>	<b>24 662</b>	<b>24 769</b>
<b>Total Payables</b>	<b>88 803</b>	<b>95 697</b>	<b>90 637</b>	<b>97 770</b>

**Government/Non-Government Payables**

Payables to SA Government Entities:				
Creditors	14 623	17 499	20 821	22 665
Accrued expenses	2 411	1 750	2 411	1 750
<b>Total Payables to SA Government Entities</b>	<b>17 034</b>	<b>19 249</b>	<b>23 232</b>	<b>24 415</b>



26. Payables (continued)	Consolidated		DECS	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Payables to Non-SA Government Entities:				
Creditors	25 814	32 364	23 295	30 199
Accrued expenses	4 948	2 590	3 303	2 358
Employment on-costs	40 807	40 798	40 807	40 798
Lease payables	200	696	-	-
<b>Total Payables to Non-SA Government Entities</b>	<b>71 769</b>	<b>76 448</b>	<b>67 405</b>	<b>73 355</b>
<b>Total Payables</b>	<b>88 803</b>	<b>95 697</b>	<b>90 637</b>	<b>97 770</b>
<b>27. Borrowings</b>				
Current:				
Loans	2 208	358	2 126	300
<b>Total Current Interest Bearing Payables</b>	<b>2 208</b>	<b>358</b>	<b>2 126</b>	<b>300</b>
Non-Current:				
Loans	174	1 991	-	1 826
Advances	121	121	121	121
<b>Total Non-Current Interest Bearing Payables</b>	<b>295</b>	<b>2 112</b>	<b>121</b>	<b>1 947</b>
<b>Total Interest Bearing Payables</b>	<b>2 503</b>	<b>2 470</b>	<b>2 247</b>	<b>2 247</b>
<b>28. Employee Benefits</b>				
Current:				
Annual leave	70 159	69 416	70 089	69 365
Accrued salaries and wages	7 676	7 298	7 667	7 287
Long service leave	37 170	34 088	36 910	33 896
<b>Total Current Employee Benefits</b>	<b>115 005</b>	<b>110 802</b>	<b>114 666</b>	<b>110 548</b>
Non-Current:				
Long service leave	308 786	291 315	307 652	290 361
<b>Total Non-Current Employee Benefits</b>	<b>308 786</b>	<b>291 315</b>	<b>307 652</b>	<b>290 361</b>
<b>Total Employee Benefits</b>	<b>423 791</b>	<b>402 117</b>	<b>422 318</b>	<b>400 909</b>
The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2007 is \$131.2 million and \$333.5 million respectively.				
Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has been revised from nine years to eight years and six months. The result of this has been an increase to the provision of \$2.58 million.				
<b>29. Provisions</b>				
	Consolidated		DECS	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current:				
Provision for workers compensation	19 770	18 549	19 770	18 549
Provision for vicarious liability claims	668	724	668	724
Provision for fire claims	-	25	658	1 086
<b>Total Current Provisions</b>	<b>20 438</b>	<b>19 298</b>	<b>21 096</b>	<b>20 359</b>
Non-Current:				
Provision for workers compensation	87 758	83 121	87 758	83 121
Provision for vicarious liability claims	1 736	1 445	1 736	1 445
<b>Total Non-Current Provisions</b>	<b>89 494</b>	<b>84 566</b>	<b>89 494</b>	<b>84 566</b>
<b>Total Provisions</b>	<b>109 932</b>	<b>103 864</b>	<b>110 590</b>	<b>104 925</b>
<b>Movements in Provisions</b>				
Provision for Workers Compensation:				
Carrying amount at 1 July	101 670	100 089	101 670	100 089
Payments made during the year	(17 679)	(16 234)	(17 679)	(16 234)
Increase in the provision	23 537	17 815	23 537	17 815
<b>Carrying Amount at 30 June</b>	<b>107 528</b>	<b>101 670</b>	<b>107 528</b>	<b>101 670</b>

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Wellbeing group within the Public Sector Workforce Division of the Department of the Premier and Cabinet.

**Movements in Provisions (continued)**

	Consolidated		DECS	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Provision for Vicarious Liability Claims:				
Carrying amount at 1 July	2 169	1 515	2 169	1 515
Payments made during the year	(511)	(378)	(511)	(378)
Increase in the provision	746	1 032	746	1 032
<b>Carrying Amount at 30 June</b>	<b>2 404</b>	<b>2 169</b>	<b>2 404</b>	<b>2 169</b>
Provision for Fire Claims:				
Carrying amount at 1 July	25	-	1 086	1 288
Payments made during the year	(25)	(17)	(708)	(1 497)
Increase in the provision	-	42	280	1 295
<b>Carrying Amount at 30 June</b>	<b>-</b>	<b>25</b>	<b>658</b>	<b>1 086</b>

**30. Other Liabilities**

## Current:

Deposits	13 606	10 644	13 084	9 595
Unearned revenue	3 158	4 114	397	428
Other liabilities	3 793	3 718	613	780
<b>Total Current Other Liabilities</b>	<b>20 557</b>	<b>18 476</b>	<b>14 094</b>	<b>10 803</b>

## Non-Current:

Deposits	2 106	2 425	-	-
Other liabilities	142	167	-	-
<b>Total Non-Current Other Liabilities</b>	<b>2 248</b>	<b>2 592</b>	<b>-</b>	<b>-</b>
<b>Total Other Liabilities</b>	<b>22 805</b>	<b>21 068</b>	<b>14 094</b>	<b>10 803</b>

**31. Equity**

Retained earnings	1 138 256	1 137 122	963 523	971 607
Asset revaluation reserve	871 976	701 854	871 976	701 854
Contributed capital	-	4 463	-	4 463
<b>Total Equity</b>	<b>2 010 232</b>	<b>1 843 439</b>	<b>1 835 499</b>	<b>1 677 924</b>

The asset revaluation reserve is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is disposed of or assets are transferred to another SA Government entity upon an administrative restructure.

**32. Commitments****Capital Commitments**

Capital Expenditure tendered or contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:

	Consolidated		DECS	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Within one year	26 287	34 320	26 287	34 320
Later than one year but not later than five years	14 541	11 935	14 541	11 935
<b>Total Capital Commitments</b>	<b>40 828</b>	<b>46 255</b>	<b>40 828</b>	<b>46 255</b>

The Department's capital commitments are for capital works projects involving the construction or upgrade of school buildings and facilities.

**Remuneration Commitments**

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

	Consolidated		DECS	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Within one year	4 818	3 827	4 818	3 827
Later than one year but not later than five years	10 923	6 468	10 923	6 468
<b>Total Remuneration Commitments</b>	<b>15 741</b>	<b>10 295</b>	<b>15 741</b>	<b>10 295</b>

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

<b>Operating Lease Commitments for Motor Vehicles</b>	Consolidated		DECS	
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Within one year	<b>3 430</b>	3 043	<b>3 430</b>	3 043
Later than one year but not later than five years	<b>3 637</b>	2 807	<b>3 637</b>	2 807
<b>Total Motor Vehicle Operating Lease Commitment</b>	<b>7 067</b>	5 850	<b>7 067</b>	5 850

The Department has non-cancellable operating lease commitments for the provision of cars to senior executive officers or sections (ie pool cars) with Fleet SA. There are no purchase options available to the Department.

#### **Operating Lease Commitments for Accommodation and Facilities**

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	Consolidated		DECS	
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Within one year	<b>1 383</b>	5 846	<b>1 383</b>	5 846
Later than one year but not later than five years	<b>2 864</b>	3 253	<b>2 864</b>	3 253
Later than five years	-	10	-	10
<b>Total Accommodation and Facilities Operating Lease Commitments</b>	<b>4 247</b>	9 109	<b>4 247</b>	9 109

The Department has entered into a number of operating leases for the provision of office accommodation and facilities used for the delivery of educational services. Office accommodation is leased from the Department for Transport, Energy and Infrastructure. The property leases include both cancellable and non-cancellable leases and are for varied terms. Contingent rentals are based upon changes in market rental rates, the Consumer Price Index or a specified rate of increase in the rental payments. Options exist to renew the leases at the end of the lease term. Some leases have no option to renew. Rent is payable in arrears.

### **33. Contingent Assets and Liabilities**

The Department has no contingent assets.

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

The Department has received advice from the Crown Solicitor that Temporary Relieving Teachers (TRTs), Hourly Paid Instructors (HPIs), Bus Drivers and other casual employees are eligible for long service leave pursuant to section 71(2) of the PSM Act. The complete effect of this has not been quantified, as there is a further dispute before the Industrial Relations Court regarding the allowable break in service for accrual of long service leave for TRTs and HPIs. The Department however, recognises that it does have a liability to provide for long service leave for TRTs, HPIs and other casual employees applicable from 1 January 1978 or a date set by the Industrial Relation Court and for Bus Drivers applicable from 1 January 1994. The portion of long service leave liability that has been quantified and included as Employee Benefits (Note 28) as at 30 June 2007 is \$1.509 million (\$855 500). Payments for long service leave to these employees totalled \$154 626 in 2006-07 and \$142 232 in 2005-06.

### **34. Remuneration of Board and Committee Members**

Members that were entitled to receive remuneration for membership during the 2006-07 financial year were:

#### **Animal Ethics Committee**

Ms Anne Clark	Mr Peter Smith
Mr Manfred Heide	Ms Pat A Sprague
Mr Mark Peters	Ms Sharon Blair (resigned 18.05.07)

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

	<b>2007</b>	2006
	<b>Number of Members</b>	Number of Members
\$0	<b>7</b>	7
\$1 - \$9 999	<b>6</b>	6
<b>Total Number of Members</b>	<b>13</b>	13

#### **DECS Prudential Management and Audit Committee**

Ms Yvonne Sneddon

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

	<b>2007</b>
	<b>Number of Members</b>
\$0	<b>12</b>
\$1 - \$9 999	<b>1</b>
<b>Total Number of Members</b>	<b>13</b>

**34. Remuneration of Board and Committee Members (continued)**

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$8095 (\$1745).

Amounts paid to a superannuation plan for board/committee members was \$nil (\$nil).

In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year. The names of these 19 employees are not listed above.

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

**35. Cash Flow Reconciliation**

	Consolidated		DECS	
	2007	2006	2007	2006
Reconciliation of Cash - Cash at 30 June as per:	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Cash Flow Statement	<b>338 702</b>	326 207	<b>169 270</b>	163 849
Balance Sheet	<b>338 702</b>	326 207	<b>169 270</b>	163 849
<hr/>				
Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services:				
Net cash provided by operating activities	<b>69 882</b>	94 942	<b>61 731</b>	95 892
Less: Revenues from Government	<b>(1 607 837)</b>	(1 568 171)	<b>(1 607 837)</b>	(1 568 171)
Add (Less): Non-Cash Items:				
Depreciation of property, plant and equipment	<b>(58 548)</b>	(57 819)	<b>(55 686)</b>	(55 419)
Bad and doubtful debts	<b>(1 818)</b>	(644)	<b>524</b>	2 209
Assets recognised for the first time	<b>18 485</b>	465	<b>18 485</b>	465
Non-current assets written off	<b>(8 134)</b>	(1 265)	<b>(8 134)</b>	(1 265)
(Loss) Gain on sale of assets	<b>(5 350)</b>	1 166	<b>(5 431)</b>	815
Change in Assets and Liabilities:				
Increase (Decrease) in receivables	<b>2 418</b>	1 661	<b>(1 258)</b>	(6 956)
Increase (Decrease) in GST receivable	<b>496</b>	(2 640)	<b>334</b>	(3 167)
Increase (Decrease) in other assets	<b>2 000</b>	336	<b>(115)</b>	12
(Increase) Decrease in employee entitlements	<b>(21 674)</b>	(46 850)	<b>(21 409)</b>	(46 769)
(Increase) Decrease in provisions	<b>(5 961)</b>	(2 261)	<b>(5 665)</b>	(2 033)
(Increase) Decrease in payables	<b>3 874</b>	(4 537)	<b>4 321</b>	(5 516)
(Increase) Decrease in other liabilities	<b>1 277</b>	865	<b>32</b>	1 155
<b>Net Cost of Providing Services</b>	<b>(1 610 890)</b>	(1 584 752)	<b>(1 620 108)</b>	(1 588 748)

**Statement of Administered Income and Expenses  
for the year ended 30 June 2007**

		<b>2007</b>	2006
	Note	<b>\$'000</b>	\$'000
<b>INCOME:</b>			
Revenues from SA Government	A3	<b>154 035</b>	136 217
Commonwealth revenues	A4	<b>511 388</b>	445 974
Revenues from fees and charges		<b>7</b>	-
Interest revenues	A5	<b>252</b>	457
Other revenues		<b>1 958</b>	4
<b>Total Income</b>		<b>667 640</b>	582 652
<b>EXPENSES:</b>			
Employee benefits expenses	A6	<b>1 798</b>	1 727
Supplies and services	A7	<b>262</b>	181
Transfer payments	A8	<b>657 685</b>	581 407
Payments to the Consolidated Account		<b>1 955</b>	-
Finance costs		<b>194</b>	371
Depreciation	A9	<b>6</b>	6
Other expenses		<b>1 955</b>	1
<b>Total Expenses</b>		<b>663 855</b>	583 693
<b>OPERATING SURPLUS (DEFICIT)</b>		<b>3 785</b>	(1 041)

The Operating Surplus (Deficit) is attributable to SA Government as owner

**Statement of Administered Assets and Liabilities  
as at 30 June 2007**

	Note	<b>2007</b>	2006
		<b>\$'000</b>	\$'000
<b>CURRENT ASSETS:</b>			
Cash	A10	<b>3 813</b>	44
Receivables	A11	<b>3 201</b>	1 265
<b>Total Current Assets</b>		<b>7 014</b>	1 309
<b>NON-CURRENT ASSETS:</b>			
Receivables	A11	<b>173</b>	2 076
Plant and equipment	A12	<b>23</b>	18
<b>Total Non-Current Assets</b>		<b>196</b>	2 094
<b>Total Assets</b>		<b>7 210</b>	3 403
<b>CURRENT LIABILITIES:</b>			
Payables	A13	<b>194</b>	274
Employee benefits	A14	<b>126</b>	95
Borrowings	A15	<b>2 920</b>	1 500
<b>Total Current Liabilities</b>		<b>3 240</b>	1 869
<b>NON-CURRENT LIABILITIES:</b>			
Payables	A13	<b>37</b>	33
Employee benefits	A14	<b>458</b>	391
Borrowings	A15	<b>40</b>	1 460
<b>Total Non-Current Liabilities</b>		<b>535</b>	1 884
<b>Total Liabilities</b>		<b>3 775</b>	3 753
<b>NET ASSETS</b>		<b>3 435</b>	(350)
<b>EQUITY:</b>			
Accumulated surplus (deficit)	A16	<b>3 435</b>	(350)
<b>TOTAL EQUITY</b>		<b>3 435</b>	(350)
Total Equity is attributable to the SA Government as owner			
Contingent asset and liabilities	A17		

**Statement of Changes in Administered Equity  
for the year ended 30 June 2007**

	Note	Accumulated	
		Surplus \$'000	Total \$'000
<b>Balance at 30 June 2005</b>		691	691
<b>Operating deficit</b>		(1 041)	(1 041)
<b>Total recognised income and expense for 2006</b>		(1 041)	(1 041)
<b>Balance at 30 June 2006</b>	A16	(350)	(350)
<b>Operating surplus</b>		3 785	3 785
<b>Total recognised income and expense for 2007</b>		3 785	3 785
<b>Balance at 30 June 2007</b>	A16	<b>3 435</b>	<b>3 435</b>

All Changes in Equity are attributable to the SA Government as owner

## Administered Cash Flow Statement for the year ended 30 June 2007

		2007	2006
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	Note		
CASH INFLOWS:			
Receipts from SA Government		154 035	136 217
Receipts from Commonwealth		511 388	445 974
Interest received		79	439
GST input tax credits		13 662	13 769
GST receipts on receivables		1	-
Other receipts		1 965	4
<b>Total Cash Inflows</b>		<b>681 130</b>	<b>596 403</b>
CASH OUTFLOWS:			
Employee benefit payments		(1 699)	(1 596)
Supplies and services		(453)	(667)
Transfer payments		(657 665)	(579 906)
Finance costs		(201)	(378)
GST remitted to Australian Taxation Office		(13 502)	(13 529)
Other Payments		(1 955)	-
Payments to the Consolidated Account		(1 955)	-
<b>Total Cash Outflows</b>		<b>(677 430)</b>	<b>(596 076)</b>
<b>Net Cash Inflows from Operating Activities</b>	A19	<b>3 700</b>	<b>327</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
CASH INFLOWS:			
Loans repaid		80	1 920
<b>Total Cash Inflows</b>		<b>80</b>	<b>1 920</b>
CASH OUTFLOWS:			
Payments for plant and equipment		(11)	-
<b>Total Cash Outflows</b>		<b>(11)</b>	<b>-</b>
<b>Net Cash Inflows from Investing Activities</b>		<b>69</b>	<b>1 920</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
CASH OUTFLOWS:			
Repayment of borrowings		-	(2 500)
<b>Total Cash Outflows</b>		<b>-</b>	<b>(2 500)</b>
<b>Net Cash Outflows from Financing Activities</b>		<b>-</b>	<b>(2 500)</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>3 769</b>	<b>(253)</b>
<b>CASH AT 1 JULY</b>		<b>44</b>	<b>297</b>
<b>CASH AT 30 JUNE</b>	A10	<b>3 813</b>	<b>44</b>



## Program Schedule of Administered Income and Expenses for the year ended 30 June 2007

	Minister's Other Payments		Minister's Borrowings		Minister's Salary and Allowances		Totals	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ADMINISTERED INCOME:</b>								
Revenue from SA Government	153 792	136 039	-	-	243	178	154 035	136 217
Commonwealth revenues	511 388	445 974	-	-	-	-	511 388	445 974
Revenues from fees and charges	7	-	-	-	-	-	7	-
Interest revenues	-	-	252	457	-	-	252	457
Other revenues	1 958	4	-	-	-	-	1 958	4
<b>Total Administered Income</b>	<b>667 145</b>	<b>582 017</b>	<b>252</b>	<b>457</b>	<b>243</b>	<b>178</b>	<b>667 640</b>	<b>582 652</b>
<b>ADMINISTERED EXPENSES:</b>								
Employee benefit expenses	1 571	1 514	-	-	227	213	1 798	1 727
Supplies and services	262	181	-	-	-	-	262	181
Transfer payments	657 685	581 407	-	-	-	-	657 685	581 407
Payments to Consolidated Account	1 955	-	-	-	-	-	1 955	-
Finance costs	-	-	194	371	-	-	194	371
Depreciation	6	6	-	-	-	-	6	6
Other expenses	1 955	1	-	-	-	-	1 955	1
<b>Total Administered Expenses</b>	<b>663 434</b>	<b>583 109</b>	<b>194</b>	<b>371</b>	<b>227</b>	<b>213</b>	<b>663 855</b>	<b>583 693</b>
<b>OPERATING SURPLUS (DEFICIT)</b>	<b>3 711</b>	<b>(1 092)</b>	<b>58</b>	<b>86</b>	<b>16</b>	<b>(35)</b>	<b>3 785</b>	<b>(1 041)</b>

### NOTES TO AND FORMING PART OF THE ADMINISTERED STATEMENTS

**A1. Summary of Significant Accounting Policies**

All DECS accounting policies are contained in Note 2 'Summary of Significant Accounting Policies'. The policies outlined in Note 2 apply to both the Department and Administered Financial Statements.

**A2. Changes in Accounting Policies**

All DECS changes in accounting policies are contained in Note 4 'Changes in Accounting Policies'. The changes outlined in Note 4 apply to both the Department and Administered Financial Statements.

**A3. Revenue from SA Government**

	2007	2006
	\$'000	\$'000
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	151 692	135 803
Appropriations under other Acts	243	178
Transfers from contingencies	2 100	236
<b>Total Revenues from SA Government</b>	<b>154 035</b>	<b>136 217</b>

**A4. (a) Commonwealth Revenues**

Commonwealth Revenues:		
Recurrent	456 453	424 922
Capital	54 935	21 052
<b>Total Commonwealth Revenues</b>	<b>511 388</b>	<b>445 974</b>

**(b) Conditions Over Revenue**

The following revenues were recognised for the year ended 30 June 2007 with the condition that they be expended in a particular manner, but had yet to be applied in that manner at 30 June 2007:

	Opening Balance	Revenue	Expenses	Closing Balance
	01.07.06	2006-07	2006-07	30.06.07
	\$'000	\$'000	\$'000	\$'000
Commonwealth Revenue for:				
Non-Government schools per capita operating grant	-	428 582	428 423	159
Non-Government schools per capita capital grant	-	9 981	9 835	146
Non-Government schools national equity program	224	11 391	11 615	-
Special Education	189	15 614	15 803	-
School Language and Literacy	274	866	719	421
Investing in Our Schools Program	-	44 954	44 759	195
<b>Total Commonwealth Revenue</b>	<b>687</b>	<b>511 388</b>	<b>511 154</b>	<b>921</b>

<b>A5. Interest Revenues</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Interest from entities within the SA Government	<b>252</b>	457
<b>Total Interest Revenues</b>	<b>252</b>	457

<b>A6. Employee Benefit Expense</b>		
Salaries and wages (including annual leave)	<b>1 375</b>	1 307
Employment on-costs - Superannuation	<b>141</b>	123
Employment on-costs - Payroll tax	<b>79</b>	75
Workers compensation	<b>1</b>	1
Long service leave	<b>80</b>	123
Board fees	<b>122</b>	98
<b>Total Employee Benefit Costs</b>	<b>1 798</b>	1 727

**Remuneration of Employees**

The number of employees whose remuneration received or receivable exceeded \$100 000 for this period are grouped within the following bands:

	<b>2007</b>	<b>2007</b>	2006	2006
	<b>Number of</b>	<b>Number of</b>	Number of	Number of
	<b>Executives*</b>	<b>Employees</b>	Executives*	Employees
\$100 000 to \$109 999	-	1	-	1
\$110 000 to \$119 999	-	1	-	-
<b>Total Number of Executives/Employees</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>1</b>

\* Based on the Department's Executive Organisation Structure.

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$223 000 (\$103 000).

<b>A7. Supplies and Services</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Supplies and Services Provided by Entities within SA Government:		
Fees - Consultants, contractors and other outsourced services	<b>1</b>	1
Printing, postage and consumables	<b>3</b>	5
Vehicle and travelling expenses	<b>9</b>	7
Conference expenses	<b>-</b>	1
Other expenses	<b>3</b>	2
<b>Total Supplies and Services to SA Government Entities</b>	<b>16</b>	16

Supplies and Services Provided by Entities external to SA Government:		
Fees- Consultants, contractors and other outsourced services	<b>75</b>	37
Printing, postage and consumables	<b>58</b>	34
Minor works, maintenance and equipment	<b>5</b>	12
Vehicle and travelling expenses	<b>21</b>	27
Conference expenses	<b>9</b>	2
Advertising, publicity, promotions	<b>2</b>	2
Rentals and leases	<b>8</b>	3
Computer communications	<b>1</b>	-
Telecommunications	<b>13</b>	2
Other expenses	<b>54</b>	46
<b>Total Supplies and Services to Non-SA Government Entities</b>	<b>246</b>	165
<b>Total Supplies and Services</b>	<b>262</b>	181

The number and dollar amount of Consultancies paid/payable during the period:	<b>2007</b>		2006	
	<b>Number</b>	<b>\$'000</b>	Number	\$'000
	-	-	-	-

<b>A8. Transfer Payments</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Transfer Payments paid/payable to Entities within SA Government:		
Multicultural grants	<b>31</b>	35
Government schools	<b>44 698</b>	9 201
Special schools	<b>1 421</b>	2 421
Other organisations	<b>173</b>	402
SSABSA	<b>11 267</b>	11 058
Transport concessions	<b>10 865</b>	10 429
<b>Total Transfer Payments to SA Government Entities</b>	<b>68 455</b>	33 546

<b>A8. Transfer Payments (continued)</b>	<b>2007</b>	2006
Transfer Payments paid/payable to Entities external to SA Government:	<b>\$'000</b>	\$'000
Multicultural grants	<b>1 269</b>	1 773
Non-Government schools	<b>583 067</b>	531 368
Special schools	<b>4 186</b>	13 892
Other organisations	<b>708</b>	828
<b>Total Transfer Payments to Non-SA Government Entities</b>	<b>589 230</b>	547 861
<b>Total Transfer Payments</b>	<b>657 685</b>	581 407
<b>A9. Depreciation</b>		
Computing, communication equipment, furniture and equipment	<b>6</b>	6
<b>Total Depreciation</b>	<b>6</b>	6
<b>A10. Cash</b>		
Special Deposit Accounts with Department of Treasury and Finance:		
Deposits at call - Westpac	<b>3 813</b>	44
<b>Total Cash</b>	<b>3 813</b>	44
<b>A11. Receivables</b>		
Current:		
Loan receivables	<b>2 208</b>	385
Interest receivable	<b>193</b>	20
GST recoverable from the Australian Taxation Office	<b>107</b>	269
Other receivables	<b>693</b>	591
<b>Total Current Receivables</b>	<b>3 201</b>	1 265
Expected to be received more than 12 months after reporting date:		
Loan receivables	<b>173</b>	2 076
<b>Total Non-Current Receivables</b>	<b>173</b>	2 076
<b>Total Receivables</b>	<b>3 374</b>	3 341
<b>Government/Non-Government Receivables</b>		
Receivables from SA Government Entities:		
Loan receivables	<b>2 381</b>	2 461
Interest receivable	<b>193</b>	20
Other receivables	<b>693</b>	591
<b>Total Receivables from SA Government Entities</b>	<b>3 267</b>	3 072
Receivables from Non-SA Government Entities:		
GST recoverable from the Australian Taxation Office	<b>107</b>	269
<b>Total Receivables from Non-SA Government Entities</b>	<b>107</b>	269
<b>Total Receivables</b>	<b>3 374</b>	3 341
<b>A12. Plant and Equipment</b>		
Computing, Furniture and Equipment:		
Computing, furniture and equipment at cost	<b>73</b>	62
Accumulated depreciation	<b>(50)</b>	(44)
<b>Total Computing, Furniture and Equipment</b>	<b>23</b>	18
<b>Total Plant and Equipment</b>	<b>23</b>	18
<b>Valuation of Non-Current Assets</b>		
Valuations of computing, furniture and equipment are based on current replacement cost in accordance with the Department of Treasury and Finance policy on valuations of non-current assets.		
<b>Reconciliation of Plant and Equipment</b>		Computing, Furniture and Equipment
The following table shows the movement of plant and equipment:	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Carrying amount at 1 July	<b>18</b>	24
Additions	<b>11</b>	-
Depreciation	<b>(6)</b>	(6)
<b>Carrying Amount at 30 June</b>	<b>23</b>	18

<b>A13. Payables</b>	<b>2007</b>	2006
Current:	<b>\$'000</b>	\$'000
Creditors	<b>155</b>	223
Accrued expenses	<b>22</b>	38
Employment on-costs	<b>17</b>	13
<b>Total Current Payables</b>	<b>194</b>	274
Expected to be paid more than 12 months after reporting date:		
Employment on-costs	<b>37</b>	33
<b>Total Non-Current Payables</b>	<b>37</b>	33
<b>Total Payables</b>	<b>231</b>	307

**Government/Non-Government Payables**

Payables to SA Government Entities:		
Creditors	<b>133</b>	193
Accrued expenses	<b>22</b>	32
<b>Total Payables to SA Government Entities</b>	<b>155</b>	225
Payables to Non-SA Government Entities:		
Creditors	<b>22</b>	30
Accrued expenses	<b>-</b>	6
Employment on-costs	<b>54</b>	46
<b>Total Non-Current Payables to Non-SA Government Entities</b>	<b>76</b>	82
<b>Total Payables</b>	<b>231</b>	307

**A14. Employee Benefits**

Current:		
Accrued salaries and wages	<b>4</b>	4
Annual leave	<b>68</b>	50
Long service leave	<b>54</b>	41
<b>Total Current Employee Benefits</b>	<b>126</b>	95
Non-Current:		
Long service leave	<b>458</b>	391
<b>Total Non-Current Employee Benefits</b>	<b>458</b>	391
<b>Total Employee Benefits</b>	<b>584</b>	486

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2007 is \$143 000 and \$495 000 respectively.

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has been revised from nine to eight years and six months.

<b>A15. Borrowings</b>	<b>2007</b>	2006
Current:	<b>\$'000</b>	\$'000
Borrowings from SA Government	<b>2 920</b>	1 500
<b>Total Current Borrowings</b>	<b>2 920</b>	1 500
Non-Current:		
Borrowings from SA Government	<b>40</b>	1 460
<b>Total Non-Current Borrowings</b>	<b>40</b>	1 460
<b>Total Borrowings</b>	<b>2 960</b>	2 960

**A16. Equity**

Accumulated surplus (deficit)	<b>3 435</b>	(350)
<b>Total Equity</b>	<b>3 435</b>	(350)
Accumulated Surplus:		
Balance at 1 July	<b>(350)</b>	691
(Deficit) surplus for the year	<b>3 785</b>	(1 041)
<b>Balance at 30 June</b>	<b>3 435</b>	(350)

**A17. Contingent Assets and Liabilities**

The Department is not aware of any contingent assets or liabilities and has made no guarantees in relation to its administered activities.

**A18. Remuneration of Board and Committee Members**

Members that were entitled to receive remuneration for membership during the 2006-07 financial year were:

**Ethnic Schools Board**

Mr Paul Demetriou  
Mrs Chandra K Eriyagama  
Ms Helena Lelkes  
Ms Bach Cuc Tran  
Dr Sabine Orchard-Simonides

Mr D N Edwards  
Mr John A Kiosoglous (Chair)  
Mr Abdi Ali Osman  
Ms Ursula McGowan

**Ethnic Schools Board (continued)**

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

\$0  
\$1 - \$9 999

**Total Number of Members**

<b>2007 Number of Members</b>	2006 Number of Members
<b>5</b>	5
<b>9</b>	9
<b>14</b>	14

**Ministerial Advisory Committee: Students with Disabilities**

Ms Margaret Wallace (Chair)  
Dr Mary Bambacas (Deputy Chair)  
Mr Dindo Varona

Ms Marie Hedley  
Mr Clive Budden  
Ms Georgina Cattley (2006)

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

\$0  
\$1 - \$9 999  
\$10 000 - \$19 999

**Total Number of Members**

<b>2007 Number of Members</b>	2006 Number of Members
<b>10</b>	9
<b>5</b>	6
<b>1</b>	1
<b>16</b>	16

**Multicultural Education Coordination Committee**

Dr Paul Hine (Chair)  
Mrs Laila El Assaad  
Dr My-Van Tran  
Dr Giancarlo Chiro  
Mr John A Kiosoglous

Mrs Dace Darzins  
Mrs Zubayra Shamseden  
Mr Arachie Andrews  
Ms Cristina Descalzi  
Mr Lewis O'Brien

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

\$0  
\$1 - \$9 999

**Total Number of Members**

<b>2007 Number of Members</b>	2006 Number of Members
<b>8</b>	8
<b>10</b>	9
<b>18</b>	17

**Non-Government Advisory Committee**

Ms Nicola Mullins (Chair)  
Ms Christine Lopez

Mr Jeff Croser  
Ms K J Teague

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

\$0  
\$1 - \$9 999

**Total Number of Members**

<b>2007 Number of Members</b>	2006 Number of Members
<b>9</b>	5
<b>4</b>	4
<b>13</b>	9

**Non-Government Schools Registration Board**

Mr Brian Webber (Chair)  
Mr Dale Wasley  
Mr Russell Eley (Deputy Member)  
Mr Alan Young (Deputy Member)

Mr Gordon Baker  
Ms June Yam  
Ms Margaret Linke (Deputy Member)

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

\$0  
\$1 - \$9 999  
\$10 000 - \$19 999

**Total Number of Members**

<b>2007 Number of Members</b>	2006 Number of Members
<b>8</b>	8
<b>4</b>	5
<b>3</b>	2
<b>15</b>	15

**Non-Government Schools Joint Planning Committee**

Ms Mary Jackson (Chair)  
Mr Ken Hinkly

Mr John Connell

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

\$0  
\$1 - \$9 999

**Total Number of Members**

<b>2007 Number of Members</b>	2006 Number of Members
<b>8</b>	8
<b>3</b>	3
<b>11</b>	11

**A18. Remuneration of Board and Committee Members (continued)**

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$121 029 (\$98 360).

Amounts paid to a superannuation plan for board/committee members was \$1118 (\$994).

In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year. The names of these employees have not been listed in this note.

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

**A19. Cash Flow Reconciliation**

	<b>2007</b>	2006
Reconciliation of Cash - Cash at 30 June as per:	<b>\$'000</b>	\$'000
Administered Cash Flow Statement	<b>3 813</b>	44
Statement of Administered Assets and Liabilities	<b>3 813</b>	44
<hr/>		
Reconciliation of Net Cash Inflows from Operating Activities to Operating Surplus (Deficit):		
Net cash inflows from operating activities	<b>3 700</b>	327
Add (Less): Non-Cash Items:		
Depreciation of plant and equipment	<b>(6)</b>	(6)
Bad and doubtful debts	-	(1)
Changes in Assets/Liabilities:		
Decrease in GST receivable	<b>(162)</b>	(240)
Increase in receivables	<b>275</b>	606
Decrease in prepayments	-	(2 092)
Increase in employee benefits	<b>(98)</b>	(125)
Decrease in payables	<b>76</b>	490
<b>Operating Surplus (Deficit)</b>	<b>3 785</b>	(1 041)

# DEPARTMENT FOR ENVIRONMENT AND HERITAGE

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Department for Environment and Heritage (the Department) is an Administrative Unit established under the PSMAct.

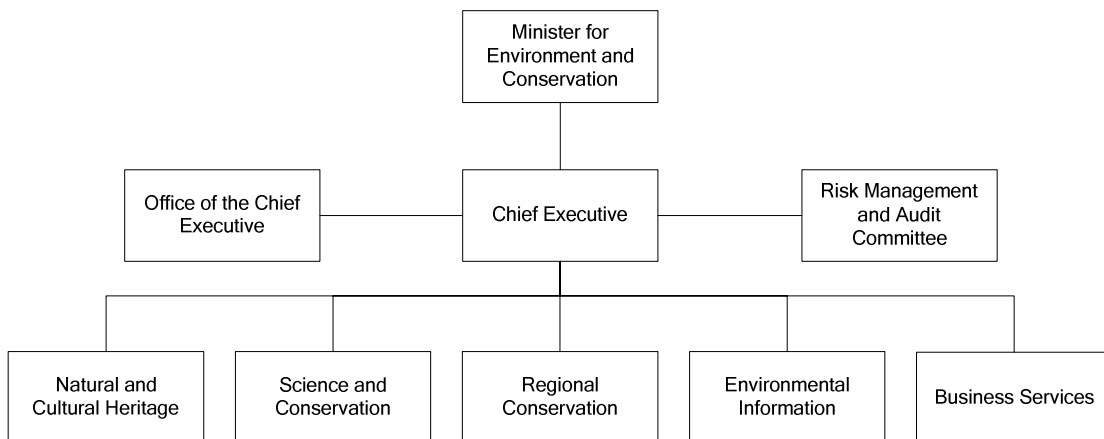
### Functions

The Department's functions are conserving and restoring the environment by:

- having a primary role in environmental policy, biodiversity conservation, heritage conservation and animal welfare;
- managing the State's public land, which includes national parks, marine parks, botanic gardens and coastline;
- being a custodian of information and knowledge about the State's environment.

### Structure

The structure of the Department is illustrated in the following organisation chart.



## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### *Audit of the Financial Report*

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

#### *Assessment of Controls*

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

### Scope of Audit

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

During 2006-07, areas of review included:

- accounts payable
- revenue, receipting and banking
- payroll
- computer processing environment
- fixed assets.

## **AUDIT FINDINGS AND COMMENTS**

### **Auditor's Report on the Financial Report**

The following is an extract from the 2006-07 Independent Auditor's Report, which details the qualification to the Department's financial report.

#### ***Basis For Qualified Auditor's Opinion***

*Property, Plant and Equipment reported in the Administered Balance Sheet excludes Unallotted Crown Land as the Department has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings. In addition, limitations exist on the reliability of the base information used to determine the valuation of property, plant and equipment actually included in Crown Lands.*

*This is disclosed in Note A1(c) to the Administered Items Financial Statements.*

*As the integrity of Crown Land holdings and values administered by the Department have not been ascertained, I am unable to form an opinion on the reasonableness of the values of property, plant and equipment relating to Crown Lands, brought to account in the Administered Balance Sheet.*

#### ***Qualified Auditor's Opinion***

*In my opinion, except for the effects of the matters referred to in the preceding paragraphs, the financial report presents fairly, in all material respects, the financial position of the Department for Environment and Heritage as at 30 June 2007, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards (including the Australian Accounting Interpretations).*

### **Assessment of Controls**

In my opinion, the controls exercised by the Department for Environment and Heritage in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to: Vendor masterfile maintenance, leave of absence returns and Computer Information Systems (CIS) environment as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Environment and Heritage have been conducted properly and in accordance with law.

### **Communication of Audit Matters**

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Department. The Department's response indicated that appropriate action would be taken to address the matters raised. The following outlines the notable matters that were raised with the Department.

#### ***Accounts Payable***

Documented vendor masterfile procedures do not include a requirement to check changes made to supplier masterfiles.

#### ***Payroll***

The Payroll section do not always ensure that employee leave returns are received by the due date.

#### ***Computer Information Systems***

A high level Information Technology Strategic Plan and a Disaster Recovery Plan had not been completed.



**Fixed Assets - Accounting for Crown Land**

Over a number of years, Audit has commented on action taken on the accounting treatment of Crown Lands and the completeness and accuracy of information available.

The Department does not have a methodology in place to ensure that all administered Crown Land has been recorded in the Balance Sheet. In addition, limitations exist on the reliability of the base information used to value land actually reported in the Administered Balance Sheet.

The Department has advised that it anticipates being able to address this issue progressively where resources allow over a number of years. It would initially assess all coastal unallotted Crown Land. This involves the determination of parcels of Crown Land that may more appropriately be formally incorporated within the reserve system.

As a result, the Independent Auditor's Report on the Department's financial report for past years qualified administered property, plant and equipment, which includes Crown Land.

Due to there being no resolution of this matter, the Independent Auditor's Report to the financial report again qualifies the completeness and valuation of property, plant and equipment included in the Administered Balance Sheet.

**INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT****Highlights of the Financial Report**

	<b>2007</b>	2006	Percentage
	<b>\$'million</b>	\$'million	Change
<b>INCOME</b>			
Fees and charges	<b>16.8</b>	14.4	17
Grants and contributions	<b>14.4</b>	14.6	(1)
Other revenue	<b>2.6</b>	9.8	(73)
<b>Total Income</b>	<b>33.8</b>	38.8	(13)
<b>EXPENSES</b>			
Employment expenses	<b>77.1</b>	72.1	7
Supplies and services	<b>51.2</b>	49.5	3
Depreciation and amortisation	<b>25.2</b>	14.6	73
Other expenses	<b>8.3</b>	17.6	(53)
<b>Total Expenses</b>	<b>161.8</b>	153.8	5
<b>Net Cost of Providing Services</b>	<b>128.0</b>	115.0	11
Revenues from SA Government	<b>126.0</b>	122.7	3
Payments to SA Government	<b>4.0</b>	-	n/a
<b>Net Result After Restructure</b>	<b>(6.0)</b>	7.7	n/a
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>28.4</b>	34.9	(19)
<b>ASSETS</b>			
Current assets	<b>151.9</b>	135.9	12
Non-current assets	<b>314.3</b>	331.7	(5)
<b>Total Assets</b>	<b>466.2</b>	467.6	-
<b>LIABILITIES</b>			
Current liabilities	<b>60.9</b>	17.1	256
Non-current liabilities	<b>18.5</b>	55.7	(67)
<b>Total Liabilities</b>	<b>79.4</b>	72.8	9
<b>EQUITY</b>	<b>386.8</b>	394.8	(2)

## Income Statement

### Income

Income from activities decreased by \$5 million (13 percent). Major items effecting the movement were:

- other revenue decreased by \$7.2 million (73 percent) due primarily to a decrease in interest revenue of \$7.1 million as a result of a change in Treasury policy. Interest is now only received on funds sourced from outside the South Australian Government budget sector;
- fees and charges increased by \$2.4 million (17 percent).

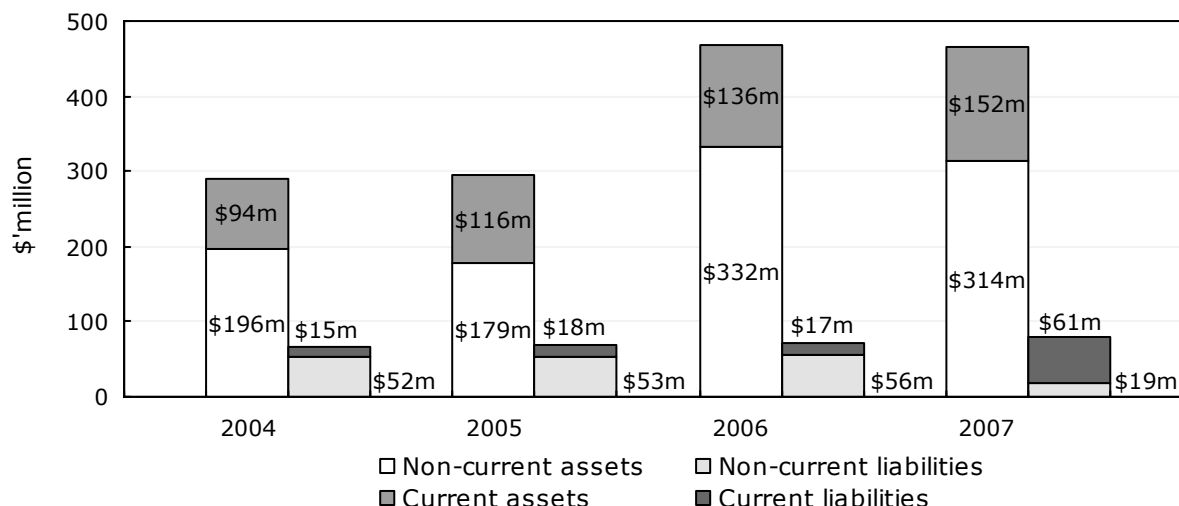
### Expenses

Expenses increased by \$8 million (5 percent). Major items effecting the movement were:

- Depreciation and amortisation expenses increased by \$10.6 million (73 percent) due mainly to the 2005-06 revaluation increment for property, plant and equipment of \$145 million;
- Employment expenses increased by \$5 million (7 percent) due mainly to an Enterprise Bargaining Agreement salary rate increase, a reclassification of some employees and an increase in the number of employees;
- Net loss from disposal of non-current assets decreased by \$5.7 million (85 percent) due mainly to a decrease in assets transferred for nil consideration to the Board of the Botanic Gardens and State Herbarium of \$5.2 million.

## Balance Sheet

For the four years to 2007, a structural analysis of assets and liabilities is shown in the following chart.



The Department's assets comprise two main items: Property, Plant and Equipment and Cash.

### Non-Current Assets - Property, Plant and Equipment

In 2007 this item makes up 66 percent (70 percent) of total assets. Land, buildings and improvements is the dominant item of property, plant and equipment. Note 26 provides further details of items and amounts.

Property, plant and equipment decreased from \$325.6 million to \$309.2 million due mainly to depreciation expense of \$25.2 million offset by additions of \$11 million.

### Current Assets - Cash

This item, \$145.3 million (\$129 million) represents 96 percent (95 percent) of total current assets and 31 percent (28 percent) of total assets. The main component of cash (86 percent) is the accrual appropriation account of \$125.2 million. This is further discussed below under Cash Flow Statement.

### Liabilities

In 2006-07, \$38 million of borrowings from the Department of Treasury and Finance (DTF) were reclassified from non-current liabilities to current liabilities as these were repaid in July 2007.

## Cash Flow Statement

The following table summarises the net cash flows for the four years to 2007.

	<b>2007</b>	2006	2005	2004
	<b>\$'million</b>	\$'million	\$'million	\$'million
<b>Net Cash Flows</b>				
Operations	<b>28.4</b>	34.9	35.2	35.4
Investing	<b>(12.1)</b>	(13.6)	(12.8)	(13.6)
Financing	-	(0.1)	-	0.2
Change in Cash	<b>16.3</b>	21.2	22.4	22.0
Cash at 30 June	<b>145.3</b>	129.0	107.8	85.4

In 2006-07 the Department generated \$28.4 million cash flow from operations and \$12.1 million of this was used to finance investing activities associated with the acquisition of property, plant and equipment and intangibles.

Cash increased by \$16.3 million in 2006-07. Of this increase, \$13 million was in accrual appropriation for 2006-07 which is credited to the DTF Special Deposit Account 'Accrual Appropriation Excess Funds - DEH'. Access to these funds is subject to the Treasurer's approval.

The Department's cash at 30 June 2007 comprises operating deposit accounts \$19.9 million; accrual appropriation account \$125.2 million; and other cash items \$200 000.

## FURTHER COMMENTARY ON OPERATIONS

### Adelaide's Living Beaches Project

The Government of South Australia approved a new strategy in November 2005 for managing Adelaide's metropolitan beaches – *Adelaide's Living Beaches – A Strategy for 2005-2025*. The strategy will investigate and develop infrastructure to manage Adelaide's beaches within six cells along the metropolitan coastline. The project is expected to complete construction of infrastructure by June 2010.

The total project budget to 2009-10 is \$52.7 million converting to an estimated annual operational budget of \$4.8 million from that point on. The total project budget provides \$17 million for construction of sand transfer infrastructure.

The expenditure for 2006-07 was \$6.9 million. Costs incurred to date have primarily been in the areas of project establishment costs, sand pumping pipeline trials and ongoing programs of beach replenishment sandcarting and harbour maintenance dredging.

### Administered Items

#### Crown Land Perpetual Leases

On 13 January 2003, Cabinet approved the implementation of an accelerated freeholding project for Crown Land perpetual leases.

The joint project between the Department and the Department for Transport, Energy and Infrastructure, which is managed by a Project Board, was to make an offer of sale to all eligible perpetual lease holders giving them the opportunity to purchase the land over which they have a lease. The number of leases offered for sale totalled approximately 15 000.

In early March 2003, the Minister for Environment and Conservation gave approval for the commencement of the freeholding program. The offer to freehold perpetual leases was distributed to all lessees, with the offer expiring on 30 September 2003. This was subsequently extended to 31 March 2006. 9600 applications to freehold have been received, representing some 13 500 leases.

Total costs for the project are estimated at \$15.4 million over six years. Total freeholding and application revenue is estimated as \$21.4 million generating a net return of \$6 million to the Consolidated Account.

The 2006-07 freeholding and application revenue is \$5.2 million and 2006-07 expenditure is \$2.6 million. The total project freeholding and application revenue to 30 June 2007 is \$17.7 million and the total project expenditure to 30 June 2007 is \$11.2 million. In 2006-07, a transfer of \$5.2 million was made to the Consolidated Account.

## Income Statement for the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
<b>EXPENSES:</b>			
Employee benefits expenses and other costs	6	<b>77 087</b>	72 102
Supplies and services	7	<b>51 184</b>	49 549
Grants and contributions	8	<b>3 777</b>	4 040
Depreciation and amortisation	9	<b>25 150</b>	14 599
Finance costs	10	<b>2 723</b>	2 957
Net loss from disposal of non-current assets	11	<b>1 044</b>	6 739
Other expenses	12	<b>793</b>	3 764
<b>Total Expenses</b>		<b>161 758</b>	153 750
<b>INCOME:</b>			
Fees and charges	13	<b>16 785</b>	14 418
Grants and contributions	14	<b>14 408</b>	14 589
Interest revenue	15	<b>173</b>	7 273
Assets received for nil consideration	16	<b>775</b>	-
Other revenue	17	<b>1 602</b>	2 544
<b>Total Income</b>		<b>33 743</b>	38 824
<b>NET COST OF PROVIDING SERVICES</b>		<b>128 015</b>	114 926
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>			
Revenues from SA Government	18	<b>125 989</b>	122 729
Payments to SA Government	18	<b>(3 979)</b>	-
<b>Total SA Government Revenues and Payments</b>		<b>122 010</b>	122 729
<b>NET RESULT BEFORE RESTRUCTURE</b>		<b>(6 005)</b>	7 803
Net expense from administrative restructure	19	-	(118)
<b>NET RESULT AFTER RESTRUCTURE</b>		<b>(6 005)</b>	7 685

Net Result after restructure is attributable to the SA Government as owner

## Balance Sheet as at 30 June 2007

		2007	2006
	Note	\$'000	\$'000
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	20	145 343	128 985
Receivables	21	4 480	4 702
Inventories	22	1 392	1 387
Other current assets	24	637	855
<b>Total Current Assets</b>		<b>151 852</b>	135 929
<b>NON-CURRENT ASSETS:</b>			
Receivables	21	1 862	2 578
Non-current assets held for resale	25	951	951
Financial assets	23	8	8
Property, plant and equipment	26	309 220	325 568
Intangible assets	27	2 300	2 596
<b>Total Non-Current Assets</b>		<b>314 341</b>	331 701
<b>Total Assets</b>		<b>466 193</b>	467 630
<b>CURRENT LIABILITIES:</b>			
Payables	28	14 972	10 684
Employee benefits	29	6 909	5 691
Provisions	30	351	298
Borrowings	31	38 054	-
Other current liabilities	32	608	501
<b>Total Current Liabilities</b>		<b>60 894</b>	17 174
<b>NON-CURRENT LIABILITIES:</b>			
Payables	28	1 421	1 354
Employee benefits	29	13 778	12 879
Provisions	30	953	810
Long-term borrowings	31	-	38 054
Other non-current liabilities	32	2 303	2 581
<b>Total Non-Current Liabilities</b>		<b>18 455</b>	55 678
<b>Total Liabilities</b>		<b>79 349</b>	72 852
<b>NET ASSETS</b>		<b>386 844</b>	394 778
<b>EQUITY:</b>			
Asset revaluation reserve	33	165 661	167 766
Retained earnings	33	221 183	227 012
<b>TOTAL EQUITY</b>		<b>386 844</b>	394 778
Total Equity is attributable to the SA Government as owner			
Expenditure commitments	36		
Contingent assets and liabilities	37		

## Statement of Changes in Equity for the year ended 30 June 2007

		Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 1 July 2005</b>		22 876	201 594	224 470
First-time recognition of assets		-	11 890	11 890
Surplus for the year		-	3 528	3 528
Net increment related to the revaluation of assets		365 355	-	365 355
Asset errors - Fixed assets		-	4 349	4 349
<b>Total Recognised Income/Expense for 2005-06</b>		365 355	19 767	385 122
<b>Balance at 30 June 2006</b>		388 231	221 361	609 592
Net decrement related to asset valuation errors	33(i)	(220 465)	-	(220 465)
Net increment related to depreciation errors	33(ii)	-	3 494	3 494
Inventory adjustment	33(iii)	-	(55)	(55)
Adjustment SAICORP revenue	33(iv)	-	(324)	(324)
Recognition of intangible assets (War Services Revenue Steam)	33(v)	-	1 000	1 000
Transfer of revenue (War Services)	33(vi)	-	57	57
First-time recognition of assets in prior period error	33(vii)	-	1 479	1 479
Restated Balance at 30 June 2006		167 766	227 012	394 778
Deficit for the year		-	(6 005)	(6 005)
Net decrement related to the revaluation of assets		(2 105)	-	(2 105)
Asset errors - Fixed assets		-	176	176
<b>Total Recognised Income/Expense for 2006-07</b>		(2 105)	(5 829)	(7 934)
<b>Balance at 30 June 2007</b>		<b>165 661</b>	<b>221 183</b>	<b>386 844</b>

All Changes in Equity are attributable to the SA Government as owner

## Cash Flow Statement for the year ended 30 June 2007

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CASH OUTFLOWS:	Note	
Employee benefits expenses and other payments	(74 165)	(71 667)
Supplies and services	(46 038)	(47 281)
Grants and contributions	(3 777)	(4 040)
Interest paid	(2 747)	(2 949)
GST payments on purchases	(8 355)	(7 745)
GST remitted to the Australian Taxation Office	(6 161)	(3 315)
Other payments	(7)	(1 739)
<b>Cash used in Operations</b>	<b>(141 250)</b>	<b>(138 736)</b>
CASH INFLOWS:		
Fees and charges	17 521	13 216
Grant and contribution receipts	14 408	13 999
Interest received	252	7 279
GST received from customers	6 023	3 132
GST refund from the Australian Taxation Office	7 849	9 164
Loan repayments	23	4
Other receipts	1 602	4 088
<b>Cash generated from Operations</b>	<b>47 678</b>	<b>50 882</b>
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government:		
Recurrent appropriation	111 796	107 340
Contingency funds	1 170	1 156
Accrual appropriation	13 023	14 233
<b>Total Receipts from SA Government</b>	<b>125 989</b>	<b>122 729</b>
Payments to SA Government:		
Return of surplus cash	(3 979)	-
<b>Total Payments to SA Government</b>	<b>(3 979)</b>	<b>-</b>
<b>Net Cash provided by Operating Activities</b>	<b>28 438</b>	<b>34 875</b>
	34	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(12 166)	(13 596)
Proceeds from sale of property, plant and equipment	86	13
<b>Net Cash used in Investing Activities</b>	<b>(12 080)</b>	<b>(13 583)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of finance lease	-	(1)
Net payments from administrative restructures	-	(118)
<b>Net Cash used in Financing Activities</b>	<b>-</b>	<b>(119)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>16 358</b>	<b>21 173</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>	<b>128 985</b>	<b>107 812</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>145 343</b>	<b>128 985</b>

## Program Schedule of Expenses and Income for the year ended 30 June 2007

	Program 1		Program 2		Program 3		Program 4		Program 5	
	Nature		Public Land -		Public Land -		Public Land -			
	Conservation	2006	Visitor Management	2006	Fire Management	2006	Stewardship	2006	Coast and Marine	2006
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>EXPENSES:</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Employee benefits costs	14 610	12 598	10 619	10 317	5 165	3 720	9 032	8 801	4 189	3 323
Supplies and services	9 263	10 284	9 167	8 384	2 245	2 134	3 363	2 623	6 568	6 437
Grants and contributions	1 221	1 231	61	83	37	37	201	471	188	115
Depreciation and amortisation	11 688	6 785	11 688	6 785	60	35	284	165	212	123
Borrowing costs	-	-	-	-	-	-	-	-	-	-
Net loss from disposal of non-current assets	-	-	-	-	-	-	-	-	-	-
Other expenses	57	181	380	1 188	5	68	6	4	20	-
<b>Total Expenses</b>	<b>36 839</b>	<b>31 079</b>	<b>31 915</b>	<b>26 757</b>	<b>7 512</b>	<b>5 994</b>	<b>12 886</b>	<b>12 064</b>	<b>11 177</b>	<b>9 998</b>
<b>INCOME:</b>										
Fees and charges	722	854	8 204	7 614	-	-	3 044	2 439	-	-
Grants and contributions	8 619	7 882	195	163	366	359	1 027	1 096	553	738
Interest	32	25	121	92	-	-	16	33	-	-
Assets received free of charge	-	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-	-
<b>Total Income</b>	<b>9 373</b>	<b>8 761</b>	<b>8 520</b>	<b>7 869</b>	<b>366</b>	<b>359</b>	<b>4 087</b>	<b>3 568</b>	<b>553</b>	<b>738</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>27 466</b>	<b>22 318</b>	<b>23 395</b>	<b>18 888</b>	<b>7 146</b>	<b>5 635</b>	<b>8 799</b>	<b>8 496</b>	<b>10 624</b>	<b>9 260</b>
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>										
Net revenues	-	-	-	-	-	-	-	-	-	-
<b>Total SA Government Revenues (Payments)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET RESULT BEFORE RESTRUCTURE</b>	<b>(27 466)</b>	<b>(22 318)</b>	<b>(23 395)</b>	<b>(18 888)</b>	<b>(7 146)</b>	<b>(5 635)</b>	<b>(8 799)</b>	<b>(8 496)</b>	<b>(10 624)</b>	<b>(9 260)</b>
Net (expense) from administrative restructure	-	-	-	-	-	-	-	-	-	-
<b>NET RESULT AFTER RESTRUCTURE</b>	<b>(27 466)</b>	<b>(22 318)</b>	<b>(23 395)</b>	<b>(18 888)</b>	<b>(7 146)</b>	<b>(5 635)</b>	<b>(8 799)</b>	<b>(8 496)</b>	<b>(10 624)</b>	<b>(9 260)</b>



## Program Schedule of Expenses and Income for the year ended 30 June 2007 (continued)

	Program 6		Program 7		Program 8		Program 9		<b>Total</b>	
	Botanic Gardens		Heritage		Animal		Agency			
	<b>2007</b>	2006	<b>2007</b>	2006	<b>2007</b>	2006	<b>2007</b>	2006	<b>2007</b>	2006
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>EXPENSES:</b>										
Employee benefits costs	<b>3 510</b>	4 779	<b>1 563</b>	1 606	<b>156</b>	154	<b>28 243</b>	26 804	<b>77 087</b>	72 102
Supplies and services	<b>2 081</b>	2 031	<b>917</b>	902	<b>36</b>	25	<b>17 544</b>	16 729	<b>51 184</b>	49 549
Grants and contributions	<b>78</b>	137	<b>703</b>	618	<b>501</b>	501	<b>787</b>	847	<b>3 777</b>	4 040
Depreciation and amortisation	<b>153</b>	89	<b>49</b>	29	<b>42</b>	24	<b>974</b>	564	<b>25 150</b>	14 599
Borrowing costs	-	-	-	-	-	-	<b>2 723</b>	2 957	<b>2 723</b>	2 957
Net loss from disposal of non-current assets	-	-	-	-	-	-	<b>1 044</b>	6 739	<b>1 044</b>	6 739
Other expenses	<b>146</b>	84	<b>(22)</b>	130	-	-	<b>201</b>	2 109	<b>793</b>	3 764
<b>Total Expenses</b>	<b>5 968</b>	7 120	<b>3 210</b>	3 285	<b>735</b>	704	<b>51 516</b>	56 749	<b>161 758</b>	153 750
<b>INCOME:</b>										
Fees and charges	<b>3</b>	4	<b>876</b>	630	<b>4</b>	3	<b>3 932</b>	2 874	<b>16 785</b>	14 418
Grants and contributions	<b>1 499</b>	1 396	<b>63</b>	70	-	-	<b>2 086</b>	2 885	<b>14 408</b>	14 589
Interest	-	-	-	2	-	-	<b>4</b>	7 121	<b>173</b>	7 273
Assets received free of charge	-	-	-	-	-	-	<b>775</b>	-	<b>775</b>	-
Other revenue	-	-	-	-	-	-	<b>1 602</b>	2 544	<b>1 602</b>	2 544
<b>Total Income</b>	<b>1 502</b>	1 400	<b>939</b>	702	<b>4</b>	3	<b>8 399</b>	15 424	<b>33 743</b>	38 824
<b>NET COST OF PROVIDING SERVICES</b>	<b>4 466</b>	5 720	<b>2 271</b>	2 583	<b>731</b>	701	<b>43 117</b>	41 325	<b>128 015</b>	114 926
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>										
Net revenues	-	-	<b>250</b>	-	-	-	<b>121 760</b>	122 729	<b>122 010</b>	122 729
<b>Total SA Government Revenues (Payments)</b>	-	-	<b>250</b>	-	-	-	<b>121 760</b>	122 729	<b>122 010</b>	122 729
<b>NET RESULT BEFORE RESTRUCTURE</b>	<b>(4 466)</b>	(5 720)	<b>(2 021)</b>	(2 583)	<b>(731)</b>	(701)	<b>78 643</b>	81 404	<b>(6 005)</b>	7 803
Net (expense) from administrative restructure	-	-	-	-	-	-	-	(118)	-	(118)
<b>NET RESULT AFTER RESTRUCTURE</b>	<b>(4 466)</b>	(5 720)	<b>(2 021)</b>	(2 583)	<b>(731)</b>	(701)	<b>78 643</b>	81 286	<b>(6 005)</b>	7 685

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- 1. Objectives of the Department for Environment and Heritage**
- (a)** The goals of the Department for Environment and Heritage (the Department) are:
- (1) *Involving South Australians*  
Encouraging South Australians to enjoy and be actively involved with their rich heritage and diverse natural environments.
  - (2) *A Healthy Environment*  
Improving South Australia's rich heritage and diverse natural environments, both public and private, particularly sites and places of State significance.
  - (3) *Sustainable Growth*  
Facilitating economic growth and work to help others recognise that sound environmental management and economic growth are complementary contributors to the sustainable growth of our State.
  - (4) *Better Decisions and Partnerships*  
Providing quality information and policy advice based on evidence and research. Building and maintaining strong partnerships to deliver better decisions and results.
  - (5) *Getting Results*  
Making sure that the Department is accountable and well led, and gets the results it sets out to achieve.

**(b) Financial Arrangements**

The Department's sources of funds consist of monies appropriated by Parliament together with income derived from fees and charges for services to the public and industry. These include:

- admissions and guided tour charges
- fees, levies and licenses
- rents for Crown Land
- sales of spatial information.

The financial activities of the Department are primarily conducted through Deposit Accounts with the Department of Treasury and Finance (DTF) pursuant to sections 8 and 21 of the PFAA. The Deposit Accounts are used for funds provided by Parliamentary appropriation together with revenues from services provided.

**2. Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, TIs and APSs promulgated under the provisions of the PFAA.

AASs include AAS 29. The Department has early-adopted the amendments to AASB 101. Refer to Note 4.

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

The Cash Flow Statement is prepared on a cash basis.

The financial report has been prepared based on a 12 month operating cycle and presented in Australian currency.

**(b) Reporting Entity**

The Department performs functions related to Departmental and Administered activities. Both Departmental and Administered financial statements are prepared as the administered activities are significant to the Department's overall activities.

The Departmental financial statements include the assets, liabilities, revenues, expenses, changes in equity and cash flows controlled or incurred by the Department in its own right including the General Reserves Trust, the Wildlife Conservation Fund and the State Heritage Fund.

The Department previously undertook a review of the structure, management and reporting of the State Heritage Fund (the Fund). As a result of the review, the nature of the activities conducted through the Fund were amended to streamline its operations, simplify management and minimise costs associated with the administration of the Fund. At the same time, the requirement to prepare a separate set of financial statements was revised such that an abridged set of financial statements for the Fund is now disclosed as a note to the Department's financial statements (refer Note 41).

The Administered Items' financial statements include the assets, liabilities, revenues, expenses, changes in equity and cash flows which the Department administers on behalf of the SA Government, industry and the Minister for Environment and Conservation but does not control. Further, the Administered Items' financial statements detail the sum of the individual Administered Items' revenues, expenses, assets, liabilities, changes in equity and cash flows and as such the principles of consolidation have not been applied in preparing these financial statements as the definition of an economic entity has not been satisfied. Accordingly, transactions and balances between the individual Administered Items have not been eliminated. The Administered Items are:

- Board of the Botanic Gardens and State Herbarium
- Crown Land
- Minister's Other Payments:
  - Royal Zoological Society of SA Inc.
- Special Acts Allocation:
  - Salary and Allowances – Minister.

Although previously included in the Department's administered items schedule, the Coast Protection Board, the Dog and Cat Management Board and the Adelaide Dolphin Sanctuary Board are no longer considered administered or controlled items of the Department, as the activities, funds and legislative arrangements are not consistent with the requirements of paragraphs 6.3.11 and 6.3.12 of AAS 29.

**(c) Administrative Restructures**

During the previous reporting period the Office of Sustainability was transferred to the Department of the Premier and Cabinet. This took effect from 1 April 2006 as noted in the Government Gazette dated 23 March 2006. Additional information about administrative restructures is provided in Note 18.

**(d) Comparative Information**

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

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

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

**(e) Rounding**

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

**(f) Taxation**

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

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

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

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Balance Sheet.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office. If GST is not payable to, or recoverable from the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

The Department prepares a Business Activity Statement on behalf of its Administered Items and for clients provided with business services under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payments and entitled to the receipts associated with GST. As such, the GST applicable to these entities forms part of the receivables and payables recorded in the Balance Sheet and the GST cash flows recorded in the Cash Flow Statement of the Department.

**(g) Income and Expenses**

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

Income and expenses have been classified according to their nature in accordance with APF II APS 3.5 and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or event.

The notes accompanying the financial statements disclose revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

The following are specific recognition criteria:

*Revenues from (Payments to) SA Government*

Appropriations for program funding are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon receipt. Appropriation receipts are accounted for in accordance with TI 3.

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy, taxation revenues and expiation fees received on behalf of the government and paid directly to the DTF Consolidated Account.

*Resources Received/Provided Free of Charge*

Resources received/provided free of charge are recorded as revenue and expenditure in the Income Statement at their fair value in accordance with the APF III APS 2.12. Resources provided free of charge are recorded in the expense line items to which they relate.

*Contributions Received/Paid*

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

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

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

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

*Finance Costs*

All finance costs are recognised as an expense.

*Fees and Charges*

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

*Disposal of Non-Current Assets*

Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with APF III APS 3.11.

**(h) Current and Non-Current Classification**

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

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

**(i) Cash and Cash Equivalents**

Cash in the Balance Sheet and Cash Flow Statement comprise of cash on hand (including petty cash and cashier floats) and monies held by DTF in deposit accounts.

Cash equivalents are comprised of cash held in the accrual appropriation account with DTF.

Cash is measured at nominal value.

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with appropriation and expenditure authority. In the current reporting period the Department transferred \$4 million to the DTF Consolidated Account (\$nil).

**(j) Receivables**

Receivables include amounts receivable from trade and other accruals.

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

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

**(k) Inventories**

Inventories held for distribution for no or nominal consideration are measured at the lower of cost and current replacement cost. Inventories (other than those held for distribution at no or nominal consideration) are measured at the lower of cost or their net realisable value.

Cost is allocated in accordance with the first-in first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

**(l) Other Financial Assets**

The Department measures financial assets and debt at historical cost in accordance with APF IV APS 6.1.

**(m) Non-Current Asset Acquisition and Recognition**

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value or minimal value, they are recorded at their fair value in the Balance Sheet. If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

In accordance with APF III APSs 2.15, 2.16 and 7.2 all non-current tangible assets with a fair value of \$5000 or greater are capitalised.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

Assets held for sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell.

*Assets Deemed to be at Fair Value*

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APF III have not been met, these classes of non-current assets are deemed to be at fair value.

For all classes of assets, assets acquired within the last three years are reported at cost - deemed fair value.

*Heritage Assets*

In accordance with APF III as issued by DTF, heritage assets are recognised in the Balance Sheet as part of the aggregate value of the classes of assets to which they belong. Certain heritage assets and works of art that are unique due to their historical or cultural interest are not depreciated due to their long and indeterminate useful lives. Heritage assets that provide a functional service are recorded at depreciated fair value.

*Land*

Land comprising national, conservation and recreation parks and wilderness protection areas and reserves, generally have restrictions on use imposed by statute or regulation. These restrictions have been taken into account by the independent valuers.

The Department is custodian of unallotted Crown Land, by virtue of its responsibilities under the *Crown Lands Act 1929*. This land is considered to be an administered asset. Unallotted Crown Land is not included in the Administered Items activities as the Department has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings. In addition, limitations exist on the reliability of the base information used to determine the valuation of property, plant and equipment actually included in Crown Lands.

The Administered Items activities include the Crown's interest in land leased to third parties under perpetual and other leases and annual licences.

**(n) Revaluation of Non-Current Assets**

In accordance with APF III:

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

Every three years the Department revalues its land, buildings and leasehold improvements on a rolling basis. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

All asset classes have been subject to revaluation at 30 June 2006, other than:

- computing equipment
- plant and equipment under finance lease.

From the 2002-03 financial year, the Department has elected to apply progressive revaluations to asset classes that are subject to revaluation.

In the 2005-06 financial year professional revaluations were undertaken and applied to assets in the above classes. Included in this revaluation was a revaluation of the Data Dictionary, used to value generic assets and lower value items (generally under \$50 000) across all classes of assets (excluding Land). All assets within a class that have been revalued have been disclosed accordingly. Assets carried at cost (where permitted as deemed fair value) are separately disclosed.

**(n) Revaluation of Non-Current Assets (continued)**

List of valuers utilised by the Department:

- Land — Valcorp - June 2006 - performed by A J Lucas - MBA, BAppSc (Val), DipAcc, AAPI and F Taormina - BAppSc (Val), AAPI from Valcorp Australia Pty Limited.
- Unique Items — March 2006 - performed by M Burns - MBA, BAppSc (PRM), AAPI from Liquid Pacific.
- Data Dictionary — June 2006 - performed by A J Lucas - MBA, BAppSc (Val), DipAcc, AAPI and F Taormina - B AppSc (Val), AAPI from Valcorp Australia Pty Limited.

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

Any revaluation decrement is recognised in the Income Statement, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in revaluation reserve for that asset class.

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

Upon disposal or derecognition, any revaluation reserve relating to the asset is transferred to retained earnings.

**(o) Impairment**

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

For revalued assets, an impairment loss is offset against the asset revaluation reserve.

**(p) Depreciation and Amortisation of Non-Current Assets**

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

The useful lives of all major assets held by the Department are reassessed on an annual basis.

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

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

Land and assets held for sale are not depreciated.

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

<i>Class of Asset</i>	<i>Useful life (Years)</i>
Computing equipment	3-10
Application software	3-10
Park infrastructure	1-76
Plant and equipment	1-50
Roads, tracks and trails	1-39
Moveable vehicles	3-20
Furniture and fittings	3-20
Buildings and improvements	1-50
Other	1-60

**(q) Intangible Assets**

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

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

The acquisition of, or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$5000 in accordance with APF III APSs 2.15 and 2.16.

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

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

**(r) Payables**

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

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

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or the date the invoice is first received, in accordance with TI 11.

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

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

**(s) Provisions for Employee Benefits**

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

*Wages, Salaries, Annual Leave and Sick Leave*

Liabilities for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

*Long Service Leave*

The liability for long service leave is leave recognised after an employee has completed six and a half years of service as advised in APF IV. An actuarial assessment of long service leave undertaken by the DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

**(t) Borrowings**

Borrowings consist of an unsecured loan advanced by DTF. Interest is incurred at a rate determined by the Treasurer with interest paid quarterly in arrears. The average effective interest rate for the reporting period was 6.6 percent (7 percent). All borrowing costs are recognised as an expense.

**(u) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use an asset.

*Operating Leases*

Operating lease payments are charged to the Income Statement in the periods in which they are incurred. Details of Operating Lease Commitments are disclosed in Note 34.

*Lease Incentive*

The Department entered into an operating lease for accommodation whereby it received an incentive, in the form of a rent free period. A liability has been recognised (refer Note 30) to reflect the deferred benefits received under the lease incentive arrangement and is systematically reduced by the allocation of lease rental payments between rental expense and reduction of the lease incentive liability.

**3. Financial Risk Management**

The Department has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (held to maturity investments) and liabilities (borrowings from the SA Government). The Department's exposure to market risk and cash flow interest risk is minimal.

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

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Department's administration and programs.

**4. Changes In Accounting Policy**

Except for the amendments to AASB 101, which the Department has early-adopted, AASs and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the Department for the reporting period ending 30 June 2007. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies for the financial report of the Department.

**5. Programs of the Department**

Information about the Department's programs and the revenues and expenses which are reliably attributable to those programs is disclosed in the following program schedule. (Refer also to Program Schedule for Expenses and Income).

**Program 1: Nature Conservation**

Protecting and restoring ecosystems, habitats, species and populations by developing nature conservation policies and programs with industries, governments and communities and by undertaking and supporting research, surveys and monitoring of South Australia's ecosystems, habitats, species and populations.

**Program 2: Public Land Management - Visitor Management**

Promoting public enjoyment and the conservation of the State's natural and cultural heritage through the provision of sustainable opportunities for environmentally sensitive, economically viable and socially responsible visitor experiences.

**Program 3: Public Land Management - Fire Management**

Managing fire to reduce the risk to life and property, and conserve our natural and cultural heritage on lands managed by the Department.

**Program 4: Public Land Management - Stewardship**

This is an amalgamation of Land Administration Subprogram and Land Management Subprogram. Promoting sustainable use of public lands through the development and implementation of strategies, policies, programs and procedures for the acquisition, allocation, disposal, management and use of Crown Land, and land held by the Minister for Environment and Conservation. Improving the conservation of South Australia's natural biodiversity by contributing to a comprehensive, adequate and representative system of protected areas. Developing statutory land management planning and policy frameworks, engaging the community and managing public lands in an ecologically sustainable manner.

**Program 5: Coast and Marine Conservation**

Ensuring the conservation and sustained productivity of the State's coastal, estuarine and marine environments by implementing planning and legislative initiatives from the Living Coast Strategy.

**Program 6: Botanic Gardens Management**

Advancing plant conservation and sustainable horticultural practices, and enriching society by managing the natural and cultural assets and resources of the Botanic Gardens and State Herbarium.

**Program 7: Heritage Conservation**

Ensuring the State's built and maritime heritage is identified, protected, conserved and celebrated by administering the South Australian Heritage Register and South Australian Heritage Fund, supporting the South Australian Heritage Council, providing conservation advice, assessing development applications, interpreting heritage sites, maintaining educational and promotion programs and managing heritage properties.

**Program 8: Animal Welfare**

Ensuring that animals are treated humanely by the provision of public awareness and information and supporting the RSPCA in the administration and enforcement of the provisions of the *Prevention of Cruelty to Animals Act 1985*. Ensuring companion animals are managed appropriately by the provision of public awareness and information and supporting the Dog and Cat Management Board in the administration and enforcement of the *Dog and Cat Management Act 1995*.

**Program 9: Agency Support Services**

The provision of business support services to the various operational units within the Department, the Environment Protection Authority, Zero Waste SA and other related boards, committees and specific purpose funds. These services include the provision and management of information to support the State's environmental needs, human resource management, payroll, financial management, IT infrastructure, IT Helpdesk support, facilities management, project management, asset management, administrative support, business planning, governance, government business, executive support, public affairs, procurement and environmental policy advice.

**6. Employee Benefits Expenses and Other Costs**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Salaries and wages	<b>55 609</b>	52 283
TVSPs <sup>(1)</sup>	-	223
Annual leave	<b>5 208</b>	4 739
Long service leave	<b>2 228</b>	1 691
Employment on-costs - Superannuation	<b>6 974</b>	6 339
Employment on-costs - Other	<b>4 426</b>	4 497
Sitting fees boards and committees	<b>28</b>	80
	<b>74 473</b>	69 852
Other Employment Costs:		
Occupational health, safety and welfare	<b>276</b>	195
Other on-costs	<b>1 133</b>	998
Staff development	<b>1 205</b>	1 057
	<b>2 614</b>	2 250
<b>Total Employee Benefits Expenses and Other Costs</b>	<b>77 087</b>	72 102



		2007	2006
		\$'000	\$'000
<b>(i) TVSPs</b>	Amount Paid to these Employees:		
	TSVPs	-	161
	Annual leave and long service leave accrued over the period	-	62
		-	223
	Recovery from DTF	-	223
	<b>Net Amount paid to Employees</b>	-	223
		<b>2007</b>	2006
		<b>Number of</b>	Number of
		<b>Employees</b>	Employees
	Number of employees who were paid TVSPs during the reporting period	-	2

**Employee Remuneration**

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

\$100 000 - \$109 999	17	11
\$110 000 - \$119 999	2	7
\$120 000 - \$129 999	6	3
\$130 000 - \$139 999	4	4
\$140 000 - \$149 999	4	2
\$150 000 - \$159 999	4	2
\$160 000 - \$169 999	-	1
\$170 000 - \$179 999	1	1
\$180 000 - \$189 999	-	1
\$190 000 - \$199 999	1	1
\$200 000 - \$209 999	-	1
\$210 000 - \$219 999	1	-
\$270 000 - \$279 999	-	1
\$290 000 - \$299 999	1	-
<b>Total Number of Employees</b>	<b>41</b>	<b>35</b>

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$5.4 million (\$4.7 million).

**Number of Employees at Reporting Date**

The Department had 1060 employees (1022) as at the reporting date.

		2007	2006
		\$'000	\$'000
<b>7. Supplies and Services</b>	Accommodation and property management services	8 188	7 769
	Travel and accommodation	1 292	1 238
	Information technology and communication expenses	6 608	6 484
	Contractors	3 819	4 545
	Consultant fees <sup>(i)</sup>	176	190
	Fee-for-service	11 037	10 890
	Minor works, maintenance and equipment	7 141	5 685
	Vehicle and aircraft	4 533	4 302
	Transportation	216	203
	General administration	3 442	3 372
	Cost of goods sold	746	814
	Scientific and technical services	846	965
	Monitoring fees	305	236
	Sand replenishment	1 712	1 885
	Heritage advisers	458	365
	Other	665	606
		<b>51 184</b>	<b>49 549</b>

	2007		2006	
	Number	\$'000	Number	\$'000
<b>(i)</b> The number and amount of Consultant Fees that fell within the following bands:				
Below \$10 000	6	22	7	44
Between \$10 000 - \$50 000	1	11	2	35
Above \$50 000	1	143	1	111
<b>Total Number and Amount of Consultant Fees</b>	<b>8</b>	<b>176</b>	<b>10</b>	<b>190</b>

		2007	2006
		\$'000	\$'000
Supplies and Services provided by Entities within the SA Government:			
	Accommodation and property management services	4 038	4 986
	General administration	620	1 111
		<b>4 658</b>	<b>6 097</b>

<b>8. Grants and Contributions Expense</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Community organisations and associations	<b>1 293</b>	1 813
State Government	<b>333</b>	1 023
Individuals - Heritage, fencing and other agreements	<b>142</b>	180
Local Government	<b>1 242</b>	607
Universities	<b>616</b>	365
Grant refund - Department of Water, Land and Biodiversity Conservation	<b>20</b>	-
Grant refund - South Australian Murray Darling NRM Board	<b>34</b>	-
Other	<b>97</b>	52
	<b>3 777</b>	4 040
<b>9. Depreciation and Amortisation</b>		
Depreciation:		
Buildings and improvements	<b>3 221</b>	1 031
Park infrastructure	<b>7 560</b>	3 602
Roads, tracks and trails	<b>11 829</b>	6 061
Moveable vehicles	<b>631</b>	540
Computing equipment	<b>578</b>	963
Furniture and fittings	<b>283</b>	381
Plant and equipment	<b>536</b>	621
Other	<b>29</b>	364
<b>Total Depreciation</b>	<b>24 667</b>	13 563
Amortisation:		
Application software	<b>483</b>	1 036
<b>Total Amortisation</b>	<b>483</b>	1 036
<b>Total Depreciation and Amortisation</b>	<b>25 150</b>	14 599
During 2006-07 a comprehensive review of the fixed assets processes for recording, revaluing, reconciling and reporting in the statutory accounts was undertaken, which identified errors in depreciation expense in prior periods for a small number of assets. In line with AASB 108 these errors have been corrected and restated in the comparatives within the Statement of Changes in Equity, Balance Sheet, Income Statement and Cash Flow Statement.		
<b>10. Finance Costs</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Interest on borrowings	<b>2 723</b>	2 957
	<b>2 723</b>	2 957
Finance Costs incurred with Entities within the SA Government:		
Interest on borrowings	<b>2 723</b>	2 957
	<b>2 723</b>	2 957
<b>11. Net Loss from Disposal of Non-Current Assets</b>		
Proceeds from Disposal of Non-Current Assets:		
Park infrastructure	<b>4</b>	-
Moveable vehicles	<b>70</b>	9
Furniture and fittings	<b>3</b>	6
Plant and equipment	<b>8</b>	(2)
	<b>85</b>	13
Less: Cost of Disposal		
Buildings	-	(446)
Park infrastructure	<b>(94)</b>	(1 078)
Roads, tracks and trails	<b>(11)</b>	(971)
Moveable vehicles	<b>(144)</b>	-
Computing equipment	<b>(4 007)</b>	(995)
Plant and equipment	<b>(125)</b>	(189)
Other assets	<b>(20)</b>	-
	<b>(4 401)</b>	(3 679)
Add: Disposal - Accumulated Depreciation		
Buildings	-	353
Park infrastructure	<b>23</b>	866
Roads, tracks and trails	<b>10</b>	724
Moveable vehicles	<b>117</b>	-
Computing equipment	<b>3 999</b>	993
Plant and equipment	<b>118</b>	173
Other assets	<b>20</b>	-
	<b>4 287</b>	3 109
Less: Cost of Transfer of Assets for No Consideration		
Buildings and improvements	<b>(256)</b>	(1 348)
Park infrastructure	<b>(611)</b>	(3 050)
Roads, tracks and trails	<b>(36)</b>	(159)
Furniture and fittings	<b>(56)</b>	(1 252)
Plant and equipment	<b>(26)</b>	(352)
Other	<b>(30)</b>	(21)
	<b>(1 015)</b>	(6 182)
<b>Net Loss from Disposal of Non-Current Assets</b>	<b>(1 044)</b>	(6 739)

<b>12. Other Expenses</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Bad and doubtful debts	99	15
Capital projects expenses	702	1 961
Cost of Property Sales	-	6
Inventory	(8)	52
Revaluation decrements	-	1 730
	<b>793</b>	<b>3 764</b>
<b>13. Fees and Charges Revenue</b>	<b>3 757</b>	3 316
Rent and other related income	738	860
Fees, levies and licences	4 708	4 314
Admissions and guided tours	2 035	1 287
Support services	1 961	1 895
Sale of goods	1 768	1 388
Sale of services	288	57
Sale of freehold titles	1 530	1 301
Sale of spatial information	16 785	14 418
Fees and Charges earned from Entities within the SA Government:	217	773
Support services	217	773
<b>14. Grants and Contributions Revenue</b>	<b>631</b>	540
Commonwealth Government	11 639	11 697
State Government <sup>(i)</sup>	1 453	1 388
Administered entities <sup>(ii)</sup>	649	861
Private Industry and Local Government <sup>(iii)</sup>	36	32
Private Industry and Local Government refund	-	71
Other	14 408	14 589
<b>(i) State Government Grants and Contributions</b>	<b>6 223</b>	5 591
Natural Resource Management Boards	942	700
Planning SA	1 259	568
Department of Water, Land and Biodiversity Conservation	2 217	2 162
Emergency Services - SA Fire and Emergency Services Commission	-	557
War Services Land Settlement Scheme	998	2 119
Other	11 639	11 697
<b>(ii) Administered Entities Grants and Contributions</b>	<b>870</b>	-
Board of Botanic Gardens and State Herbarium - Amazon Water Lily Pavilion	580	1 388
Board of Botanic Gardens and State Herbarium - Admin costs	3	-
Other	1 453	1 388
<b>(iii) Private Industry and Local Government</b>	<b>186</b>	153
Royal Botanic Gardens, Kew, UK	72	-
Mallee Catchment Management Authority	96	-
Iluka Resources	295	728
Other	649	881
<b>15. Interest Revenue</b>	<b>173</b>	7 273
Interest on funds held	173	7 273
Interest earned from entities within the SA Government:	134	7 217
Interest on funds held	134	7 217
Through the review of the Cash Alignment Policy undertaken by the DTF it was decided that the payment of interest on balances held in agency deposit and special deposit accounts with the Treasurer would cease from 2006-07. Accordingly, interest is now received by the Department only for those funds sourced from outside the SA Government budget sector and held with the Treasurer in specified accounts.		
<b>16. Assets Received for Nil Consideration</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Land and improvements	775	-
	<b>775</b>	<b>-</b>

<b>17. Other Revenue</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Salaries and wages recoveries	<b>355</b>	909
Insurance recoveries	<b>874</b>	496
Sponsorships, donations, commissions and bequests	<b>24</b>	57
Fitout recoveries	<b>-</b>	1 050
Dividends	<b>1</b>	2
Other	<b>348</b>	30
	<b>1 602</b>	2 544
Other Revenue earned from Entities within the SA Government:		
Salaries and wages recoveries	<b>-</b>	280
Insurance recoveries	<b>758</b>	504
	<b>758</b>	784
<b>18. Revenues from (Payments to) SA Government</b>		
Revenues:		
Recurrent appropriation	<b>111 796</b>	107 340
Accrual appropriation	<b>13 023</b>	14 233
Contingency funds	<b>1 170</b>	1 156
<b>Total SA Government Revenues</b>	<b>125 989</b>	122 729
Payments:		
Return of surplus cash	<b>3 979</b>	-
<b>Total SA Government Payments</b>	<b>3 979</b>	-
<b>19. Net Expense from Administrative Restructure</b>		
As a result of the Public Sector Management (Structure of Public Service) Proclamation 2006, the sustainability function of the Department's Office of Sustainability was transferred to the Department of the Premier and Cabinet. This transfer was effective as at 1 April 2006.		
The table below shows the assets and liabilities transferred in (out) of the Department as a result of the administrative restructure.		
		Office of Sustainability
	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Assets:		
Cash	<b>-</b>	(578)
<b>Total Assets</b>	<b>-</b>	(578)
Liabilities:		
Provisions for employee benefits	<b>-</b>	460
<b>Total Liabilities</b>	<b>-</b>	460
<b>Net Loss from Administrative Restructure</b>	<b>-</b>	(118)
<b>20. Cash and Cash Equivalents</b>		
Cash:		
Deposit accounts	<b>19 925</b>	16 622
Advance accounts	<b>111</b>	106
Cash in transit	<b>49</b>	25
Cash on hand	<b>29</b>	26
	<b>20 114</b>	16 779
Cash Equivalents:		
Accrual appropriation	<b>125 229</b>	112 206
<b>Total Cash and Cash Equivalents</b>	<b>145 343</b>	128 985
<b>21. Receivables</b>		
Current:		
Debtors	<b>2 671</b>	3 201
Interest	<b>15</b>	94
GST recoverable from Australian Taxation Office	<b>1 877</b>	1 233
Other	<b>36</b>	214
Less: Provision for doubtful debts	<b>119</b>	40
	<b>4 480</b>	4 702
Non-Current:		
Debtors	<b>1 788</b>	2 492
Loans	<b>35</b>	58
Other	<b>39</b>	28
	<b>1 862</b>	2 578
Receivables from SA Government Entities:		
Debtors	<b>1 437</b>	1 936
Interest	<b>15</b>	94
Other	<b>-</b>	214
	<b>1 452</b>	2 244

**Provision for Doubtful Debts**

The provision for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in 'Other expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

**Movements in the Provision for Doubtful Debts (Impairment Loss)**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Carrying amount at 1 July	<b>40</b>	34
Increase in the provision	<b>99</b>	15
Amounts written off	<b>(20)</b>	(9)
<b>Carrying Amount at 30 June</b>	<b>119</b>	40

**Interest Rate and Credit Risk**

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

**Bad and Doubtful Debts**

The Department has recognised a bad and doubtful debts expense of \$99 000 (\$15 000) in the Income Statement.

<b>22. Inventories</b>	<b>2007</b>	2006
Current:	<b>\$'000</b>	\$'000
Inventories held for distribution	<b>391</b>	373
Finished goods held for resale	<b>881</b>	892
Other inventories	<b>120</b>	122
	<b>1 392</b>	1 387
<b>23. Financial Assets</b>		
Non-Current:		
Equity in listed entities	<b>8</b>	8
	<b>8</b>	8
<b>24. Other Assets</b>		
Current:		
Prepayments	<b>635</b>	852
Other	<b>2</b>	3
	<b>637</b>	855
<b>25. Non-Current Assets Held for Resale</b>		
Land held for resale	<b>951</b>	951
	<b>951</b>	951
<b>26. Property, Plant and Equipment</b>		
<b>(a) Land, Buildings and Improvements, Park Infrastructure and Roads, Tracks and Trails</b>		
Land:		
Independent valuation	<b>155 127</b>	153 653
At cost (deemed fair value)	<b>3 225</b>	2 874
<b>Total Land</b>	<b>158 352</b>	156 527
Buildings and Improvements:		
Independent valuation	<b>83 939</b>	83 744
At cost (deemed fair value)	<b>4 759</b>	5 123
Less: Accumulated depreciation	<b>37 531</b>	31 023
<b>Total Buildings and Improvements</b>	<b>51 167</b>	57 844
Park Infrastructure:		
Independent valuation	<b>141 700</b>	140 419
At cost (deemed fair value)	<b>6 229</b>	6 300
Less: Accumulated depreciation	<b>98 745</b>	91 017
<b>Total Park Infrastructure</b>	<b>49 184</b>	55 702
Roads, Tracks and Trails:		
Independent valuation	<b>142 310</b>	141 919
At cost (deemed fair value)	<b>1 762</b>	627
Less: Accumulated depreciation	<b>114 210</b>	102 388
<b>Total Roads, Tracks and Trails</b>	<b>29 862</b>	40 158
Capital Works in Progress	<b>9 931</b>	5 125
<b>Total Capital Works in Progress</b>	<b>9 931</b>	5 125
<b>Total Land, Buildings and Improvements, Park Infrastructure and Roads, Tracks and Trails</b>	<b>298 496</b>	315 356

<b>(b) Plant and Equipment</b>	<b>2007</b>	2006
Moveable Vehicles:	<b>\$'000</b>	\$'000
Independent valuation	<b>12</b>	-
At cost (deemed fair value)	<b>8 492</b>	8 171
Less: Accumulated depreciation	<b>5 338</b>	4 824
<b>Total Moveable Vehicles</b>	<b>3 166</b>	3 347
Computing Equipment:		
At cost (deemed fair value)	<b>4 789</b>	8 048
Less: Accumulated depreciation	<b>3 814</b>	7 235
<b>Total Computing Equipment</b>	<b>975</b>	813
Furniture and Fittings:		
Independent valuation	<b>71</b>	71
At cost (deemed fair value)	<b>7 730</b>	7 128
Less: Accumulated depreciation	<b>5 594</b>	5 311
<b>Total Furniture and Fittings</b>	<b>2 207</b>	1 888
Plant and Equipment:		
Independent valuation	<b>1 033</b>	1 019
At cost (deemed fair value)	<b>4 187</b>	3 558
Less: Accumulated depreciation	<b>3 238</b>	2 822
<b>Total Plant and Equipment</b>	<b>1 982</b>	1 755
Plant and Equipment under Finance Lease:		
At cost (deemed fair value)	-	2
Less: Accumulated amortisation	-	2
<b>Total Plant and Equipment under Finance Lease</b>	<b>-</b>	<b>-</b>
Other:		
Independent valuation	<b>1 280</b>	1 410
At cost (deemed fair value)	<b>1 339</b>	1 216
Less: Accumulated depreciation	<b>225</b>	217
<b>Total Other</b>	<b>2 394</b>	2 409
<b>Total Plant and Equipment</b>	<b>10 724</b>	10 212
<b>Total Property, Plant and Equipment</b>	<b>309 220</b>	325 568

#### Asset Movement Reconciliation 2006-07

A reconciliation of the carrying amount of each class of Property, Plant and Equipment is displayed in the table below.

	Land \$'000	Buildings & Improvmnts \$'000	Park Infra- structure \$'000	Roads, Tracks & Trails \$'000	Moveable Vehicles \$'000	Computing Equipment \$'000
Gross Carrying Amount:						
Balance at 1 July	156 527	88 867	146 719	142 546	8 171	8 048
Additions	737	-	27	9	291	630
Additions - Transfers from capital works in progress	-	409	1 161	163	-	-
Net revaluation increment (decrement)	-	(723)	686	1 406	-	-
Assets transferred for nil consideration	-	(256)	(611)	(36)	-	-
Transfers between classes	548	-	19	-	186	118
Asset additions - Assets received for nil consideration	540	235	-	-	-	-
Disposals	-	-	(94)	(11)	(144)	(4 007)
ARAMIS revisions up	-	166	22	-	-	-
ARAMIS revisions down	-	-	-	(5)	-	-
Capital works in progress expensed in current period	-	-	-	-	-	-
<b>Balance at 30 June</b>	<b>158 352</b>	<b>88 698</b>	<b>147 929</b>	<b>144 072</b>	<b>8 504</b>	<b>4 789</b>
Accumulated Depreciation:						
Balance at 1 July	-	(31 023)	(91 017)	(102 388)	(4 824)	(7 235)
Depreciation expense	-	(3 221)	(7 560)	(11 829)	(631)	(578)
Net revaluation increment (decrement)	-	(3 287)	(185)	(1)	-	-
Transfers within Government	-	-	5	(6)	-	-
Disposals	-	-	23	10	117	3 999
ARAMIS revisions up	-	-	(11)	-	-	-
ARAMIS revisions down	-	-	-	4	-	-
<b>Balance at 30 June</b>	<b>-</b>	<b>(37 531)</b>	<b>(98 745)</b>	<b>(114 210)</b>	<b>(5 338)</b>	<b>(3 814)</b>
Net Book Value:						
At 30 June 2006	156 527	57 844	55 702	40 158	3 347	813
<b>At 30 June 2007</b>	<b>158 352</b>	<b>51 167</b>	<b>49 184</b>	<b>29 862</b>	<b>3 166</b>	<b>975</b>

**Asset Movement Reconciliation 2006-07 (continued)**

	Furniture & Fittings \$'000	Plant & Equipment \$'000	Other \$'000	Capital Works in Progress \$'000	<b>2007 Total \$'000</b>
Gross Carrying Amount:					
Balance at 1 July	7 199	4 577	2 626	5 125	<b>570 405</b>
Additions	-	133	744	8 915	<b>11 486</b>
Additions - Transfers from capital works in progress	658	626	208	(3 407)	<b>(182)</b>
Net revaluation increment (decrement)	-	(3)	-	-	<b>1 366</b>
Assets transferred for nil consideration	(56)	(26)	(30)	-	<b>(1 015)</b>
Transfers between classes	-	38	(909)	-	-
Asset additions -					
Assets received for nil consideration	-	-	-	-	<b>775</b>
Disposals	-	(125)	(20)	-	<b>(4 401)</b>
ARAMIS revisions up	-	-	-	-	<b>188</b>
ARAMIS revisions down	-	-	-	-	<b>(5)</b>
Capital works in progress expensed in current period	-	-	-	(702)	<b>(702)</b>
<b>Balance at 30 June</b>	<b>7 801</b>	<b>5 220</b>	<b>2 619</b>	<b>9 931</b>	<b>577 915</b>
Accumulated Depreciation:					
Balance at 1 July	(5 311)	(2 822)	(217)	-	<b>(244 837)</b>
Depreciation expense	(283)	(536)	(28)	-	<b>(24 666)</b>
Net revaluation increment (decrement)	-	2	-	-	<b>(3 471)</b>
Transfers within Government	-	-	-	-	<b>(1)</b>
Disposals	-	118	20	-	<b>4 287</b>
ARAMIS revisions up	-	-	-	-	<b>(11)</b>
ARAMIS revisions down	-	-	-	-	<b>4</b>
<b>Balance at 30 June</b>	<b>(5 594)</b>	<b>(3 238)</b>	<b>(225)</b>	<b>-</b>	<b>(268 695)</b>
Net Book Value:					
At 30 June 2006	1 888	1 755	2 409	5 125	<b>325 568</b>
<b>At 30 June 2007</b>	<b>2 207</b>	<b>1 982</b>	<b>2 394</b>	<b>9 931</b>	<b>309 220</b>

**Restated Asset Movement Reconciliation 2005-06**

A reconciliation of the carrying amount of each class of Property, Plant and Equipment is displayed in the table below.

	Land \$'000	Buildings & Improvmnts \$'000	Park Infra-structure \$'000	Roads, Tracks & Trails \$'000	Moveable Vehicles \$'000	Computing Equipment \$'000
Gross Carrying Amount:						
Balance at 1 July	74 970	74 787	118 603	104 174	7 790	8 549
Additions	537	-	60	-	381	489
Additions - Transfers from capital works in progress	-	2 142	4 347	1 402	-	5
Net revaluation increment (decrement)	79 845	10 235	21 364	3 329	-	-
Assets transferred for nil consideration	-	(1 348)	(3 050)	(159)	-	-
Transfers between classes	1 175	-	(53)	-	-	-
First-time recognised assets	-	3 554	4 393	28 282	-	-
Disposals	-	(446)	(1 078)	(971)	-	(995)
ARAMIS revisions up	-	358	3 023	6 789	-	-
ARAMIS revisions down	-	(415)	(890)	(300)	-	-
Capital works in progress expensed in current period	-	-	-	-	-	-
<b>Balance at 30 June</b>	<b>156 527</b>	<b>88 867</b>	<b>146 719</b>	<b>142 546</b>	<b>8 171</b>	<b>8 048</b>
Accumulated Depreciation/Amortisation:						
Balance at 1 July	-	(40 968)	(95 351)	(82 146)	(4 301)	(7 307)
Depreciation expense	-	(1 031)	(3 601)	(6 061)	(540)	(963)
Net revaluation increment (decrement)	-	12 386	9 446	8 065	17	42
Transfers between classes	-	-	30	-	-	-
First-time recognised assets	-	(2 316)	(1 936)	(18 672)	-	-
Disposals	-	353	866	724	-	993
ARAMIS revisions up	-	233	(965)	(4 507)	-	-
ARAMIS revisions down	-	320	494	209	-	-
<b>Balance at 30 June</b>	<b>-</b>	<b>(31 023)</b>	<b>(91 017)</b>	<b>(102 388)</b>	<b>(4 824)</b>	<b>(7 235)</b>
Net Book Value:						
At 30 June 2005	74 970	33 819	23 252	22 028	3 489	1 242
<b>At 30 June 2006</b>	<b>156 527</b>	<b>57 844</b>	<b>55 702</b>	<b>40 158</b>	<b>3 347</b>	<b>813</b>

**Restated Asset Movement Reconciliation 2005-06 (continued)**

	Furniture & Fittings \$'000	Plant & Equipment \$'000	Plant & Equipment under Finance Lease	Other \$'000	Capital Works in Progress \$'000	2006 Total \$'000
Gross Carrying Amount:						
Balance at 1 July	6 180	4 332	2	9 736	8 639	417 762
Additions	-	360	-	-	9 842	11 669
Additions - Transfers from capital works in progress	2 261	540	-	21	(11 395)	(677)
Net revaluation increment	14	(428)	-	(5 941)	-	108 418
Assets transferred for nil consideration	(1 252)	(352)	-	(21)	-	(6 182)
Transfers between classes	(4)	53	-	(1 171)	-	-
Asset additions -						
Assets received for nil consideration	-	261	-	2	-	36 492
Disposals	-	(189)	-	-	-	(3 679)
ARAMIS revisions up	-	-	-	-	-	10 170
ARAMIS revisions down	-	-	-	-	-	(1 605)
Capital works in progress expensed in current period	-	-	-	-	(1 961)	(1 961)
<b>Balance at 30 June</b>	<b>7 199</b>	<b>4 577</b>	<b>2</b>	<b>2 626</b>	<b>5 125</b>	<b>570 407</b>
Accumulated Depreciation:						
Balance at 1 July	(4 993)	(2 693)	(2)	(4 113)	-	(241 874)
Depreciation expense	(381)	(620)	-	(364)	-	(13 561)
Net revaluation increment	63	441	-	4 261	-	34 721
Transfers between classes	-	(30)	-	-	-	-
First-time recognised assets	-	(93)	-	(1)	-	(23 018)
Disposals	-	173	-	-	-	3 109
ARAMIS revisions up	-	-	-	-	-	(5 239)
ARAMIS revisions down	-	-	-	-	-	1 023
<b>Balance at 30 June</b>	<b>(5 311)</b>	<b>(2 822)</b>	<b>(2)</b>	<b>(217)</b>	<b>-</b>	<b>(244 839)</b>
Net Book Value:						
At 30 June 2005	1 187	1 640	1	5 622	8 639	175 889
<b>At 30 June 2006</b>	<b>1 888</b>	<b>1 755</b>	<b>-</b>	<b>2 409</b>	<b>5 125</b>	<b>325 568</b>

27. Intangible Assets	2007 \$'000	2006 \$'000
Revenue Stream (War Services Freehold Leases):		
At cost (deemed fair value)	1 000	1 000
<b>Total Revenue Stream (War Services Freehold Leases)</b>	<b>1 000</b>	<b>1 000</b>
Computer Software (Internally Generated):		
At cost (deemed fair value)	9 271	9 084
Less: Accumulated amortisation	7 971	7 488
<b>Total Computer Software (Internally Generated)</b>	<b>1 300</b>	<b>1 596</b>
<b>Total Intangible Assets</b>	<b>2 300</b>	<b>2 596</b>

**Intangible Asset Movement Schedule**

	2007 \$'000
Gross Carrying Amount:	
Balance at 1 July	10 084
Additions	5
Addition:	
Transfer from CWIP	182
<b>Balance at 30 June</b>	<b>10 271</b>
Accumulated Amortisation:	
Balance at 30 June 2006	(7 488)
Amortisation expense	(483)
<b>Balance at 30 June</b>	<b>(7 971)</b>
Net Book Value:	
At 30 June 2006	2 596
<b>At 30 June 2007</b>	<b>2 300</b>

28. Payables	2007 \$'000	2006 \$'000
Current:		
Creditors	11 242	8 100
Accruals	2 144	1 550
Employee benefit on-costs <sup>(i)</sup>	1 574	1 023
Accrued workers compensation	11	11
	<b>14 972</b>	<b>10 684</b>
Non-Current:		
Employee benefit on-costs <sup>(i)</sup>	1 421	1 354
	<b>1 421</b>	<b>1 354</b>



**(i) Employee Benefit On-Costs**

Costs that are a consequence of employing employees, but which are not employee benefits, such as payroll tax and superannuation on-costs, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised. The employee benefit on-costs associated with each type of employee benefit are as follows:

Current:	<b>2007</b>	2006
Accrued payroll tax:	<b>\$'000</b>	\$'000
Annual leave	<b>294</b>	266
Long service leave	<b>45</b>	38
Accrued salaries and wages	<b>366</b>	69
	<b>705</b>	373
Superannuation:		
Annual leave	<b>703</b>	488
Long service leave	<b>39</b>	31
Accrued salaries and wages	<b>127</b>	131
	<b>869</b>	650
<b>Total Current Employee Benefit On-Costs</b>	<b>1 574</b>	1 023
Non-Current:		
Accrued payroll tax:		
Long service leave	<b>758</b>	742
	<b>758</b>	742
Superannuation:		
Long service leave	<b>663</b>	612
	<b>663</b>	612
<b>Total Non-Current Employee Benefit On-Costs</b>	<b>1 421</b>	1 354
Payables to SA Government Entities:		
Creditors	<b>2 091</b>	2 734
Accruals	<b>476</b>	765
Employee benefit on-costs	<b>1 464</b>	1 114
	<b>4 031</b>	4 613

**29. Employee Benefits**

Current:		
Annual leave	<b>4 900</b>	4 235
Long service leave	<b>816</b>	310
Accrued salaries and wages	<b>1 193</b>	1 146
	<b>6 909</b>	5 691
Non-Current:		
Long service leave	<b>13 778</b>	12 879
	<b>13 778</b>	12 879

Costs that are a consequence of employing employees, but which are not employee benefits, such as payroll tax and superannuation on-costs, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised. These employee benefit on-costs are recognised as Payables in Note 28 as they do not accrue to employees.

The total current and non-current employee expense (ie aggregate employee benefit plus related on costs) for 2007 is \$8 million and \$16 million respectively. (\$7 million and \$15 million respectively).

In the 2007 financial year, the long service leave benchmark contained within the APF IV was amended, based on an actuarial assessment.

**30. Provisions**

Current:	<b>2007</b>	2006
Provision for workers compensation	<b>\$'000</b>	\$'000
	<b>351</b>	298
<b>Total Current Provisions</b>	<b>351</b>	298
Non-Current:		
Provision for workers compensation	<b>953</b>	810
<b>Total Non-Current Provisions</b>	<b>953</b>	810
<b>Total Provisions</b>	<b>1 304</b>	1 108
Carrying amount at 1 July	<b>1 108</b>	680
Additional provisions recognised	<b>5</b>	3
Discount rate adjustments	<b>191</b>	425
<b>Carrying Amount at 30 June</b>	<b>1 304</b>	1 108

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Wellbeing branch of the Department of the Premier and Cabinet. These claims are expected to be settled within the next financial year.

<b>31. Borrowings</b>	<b>2007</b>	2006
Current:	<b>\$'000</b>	\$'000
Department of Treasury and Finance - Loans	<b>38 054</b>	-
	<b>38 054</b>	-
Non-Current:		
Department of Treasury and Finance	-	38 054
	-	38 054
Repayable:		
Not later than one year	<b>38 054</b>	-
Later than one year but not later than five years	-	38 054
	<b>38 054</b>	38 054
<b>32. Other Liabilities</b>		
Current:		
Unclaimed monies	<b>16</b>	23
Deposits held	<b>76</b>	-
Retention monies	-	6
Bonds held	<b>4</b>	6
Unearned revenue	<b>123</b>	138
Lease incentive	<b>328</b>	328
Other	<b>61</b>	-
	<b>608</b>	501
Non-Current:		
Unearned revenue	<b>79</b>	28
Lease incentive	<b>2 224</b>	2 553
	<b>2 303</b>	2 581
Other Liabilities to SA Government Entities:		
Unearned revenue	<b>162</b>	143
	<b>162</b>	143

**33. Equity**

Equity represents the residual interest in the net assets of the Department. The State Government holds the equity interest in the Department on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

	<b>Asset Revaluation Reserve \$'000</b>	<b>Retained Earnings \$'000</b>	<b>2007 Total \$'000</b>
Balance at 1 July	<b>388 231</b>	<b>221 361</b>	<b>609 592</b>
Net Increment (Decrement) related to asset valuation errors <sup>(i)</sup> :			
Buildings	<b>(29 217)</b>	-	<b>(29 217)</b>
Infrastructure	<b>(91 571)</b>	-	<b>(91 571)</b>
Roads	<b>(99 737)</b>	-	<b>(99 737)</b>
Computing	<b>42</b>	-	<b>42</b>
Application software	<b>1</b>	-	<b>1</b>
Vehicles	<b>17</b>	-	<b>17</b>
Furniture and fittings	<b>40</b>	-	<b>40</b>
Plant and equipment	<b>14</b>	-	<b>14</b>
Other	<b>(54)</b>	-	<b>(54)</b>
Net Increment (Decrement) related to depreciation errors <sup>(ii)</sup> :			
Buildings	-	<b>1 182</b>	<b>1 182</b>
Infrastructure	-	<b>2 320</b>	<b>2 320</b>
Roads	-	<b>(2)</b>	<b>(2)</b>
Computing	-	<b>7</b>	<b>7</b>
Application software	-	<b>(3)</b>	<b>(3)</b>
Vehicles	-	<b>(1)</b>	<b>(1)</b>
Furniture and fittings	-	<b>(14)</b>	<b>(14)</b>
Plant and equipment	-	<b>4</b>	<b>4</b>
Other	-	<b>1</b>	<b>1</b>
Inventory adjustment <sup>(iii)</sup>	-	<b>(55)</b>	<b>(55)</b>
Adjustment SAICORP revenue <sup>(iv)</sup>	-	<b>(324)</b>	<b>(324)</b>
Recognition of intangible asset (War Services Revenue Stream) <sup>(v)</sup>	-	<b>1 000</b>	<b>1 000</b>
Transfer of Revenue (War Services) <sup>(vi)</sup>	-	<b>57</b>	<b>57</b>
First-time recognition of assets in prior period error <sup>(vii)</sup> :			
Buildings and improvements	-	<b>320</b>	<b>320</b>
Park infrastructure	-	<b>450</b>	<b>450</b>
Roads, tracks and trails	-	<b>685</b>	<b>685</b>
Plant and equipment	-	<b>24</b>	<b>24</b>
<b>Restated Balance 1 July</b>	<b>167 766</b>	<b>227 012</b>	<b>394 778</b>

**33. Equity (continued)**

	<b>Asset Revaluation Reserve \$'000</b>	<b>Retained Earnings \$'000</b>	<b>2007 Total \$'000</b>
Deficit for the year	-	(6 005)	(6 005)
Net Increment (Decrement) related to the revaluation of:			
Buildings and improvements	(4 010)	-	(4 010)
Park infrastructure	501	-	501
Roads, tracks and trails	1 405	-	1 405
Plant and equipment	(1)	-	(1)
Asset Errors - Fixed Assets:			
ARAMIS revisions up	-	177	177
ARAMIS revisions down	-	(1)	(1)
<b>Balance at 30 June</b>	<b>165 661</b>	<b>221 183</b>	<b>386 844</b>
	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	2006 Total \$'000
Balance at 1 July	22 876	201 594	224 470
First-time Recognition of Assets:			
Buildings and improvements	-	910	910
Park infrastructure	-	1 959	1 959
Roads, tracks and trails	-	8 878	8 878
Plant and equipment	-	142	142
Other	-	1	1
Asset Errors - Fixed Assets:			
ARAMIS revisions up	-	4 931	4 931
ARAMIS revisions down	-	(582)	(582)
Surplus for the year	-	3 528	3 528
Net Increment related to the revaluation of:			
Land	79 845	-	79 845
Buildings and improvements	51 859	-	51 859
Park infrastructure	122 381	-	122 381
Roads, tracks and trails	111 131	-	111 131
Furniture and fittings	37	-	37
Other	102	-	102
<b>Balance at 30 June</b>	<b>388 231</b>	<b>221 361</b>	<b>609 592</b>

**(i) Net Increment (Decrement) related to Asset Valuation Errors**

During the 2006-07 financial year the Department undertook a comprehensive review of the fixed assets processes for recording, revaluing, reconciling and reporting in the statutory accounts. Through this process the errors in revaluation were attributed to the incorrect use of Replacement Cost rather than Written Down Replacement Cost and consequently the accumulated depreciation for all asset classes excluding land were incorrectly stated in the prior period. In line with AASB 108 and the identification of these errors, the values ascribed for each of the various asset classes have had the comparatives restated in the Statement of Changes in Equity, Balance Sheet, Income Statement and Cash Flow Statement. As these errors are related to revaluations all adjustments are reflected in the respective asset class' related revaluation reserve.

**(ii) Net Increment/(Decrement) related to Depreciation Errors**

The review process also identified errors in depreciation expense in prior periods for a small number of assets. In line with AASB 108 these errors have been corrected and restated in the comparatives within the Statement of Changes in Equity, Balance Sheet, Income Statement and Cash Flow Statement.

**(iii) Inventory Adjustment**

During the prior reporting period, inventory holdings belonging to the Board of the Botanic Gardens and State Herbarium were incorrectly reported as part of the Department's current assets. This has been adjusted in the current reporting period and restated in the respective comparatives.

**(iv) Adjustment SAICORP Revenue**

During the prior reporting period, insurance revenue received from the SAICORP division of the South Australian Government Financing Authority (SAFA) was incorrectly raised as receivable, which resulted in Other Revenue being overstated for 2005-06. This has been adjusted in the current reporting period and restated in the respective comparatives.

**(v) Recognition of Intangible Asset (War Services Revenue Stream)**

During 2005-06, the War Services Leases reverted from the Commonwealth to the State by way of a payment by the Department of \$1 million in two equal instalments spread over two financial years. The revenue stream relating to the War Services Leases has been recognised as an intangible asset and capitalised retrospectively in 2005-06. This has been adjusted in the current reporting period and restated in the respective comparatives.

**(vi) Transfer of Revenue (War Services)**

As a result of the War Services Leases reverting to the Department, an amount of residual revenue originally payable to the Commonwealth was reverted to the Department and subsequently reclassified as revenue. This has been adjusted in the current reporting period and restated in the respective comparatives.

**(vii) First-time Recognition of Assets in Prior Period Error**

A comprehensive review of the fixed assets data undertaken during the 2006-07 identified a number of first-time recognition assets that were not recognised, in error, as part of a stocktake undertaken in the prior reporting period. In line with AASB 108 these errors have been corrected and restated in the comparatives within the Statement of Changes in Equity, Balance Sheet, Income Statement and Cash Flow Statement.

<b>34. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Net Cash provided by Operating Activities	<b>28 438</b>	33 875
Adjustments:		
Cash flows from government:		
Recurrent appropriation	<b>(111 796)</b>	(107 340)
Contingency funds	<b>(1 170)</b>	(1 156)
Accrual appropriation	<b>(13 023)</b>	(14 233)
Cash flows to government:		
Return of surplus cash	<b>3 979</b>	-
Depreciation and amortisation	<b>(25 150)</b>	(14 599)
Assets received free of charge	<b>775</b>	-
Assets written off	<b>(702)</b>	(3 692)
Net loss on sale of assets	<b>(1 044)</b>	(6 739)
Changes in Assets and Liabilities:		
(Decrease) Increase in receivables	<b>(938)</b>	1 722
Increase (Decrease) in inventories	<b>5</b>	(208)
Decrease in other assets	<b>(218)</b>	(32)
(Increase) Decrease in payables	<b>(5 029)</b>	487
Increase in employee benefits	<b>(2 117)</b>	(821)
Increase in provisions	<b>(196)</b>	-
Decrease (Increase) in other liabilities	<b>171</b>	(2 780)
<b>Net Cost of Providing Services</b>	<b>(128 015)</b>	(115 516)

**35. Restrictions on Contributions Received**

The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the agreement. At reporting date the Department had the following outstanding funding commitments:

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Resource conservation and management	<b>3 794</b>	3 635
	<b>3 794</b>	3 635

**36. Expenditure Commitments**

**Operating Lease Commitments**

The total value of future non-cancellable operating lease commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Not later than one year	<b>4 644</b>	5 059
Later than one year but not later than five years	<b>17 301</b>	19 098
Later than five years	<b>8 819</b>	14 070
<b>Total Expenditure Commitments</b>	<b>30 764</b>	38 227

The Department has received lease incentives for two leased properties amounting to \$3.3 million. These are being amortised at a rate of \$328 000 per annum until 2015.

The weighted average interest rate implicit in non-cancellable operating leases is 3.3 percent (3.3 percent).

The operating leases held by the Department are mainly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease terms. The leases are payable one month in advance and the Department has the right of renewal. There are no existing or contingent rental provisions.

**Capital Commitments**

The total value of capital commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

**Capital Commitments (continued)**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Not later than one year	<b>939</b>	3 884
<b>Total Capital Commitments</b>	<b>939</b>	3 884

The Department's Capital Commitments include amounts associated with capital infrastructure projects incomplete at the reporting date, as well as commitments in relation to Forward FX Contracts entered into by the Department as part of an asset purchase from an overseas vendor.

**Remuneration Commitments**

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

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Within one year	<b>2 615</b>	2 328
Later than one year but not later than five years	<b>5 075</b>	3 763
<b>Total Remuneration Commitments</b>	<b>7 690</b>	6 091

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

**37. Contingent Assets and Liabilities****Wilpena Tourist Centre**

The Minister (on behalf of the Department) extended a guarantee to a maximum value of \$1.3 million to ANZ Bank on behalf of Flinders Tourist Services Pty Ltd, in respect of the Wilpena Tourist Centre redevelopment/lease arrangement. This contingent liability was expected to reduce by an amount of \$130 000 per year effective from 1 July 2000 in line with loan repayments. The maximum exposure in relation to the guarantee as at 30 June 2007 is \$400 000. In the previous reporting period, the loan repayments and associated guarantee were restructured such that the contingent liability is now expected to reduce by an amount of \$80 000 per year effective from November 2004. As at the reporting date, no event was known to have occurred which would crystallise the liability under the guarantee.

The Department is not aware of the existence of any contingent assets as at 30 June 2007.

**38. Remuneration of Board and Committee Members**

Members that were entitled to receive remuneration for membership during the 2006/2007 financial year were:

**South Australian National Parks & Wildlife Council**

James J A  
Kleindorfer S (resigned 09.02.07)  
Lewis M J  
Ogle G R  
Nicholls M F  
Gould I G (resigned 09.02.07)  
Russel V J  
Yates K  
Jackson R

**ALB Steering Group**

Foreman G  
Roberts I  
Iasiello W

**South Australian Heritage Council**

Brine J M C  
Garnaut C M  
Graham A D  
Leydon G J  
O'Connell M B  
Owens L W  
Marsland M P  
Wigg C A

**South Australian Heritage Council Register Committee**

Bell P G  
Donovan P F  
Marsden S E  
McDougall K  
Queale M W  
Wigg C A  
Brown D L  
Taylor R J

**Adelaide Dolphin Sanctuary Advisory Board**

Bossley M  
Coleman P (resigned 05.12.06)  
Crocker L  
Gibbs S  
Harbison I  
Holt P  
Kavina C  
Wilson D  
Zappia T  
Watts T  
Daly J

**Kangaroo Management Reference Group (KMRG)**

Ackland T M  
Barrington D P  
Cooley G  
Corin J F  
Ireland C  
Johns G R  
Lindner J D  
Pfitzner D B

**Ngaut Ngaut Conservation Park Co-Management Committee**

Campbell I S  
Hutchinson C  
Campbel I V (Deputy)  
Rigney D (Deputy)  
Rigney L (Deputy)

**Coorong & Lower Lakes RAMSAR Taskforce**

Ball V M  
Geddes M  
Jones G E  
Owen R  
Scobie K L

**38. Remuneration of Board and Committee Members (continued)**

***Witjira National Park Board of Management***

Ahchee A  
 Ahchee M  
 Bellchambers K  
 Shields B R  
 Shields B E  
 Tjami H  
 Katnich P (Deputy)  
 Peckham H (Deputy)  
 Thomas R (Deputy)  
 Winton M (Deputy)

***Wilderness Advisory Committee***

Barker S  
 Bills C  
 Lesslie R  
 Lewis M

***Vulkathunha-Gammon Ranges National Park  
 Cooperative Management Committee***

Coulthard C  
 Coulthard J  
 Coulthard R  
 McKenzie P  
 Anderson M (Deputy)  
 Johnson P (Deputy)  
 Johnson R (Deputy)  
 Tree S (Deputy)

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

\$0  
 \$1 - \$9999

**Total Number of Members**

	<b>2007</b>	2006
	<b>Number</b>	Number
	<b>15</b>	10
	<b>63</b>	70
	<b>78</b>	80

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and salary sacrifice arrangements.

The total remuneration received or receivable by members was \$42 291 (\$82 255).

During the 2006-07 financial year, members of boards and committees were paid superannuation of \$187 (\$2179).

Board members are not solely members of one Department for Environment and Heritage board per se, but are members of a number of Statutory Boards associated with the Department for Environment and Heritage.

In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

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

**39. Financial Instruments Disclosure**

**(a) Accounting Policies and Terms and Conditions affecting Future Cash Flows**

*Financial Assets*

Cash deposits are recognised at their nominal amounts and interest is credited to revenue as it accrues. The Department invests surplus funds with the Treasurer at call. Interest is earned on the average monthly balance at rates based on the DTF 90 day average overnight cash interest rate and interest is paid at the end of each quarter. The average effective interest rate for the reporting period was 5.95 percent (6.95 percent).

Through the review of the Cash Alignment Policy undertaken by the DTF it was decided that the payment of interest on balances held in agency deposit and special deposit accounts with the Treasurer would cease from 2006-07. Accordingly, interest is now received by the Department only for those funds sourced from outside the SA Government budget sector and held with the Treasurer in specified accounts. In 2006-2007, the Wildlife Conservation Fund and the NPWS General Reserves Account were the only accounts within the Department that were interest bearing.

Debtors (trade accounts receivable) are generally settled within 30 days, are carried at amounts due and credit terms are net 30 days. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date and bad debts are written off in the period in which they are identified.

Loans are recognised at the nominal amounts lent and collectibility of amounts outstanding is reviewed at balance date with provision being made for bad and doubtful loans. That is, where collection of the loan or part thereof is judged to be less likely rather than more likely. Loan repayments may be waived at the discretion of the Minister. Interest is credited to revenue as it accrues in accordance with the fixed interest rate loan repayment schedule. Similarly, principal repayments also occur in accordance with the loan repayment schedules and the principal is repaid in full at maturity.



**Income Statement for the year ended 30 June 2007**

	2007 \$'000	2006 \$'000
Expenses:		
Supplies and services	5	(2)
Grants and contributions	230	232
Other expenses	23	-
<b>Total Expenses</b>	<b>258</b>	230
<b>Net Cost of Providing Services</b>	<b>258</b>	230
Revenues from SA Government:		
Revenues	250	250
<b>Total SA Government Revenues and Payments</b>	<b>250</b>	250
<b>Net Result</b>	<b>(8)</b>	20

**Balance Sheet as at 30 June 2007**

	2007 \$'000	2006 \$'000
Current Assets:		
Cash	140	184
<b>Total Current Assets</b>	<b>140</b>	184
Non-Current Assets:		
Receivables	35	58
<b>Total Assets</b>	<b>175</b>	242
Current Liabilities:		
Payables	16	75
<b>Total Current Liabilities</b>	<b>16</b>	75
<b>Total Liabilities</b>	<b>16</b>	75
<b>Net Assets</b>	<b>159</b>	167
Equity:		
Retained Earnings	159	167
<b>Total Equity</b>	<b>159</b>	167

**Statement of Changes in Equity for the year ended 30 June 2007**

	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2005	147	147
Net result for 2005-06	20	20
<b>Balance at 30 June 2006</b>	<b>167</b>	<b>167</b>
Net result for 2006-07	(8)	(8)
<b>Balance at 30 June 2007</b>	<b>159</b>	<b>159</b>

**Cash Flow Statement for the year ended 30 June 2007**

	2007 Inflows (Outflows) \$'000	2006 Inflows (Outflows) \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Supplies and services	(64)	2
Grants and contributions	(230)	(164)
<b>Cash used in Operations</b>	<b>(294)</b>	<b>(162)</b>
CASH INFLOWS:		
Loan repayments	-	4
<b>Cash generated from Operations</b>	<b>-</b>	<b>4</b>
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government:		
Recurrent appropriations	250	250
<b>Total Receipts from SA Government</b>	<b>250</b>	<b>250</b>
<b>Net Cash (used in) provided by Operating Activities</b>	<b>(44)</b>	<b>92</b>
<b>NET (DECREASE) INCREASE IN CASH HELD</b>	<b>(44)</b>	<b>92</b>
<b>CASH AT 1 JULY</b>	<b>184</b>	<b>92</b>
<b>CASH AT 30 JUNE</b>	<b>140</b>	<b>184</b>



## Administered Income Statement for the year ended 30 June 2007

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
<b>EXPENSES:</b>		
Employee benefits costs	<b>336</b>	276
Supplies and services	<b>1 474</b>	1 686
Grants and contributions	<b>4 576</b>	4 611
Depreciation and amortisation	<b>2 581</b>	1 966
Other expenses	<b>(58)</b>	(50)
<b>Total Expenses</b>	<b>8 909</b>	8 489
<b>INCOME:</b>		
Fees and charges	<b>976</b>	943
Grants and contributions	<b>140</b>	555
Interest	<b>142</b>	147
Assets received free of charge	<b>1 014</b>	5 293
Net gain from disposal of non-current assets	<b>11 022</b>	6 135
Other revenue	<b>1 073</b>	148
<b>Total Income</b>	<b>14 367</b>	13 221
<b>NET SURPLUS OF PROVIDING SERVICES</b>	<b>5 458</b>	4 732
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>		
Revenues	<b>3 376</b>	3 527
Payments	<b>(33 495)</b>	(6 045)
<b>Total SA Government Revenues and Payments</b>	<b>(30 119)</b>	(2 518)
<b>NET RESULT</b>	<b>(24 661)</b>	2 214

## Administered Balance Sheet as at 30 June 2007

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
<b>CURRENT ASSETS:</b>		
Cash	<b>12 351</b>	12 184
Receivables	<b>593</b>	852
Inventories	<b>159</b>	101
<b>Total Current Assets</b>	<b>13 103</b>	13 137
<b>NON-CURRENT ASSETS:</b>		
Receivables	<b>156</b>	289
Property, plant and equipment	<b>71 410</b>	85 088
<b>Total Non-Current Assets</b>	<b>71 566</b>	85 377
<b>Total Assets</b>	<b>84 669</b>	98 514
<b>CURRENT LIABILITIES:</b>		
Payables	<b>742</b>	267
Employee benefits	<b>6</b>	1
Other current liabilities	<b>2 151</b>	6 775
<b>Total Current Liabilities</b>	<b>2 899</b>	7 043
<b>NON-CURRENT LIABILITIES:</b>		
Payables	<b>140</b>	175
<b>Total Non-Current Liabilities</b>	<b>140</b>	175
<b>Total Liabilities</b>	<b>3 039</b>	7 218
<b>NET ASSETS</b>	<b>81 630</b>	91 296
<b>EQUITY:</b>		
Asset revaluation reserve	<b>37 115</b>	25 213
Retained earnings	<b>44 515</b>	66 083
<b>TOTAL EQUITY</b>	<b>81 630</b>	91 296

## Statement of Changes in Administered Equity for the year ended 30 June 2007

	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 1 July 2005</b>	19 073	64 090	83 163
Net increment related to the revaluation of assets	49 692	-	49 692
Asset errors - ARAMIS revisions up	-	12	12
Net surplus for the year	-	1 775	1 775
<b>Total Recognised Income and Expense for 2005-06</b>	49 692	1 787	51 479
<b>Balance at 30 June 2006</b>	68 765	65 877	134 642
Net decrement related to asset revaluation error	(43 552)	(232)	(43 784)
Correction to Heritage asset depreciation	-	400	400
Inventory adjustment	-	54	54
Net increment related to depreciation errors	-	19	19
Security deposits recognised in 2005-06 as revenue	-	(35)	(35)
<b>Restated Balance at 30 June 2006</b>	25 213	66 083	91 296
Net deficit for the year	-	(24 661)	(24 661)
Net increment related to the revaluation of assets	11 902	-	11 902
First-time recognition of assets	-	3 132	3 132
Asset errors - Fixed assets	-	(39)	(39)
<b>Total Recognised Income and Expense for 2006-07</b>	11 902	(21 568)	(9 666)
<b>Balance at 30 June 2007</b>	<b>37 115</b>	<b>44 515</b>	<b>81 630</b>

All Changes in Equity are attributable to the SA Government as owner

## Statement of Administered Cash Flows for the year ended 30 June 2007

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Employee benefits payments	(318)	(526)
Supplies and services	(5 255)	(1 615)
Grants and contributions	(4 576)	(4 611)
Other payments	-	(1)
<b>Cash used in Operations</b>	<b>(10 149)</b>	<b>(6 753)</b>
CASH INFLOWS:		
Fees and charges	834	3 469
Grants and contribution receipts	140	555
Interest received	140	147
Loan repayments	140	96
Other receipts	1 073	148
<b>Cash generated from Operations</b>	<b>2 327</b>	<b>4 415</b>
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government:		
Recurrent appropriation	3 376	3 527
<b>Total Receipts from SA Government</b>	<b>3 376</b>	<b>3 527</b>
Payments to SA Government:		
Return of surplus cash	(33 495)	(6 045)
<b>Total Payments to SA Government</b>	<b>(33 495)</b>	<b>(6 045)</b>
<b>Net Cash used in Operating Activities</b>	<b>(37 941)</b>	<b>(4 856)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(1 345)	(41)
Proceeds from sale of property, plant and equipment	39 453	8 196
<b>Net Cash provided by Investing Activities</b>	<b>38 108</b>	<b>8 155</b>
<b>NET INCREASE IN CASH</b>	<b>167</b>	<b>3 299</b>
<b>CASH AT 1 JULY</b>	<b>12 184</b>	<b>8 885</b>
<b>CASH AT 30 JUNE</b>	<b>12 351</b>	<b>12 184</b>

### NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

**A1. Administered Items of the Department**  
**(a) Reporting Entities and Strategic Context**  
The activities of the Administered Items are:

*Board of the Botanic Gardens and State Herbarium*

The Board was established under section 6 of the *Botanic Gardens and State Herbarium Act 1978* to ensure the maintenance and development of South Australia's Botanic Gardens and State Herbarium and to provide advice on relevant policies consistent with the provisions of the Act and with the objectives of the Minister for Environment and Conservation.

*Crown Lands*

Crown Lands is comprised of an account established by the Treasurer to record receipts and payments associated with the sale of Crown land and other surplus government land and property. The net revenues from these sales are returned to the DTF Consolidated Account.

*Ministerial Other Payments*

Payments made under Special Acts such as grant payments to the Royal Zoological Society of SA Inc.

*Special Acts Allocation*

Payments made under Special Acts for the salary and allowances for the Minister for Environment and Conservation.

**(b) Administered Items' Financial Arrangements**

The financial activities of the Administered Items are conducted through a number of Deposit Accounts with DTF pursuant to the PFAA. For those Administered Items that do not have their own Deposit Account with DTF their financial activities are conducted through the Department's Deposit Account.

The Department conducts a large number of activities directed towards meeting the Administered Items' objectives and responsibilities as specified in the legislation and/or other authoritative documentation that establishes the Administered Items. Many of the Administered Items, in accordance with the Acts, have delegated certain functions to officers within the Department who provide technical and administrative support including the use of plant and equipment, office accommodation and various administrative services. The cost of the services provided that can be identified with the activities of the Administered Items and can be measured reliably are met by the Administered Items. Other support services that are not identifiable and/or cannot be measured reliably are provided free of charge and have not been recognised in the Administered Items' schedules.

**(c) Administered Items' Summary of Significant Accounting Policies**

The Administered Items schedules of activities detail the sum of the individual Administered Items' expenses, income, assets, liabilities, changes in equity and cash flows and as such the principles of consolidation have not been applied in preparing the schedules as the definition of an economic entity has not been satisfied. Accordingly, transactions and balances between the individual Administered Items have not been eliminated.

In general, the Administered Items adopt the accounting policies of the Department. As detailed in Note 2 of the Department's financial statements, deviations from these policies are as follows:

*Property, Plant and Equipment*

The Department is custodian of unallotted Crown land, by virtue of its responsibilities under the *Crown Lands Act 1929*. This land is considered to be an administered asset. Unallotted Crown land is not included in the Administered Items activities as the Department has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings. In addition, limitations exist on the reliability of the base information used to determine the valuation of property, plant and equipment actually included in Crown Lands.

The Administered Items activities include the Crown's interest in land leased to third parties under perpetual and other leases and annual licences.

Total property plant and equipment as disclosed in the Administered Balance Sheet consists of assets belonging to the Botanic Gardens and State Herbarium (\$50.7 million) and Crown Lands (\$20.7 million).

*Provisions for Employee Benefits*

In general, Administered Items' utilise the services of contractors or the Department's employees rather than recruiting and appointing employees in their own right. In the majority of cases, the services provided by the Department's employees are provided free of charge. If, however, the services provided by the Department's employees are directly attributable to the activities of an Administered Item and can be reliably measured the services are charged to the Administered Item on a fee-for-service (cost recovery) basis. These charges are included in the Administered Income Statement as Employee Benefits. Further, the provision for the liability for employee benefits arising from services rendered by employees is not recognised in the Administered Items' financial statements as the Department is obligated to pay employees for services provided. Accordingly, the Provisions for Employee Benefits are recognised in the Department's financial statements.

Details of the Administered Items' expenses and income are provided in the following schedules.

*Schedule 1(A): Administered Expenses and Income for the Year Ended 30 June 2007*

*Schedule 1(B): Administered Expenses and Income for the Year Ended 30 June 2006*

**Schedule 1(A): Administered Expenses and Income  
for the year ended 30 June 2007**

	Botanic Gardens and State Herbarium	Crown Lands	Minister's Other Payments	Special Acts Allocation	2007 Total \$'000
<b>EXPENSES:</b>	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits costs	77	-	-	259	<b>336</b>
Supplies and services	329	1 141	4	-	<b>1 474</b>
Grants and contributions	1 450	-	3 126	-	<b>4 576</b>
Depreciation and amortisation	2 572	9	-	-	<b>2 581</b>
Other	(58)	-	-	-	<b>(58)</b>
<b>Total Expenses</b>	<b>4 370</b>	<b>1 150</b>	<b>3 130</b>	<b>259</b>	<b>8 909</b>
<b>INCOME:</b>					
Fees and charges	823	153	-	-	<b>976</b>
Grants and contributions	140	-	-	-	<b>140</b>
Interest	142	-	-	-	<b>142</b>
Assets received free of charge	1 005	9	-	-	<b>1 014</b>
Net gain from disposal of non-current assets	-	11 022	-	-	<b>11 022</b>
Other revenue	1 073	-	-	-	<b>1 073</b>
<b>Total Income</b>	<b>3 183</b>	<b>11 184</b>	<b>-</b>	<b>-</b>	<b>14 367</b>
<b>NET SURPLUS (COST OF SERVICES)</b>	<b>(1 187)</b>	<b>10 034</b>	<b>(3 130)</b>	<b>(259)</b>	<b>5 458</b>
<b>REVENUES FROM (PAYMENTS TO)</b>					
<b>SA GOVERNMENT:</b>					
Revenues	-	-	3 130	246	<b>3 376</b>
Payments	-	(33 495)	-	-	<b>(33 495)</b>
<b>Total SA Government Revenues and Payments</b>	<b>-</b>	<b>(33 495)</b>	<b>3 130</b>	<b>246</b>	<b>(30 119)</b>
<b>NET RESULT</b>	<b>(1 187)</b>	<b>(23 461)</b>	<b>-</b>	<b>(13)</b>	<b>(24 661)</b>

**Schedule 1(B): Administered Expenses and Income  
for the year ended 30 June 2006**

	Botanic Gardens and State Herbarium	Crown Lands	Minister's Other Payments	Special Acts Allocation	2006 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>EXPENSES:</b>					
Employee benefits costs	99	-	-	177	276
Supplies and services	273	1 409	4	-	1 686
Grants and contributions	1 485	-	3 126	-	4 611
Depreciation and amortisation	1 962	4	-	-	1 966
Other	(50)	-	-	-	(50)
<b>Total Expenses</b>	<b>3 769</b>	<b>1 413</b>	<b>3 130</b>	<b>177</b>	<b>8 489</b>
<b>INCOME:</b>					
Fees and charges	794	149	-	-	943
Grants and contributions	555	-	-	-	555
Interest	147	-	-	-	147
Assets received free of charge	5 293	-	-	-	5 293
Net gain from disposal of non-current assets	-	6 135	-	-	6 135
Other revenue	148	-	-	-	148
<b>Total Income</b>	<b>6 937</b>	<b>6 284</b>	<b>-</b>	<b>-</b>	<b>13 221</b>
<b>NET (COST OF SERVICES) SURPLUS</b>	<b>(3 168)</b>	<b>(4 871)</b>	<b>3 130</b>	<b>177</b>	<b>(4 732)</b>
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>					
Revenues	-	-	3 130	397	3 527
Payments	-	(6 045)	-	-	(6 045)
<b>Total SA Government Revenues and Payments</b>	<b>-</b>	<b>(6 045)</b>	<b>3 130</b>	<b>397</b>	<b>(2 518)</b>
<b>NET RESULT</b>	<b>3 168</b>	<b>(1 174)</b>	<b>-</b>	<b>220</b>	<b>2 214</b>

# ENVIRONMENT PROTECTION AUTHORITY

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The financial reporting entity, the Environment Protection Authority (EPA), includes the following:

- The Environment Protection Authority - an Administrative Unit established under the PSMAct.
- A Statutory Authority with an appointed Board also named the Environment Protection Authority (the Board) established by the *Environment Protection Act 1993* (the Act).
- The Environment Protection Fund as established under the Act.

The Act also established the Office of the Chief Executive, who is subject to the control and direction of the Board. The Act also permits the Board to make use of the services of the Administrative Unit's employees and its facilities.

### Functions

The functions of the EPA are to administer and enforce the Act, promoting principles of ecologically sustainable development. These functions include:

- review, develop and draft environment protection policies and national environment protection measures;
- authorise activities of environmental significance through an authorisation system aimed at the control and minimisation of pollution and waste;
- conduct compliance investigations and institute environmental monitoring and evaluation programs;
- provide advice and assistance regarding best environmental management practice;
- minimise adverse impacts of radiation on human health and the environment.

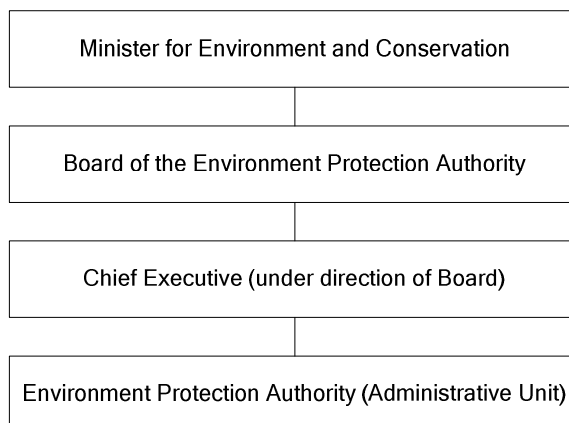
The EPA is also responsible for the Environment Protection Fund (EPF) established under the Act. The purpose of the EPF is to provide funds which may be applied to:

- the costs of administering the Act
- education
- training
- investigations
- research
- pilot programs.

for the protection, restoration or enhancement of the environment and to facilitate assistance for an environment performance agreement.

### Structure

The structure of the EPA is illustrated in the following organisation chart.





## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### *Audit of the Financial Report*

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

#### *Assessment of Controls*

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

#### Scope of Audit

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

During 2006-07, areas of review included:

- revenue raising
- environmental licensing
- waste depot levies
- expenditure
- payroll.

## AUDIT FINDINGS AND COMMENTS

### Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Environment Protection Authority as at 30 June 2007, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

#### Assessment of Controls

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

#### Communication of Audit Matters

The financial and accounting controls operating in relation to the auditable areas of review and financial statements were satisfactory. There were no matters identified during the audit that necessitated the submission of a management letter to the EPA.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

### Highlights of the Financial Report

	2007 \$'million	2006 \$'million	Percentage Change
<b>INCOME</b>			
Fees and charges	20.9	20.3	3
Other revenues	1.1	1.6	(31)
<b>Total Operating Revenue</b>	<b>22.0</b>	21.9	-
<b>OPERATING EXPENDITURE</b>			
Employment benefits costs	17.7	16.2	9
Grants and contributions	6.0	6.3	(5)
Other expenses	7.3	8.5	(14)
<b>Total Expenses</b>	<b>31.0</b>	31.0	-

	<b>2007</b>	2006	Percentage
	<b>\$'million</b>	\$'million	Change
<b>Net Cost of Providing Services</b>	<b>9.0</b>	9.1	(1)
<b>REVENUE FROM PAYMENTS TO SA GOVERNMENT</b>			
Revenues from SA Government	<b>9.9</b>	9.3	6
Payments to SA Government	-	0.3	(100)
<b>Net Result</b>	<b>0.9</b>	(0.1)	n/a
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1.9</b>	1.5	27
<b>ASSETS</b>			
Current assets	<b>8.9</b>	7.1	25
Non-current assets	<b>3.4</b>	3.9	(13)
<b>Total Assets</b>	<b>12.3</b>	11.0	12
<b>LIABILITIES</b>			
Current liabilities	<b>2.9</b>	3.2	(9)
Non-current liabilities	<b>4.0</b>	3.3	21
<b>Total Liabilities</b>	<b>6.9</b>	6.5	6
<b>EQUITY</b>	<b>5.4</b>	4.5	20

### Income Statement

#### Income

Income increased by \$100 000. Major items affecting the movement were an increase of \$600 000 in fees and charges offset by a decrease of \$335 000 in interest revenue.

#### Expenses

There was no movement in total expenses.

Salaries and wages increased by \$1 million due mainly to an Enterprise Bargaining Agreement increase and a reclassification of some employees. These were offset by decreases in information technology and communication, fee-for-service and general administration expenses totalling \$1.1 million due mainly to projects completed in 2005-06.

### Cash Flow Statement

The following table summarises the net cash flows since 2004.

	<b>2007</b>	2006	2005	2004
	<b>\$'million</b>	\$'million	\$'million	\$'million
<b>Net Cash Flows</b>				
Operations	<b>1.9</b>	1.5	(0.3)	(0.6)
Investing	<b>(0.5)</b>	(0.7)	(0.8)	(1.3)
Financing	-	-	-	(1.8)
Change in Cash	<b>1.4</b>	0.8	(1.1)	(3.7)
Cash at 30 June	<b>7.4</b>	6.0	5.2	6.3

Financing activities in 2004 relate to the establishment of Zero Waste SA.

### FURTHER COMMENTARY ON OPERATIONS

#### The Environment Protection Fund

The EPF's operations are reflected in the EPA's financial statements. Note 37 discloses details of operations of the EPF.

**Income Statement  
for the year ended 30 June 2007**

	Note	<b>2007</b>	2006
		<b>\$'000</b>	\$'000
<b>EXPENSES:</b>			
Employee benefits expenses and other costs	6	<b>17 708</b>	16 234
Supplies and services	7	<b>6 347</b>	7 602
Grants and contributions	8	<b>5 999</b>	6 289
Depreciation and amortisation	9	<b>871</b>	818
Net loss from disposal of non-current assets	10	<b>60</b>	45
Other expenses	11	<b>5</b>	2
<b>Total Expenses</b>		<b>30 990</b>	30 990
<b>INCOME:</b>			
Fees and charges	12	<b>20 895</b>	20 263
Grants and contributions	13	<b>944</b>	1 147
Interest revenue	14	<b>93</b>	428
Assets received free of charge	15	<b>-</b>	48
Other revenue	16	<b>101</b>	13
<b>Total Income</b>		<b>22 033</b>	21 899
<b>NET COST OF PROVIDING SERVICES</b>		<b>8 957</b>	9 091
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>			
Revenues from SA Government	17	<b>9 888</b>	9 308
Payments to SA Government	17	<b>-</b>	335
<b>Total SA Government Revenues and Payments</b>		<b>9 888</b>	8 973
<b>NET RESULT</b>		<b>931</b>	(118)

Net Result is attributable to the SA Government as owner

## Balance Sheet as at 30 June 2007

	Note	2007 \$'000	2006 \$'000
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	18	7 429	6 005
Receivables	19	1 362	1 080
Other current assets	21	69	44
<b>Total Current Assets</b>		<b>8 860</b>	7 129
<b>NON-CURRENT ASSETS:</b>			
Receivables	19	15	15
Financial assets	20	5	5
Property, plant and equipment	22	2 733	3 199
Intangible assets	23	721	695
<b>Total Non-Current Assets</b>		<b>3 474</b>	3 914
<b>Total Assets</b>		<b>12 334</b>	11 043
<b>CURRENT LIABILITIES:</b>			
Payables	24	1 096	1 581
Employee benefits	25	1 513	1 458
Provisions	26	28	25
Other current liabilities	27	299	146
<b>Total Current Liabilities</b>		<b>2 936</b>	3 210
<b>NON-CURRENT LIABILITIES:</b>			
Payables	24	375	333
Employee benefits	25	3 525	2 942
Provisions	26	77	69
<b>Total Non-Current Liabilities</b>		<b>3 977</b>	3 344
<b>Total Liabilities</b>		<b>6 913</b>	6 554
<b>NET ASSETS</b>		<b>5 421</b>	4 489
<b>EQUITY:</b>			
Asset revaluation reserve	28	1 221	1 221
Retained earnings	28	4 200	3 268
<b>TOTAL EQUITY</b>		<b>5 421</b>	4 489
Total Equity is attributable to the SA Government as owner			
Commitments	31		
Contingent assets and liabilities	32		

### Statement of Changes in Equity for the year ended 30 June 2007

	Note	Asset		Total \$'000
		Revaluation Reserve \$'000	Retained Earnings \$'000	
Balance at 1 July 2005		1 221	3 386	4 607
Deficit for the year		-	(221)	(221)
Total recognised income and expense for 2005-06		-	(221)	(221)
<b>Balance at 30 June 2006</b>		<b>1 221</b>	<b>3 165</b>	<b>4 386</b>
Revenue Correction 2005-06		-	(6)	(6)
Net increment related to depreciation errors	28(i)	-	109	109
<b>Restated balance at 30 June 2006</b>		<b>1 221</b>	<b>3 268</b>	<b>4 489</b>
Surplus for the year		-	931	931
Equity adjustment		-	3	3
Asset errors - Fixed assets		-	(2)	(2)
Total recognised income and expense for 2006-07		-	932	932
<b>Balance at 30 June 2007</b>		<b>1 221</b>	<b>4 200</b>	<b>5 421</b>

All Changes in Equity are attributable to the SA Government as owner

## Cash Flow Statement for the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
CASH OUTFLOWS:			
Employee benefits payments and other payments		(16 915)	(16 053)
Supplies and services		(6 956)	(7 137)
Grants and contributions		(5 999)	(6 230)
Other payments		(2)	(2)
<b>Cash used in Operations</b>		<b>(29 872)</b>	(29 422)
CASH INFLOWS:			
Fees and charges		20 741	20 421
Grant and contribution receipts		944	1 088
Interest received		95	432
Loan repayments		23	40
Other receipts		101	13
<b>Cash generated from Operations</b>		<b>21 904</b>	21 994
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government:			
Recurrent appropriation		8 612	8 674
Contingency funds		447	419
Accrual appropriation		829	215
<b>Total Receipts from SA Government</b>		<b>9 888</b>	9 308
Payments to SA Government:			
Return of surplus cash		-	(335)
<b>Total Payments to SA Government</b>		-	(335)
<b>Net Cash provided by Operating Activities</b>	29	<b>1 920</b>	1 545
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(496)	(734)
<b>Net Cash used in Investing Activities</b>		<b>(496)</b>	(734)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1 424</b>	811
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>		<b>6 005</b>	5 194
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>		<b>7 429</b>	6 005

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1. Objectives of the Environment Protection Authority

##### (a) Strategic Context

The Environment Protection Authority (the Authority) is South Australia's primary environmental regulator for the protection, restoration and enhancement of our environment. The Authority promotes the principles of ecologically sustainable development and works with government, industry and the people of South Australia, with key roles to:

- review, develop and draft environmental protection policies and national environment protection measures;
- authorise activities of environmental significance through an authorisation system aimed at the control and minimisation of pollution and waste;
- conduct compliance investigation and institute environmental monitoring and evaluation programmes;
- provide advice and assistance regarding best environmental management practice;
- minimise adverse impacts of radiation on human health and the environment.

The Authority has a key advocacy and engagement role across Government and with the people of South Australia, business and communities throughout South Australia to achieve a healthy and valued environment.

**(b) Financial Arrangements**

The Department for Environment and Heritage (DEH) provides some professional, technical and administrative support to the Authority. The identifiable direct costs of providing these services are met by the Authority. In addition, certain services are provided by DEH at no charge to the Authority and have not been recognised in the financial statements as it is impractical to determine a value for these items. The costs of these services include salaries and overheads relating to the provision of various administrative services. A Memorandum of Understanding was signed on 31 May 2004 between DEH and the Authority relating to the future provision of these services.

The Authority's sources of funds consist of monies appropriated by Parliament together with income derived primarily from fees, levies and licences to the public and industry. These include:

- Environment and Radiation Protection Licences
- waste levies from landfill depots
- fines and penalties
- Section 7 enquiries

The financial activities of the Authority are primarily conducted through Deposit Accounts with the Department of Treasury and Finance (DTF) pursuant to sections 8 and 21 of the PFAA. The Deposit Accounts are used for funds provided by Parliamentary appropriation together with revenues from services provided and from fees and charges.

**2. Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs and TIs and APSs promulgated under the provisions of the PFAA.

AASs include AAS 29. The Authority has early-adopted the amendments to AASB 101. Refer to Note 4.

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

The Cash Flow Statement is prepared on a cash basis.

The financial report has been prepared based on a 12 month operating cycle and presented in Australian currency.

**(b) Reporting Entity**

The financial reporting entity, the Authority, includes the following:

- The Environment Protection Authority — an Administrative Unit established on 1 July 2002 pursuant to the PSMAct as part of a restructure of the Government's environment protection functions.
- A Statutory Authority also named the Environment Protection Authority established through amendments to the *Environment Protection Act 1993 (the Act)*.
- The Environment Protection Fund as established under the Act.

The Fund meets the accounting criteria of a controlled entity of the Authority and consequently the assets and the liabilities of the Fund are recognised by the Authority in the Balance Sheet, the Fund's revenues and expenses have been recognised in the Authority's Income Statement, and the Fund's Changes in Equity have been recognised in the Authority's Statement in Changes in Equity. The transactions of the Fund are disclosed in Note 36.

The Authority performs functions related to Authority and Administered activities. The Authority's Financial Statements include the assets, liabilities, revenues and expenses controlled or incurred by the Authority in its own right. Administered Items have been disclosed in a Schedule of Administered Items which the Authority administers on behalf of the SA Government, industry and the Minister for Environment and Conservation but does not control. (Refer Note 38). The Administered item is:

- Adelaide Coastal Waters Study Steering Committee.

**(c) Comparative Information**

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

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

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

**(d) Rounding**

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

**(e) Taxation**

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

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

- Where the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable;
- Receivables and payables, which are stated with the amount of GST included.

DEH prepares a Business Activity Statement on behalf of the Authority under the grouping provisions of the GST legislation. Under these provisions, DEH is liable for the payments and entitled to the receipts associated with GST. As such, the GST applicable to these entities forms part of the receivables and payables recorded in the Balance Sheet and the GST cash flows recorded in the Cash Flow Statement of DEH.

**(f) Income and Expenses**

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

Income and expenses have been classified according to their nature in accordance with APF II APS 3.5 and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or event.

The notes accompanying the financial statements disclose revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

The following are specific recognition criteria:

*Revenues from/Payments to SA Government*

Appropriations for program funding are recognised as revenues when the Authority obtains control over the funding. Control over appropriations is normally obtained upon receipt. Appropriation receipts are accounted for in accordance with TI 3.

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy, taxation revenues and expiation fees received on behalf of the government and paid directly to DTF Consolidated Account.

*Resources Received/Provided Free of Charge*

Resources received/provided free of charge are recorded as revenue and expenditure in the Income Statement at their fair value in accordance with the APF III APS 2.12. Resources provided free of charge are recorded in the expense line items to which they relate.

*Contributions Received/Paid*

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

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

- contributions with unconditional stipulations — this will be when the agreement becomes enforceable ie the earlier of when the receiving entity has formally been advised that the contribution (eg grant application) has been approved; agreement/contract is executed; and/or the contribution is received.
- contributions with conditional stipulations — this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.
- contributions payable, the contribution will be recognised as a liability and expense when the entity has a present obligation to pay the contribution and the expense recognition criteria are met.

*Fees and Charges*

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



*Disposal of Non-Current Assets*

Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with APF III APS 3.11.

**(g) Current and Non-Current Classification**

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

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

**(h) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call and other short-term highly liquid investments with maturities of three months or less that are readily converted to cash and are used in the cash management function on a day-to-day basis.

Cash equivalents are comprised of cash held in the accrual appropriation account with DTF.

Cash is measured at nominal value.

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with appropriation and expenditure authority. In the current reporting period the Authority did not return any monies to the DTF Consolidated Account (\$335 000).

**(i) Receivables**

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

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

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

**(j) Other Financial Assets**

The Authority measures financial assets and debt at historical cost, in accordance with APF IV APS 6.1.

**(k) Non-Current Asset Acquisition and Recognition**

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value or minimal value, they are recorded at their fair value in the Balance Sheet. If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

In accordance with APF III APSs 2.15 and 7.2 all non-current tangible assets with a fair value of \$5000 or greater are capitalised.

Assets held for sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell.

*Assets Deemed to be at Fair Value*

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APF III have not been met, these classes of non-current assets are deemed to be at fair value.

Asset classes that did not satisfy the criteria and are therefore deemed to be at fair value include:

- moveable vehicles
- computing equipment
- application software
- furniture and fittings
- plant and equipment

For all classes of assets, assets acquired within the last three years are reported at cost - deemed fair value.

**(l) Revaluation of Non-Current Assets**

In accordance with APF III:

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

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

Any revaluation decrement is recognised in the Income Statement, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in revaluation reserve for that asset class.

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

Upon disposal or derecognition, any revaluation reserve relating to the asset is transferred to retained earnings.

The Authority undertook a professional valuation in 2004-05 for property, plant and equipment.

**(m) Impairment**

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

For revalued assets, an impairment loss is offset against the asset revaluation reserve.

**(n) Depreciation and Amortisation of Non-Current Assets**

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

The useful lives of all major assets held by the Authority are reassessed on an annual basis.

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

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

<i>Class of Asset</i>	<i>Useful Life Years</i>
Computing equipment	4-10
Application software	3-15
Infrastructure	10-50
Plant and equipment	3-25
Moveable vehicles	10-25
Furniture and fittings	10-15
Buildings and improvements	30-50
Other	7-10

**(o) Intangible Assets**

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

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

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$5000 in accordance with APF III APS 2.15.

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

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

**(p) Payables**

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

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

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

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or the date the invoice is first received, in accordance with TI 11.

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

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

**(q) Provisions for Employee Benefits**

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

*Wages, Salaries, Annual Leave and Sick Leave*

Liabilities for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

*Long Service Leave*

The liability for long service leave is leave recognised after an employee has completed six and a half years of service as advised in APF IV. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of future payments. This calculation is consistent with the Authority's experience of employee retention and leave taken.

**3. Financial Risk Management**

The Authority has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (held to maturity investments) and liabilities (borrowings from the SA Government). The Authority's exposure to market risk and cash flow interest risk is minimal.

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

In relation to liquidity/funding risk, 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.

**4. Changes in Accounting Policy**

Except for the amendments to AASB 101, which the Authority has early-adopted, AASs and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the Authority for the reporting period ending 30 June, 2007. The Authority has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies for the financial report of the Authority.

**5. Programs of the Authority**

The Authority is funded by appropriation for the provision of environment protection, policy and regulatory services. In line with the objective of establishing the Authority to focus on environment protection activities the Authority conducts its services through a single program, Environment and Radiation Protection. The purpose of this program is to achieve a clean, healthy and valued environment that supports social and economic prosperity for all South Australians.

**6. Employee Benefits Expenses and Other Costs**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Salaries and wages <sup>(i)</sup>	<b>12 694</b>	11 699
Annual leave	<b>1 225</b>	1 147
Long service leave	<b>653</b>	458
Employment on-costs - Superannuation	<b>1 726</b>	1 523
Employment on-costs - Other	<b>941</b>	850
Sitting fees boards and committees	<b>113</b>	117
	<b>17 352</b>	15 794
Other Employment Costs:		
Occupational Health, Safety and Welfare	<b>41</b>	80
Other on-costs	<b>108</b>	168
Staff development	<b>207</b>	192
	<b>356</b>	440
<b>Total Employment Benefits Expenses and Other Costs</b>	<b>17 708</b>	16 234

(i) **TVSPs**

TVSP amounts paid by the Authority are included within the salaries and wages expense.

During the year a total of nil employees (1 employee) of the Authority accepted packages in line with the State Government's policy.

The TVSP component of termination payments totalled \$nil (\$136 000). These costs were reimbursed by DTF.

In addition, accrued annual leave, leave loading and long service leave benefits amounting to \$nil (\$61 000) were paid to employees who received a TVSP.

**Employee Remuneration**

	<b>2007</b>	2006
	<b>Number of Employees</b>	Number of Employees
The number of employees whose remuneration received or receivable falls within the following bands:		
\$100 000 - \$109 999	<b>8</b>	3
\$110 000 - \$119 999	<b>2</b>	3
\$120 000 - \$129 999	<b>1</b>	1
\$130 000 - \$139 999	<b>1</b>	2
\$140 000 - \$149 999	<b>2</b>	-
\$230 000 - \$239 999	<b>-</b>	1
\$240 000 - \$249 999	<b>1</b>	-
<b>Total Number of Employees</b>	<b>15</b>	10

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$1.8 million (\$1.3 million).

**Number of Employees at Reporting Date**

The Authority had 229 employees (225 employees) as at the reporting date.

**7. Supplies and Services**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Accommodation and property management services	<b>1 874</b>	1 762
Travel and accommodation	<b>149</b>	203
Information technology and communication expenses	<b>698</b>	1 083
Contractors	<b>459</b>	597
Consultant fees <sup>(i)</sup>	<b>31</b>	95
Fee-for-service	<b>745</b>	1 130
Minor works, maintenance and equipment	<b>456</b>	564
Vehicles	<b>388</b>	338
Transportation	<b>99</b>	96
General administration	<b>414</b>	702
Scientific and technical services	<b>781</b>	824
Other	<b>253</b>	208
	<b>6 347</b>	7 602

(i) The number and amount of consultant fees fell within the following bandwidths:

	<b>2007</b>		2006	
	<b>Number</b>	<b>\$'000</b>	Number	\$'000
Below \$10 000	<b>1</b>	<b>1</b>	8	31
Between \$10 000 and \$50 000	<b>1</b>	<b>30</b>	4	64
Above \$50 000	<b>-</b>	<b>-</b>	-	-
<b>Total Number and Amount of Consultant Fees</b>	<b>2</b>	<b>31</b>	12	95

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Supplies and Services provided by Entities within the SA Government:		
Accommodation and property management services	<b>1 598</b>	1 466
	<b>1 598</b>	1 466
<b>8. Grants and Contributions Expense</b>		
Private industry and community organisations and associations	<b>164</b>	347
State Government <sup>(i)</sup>	<b>5 682</b>	5 732
Individuals	<b>38</b>	84
Commonwealth Government grant refund	<b>-</b>	59
Other	<b>115</b>	67
	<b>5 999</b>	6 289
(i) State Government Grants and Contributions:		
Zero Waste SA*	<b>5 551</b>	5 577
DEH	<b>50</b>	125
Other	<b>81</b>	30
	<b>5 682</b>	5 732
* As per section 113 of the <i>Environment Protection Act 1993</i> the Authority earns and collects 100 percent of waste levies, however is then required to transfer 50 percent of levies collected to Zero Waste SA as per section 17 of the <i>Zero Waste SA Act 2004</i> . This transfer represents the payment of waste levies monies to Zero Waste SA in accordance with the <i>Zero Waste SA Act 2004</i> .		
<b>9. Depreciation and Amortisation</b>	<b>2007</b>	2006
Depreciation:	<b>\$'000</b>	\$'000
Buildings and improvements	<b>3</b>	3
Infrastructure	<b>10</b>	(54)
Moveable vehicles	<b>3</b>	3
Computing equipment	<b>24</b>	19
Furniture and fittings	<b>113</b>	95
Plant and equipment	<b>434</b>	470
Other	<b>2</b>	10
<b>Total Depreciation</b>	<b>589</b>	546
Amortisation:		
Application software	<b>282</b>	272
<b>Total Amortisation</b>	<b>282</b>	272
<b>Total Depreciation and Amortisation</b>	<b>871</b>	818
<b>Change in Depreciation due to Fixed Assets Review</b>		
During the 2006-07 financial year the Authority undertook a comprehensive review of the fixed assets processes for recording, revaluing, reconciling and reporting in the statutory accounts. Through this process an historic error in Accumulated Depreciation was discovered and in line with AASB 108 and the identification of this error, the values ascribed for each of the various asset classes have been restated in the Statement of Changes in Equity. For the purpose of these accounts all comparative data has been restated accordingly. The adjustments arising from this correction have resulted in a net decrease in depreciation expense in the previous reporting period.		
<b>10. Net Loss from Disposal of Non-Current Assets</b>	<b>2007</b>	2006
Cost of Disposal:	<b>\$'000</b>	\$'000
Computing equipment	<b>17</b>	16
Furniture and fittings	<b>111</b>	-
Plant and equipment	<b>78</b>	238
	<b>206</b>	254
Disposal - Accumulated Depreciation:		
Computing equipment	<b>(17)</b>	(17)
Furniture and fittings	<b>(60)</b>	-
Plant and equipment	<b>(69)</b>	(192)
	<b>(146)</b>	(209)
<b>Net Loss from Disposal of Non-Current Assets</b>	<b>(60)</b>	(45)
<b>11. Other Expenses</b>		
Bad and doubtful debts	<b>5</b>	2
	<b>5</b>	2
<b>12. Fees and Charges Revenue</b>		
Fines and penalties	<b>173</b>	101
Waste levies	<b>11 674</b>	11 528
Fees and licences	<b>8 556</b>	8 172
Section 7 enquiries	<b>301</b>	294
Support services	<b>121</b>	172
Sale of services	<b>70</b>	(4)
	<b>20 895</b>	20 263

<b>13. Grants and Contributions Revenue</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Commonwealth Government <sup>(i)</sup>	<b>277</b>	153
State Government <sup>(ii)</sup>	<b>667</b>	994
	<b>944</b>	1 147
<b>(i) Commonwealth Government Grants and Contributions:</b>		
Natural Heritage Trust	<b>182</b>	35
Department for Environment and Heritage Canberra	<b>90</b>	90
Other	<b>5</b>	28
	<b>277</b>	153
<b>(ii) State Government Grants and Contributions:</b>		
Catchment Water Management Boards	-	74
Department of Water, Land and Biodiversity Conservation	<b>308</b>	505
Murray Darling Basin Natural Resources Management Board	<b>60</b>	190
SA Water Corporation	-	50
Department of Primary Industries and Resources	<b>80</b>	-
Zero Waste SA	<b>20</b>	-
Department for Further Education, Employment, Science and Technology	<b>150</b>	150
Department of Transport, Energy and Infrastructure	<b>34</b>	-
Other	<b>15</b>	25
	<b>667</b>	994
<b>14. Interest Revenue</b>		
Interest on funds held	<b>93</b>	428
	<b>93</b>	428
<p>Through the review of the Cash Alignment Policy undertaken by DTF it was decided that the payment of interest on balances held in agency deposit and special deposit accounts with the Treasurer would cease from 2006-07. Accordingly, interest is now received by the Authority only for those funds sourced from outside the SA Government budget sector and held with the Treasurer in specified accounts. In 2006-07 this is the Environment Protection Fund.</p>		
<b>15. Assets Received Free of Charge</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Plant and equipment	-	48
	-	48
<b>16. Other Revenue</b>		
Salaries and wages recoveries	<b>92</b>	7
Insurance recoveries	<b>1</b>	-
Other	<b>5</b>	6
Motor asset disposals	<b>3</b>	-
	<b>101</b>	13
<b>17. Revenues from (Payments to) SA Government</b>		
Revenues:		
Recurrent appropriation	<b>8 612</b>	8 674
Accrual appropriation	<b>829</b>	215
Contingency funds	<b>447</b>	419
<b>Total SA Government Revenues</b>	<b>9 888</b>	9 308
Payments:		
Return of surplus cash	-	335
<b>Total SA Government Payments</b>	-	335
<b>18. Cash and Cash Equivalents</b>		
Cash:		
Authority deposit account	<b>2 651</b>	2 579
Environment Protection Fund Deposit account	<b>1 858</b>	1 333
Advance accounts	<b>2</b>	4
Cash on hand	<b>1</b>	1
	<b>4 512</b>	3 917
Cash Equivalent:		
Accrual appropriation	<b>2 917</b>	2 088
	<b>2 917</b>	2 088
<b>Total Cash and Cash Equivalents</b>	<b>7 429</b>	6 005
<b>19. Receivables</b>		
Current:		
Debtors	<b>1 353</b>	1 049
Loans	<b>3</b>	26
Interest	<b>9</b>	11
Other	<b>1</b>	1
Less: Provision for doubtful debts	<b>4</b>	7
	<b>1 362</b>	1 080

<b>19. Receivables (continued)</b>	<b>2007</b>	2006
Non-Current:	<b>\$'000</b>	\$'000
Loans	<b>12</b>	12
Other	<b>3</b>	3
	<b>15</b>	15

**Provision for Doubtful Debts:**

The provision for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in 'other expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the Provision for Doubtful Debts (Impairment Loss):	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Carrying amount at 1 July	<b>7</b>	5
Increase in the provision	<b>5</b>	2
Amounts written off	<b>(8)</b>	-
<b>Carrying amount at 30 June</b>	<b>4</b>	7

**Interest Rate and Credit Risk**

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

**Bad and Doubtful Debts**

The Authority has recognised a bad and doubtful debts expense of \$5000 (\$2000) in the income statement.

<b>20. Financial Assets</b>	<b>2007</b>	2006
Non-Current:	<b>\$'000</b>	\$'000
Equity in listed entities	<b>5</b>	5
	<b>5</b>	5

<b>21. Other Assets</b>		
Current:		
Prepayments	<b>69</b>	44
	<b>69</b>	44

<b>22. Property, Plant and Equipment</b>		
<b>(a) Land, Buildings and Improvements and Infrastructure</b>		
Land:		
Independent valuation	<b>100</b>	100
<b>Total Land</b>	<b>100</b>	100
Buildings and Improvements:		
Independent valuation	<b>84</b>	84
At cost (deemed fair value)	<b>7</b>	7
Less: Accumulated depreciation	<b>49</b>	46
<b>Total Buildings and Improvements</b>	<b>42</b>	45
Infrastructure:		
Independent valuation	<b>188</b>	188
At cost (deemed fair value)	<b>66</b>	66
Less: Accumulated depreciation	<b>22</b>	12
<b>Total Infrastructure</b>	<b>232</b>	242
Capital Works in Progress:		
At cost	<b>19</b>	158
<b>Total Capital Works in Progress</b>	<b>19</b>	158
<b>Total Land, Buildings and Improvements and Infrastructure</b>	<b>393</b>	545

<b>(b) Plant and Equipment</b>		
Moveable Vehicles:		
At cost (deemed fair value)	<b>101</b>	101
Less: Accumulated depreciation	<b>56</b>	53
<b>Total Moveable Vehicles</b>	<b>45</b>	48
Computing Equipment:		
At cost (deemed fair value)	<b>204</b>	218
Less: Accumulated depreciation	<b>162</b>	156
<b>Total Computing Equipment</b>	<b>42</b>	62

<b>(b) Plant and Equipment (continued)</b>	<b>2007</b>	2006
Furniture and Fittings:	<b>\$'000</b>	\$'000
At cost (deemed fair value)	<b>1 219</b>	1 229
Less: Accumulated depreciation	<b>480</b>	427
<b>Total Furniture and Fittings</b>	<b>739</b>	802
Plant and Equipment:		
Independent valuation	<b>642</b>	642
At cost (deemed fair value)	<b>3 690</b>	3 548
Less: Accumulated depreciation	<b>2 893</b>	2 530
<b>Total Plant and Equipment</b>	<b>1 439</b>	1 660
Other:		
Independent valuation	<b>69</b>	69
At cost (deemed fair value)	<b>71</b>	76
Less: Accumulated depreciation	<b>65</b>	63
<b>Total Other</b>	<b>75</b>	82
<b>Total Plant and Equipment</b>	<b>2 340</b>	2 654
<b>Total Property, Plant and Equipment</b>	<b>2 733</b>	3 199

#### Asset Movement Reconciliation

A reconciliation of the carrying amount of each class of Property, Plant and Equipment is displayed in the table below.

<b>Asset Movement Reconciliation 2006-07</b>					
	Land	Buildings and Improve- ments	Infra- structure	Moveable Vehicles	Computing Equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying Amount:					
Balance at 1 July	100	91	254	101	218
Additions	-	-	-	-	5
Additions - Transfers from capital works in progress	-	-	-	-	-
Transfers between classes	-	-	-	-	-
Disposals	-	-	-	-	(17)
ARAMIS revisions - Down	-	-	-	-	(2)
<b>Balance at 30 June</b>	<b>100</b>	<b>91</b>	<b>254</b>	<b>101</b>	<b>204</b>
Accumulated Depreciation:					
Balance at 1 July	-	(46)	(12)	(53)	(156)
Depreciation expense	-	(3)	(10)	(3)	(24)
Disposals	-	-	-	-	17
ARAMIS revisions - Down	-	-	-	-	1
<b>Balance at 30 June</b>	<b>-</b>	<b>(49)</b>	<b>(22)</b>	<b>(56)</b>	<b>(162)</b>
Net Book Value:					
As at 30 June 2006	100	45	242	48	62
<b>As at 30 June 2007</b>	<b>100</b>	<b>42</b>	<b>232</b>	<b>45</b>	<b>42</b>
	Furniture and Fittings	Plant and Equipment	Other	Capital Works in Progress	<b>2007 Total</b>
	\$'000	\$'000	\$'000	\$'000	<b>\$'000</b>
Gross Carrying Amount:					
Balance at 1 July	1 229	4 190	145	158	<b>6 486</b>
Additions	8	195	23	231	<b>462</b>
Additions - Transfers from capital works in progress	93	-	-	(370)	<b>(277)</b>
Transfers between classes	-	28	(28)	-	-
Disposals	(111)	(78)	-	-	<b>(206)</b>
ARAMIS revisions - Down	-	(3)	-	-	<b>(5)</b>
<b>Balance at 30 June</b>	<b>1 219</b>	<b>4 332</b>	<b>140</b>	<b>19</b>	<b>6 460</b>
Accumulated Depreciation:					
Balance at 1 July	(427)	(2 530)	(63)	-	<b>(3 287)</b>
Depreciation expense	(113)	(434)	(2)	-	<b>(589)</b>
Disposals	60	69	-	-	<b>146</b>
ARAMIS revisions - Down	-	2	-	-	<b>3</b>
<b>Balance at 30 June</b>	<b>(480)</b>	<b>(2 893)</b>	<b>(65)</b>	<b>-</b>	<b>(3 727)</b>
Net Book Value:					
As at 30 June 2006	802	1 660	82	158	3 199
<b>As at 30 June 2007</b>	<b>739</b>	<b>1 439</b>	<b>75</b>	<b>19</b>	<b>2 733</b>



**Asset Movement Reconciliation  
(continued)**

	Asset Movement Reconciliation 2005-06				
	Land \$'000	Buildings and Improve- ments \$'000	Infra- structure \$'000	Moveable Vehicles \$'000	Computing Equipment \$'000
Gross Carrying Amount:					
Balance at 1 July	100	91	254	101	170
Additions	-	-	-	-	64
Additions - Transfer from capital works in progress	-	-	-	-	-
Assets received free of charge	-	-	-	-	-
Disposals	-	-	-	-	(16)
<b>Balance at 30 June 2006</b>	<b>100</b>	<b>91</b>	<b>254</b>	<b>101</b>	<b>218</b>
Accumulated Depreciation:					
Balance at 1 July	-	(43)	(66)	(50)	(154)
Depreciation expense	-	(3)	54	(3)	(19)
Assets received free of charge	-	-	-	-	-
Disposals	-	-	-	-	17
<b>Balance at 30 June 2006</b>	<b>-</b>	<b>(46)</b>	<b>(12)</b>	<b>(53)</b>	<b>(156)</b>
Net Book Value:					
As at 30 June 2005	100	48	188	51	16
<b>As at 30 June 2006</b>	<b>100</b>	<b>45</b>	<b>242</b>	<b>48</b>	<b>62</b>
				Capital Works in Progress \$'000	2006 Total \$'000
Gross Carrying Amount:					
Balance at 1 July	1 070	4 257	75	284	6 402
Additions	-	121	70	395	650
Additions - Transfer from capital works in progress	159	-	-	(521)	(362)
Assets received free of charge	-	50	-	-	50
Disposals	-	(238)	-	-	(254)
<b>Balance at 30 June 2006</b>	<b>1 229</b>	<b>4 190</b>	<b>145</b>	<b>158</b>	<b>6 486</b>
Accumulated Depreciation:					
Balance at 1 July	(332)	(2 250)	(53)	-	(2 948)
Depreciation expense	(95)	(470)	(10)	-	(546)
Assets received free of charge	-	(2)	-	-	(2)
Disposals	-	192	-	-	209
<b>Balance at 30 June 2006</b>	<b>(427)</b>	<b>(2 530)</b>	<b>(63)</b>	<b>-</b>	<b>(3 287)</b>
Net Book Value:					
As at 30 June 2005	738	2 007	22	284	3 454
<b>As at 30 June 2006</b>	<b>802</b>	<b>1 660</b>	<b>82</b>	<b>158</b>	<b>3 199</b>

	2007 \$'000	2006 \$'000
<b>23. Intangible Assets</b>		
Computer Software (Internally Generated):		
At cost (deemed fair value)	1 723	1 415
Less: Accumulated amortisation	1 002	720
<b>Total Computer Software (Internally Generated)</b>	<b>721</b>	<b>695</b>
<b>Total Intangible Assets</b>	<b>721</b>	<b>695</b>

**Intangible Asset Movement Schedule**

	2007 \$'000
Gross Carrying Amounts:	
Balance at 30 June 2006	1 415
Additions	31
Additions - Transfers from Capital Works in Progress	277
<b>Balance at 30 June</b>	<b>1 723</b>
Accumulated Amortisation:	
Balance at 30 June 2006	(720)
Amortisation expense	(282)
<b>Balance at 30 June</b>	<b>(1 002)</b>
Net Book Value:	
As at 30 June 2006	695
<b>As at 30 June 2007</b>	<b>721</b>

	2007 \$'000	2006 \$'000
<b>24. Payables</b>		
Current:		
Creditors	672	1 221
Accruals	72	113
Employee benefit on-costs <sup>(i)</sup>	349	244
Accrued workers compensation	3	3
	<b>1 096</b>	<b>1 581</b>
Non-Current:		
Employee benefit on-costs <sup>(i)</sup>	375	333
	<b>375</b>	<b>333</b>

**24. Payables (continued)**

(i) **Employee Benefit On-Costs**

Costs that are a consequence of employing employees, but which are not employee benefits, such as payroll tax and superannuation on-costs, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised. The employee benefit on-costs associated with each type of employee benefit are as follows:

Current:	<b>2007</b>	2006
Accrued payroll tax:	<b>\$'000</b>	\$'000
Annual leave	<b>66</b>	55
Long service leave	<b>6</b>	12
Accrued salaries and wages	<b>90</b>	15
	<b>162</b>	82
Superannuation:		
Annual leave	<b>147</b>	121
Long service leave	<b>5</b>	11
Accrued salaries and wages	<b>35</b>	30
	<b>187</b>	162
<b>Total Current Employee Benefit On-Costs</b>	<b>349</b>	244
Non-Current:		
Accrued payroll tax:		
Long service leave	<b>195</b>	170
Superannuation:		
Long service leave	<b>180</b>	163
<b>Total Non-Current Employee Benefit On-Costs</b>	<b>375</b>	333
Payables to SA Government Entities:		
Creditors	<b>243</b>	356
Accruals	<b>64</b>	64
Employee benefit on-costs	<b>357</b>	252
	<b>664</b>	672

**25. Employee Benefits**

Current:		
Annual leave	<b>1 112</b>	1 004
Long service leave	<b>109</b>	201
Accrued salaries and wages	<b>292</b>	253
	<b>1 513</b>	1 458
Non-Current:		
Long service leave	<b>3 525</b>	2 942
	<b>3 525</b>	2 942

Costs that are a consequence of employing employees, but which are not employee benefits, such as payroll tax and superannuation on-costs, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised. These employee benefit on-costs are recognised as Payables in Note 24 as they do not accrue to employees.

The total current and non-current employee expense (ie aggregate employee benefit plus related on costs) for 2007 is \$1.9 million and \$3.9 million respectively (\$1.7 million and \$3.3 million respectively).

In the 2007 financial year, the long service leave benchmark contained within the APF IV was amended, based on an actuarial assessment.

**26. Provisions**

Current:	<b>2007</b>	2006
Provision for workers compensation	<b>\$'000</b>	\$'000
	<b>28</b>	25
<b>Total Current Provisions</b>	<b>28</b>	25
Non-Current:		
Provision for workers compensation	<b>77</b>	69
<b>Total Non-Current Provisions</b>	<b>77</b>	69
<b>Total Provisions</b>	<b>105</b>	94
Carrying amount at 1 July	<b>94</b>	77
Additional provisions recognised	<b>1</b>	-
Discount rate adjustments	<b>10</b>	17
<b>Carrying Amount at 30 June</b>	<b>105</b>	94

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Wellbeing group of the Department of the Premier and Cabinet. These claims are expected to be settled within the next financial year.

<b>27. Other Liabilities</b>	<b>2007</b>	2006
Current:	<b>\$'000</b>	\$'000
Unclaimed monies	<b>1</b>	-
Unearned revenue	<b>279</b>	131
Other	<b>19</b>	15
	<b>299</b>	146

**28. Equity**  
Equity represents the residual interest in the net assets of the Authority. The State Government holds the equity interest in the Authority on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

	<b>Asset Revaluation Reserve \$'000</b>	<b>2007 Retained Earnings \$'000</b>	<b>Total \$'000</b>
Balance at 1 July	<b>1 221</b>	<b>3 165</b>	<b>4 386</b>
Revenue correction 2005-06	-	<b>(6)</b>	<b>(6)</b>
Net increment related to depreciation errors <sup>(i)</sup>			
Infrastructure	-	<b>65</b>	<b>65</b>
Computing	-	<b>29</b>	<b>29</b>
Furniture and fittings	-	<b>2</b>	<b>2</b>
Plant and equipment	-	<b>13</b>	<b>13</b>
<b>Restated Balance at 1 July</b>	<b>1 221</b>	<b>3 268</b>	<b>4 489</b>
Surplus for the year	-	<b>931</b>	<b>931</b>
Equity adjustment	-	<b>3</b>	<b>3</b>
Asset errors - Fixed assets	-	<b>(2)</b>	<b>(2)</b>
<b>Balance at 30 June 2007</b>	<b>1 221</b>	<b>4 200</b>	<b>5 421</b>
	Asset Revaluation Reserve \$'000	2006 Retained Earnings \$'000	Total \$'000
Balance at 1 July	1 221	3 386	4 607
Deficit for the year	-	<b>(221)</b>	<b>(221)</b>
<b>Balance at 30 June 2006</b>	<b>1 221</b>	<b>3 165</b>	<b>4 386</b>

(i) *Net Increment related to Depreciation Errors*  
During the 2006-07 financial year the Authority undertook a comprehensive review of the fixed assets processes for recording, revaluing, reconciling and reporting in the statutory accounts. Through this process errors in depreciation expense in prior periods for a small number of assets were identified. In line with AASB 108 these errors have been corrected and restated in the comparatives within the Statement of Changes in Equity, Balance Sheet, Income Statement and Cash Flow Statement.

<b>29. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Net cash provided by operating activities	<b>1 920</b>	1 545
Adjustments:		
Cash flows from Government:		
Recurrent appropriation	<b>(8 612)</b>	(8 674)
Contingency funds	<b>(447)</b>	(419)
Accrual appropriation	<b>(829)</b>	(215)
Cash flows to Government	-	335
Depreciation and amortisation	<b>(871)</b>	(818)
Assets received free of charge	-	48
Net loss on sale of assets	<b>(60)</b>	(45)
Changes in Assets and Liabilities:		
Increase (Decrease) in receivables	<b>282</b>	(62)
Increase (Decrease) in other assets	<b>25</b>	(43)
Decrease (Increase) in payables	<b>437</b>	(348)
Increase in employee benefits	<b>(638)</b>	(255)
Increase in provisions	<b>(11)</b>	-
Increase in other liabilities	<b>(153)</b>	(140)
<b>Net Cost of Providing Services</b>	<b>(8 957)</b>	(9 091)

**30. Restrictions on Contributions Received**

The Authority is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Authority on the premise that these funds are expended in a manner consistent with the terms of the agreement. At reporting date the Authority had the following outstanding funding commitments:

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Environment Protection Fund	<b>1 858</b>	1 333
NRG Flinders	<b>482</b>	520
ChemCollect	<b>490</b>	514
Externally funded projects	<b>309</b>	310
	<b>3 139</b>	2 677

**31. Expenditure Commitments**

***Operating Lease Commitments***

The total value of future non-cancellable operating lease commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Not later than one year	<b>1 334</b>	1 417
Later than one year but not later than five years	<b>859</b>	2 141
<b>Total</b>	<b>2 193</b>	3 558

The operating leases held by the Authority are mainly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease terms. The leases are payable one month in advance and the Authority has the right of renewal. There are no existing or contingent rental provisions.

***Remuneration Commitments***

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

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Within one year	<b>789</b>	733
Later than one year but not later than five years	<b>1 678</b>	986
<b>Total Other Commitments</b>	<b>2 467</b>	1 719

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

**32. Contingent Assets and Liabilities**

The Authority is not aware of the existence of any contingent assets and liabilities as at 30 June 2007.

**33. Remuneration of Board and Committee Members**

Members that were entitled to receive remuneration for membership during the 2006-07 financial year were:

*Board of the Environment Protection Authority*

M Dyson  
M Elliot (resigned 20.04.07)  
S Hains  
M Nagel (resigned 30.06.07)  
G Panigas  
Y Sneddon  
K Wells

*Radiation Protection Committee*

Dr G Laurence  
Dr K Lokan (Deputy)  
Dr M Lardelli (Deputy)  
S Paulka  
K Smith (Deputy)

	<b>2007</b>	2006
	<b>Number of</b>	Number of
	<b>Members</b>	Members
The number of members whose remuneration received or receivable falls within the following bands:		
\$nil	<b>2</b>	2
\$1 - \$10 000	<b>4</b>	6
\$10 001 - \$20 000	<b>4</b>	5
\$20 001 - \$30 000	<b>2</b>	2
<b>Total Number of Board and Committee Members</b>	<b>12</b>	15

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, super contributions, FBT and salary sacrifice arrangements.

The total remuneration received or receivable by members was \$125 521 (\$130 552). During the 2006-07 financial year, members of the board were paid superannuation of \$6226 (\$8868).

**33. Remuneration of Board and Committee Members (continued)**

In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

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

**34. Financial Instruments Disclosure**

**(a) Accounting Policies and Terms and Conditions affecting Future Cash Flows**

*Financial Assets*

Cash deposits are recognised at their nominal amounts and interest is credited to revenue as it accrues. The Authority invests surplus funds with the Treasurer at call. Interest is earned on the average monthly balance at rates based on DTF 90 day bank bill rate and interest is paid at the end of each quarter. The average effective interest rate for the reporting period was 5.95 percent (5.37 percent).

Through the review of the Cash Alignment Policy undertaken by DTF it was decided that the payment of interest on balances held in agency deposit and special deposit accounts with the Treasurer would cease from 2006-07. Accordingly, interest is now received by the Authority only for those funds sourced from outside the SA Government budget sector and held with the Treasurer in specified accounts. In 2006-07, the Environment Protection Fund was the only account that was interest bearing.

Debtors (trade accounts receivable) are generally settled within 30 days, are carried at amounts due and credit terms are net 30 days. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date and bad debts are written off in the period in which they are identified.

Loans are recognised at the nominal amounts lent and collectability of amounts outstanding is reviewed at balance date with provision being made for bad and doubtful loans. That is, where collection of the loan or part thereof is judged to be less likely rather than more likely. Loan repayments may be waived at the discretion of the Minister. Interest is credited to revenue as it accrues in accordance with the fixed interest rate loan repayment schedule. Similarly, principal repayments also occur in accordance with the loan repayment schedules and the principal is repaid in full at maturity.

*Financial Liabilities*

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

All financial assets and liabilities are unsecured.

**(b) Interest Rate Risk Exposure**

The Authority's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

	<b>Weighted Average Effective Rate Percent</b>	<b>Floating Interest Rate \$'000</b>	<b>Non- Interest Bearing \$'000</b>	<b>2007 Total \$'000</b>
Financial Assets:				
Cash and cash equivalents	5.95	1 858	5 571	7 429
Loan receivables	n/a	-	15	15
Receivables	n/a	-	1 362	1 362
Financial assets	n/a	-	5	5
		<b>1 858</b>	<b>6 953</b>	<b>8 811</b>
Financial Liabilities:				
Payables	n/a	-	1 471	1 471
		<b>-</b>	<b>1 471</b>	<b>1 471</b>
	<b>Weighted Average Effective Rate Percent</b>	<b>Floating Interest Rate \$'000</b>	<b>Non- Interest Bearing \$'000</b>	<b>2006 Total \$'000</b>
Financial Assets:				
Cash and cash equivalents	5.37	6 004	1	6 005
Loan receivables	n/a	-	38	38
Receivables	n/a	-	1 057	1 057
Financial assets	n/a	-	5	5
		<b>6 004</b>	<b>1 101</b>	<b>7 105</b>
Financial Liabilities:				
Payables	n/a	-	1 885	1 885
		<b>-</b>	<b>1 885</b>	<b>1 885</b>

**(c) Net Fair Value of Financial Assets and Liabilities**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

**(c) Net Fair Value of Financial Assets and Liabilities  
(continued)**

	2007		2006	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
Financial Assets:	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	7 429	7 429	6 005	6 005
Loan receivables	15	15	38	38
Receivables	1 362	1 362	1 057	1 057
Financial assets	5	5	5	5
	<b>8 811</b>	<b>8 811</b>	7 105	7 105
Financial Liabilities:				
Payables	1 471	1 471	1 885	1 885
	<b>1 471</b>	<b>1 471</b>	1 885	1 885

**35. Auditors' Remuneration**

Services provided by the Auditor-General's Department with respect to the audit of the Authority totalled \$63 600 (\$63 600) for the reporting period. No other services were provided by the Auditor-General's Department.

**36. Events Subsequent to Reporting Date**

No material events subsequent to reporting date exist.

**37. The Environment Protection Fund**

The following is a summary of the amounts included in the Fund. In reflecting these amounts in the Authority's financial statements transactions between the Fund and the Authority have been eliminated (refer Note 1(c)).

**Income Statement for the year ended 30 June 2007**

	2007 \$'000	2006 \$'000
<b>EXPENSES:</b>		
Employee benefits costs	128	611
Supplies and services	315	546
Grants and contributions	113	119
Other expenses	6	-
<b>Total Expenses</b>	<b>562</b>	1 276
<b>INCOME:</b>		
Fees and charges	1 173	1 017
Grants and contributions	3	-
Interest	93	81
<b>Total Income</b>	<b>1 269</b>	1 098
<b>NET COST OF PROVIDING SERVICES</b>	<b>(707)</b>	178
<b>NET RESULT BEFORE RESTRUCTURE</b>	<b>707</b>	(178)
<b>NET RESULT</b>	<b>707</b>	(178)

**Balance Sheet as at 30 June 2007**

	2007 \$'000	2006 \$'000
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	1 862	1 333
Receivables	167	49
<b>Total Current Assets</b>	<b>2 029</b>	1 382
<b>Total Assets</b>	<b>2 029</b>	1 382
<b>CURRENT LIABILITIES:</b>		
Payables	35	96
Employee benefits	9	8
<b>Total Current Liabilities</b>	<b>44</b>	104
<b>Total Liabilities</b>	<b>44</b>	104
<b>NET ASSETS</b>	<b>1 985</b>	1 278
<b>EQUITY:</b>		
Retained earnings	1 985	1 278
<b>TOTAL EQUITY</b>	<b>1 985</b>	1 278

**Statement of Changes in Equity for the year ended 30 June 2007**

	Retained Earnings \$'000	Total \$'000
Balance as at 1 July 2005	1 456	1 456
Net Result for 2005-06	(178)	(178)
<b>Total recognised income and expense for 2005-06</b>	<b>(178)</b>	<b>(178)</b>
<b>Balance at 30 June 2006</b>	<b>1 278</b>	<b>1 278</b>
Net Result for 2006-07	707	707
<b>Total recognised income and expense for 2006-07</b>	<b>707</b>	<b>707</b>
<b>Balance at 30 June 2007</b>	<b>1 985</b>	<b>1 985</b>

**38. Administered Item of the Authority****(a) Reporting Entity and Strategic Context**

The major objective of the Adelaide Coastal Waters Study Steering Committee (the Committee) is to carry out an integrated ecological study of the marine environment off metropolitan Adelaide. The study is referred to as the Adelaide Coastal Waters Study (ACWS) and focuses on the issues of loss of seagrass, declining water quality, algal blooms, beach closures, sand loss and wide scale movement, sediment on reef systems, mangrove dieback and problems caused by exotic organisms.

**(b) Administered Item Financial Arrangements**

The Committee's sources of funds consist of monies contributed or to be contributed by Mobil Australia, Ports Corp, SA Water Corporation, Adelaide and Mount Lofty Ranges Natural Resources Management Board, TRU Energy, the Department for Transport, Energy and Infrastructure, the Department of Primary Industries and Resources, the Coast Protection Board and the Authority.

The financial activities of the Committee are conducted through the Authority's Special Deposit Account with DTF pursuant to section 8 of the PFAA.

The Authority and DEH continue to provide financial services to the Committee. Officers of the Authority and DEH provide technical and administrative support to the Committee at no charge. Certain facilities are also provided at no charge to the Committee including the use of plant and equipment and office accommodation.

**(c) Administered Item Summary of Significant Accounting Policies**

The Administered Item schedules of activities detail the Administered Item income, expenses, assets and liabilities. In general, the Administered Item adopts the accounting policies of the Authority, as detailed in Note 2, deviations from these policies are as follows:

*Provisions for Employee Benefits*

In general, the Administered Item utilises the services of the Authority's and DEH's employees rather than recruiting and appointing employees in its own right. In the majority of cases, the services provided by the employees are provided free of charge. If, however, the services provided by the employees are directly attributable to the activities of the Administered Item and can be reliably measured the services are charged to the Administered Item on a fee-for-service (cost recovery) basis. Further, the provision for the liability for employee benefits arising from services rendered by employees is not recognised in the Administered Items' schedules as the Authority and DEH are obligated to pay employees for services provided. Accordingly, the Provisions for Employee Benefits are recognised in the Authority's and DEH's financial statements.

**Schedule 1A: Disclosure of Administered Items as at 30 June 2007**

	Adelaide Coastal Waters Study Steering Committee	
	2007	2006
	\$'000	\$'000
<b>ADMINISTERED EXPENSES:</b>		
Supplies and services	225	579
<b>Total Administered Expenses</b>	<b>225</b>	<b>579</b>
<b>ADMINISTERED INCOME:</b>		
Grants and contributions	18	50
Interest and dividends	-	42
<b>Total Administered Income</b>	<b>18</b>	<b>92</b>
<b>Net Cost of Providing Services</b>	<b>207</b>	<b>487</b>
<b>ADMINISTERED CURRENT ASSETS:</b>		
Cash and cash equivalents	170	399
Receivables	-	2
<b>Total Current Assets</b>	<b>170</b>	<b>401</b>
<b>Total Administered Assets</b>	<b>170</b>	<b>401</b>
<b>ADMINISTERED CURRENT LIABILITIES:</b>		
Payables	-	24
<b>Total Current Liabilities</b>	<b>-</b>	<b>24</b>
<b>Total Administered Liabilities</b>	<b>-</b>	<b>24</b>
<b>NET ASSETS</b>	<b>170</b>	<b>377</b>
<b>ADMINISTERED EQUITY:</b>		
Retained earnings	170	377
<b>TOTAL ADMINISTERED EQUITY</b>	<b>170</b>	<b>377</b>

# DEPARTMENT FOR FAMILIES AND COMMUNITIES

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment of the Department

The Department for Families and Communities (DFC) is an Administrative Unit established pursuant to the PSMAct.

### Functions

DFC works with people in need who, through circumstance, may be poor, vulnerable, at risk of harm or isolated and disconnected.

DFC is responsible for delivering specific programs to the public with respect to activities assigned to DFC under various Acts as delegated by responsible Ministers.

In addition, DFC provided services to other entities within the portfolio including the South Australian Housing Trust (SAHT), the South Australian Community Housing Authority (SACHA), the South Australian Aboriginal Housing Authority (SAAHA), HomeStart Finance and Disability Health Services.

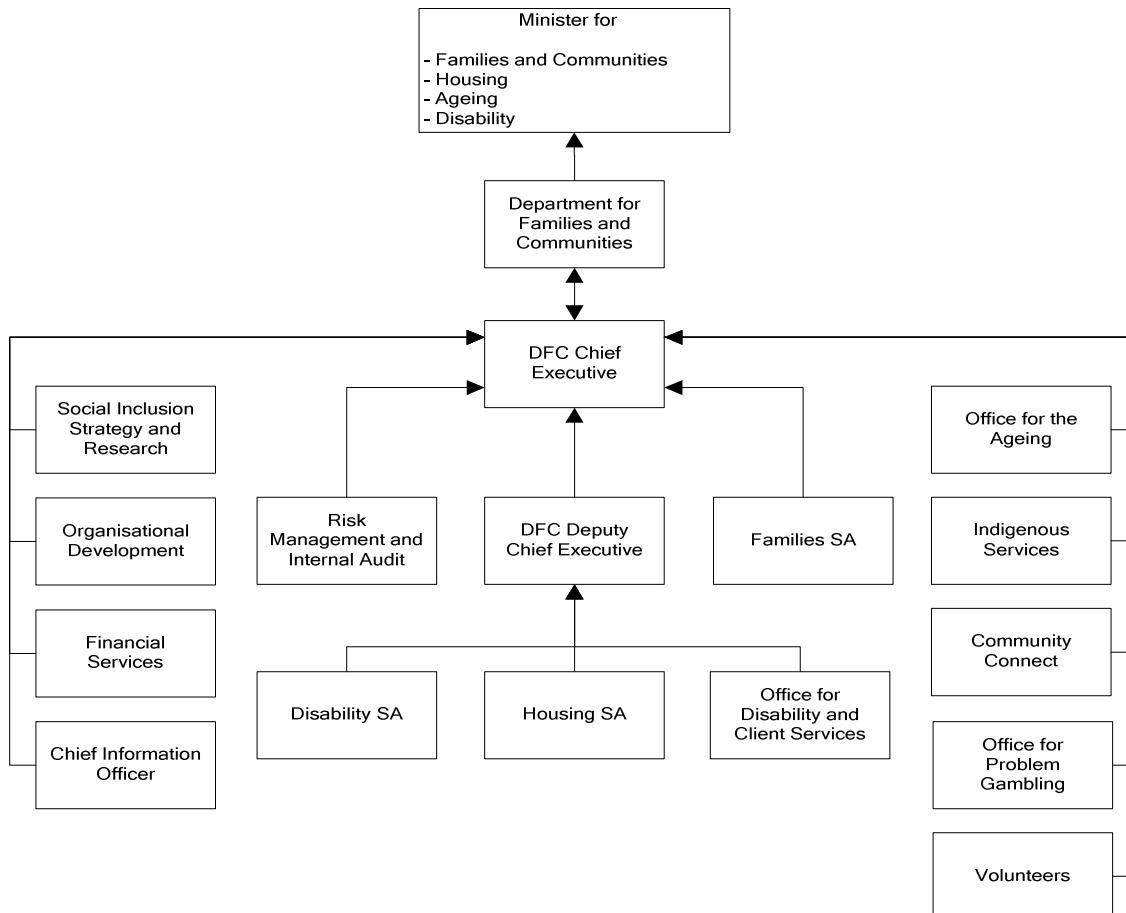
The Minister for Health has delegated to the Minister for Disability and the Chief Executive certain powers under the *South Australian Health Commission Act 1976* for the Julia Farr Services (JFS).

### Shared Service Arrangements

Shared services arrangements were entered into to facilitate the delivery of certain business services to DFC and the Department of Health (DH). The services provided to DFC by DH include Financial Services and Legal Services for part of the year. Services provided to DH by DFC include Risk Management and Internal Audit Services, Purchasing and Fleet Management.

### Structure

The structure of DFC is illustrated in the following organisation chart.





## **Changes to Function and Structure**

### ***Disability***

The Minister for Health has previously delegated certain powers to the Minister for Disability and the Chief Executive under the *South Australian Health Commission Act 1976*.

In May 2006 the Minister for Disability announced reforms to the governance arrangements for the provision of disability services within the State. In accordance with the new arrangements, on 29 June 2006 the Governor by proclamation, dissolved the Intellectual Disability Services Council (IDSC) and Independent Living Centre (ILC) effective from 1 July 2006. Pursuant to the proclamation the assets and liabilities of the incorporated disability health services were transferred to DFC on that date.

On 28 June 2007 the Governor proclaimed the dissolution of JFS effective 1 July 2007. In accordance with the proclamation the assets and liabilities of JFS were transferred to DFC on 1 July 2007.

### ***Domiciliary Care Health Services***

On 28 June 2007 the Governor by proclamation, dissolved Metropolitan Domiciliary Care with effect from 1 July 2007. Pursuant to the proclamation the assets and liabilities of the incorporated health service were transferred to DFC on that date.

### ***Office for Women***

In December 2006 the Governor by proclamation transferred DFC employees working for the Office for Women to the Department of Justice with effect from 1 January 2007. Subsequently, on 22 March 2007 the Governor proclaimed the transfer of the Department of Justice employees working for the Office for Women to the Attorney-General's Department (AGD) effective 1 April 2007. The assets and liabilities associated with the Office for Women were transferred to AGD on that date.

### ***Housing***

In June 2006 the Minister for Housing announced reforms to housing governance arrangements. In accordance with the reforms SAHT, SACHA and SAAHA entered into service level agreements with DFC for the provision of housing services on their behalf for 2006-07.

Effective 1 July 2007, amendments to relevant legislation and regulations were passed to change the corporate governance arrangements for the South Australian Housing System. The new arrangements included bringing all housing functions under one housing agency, the SAHT, and the dissolution of SAAHA and SACHA. The SAHT Board entered into a service level agreement with DFC for the provision of housing services through Housing SA from 1 July 2007.

## **AUDIT MANDATE AND COVERAGE**

### **Audit Authority**

#### ***Audit of the Financial Report***

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

#### ***Assessment of Controls***

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

#### **Scope of Audit**

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

During 2006-07, specific areas of audit attention included:

- grant funding to non-government organisations (NGOs)
- payroll
- accounts payable
- revenue
- accounts receivable
- administration of concessions
- fixed assets
- risk management.

Audit coverage also included review of the financial operations of the former IDSC.

### **Internal Audit**

DFC's Internal Auditors conducted audits within DFC and in portfolio housing agencies. In addition to using Departmental staff, assignments have been undertaken by private sector firms as contractors. Work undertaken by Internal Audit for DFC included:

- customer service review
- an Office for the Ageing grant management control review
- Families SA debit card review
- project management review
- grant funding allocations and decision making
- special investigations.

## **AUDIT FINDINGS AND COMMENTS**

### **Auditor's Report on the Financial Report**

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Department for Families and Communities as at 30 June 2007, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

### **Assessment of Controls**

In my opinion, the controls exercised by the Department for Families and Communities in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to Funding to NGOs, Administration of Concessions, Payroll, Accounts Payable, Risk Management and Funding to Disability Health Services, as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Families and Communities have been conducted properly and in accordance with law.

### **Communication of Audit Matters**

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of DFC. Responses to the management letters were generally considered to be satisfactory. Major matters raised with DFC and the related responses are outlined below.

### **Funding to NGOs**

Audit review of funding to NGOs considered whether arrangements implemented by DFC for the administration of grants supported appropriate accountability by DFC and the funded organisations. Prior year audits of this area identified a number of control weaknesses.

Audit in 2006-07 found that DFC continued to address issues raised in prior years including developing a new framework and related policy and procedural guidance on administering grant payments to non-government organisations. In September 2006 DFC approved and promulgated a number of policy documents which provide staff with guidance on key aspects of the grant funding process. Notwithstanding the action implemented by DFC, there remains scope to improve controls and address matters previously identified by Audit. The more significant Audit observations were:

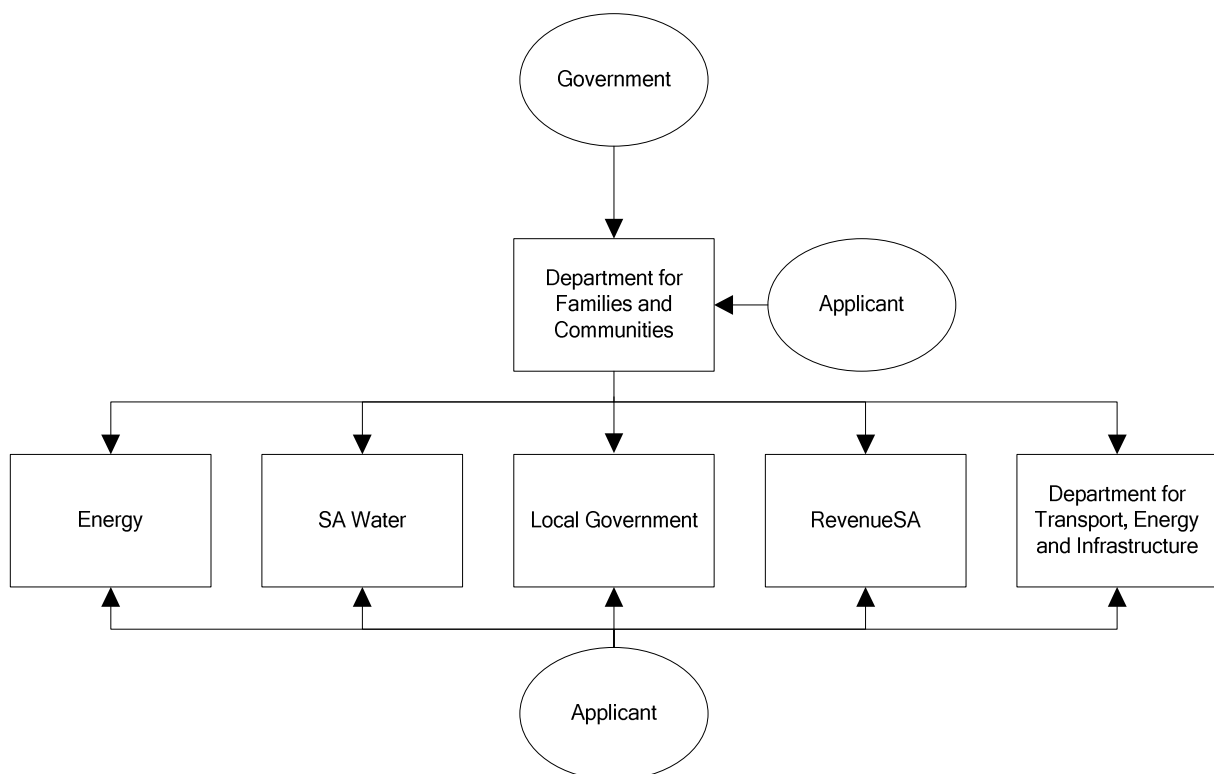
- service proposals for allocating funding for key program areas were not always prepared in accordance with the requirements of the interim arrangements;

- DFC officers were required to document the reasons why the service is required, the method adopted for selecting service providers and the reasons why the method was selected. Audit review found the service proposals recommended selected service providers rather than recommending the optimum provider selection strategy as required by the interim arrangements;
- DFC had yet to implement a robust and effective performance evaluation system to assess whether resources were provided in accordance with service agreements and program objectives were met;
- there was a scope to improve documented funding and succession planning processes associated with the allocation of grant funding;
- Commonwealth acquittal statements were not signed and returned to the Commonwealth on a timely basis;
- a service agreement for a significant amount of funding was offered and signed by the service provider prior to DFC obtaining required Cabinet approval. Also, it was noted that the service provider was advised their funding allocation prior to approval of the service proposal and obtaining the required Cabinet approval;
- instances where service agreements were not authorised in accordance with DFC’s delegations;
- instances where procedures for the follow up of unspent funds were not applied;
- there was scope to improve documented policies and procedures for key areas including extending service agreements and the use of service provider panels for the allocation of funding.

In response DFC expressed the view that improvements were made in 2006-07 and that the audit findings reported to DFC did not sufficiently acknowledge the controls implemented by DFC over the past 12 months. While acknowledging certain progress and improvements, Audit remains of the view that there is still considerable scope for improvement in the area of service performance evaluation and regarding matters identified by Audit.

**Administration of Concessions**

DFC administers the provision of concessions to eligible recipients, for the Emergency Services Levy; water, sewer and council rates; electricity and transport charges. The value of concessions provided in the year to 30 June 2007 was \$107 million (\$108 million). The following diagram depicts the arrangements for provision of concessions and the parties involved.



## *Families and Communities*

Audit review of the administration of concessions payments over a number of years has highlighted areas where controls could be improved.

The audit for 2006-07 indicated that DFC had addressed some of the issues raised in the past by Audit. However, there were a number of areas which had not been addressed or were in the process of being addressed. As a consequence, Audit considered that control over concession payments was unsatisfactory.

The following summarises issues raised by Audit and the progress in addressing the issues as advised by DFC.

### *Documentation of Service Level Agreements*

Audit found formal Service Level Agreements were not entered into with service providers who provide non-energy concessions.

DFC advised draft agreements were provided to RevenueSA, SA Water and the Local Government Association. There were delays in finalising the agreements but DFC is negotiating with the service providers to execute agreements. Agreements are in place for all energy retailers.

### *Update of Energy Customers in CARTS*

Previous audits noted not all energy customers were recorded in the system used to validate eligibility for concessions (ie CARTS).

DFC's response indicated only 1200 customers were not included in CARTS.

### *Validation of Energy Concession Payments*

Audit previously identified that arrangements implemented by DFC to validate energy concessions did not provide a comprehensive checking process which confirms that all claimants were entitled to the concessions provided by the electricity suppliers.

DFC advised that it is not possible for it to undertake a comprehensive check of each customer's eligibility prior to each payment. DFC also provided details of reconciliation procedures, indicated that retailers will be advised of ineligible applicants and advised system improvements were being sought to provide a random sample of ineligible customers for follow up.

### *Validation of Property Concessions (SA Water and Council)*

Previous audits established that details of concessions provided by SA Water were matched against information contained in CARTS and Centrelink data by DFC. It was noted, however, that arrangements were not implemented to ensure all exceptions were followed up.

In response DFC advised this matter is being looked at in developing an updated service agreement with SA Water. Discussions are occurring on improving actions where name and address data do not match in the validation process.

### *Reconciliation of Property Concessions (SA Water and Council)*

Past audits noted DFC did not verify that the amount invoiced by SA Water for concessions payments reconciles to the total value of records validated in the matching runs.

DFC advised that a revised reconciliation process is being developed with SA Water.

### *Reconciliation of Transport Concession Payments*

DFC is invoiced for metropolitan transport concessions each quarter based on an estimate determined at the beginning of the year. Audit review found, however, no reconciliation was performed of the payments made, based on the estimate, to the value of concessions actually provided by the service provider.

DFC advised that shortcomings of the current ticketing system do not enable an effective reconciliation process.

### *Energy Concession Eligibility*

In prior years Audit noted there was a lack of check to confirm whether applicants for energy concessions meet one of the eligibility criteria.

In response DFC noted the issue is complex, as an appropriate and verifiable alternative criteria has not been identified.

#### *Reimbursements to Service Provides*

Past audits identified there was a lack of control to ensure amounts paid to various service providers (ie electricity retailers, SA Water and Councils and RevenueSA) were actually received by the customer.

DFC advised that reconciliation processes are being developed.

#### **Payroll**

DFC processes payroll transactions for its employees including payroll transactions for employees who provide services to SAHT, SACHA and SAAHA.

Audit review of payroll in previous years identified weakness in controls over processing payroll transactions. Audit review in 2006-07 included consideration of progress made in addressing issues arising from prior years audits of the payroll function.

The audit found that there remains significant control weaknesses associated with the processing of payroll including:

- ineffective processes for reviewing bona fide certificates;
- bona fide reports do not report all salary and wage payments;
- scope to improve leave reporting and review of leave transactions;
- position relationships within the Payroll system which define who is able to approve electronic leave applications were not aligned with DFC's HR delegations;
- incomplete HR and Payroll files which do not provide reliable audit trail to support payroll and leave transactions;
- there was scope to improve documentation of policies and procedures.

The bona fide certificate process represents a key element of DFC's internal control environment and is relied on to provide DFC with assurance that payroll payments are made to bona fide employees, for work actually performed and at the correct rates and leave is correctly updated to the system.

It is considered that for this control to be effective DFC needs to achieve full compliance with DFC's bona fide policy on a consistent and ongoing basis.

In response DFC advised a number of issues significantly impacted Payroll Services in 2006-07. DFC advised it is continuing to resolve outstanding audit issues and provided details of specific actions to be taken to address the issues raised by Audit.

#### **Accounts Payable**

In 2006-07 DH processed accounts payable transactions for DFC. Review of DH's accounts payable function identified areas where controls could be improved or where established controls were not complied with including:

- Masterpiece and Basware delegations were not aligned with the approved delegations instrument;
- splitting requisitions;
- commitment and accrual recording;
- vender master file changes.

Further commentary on these matters is provided under the DH section of this Report (under the heading 'Communication of Audit Matters - Accounts Payable').

Audit also reviewed the controls over the authorisation of DFC transactions. The audit identified a number of areas where it was considered controls could be improved. The more notable observations made by Audit included:

- DFC did not monitor and report on the use of the Online Purchase Order system/Basware versus the use of manual payment vouchers to authorise payments;

### *Families and Communities*

- controls to ensure manual payment vouchers were authorised in accordance with the delegations of authority were ineffective;
- access levels within the Online Purchasing System and Basware were not regularly reviewed to confirm access is consistent with DFC's approved delegations of authority;
- controls to remove system access when staff resign were not effective;
- bona fide reports used to certify the correctness and validity of children carer payments were not retained or not returned on a timely basis;
- information processed through Justice Information System (JIS) was not regularly reconciled to the general ledger;
- DFC's delegations of authority do not provide for authorising payments from JIS;
- there was a lack of audit trail of JIS payments recorded in the general ledger.

In relation to the use of the Online Purchase Order System/BasWare DFC indicated it would develop a report to monitor the use of the systems. DFC also provided details of actions taken to address the other issues raised by Audit.

### ***Travel Expenditure***

Audit review in 2006-07 included a review of arrangements put in place to manage travel expenditure incurred by DFC. The audit found that there were control weaknesses associated with the processing of travel expenditure processed by DFC. The more relevant observations noted by Audit included:

- the register of overseas travel approvals was not complete and contained incorrect details;
- travel proposals for overseas travel were not prepared in accordance with the requirements of the Commissioner's Standard;
- instances where overseas trip completion reports were not prepared or not prepared in accordance with the requirements of the Commissioner's Standard;
- monthly reports on overseas travel as required by the Commissioner's Standard were not prepared and forwarded to the Minister;
- there was scope to improve procedural guidance regarding the payment of overseas travel allowances.

In response DFC provided details of the action taken to address the matters raised by Audit.

### ***Credit Card Expenditure***

Audit review in 2006-07 found that there was scope to improve controls over the use of corporate credit cards. Specifically, Audit review found instances where:

- appropriate documentation was not provided to support expenditure charged to credit cards;
- the cost of meals and incidentals associated with travel were charged to cardholder's corporate credit card rather than being paid as allowances at set rates as determined by Commissioner's Standards.

In response DFC advised it will undertake periodic reviews to ensure compliance with policy requirements. In addition, DFC will clarify travel reimbursement requirements regarding provision of supporting documentation with the Department of Treasury and Finance (DTF) and the Commissioner for Public Employment and update the policy accordingly.

### ***Risk Management***

Audit review of DFC's risk management practices found that significant work had been completed by DFC with respect to risk management during 2006-07 including:

- reviewing and promulgating policy and procedural guidance relating to risk management;

- providing education and training to staff, senior management and executives;
- providing assistance and support to staff to enable them to meet their risk management responsibilities;
- implementing 'Methodware' software to assist with documenting and reporting on risks throughout DFC.

Audit review found that there were certain areas where DFC's risk management practices needed to be further developed or improved. These areas included:

- DFC had not developed an effective system to ensure compliance with risk reporting requirements;
- some risk treatment plans were not completed and forwarded to Risk Management and Audit as required by DFC's Risk Management Policies and Procedures;
- Divisional risk registers and treatment plans were not completed for Disability SA.

DFC indicated that it has established a risk management policy which makes all Executives accountable for implementing the policy and related framework. In addition DFC recognise that additional enhancements to its risk management system were needed and implemented action to improve risk management practices.

### ***Disability Health Service Funding***

As highlighted previously, on 29 June 2006 the IDSC and the ILC were dissolved and the assets and liabilities of IDSC and ILC were transferred to DFC on 1 July 2007. JFS continued to operate as an Incorporated Disability Health Service for 2006-07.

As highlighted in the Note 9 of DFC's financial statements, DFC provided recurrent and capital funding of \$56 million to JFS for the 2006-07 financial year.

Audit reviewed the arrangements for administering funding to JFS to ensure the arrangements support appropriate accountability by the service provider and DFC. In Audit's view it is important that funding agreements are settled and signed by each party on a timely basis to ensure respective rights, roles and responsibilities are agreed and understood.

Audit was unable to locate a signed funding agreement between JFS and the Minister for 2006-07. In addition, Audit was unable to locate documentation to evidence performance monitoring by DFC to ensure service activity levels and other funding conditions were met by the JFS. Audit noted that during the year the Executive Director, Disability SA performed the role of the Chief Executive of JFS. It is Audit's view, however, that the timely completion of a funding agreement was important in providing a foundation for effective control.

In response DFC advised that 2006-07 was a transition year in terms of achieving the reform agenda with respect to Disability Services and that it was mindful of the on-going presence of the JFS Board and continuing separate legal status of JFS.

DFC indicated that it communicated to JFS details of its budget allocation for JFS for 2006-07 and Specific Service Activity targets. In addition, DFC prepared a Tripartite Agreement to manage the relationship with JFS in the period leading to the dissolution of JFS. Ultimately these documents were not executed by the Board of JFS. The Board continued to receive regular reports to ensure that its various legal obligations and fiduciary duties were being discharged including a financial report and a report from the CEO. The Board made additional inquiries in various areas of its formal responsibilities.

With respect to monitoring financial performance, DFC advised that JFS's data was included in DTF's Budget Monitoring System on a monthly basis. Its financial performance was also reported and monitored through DFC's monthly Executive Management Report (EMR). With respect to monitoring service activity levels, client statistics reports were provided to the Executive Director, Disability SA on a monthly basis.

### **Commentary on Computer Information System (CIS) Environments**

#### ***ICT Management and Control***

Last year's Report included specific commentary on ICT strategic planning and management controls within DFC.

The importance of effective planning and risk management was raised recognising DFC's commitment to significant ICT projects, including systems to support client and case management.

During the year, Audit reviewed the status of certain matters, covering mainly ICT strategic planning, disaster recovery and business continuity planning.

In May 2007, DFC advised details of the development, monitoring and reporting of Divisional Business Plans and their contribution to the development of the Department Business Plan and ICT Strategy.

Regarding disaster recovery, DFC advised that a test on the SYSH mainframe environment was conducted successfully in May 2007. The SYSH mainframe environment is managed by an external service provider at the Glenside Information Processing Centre which principally supports DFC financial application and the SAHT housing systems. Regarding business continuity planning, a Business Impact Analysis had been conducted on all operational tasks to identify Departmental Mission Critical Activities. DFC anticipates that business continuity plans for all DFC's divisions will be completed by the end of September 2007.

Finally, the DFC Information Security Management System was audited by an external assessment and certification service provider and certification against international standards was achieved.

### ***DFC and Housing Mainframe CPE***

During the year, Audit reviewed the SYSH mainframe CPE at the Glenside Information Processing Centre.

The focus of the audit review was to determine whether appropriate controls were in place on the CPE. The review included key controls relating to information security, information systems operations, business continuity planning, application system implementation and maintenance, database implementation and support, systems software support and network support.

Certain matters arising from the review and raised with DFC were the need to:

- regularly review and document the use of high level security privileges for users and database administration staff;
- perform reviews of inactive systems users;
- include additional procedures to notify external service provider operators of changes to processing schedules;
- consider segregation of duties for key personnel with the ability to implement changes to and run the production system;
- review the existing Business Continuity Plan to consider additional tasks;
- upgrade database software to the latest supported version;
- address the lack of detection of potential unauthorised program access to the database.

The response from DFC indicated that action had been taken or was in progress to address the matters raised.

At the time of preparation of this Report, Audit was in the process of following up the status of the implementation and operation of remedial action taken by DFC.

### ***Connected Client and Case Management System***

A review was undertaken of certain aspects of the Connected Client and Case Management System currently under development by DFC. The system will support Families SA in implementing recommendations from the 2003 Layton Report 'Review of Child Protection in South Australia'. The Families SA existing client management system, the mainframe based Client Information System, does not meet the emerging business needs of DFC and is due to be replaced.

Certain observations and comments regarding this project are included in Part A of this Report.



## **Other Matters**

### ***DFC Budgetary Position and Cost Pressures***

In January 2007 the Minister for Families and Communities (the Minister) formally advised the Treasurer of significant cost pressures within Families SA and Disability SA of DFC. Following receipt of the advice the Treasurer requested a review with the objective of identifying potential options that would enable DFC to operate within the approved budget and address cost pressures faced by DFC. In March 2007 the review was finalised and the findings provided to the Minister. The review identified a number of options to offset projected cost pressures for 2006-07 and future years. Measures identified by the review included:

- ceasing expenditure on new initiatives;
- reviewing commitments and contracts particularly with NGOs and revising the timing of expenditure;
- giving focus to accommodation costs and incidental payments to children in care and Disability SA payments;
- reducing the level of unexpended funds by NGOs;
- requiring greater levels of involvement by senior levels of staff to exercise greater control and achieve more consistency of treatment.

The review recommended DTF continue to work with DFC on service delivery issues facing DFC, quantifying other possible budget savings options and improving monitoring and reporting on activity levels.

In June 2007 the Treasurer approved additional appropriation totalling \$35 million to meet cash shortfalls due to the identified cost pressures. Specifically, the Treasurer approved:

- additional appropriation totalling \$20.3 million from the 2006-07 Governor's Appropriation Fund;
- the transfer of \$15 million excess appropriation from DFC Administered Items to DFC.

### ***Common Ground Initiative***

In March 2007 the Treasurer approved payment of a once-off non-recourse grant for \$5 million to Common Ground Adelaide Ltd (Common Ground) for the purpose of providing accommodation for people who are homeless or risk of homelessness. In addition, in June 2007 the Treasurer approved an additional once off grant for \$2 million to Common Ground for the project.

Funding for the \$5 million grant was provided to DFC by the SAHT from the Affordable Housing Innovation Fund. The grant for \$2 million was provided by DTF.

In April 2007 the Minister for Housing executed a Grant Deed with Common Ground Adelaide. In accordance with the Grant Deed Common Ground has agreed to apply the grant for activities in achieving the objectives specified in the deed. The objectives were:

- to establish social rental housing for a tenant mix comprising people with support needs (ie those that have been homeless) and low income earners seeking affordable housing such as artists and students;
- to facilitate the provision of support (in the form of case works and other specialist staff) into the overall housing model, so that those in the cycle of homelessness, who would otherwise not be able to sustain an independent tenancy, are assisted to maintain housing and establish stable, safe and secure lifestyles;
- to support tenants to move into independent rental or home ownership where appropriate;
- to engage in any activities consistent with and in pursuance of the above objectives, including the transfer or lease of assets and the outsourcing of the management of assets;
- any other objectives similar to and not inconsistent with the above.

In May 2007 Common Ground purchased a property in Light Square for a purchase price \$2.9 million (including costs).

**INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT****Highlights of the Financial Report**

	<b>2007</b>	2006	Percentage
	<b>\$'million</b>	\$'million	Change
<b>INCOME</b>			
Rent, fees and charges	<b>98</b>	86	14
Revenues from SA Government	<b>651</b>	594	10
Commonwealth revenues	<b>248</b>	237	5
Other revenue	<b>36</b>	39	(8)
Net result from an administrative restructure	<b>40</b>	-	-
<b>Total Income</b>	<b>1 073</b>	956	12
<b>EXPENSES</b>			
Employee benefit expenses	<b>291</b>	196	48
Supplies, services and other expenses	<b>103</b>	76	36
Grants, subsidies and client payments	<b>647</b>	688	(6)
<b>Total Expenses</b>	<b>1 041</b>	960	8
<b>Surplus (Deficit)</b>	<b>32</b>	(4)	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(12)</b>	(4)	-
<b>ASSETS</b>			
Current assets	<b>50</b>	54	(7)
Non-current assets	<b>170</b>	108	57
<b>Total Assets</b>	<b>220</b>	162	36
<b>LIABILITIES</b>			
Current liabilities	<b>61</b>	48	27
Non-current liabilities	<b>51</b>	39	31
<b>Total Liabilities</b>	<b>112</b>	87	29
<b>EQUITY</b>	<b>108</b>	75	44

**Income Statement****Income**

Income for the year increased by \$117 million to \$1.073 billion.

Notably, revenues from SA Government increased by \$57 million from \$594 million to \$651 million due mainly to:

- an increase of \$61 million in general appropriations;
- a \$4 million increase in appropriations received for Tax Equivalent Regime reimbursements for the SAHT;
- a decrease of \$9 million in State housing assistance appropriations.

In June 2007 the Treasurer approved additional general appropriation, totalling \$35 million, to meet cash shortfalls due to the identified cost pressures as discussed under the heading DFC Budgetary Position and Cost Pressures.

The decrease in State Housing appropriations mainly reflects a reduction in Commonwealth State Housing Agreement (CSHA) funding provided by the State Government which in past years was higher than required by the agreement.

Commonwealth revenues increased by \$11 million due mainly to increased funding for Home and Community Care (\$6 million) and Aged Care Assessment Programs (\$2 million).

Net revenue from restructure was \$40 million which reflects the transfer of assets and liabilities from IDSC and ILC to DFC. Refer to Note 31 of DFC's financial statements for the details of the financial effect of restructures for 2006 and 2005.

### **Expenses**

In 2007 total expenses increased by \$81 million to \$1.041 billion. This reflected increases in employee benefit expenses (\$95 million) and supplies, services and other expenses (\$27 million). The increases were off set by a \$41 million decrease in grants and subsidies reflecting the transfer of IDSC and ILC operations to DFC in 2006-07.

The increase in expenses was due primarily to cost pressures within Disability SA and Families SA. Refer to commentary provided under the heading DFC Budgetary Position and Cost Pressures for details.

Grants and subsidies is the most material expenditure item for DFC. Note 9 of DFC's financial statements discloses a detailed list of grants and subsidies paid/payable to various entities and clients.

### **Net Result**

The net result recorded in 2007 increased by \$36 million due mainly to the effect of the net revenue from an administrative restructure of \$40 million recognised in 2007 (\$335 000).

### **Balance Sheet**

#### **Assets**

In 2007 non-current assets increased by \$62 million (57 percent) due mainly to an increase in land and buildings arising from the transfer of IDSC and ILC to DFC.

#### **Liabilities**

Current liabilities increased in 2007 by \$13 million due mainly to an increase in employee benefits (\$14 million) and provisions (\$2 million).

The increase in employee benefits and provisions was offset by a \$4 million decrease payables. The increase in employee benefits and provisions reflected an increase in annual leave and long service leave liabilities following the transfer of employees from IDSC and ILC to DFC. The decrease in payables was due mainly to a decrease in creditors.

Non-current liabilities increased by \$12 million due mainly to an increase in employee benefits (\$8 million) and provisions (\$6 million) following the transfer of IDSC and ILC employees to DFC.

#### **Equity**

Total equity increased by \$33 million reflecting the result after restructure of \$32 million and the \$9 million equity capital contribution from the SA Government. These increases were offset by an \$8 million decrease in retained earnings due to adopting a change in accounting policy (ie an increase in capitalisation threshold). Refer to Note 4 for further details.

### **Cash Flow Statement**

The following table summarises the net cash flows.

	<b>2007</b>	2006	2005
	<b>\$'million</b>	\$'million	\$'million
<b>Net Cash Flows</b>			
Operations	<b>(12)</b>	(4)	(9)
Investing	<b>(4)</b>	(2)	(1)
Financing	<b>10</b>	11	29
Change in Cash	<b>(6)</b>	5	19
Cash at 30 June	<b>18</b>	24	19

*Families and Communities*

The table shows that net cash outflows from operating activities exceeded net cash inflows resulting in a net cash deficit from operating activities of \$12 million (\$4 million).

The table also highlights that in 2007 there was a net cash inflow from financing activities of \$10 million due primarily to an equity contribution of \$9 million received from the SA Government and proceeds of \$1 million from the transfer of disability health units cash to DFC. In 2006 DFC recorded an inflow of \$10 million which reflected a SA Government equity contribution.

Cash as at 30 June 2007 is \$18 million. It is noted, however, that DFC is engaged in a number of programs involving the receipt of funds from State and Commonwealth sources who provide funds on the basis that funds are to be expended in a manner consistent with the terms of the program. As at 30 June 2007 the value of unexpended funding commitments was \$18 million.

## Income Statement for the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
<b>EXPENSES:</b>			
Employee benefit expenses	6	<b>290 905</b>	196 525
Supplies and services	7	<b>99 657</b>	71 184
Depreciation and amortisation	8	<b>3 045</b>	2 146
Grants, subsidies and client payments	9	<b>647 675</b>	687 984
Other expenses	10	<b>4</b>	2 350
<b>Total Expenses</b>		<b>1 041 286</b>	960 189
<b>INCOME:</b>			
Rent, fees and charges	11	<b>98 260</b>	86 246
Dividends - HomeStart Finance	2.8	<b>5 000</b>	5 000
Commonwealth revenues	12	<b>247 862</b>	236 681
Interest revenue	13	<b>12</b>	1 227
Net gain from disposal of assets	14	<b>90</b>	-
Other revenue	15	<b>3 481</b>	1 381
<b>Total Income</b>		<b>354 705</b>	330 535
<b>NET COST OF PROVIDING SERVICES</b>		<b>686 581</b>	629 654
<b>REVENUES FROM SA GOVERNMENT:</b>			
Revenues from SA Government	16.1	<b>651 336</b>	594 325
Grants from SA Government agencies	16.2	<b>27 473</b>	30 646
<b>Total Revenue from SA Government</b>		<b>678 809</b>	624 971
<b>Net Result before Restructure</b>		<b>(7 772)</b>	(4 683)
Net revenue from an administrative restructure	31	<b>39 708</b>	335
<b>NET RESULT AFTER RESTRUCTURE</b>		<b>(31 936)</b>	(4 348)

Net Result After Restructure is attributable to the SA Government as owner

## Balance Sheet as at 30 June 2007

		2007	2006
	Note	\$'000	\$'000
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	18	18 496	23 939
Receivables	19	31 630	30 457
Inventories	20	285	35
<b>Total Current Assets</b>		<b>50 411</b>	54 431
<b>NON-CURRENT ASSETS:</b>			
Receivables	19	449	338
Property, plant and equipment	21	163 080	103 902
Capital works in progress	22	6 080	3 741
<b>Total Non-Current Assets</b>		<b>169 609</b>	107 981
<b>Total Assets</b>		<b>220 020</b>	162 412
<b>CURRENT LIABILITIES:</b>			
Payables	23	18 132	22 548
Employee benefits	24	37 657	23 255
Provisions	26	4 716	2 567
Other liabilities	27	388	89
<b>Total Current Liabilities</b>		<b>60 893</b>	48 459
<b>NON-CURRENT LIABILITIES:</b>			
Payables	23	4 792	5 749
Employee benefits	24	33 456	25 826
Borrowings	25	285	285
Provisions	26	12 666	6 722
<b>Total Non-Current Liabilities</b>		<b>51 199</b>	38 582
<b>Total Liabilities</b>		<b>112 092</b>	87 041
<b>NET ASSETS</b>		<b>107 928</b>	75 371
<b>EQUITY:</b>			
Contributed capital	28	19 474	10 763
Asset revaluation reserve	28	13 433	13 433
Retained earnings	28	75 021	51 175
<b>TOTAL EQUITY</b>		<b>107 928</b>	75 371
Total Equity is attributable to the SA Government as owner			
Unexpended funding commitments	17		
Commitments	30		
Contingent assets and liabilities	32		

### Statement of Changes in Equity for the year ended 30 June 2007

	Note	Asset			Total \$'000
		Contributed Capital \$'000	Revaluation Reserve \$'000	Retained Earnings \$'000	
Balance at 30 June 2005		-	15 730	55 688	71 418
Changes in accounting policy		-	-	(165)	(165)
Error correction		-	-	-	-
<b>Restated balance as at 30 June 2005</b>		-	15 730	55 523	71 253
Gain (Loss) on revaluation of property, plant and equipment during 2005-06		-	(2 297)	-	(2 297)
Net income/expense recognised directly in equity for 2005-06		-	(2 297)	-	(2 297)
Net result after restructure for 2005-06		-	-	(4 348)	(4 348)
Total recognised income and expense for 2005-06		-	(2 297)	(4 348)	(6 645)
Equity contributions from SA Government		10 763	-	-	10 763
<b>Balance at 30 June 2006</b>	28	10 763	13 433	51 175	75 371
Changes in accounting policy		-	-	(8 090)	(8 090)
<b>Adjusted balance at 30 June 2006</b>		10 763	13 433	43 085	67 281
Gain (Loss) on revaluation of property, plant and equipment during 2006-07		-	-	-	-
Net income/expense recognised directly in equity for 2006-07		-	-	-	-
Net result after restructure for 2006-07		-	-	31 936	31 936
Total Recognised Income and Expense for 2006-07		-	-	31 936	31 936
Equity contributions from SA Government		8 711	-	-	8 711
<b>Balance at 30 June 2007</b>	28	<b>19 474</b>	<b>13 433</b>	<b>75 021</b>	<b>107 928</b>

Total Equity is attributable to the SA Government as owner

## Cash Flow Statement for the year ended 30 June 2007

	2007	2006
	<b>Inflows (Outflows)</b>	Inflows (Outflows)
	<b>\$'000</b>	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	Note	
CASH OUTFLOWS:		
Employee payments	(285 400)	(190 122)
Supplies and services	(109 914)	(59 383)
Grants and subsidies	(646 060)	(698 252)
GST payments on purchases	(43 583)	(35 214)
GST remitted to ATO	(2 018)	(995)
Other payments	(4)	(703)
<b>Cash used in Operations</b>	<b>(1 086 979)</b>	<b>(984 669)</b>
CASH INFLOWS:		
Fees and charges	96 095	80 093
Receipts from Commonwealth	240 542	236 681
Interest received	279	1 346
Dividends received	5 000	5 000
GST receipts on receivables	2 125	307
GST refund from ATO	49 074	32 475
Other receipts	3 364	609
<b>Cash generated from Operations</b>	<b>396 479</b>	<b>356 511</b>
<b>CASH FLOWS FROM SA GOVERNMENT:</b>		
Receipts from SA Government	651 336	594 325
Grants from SA Government agencies	27 473	30 646
<b>Cash generated from SA Government</b>	<b>678 809</b>	<b>624 971</b>
<b>Net Cash used in Operating Activities</b>	<b>(11 691)</b>	<b>(3 187)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Purchase of property, plant and equipment (including WIP)	(4 057)	(2 312)
<b>Cash used in Investing Activities</b>	<b>(4 057)</b>	<b>(2 312)</b>
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	235	-
<b>Cash generated from Investing Activities</b>	<b>235</b>	<b>-</b>
<b>Net Cash used in Investing Activities</b>	<b>(3 822)</b>	<b>(2 312)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Distributions to Government	-	-
<b>Cash used in Financing Activities</b>	<b>-</b>	<b>-</b>
CASH INFLOWS:		
Capital contributions from Government	8 711	10 763
Proceeds from restructuring activities	1 359	-
<b>Cash generated from Financing Activities</b>	<b>10 070</b>	<b>10 763</b>
<b>Net Cash provided by Financing Activities</b>	<b>10 070</b>	<b>10 763</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5 443)</b>	<b>5 264</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>	<b>23 939</b>	<b>18 675</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>18</b>	<b>23 939</b>



### Program Schedule of Expenses and Income for the year ended 30 June 2007

(Programs Refer Note 5)	F1		F2		F3	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>EXPENSES:</b>						
Employee benefit expenses	22 483	22 247	38 221	38 647	92 983	8 772
Supplies and services	335	284	1 238	944	32 699	6 216
Depreciation and amortisation	2	1	3	7	990	948
Grants, subsidies and client payments	80 949	83 447	177 559	188 724	314 378	372 980
Other expenses	-	-	4	(13)	-	2 348
<b>Total Expenses</b>	<b>103 769</b>	<b>105 979</b>	<b>217 025</b>	<b>228 309</b>	<b>441 050</b>	<b>391 264</b>
<b>INCOME:</b>						
Rent, fees and charges	20 673	21 223	35 245	36 751	14 230	1 866
Dividends - HomeStart Finance	1 600	1 600	3 400	3 400	-	-
Commonwealth revenues	21 395	24 306	68 265	64 483	157 194	147 156
Interest revenue	-	-	-	-	12	-
Net gain (loss) from the disposal of assets	-	-	-	-	-	-
Other revenue/income	-	79	-	372	2 986	407
<b>Total Income</b>	<b>43 668</b>	<b>47 208</b>	<b>106 910</b>	<b>105 006</b>	<b>174 422</b>	<b>149 429</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>(60 101)</b>	<b>(58 771)</b>	<b>(110 115)</b>	<b>(123 303)</b>	<b>(266 628)</b>	<b>(241 835)</b>

(Programs Refer Note 5)	F4		F5		F6	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>EXPENSES:</b>						
Employee benefit expenses	109 775	99 438	26 275	24 622	-	1 355
Supplies and services	27 533	27 885	37 411	34 475	-	543
Depreciation and amortisation	1 348	1 155	702	28	-	7
Grants, subsidies and client payments	60 477	38 460	14 283	3 788	-	542
Other expenses	-	(72)	-	87	-	-
<b>Total Expenses</b>	<b>199 133</b>	<b>166 866</b>	<b>78 671</b>	<b>63 000</b>	<b>-</b>	<b>2 447</b>
<b>INCOME:</b>						
Rent, fees and charges	1 343	2 110	26 720	24 130	-	-
Dividends - HomeStart Finance	-	-	-	-	-	-
Commonwealth revenue	1 008	736	-	-	-	-
Interest revenue	-	-	-	1 227	-	-
Net gain (loss) from the disposal of non-current assets	90	-	-	-	-	-
Other revenue/income	249	286	246	205	-	32
<b>Total Income</b>	<b>2 690</b>	<b>3 132</b>	<b>26 966</b>	<b>25 562</b>	<b>-</b>	<b>32</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>(196 443)</b>	<b>(163 734)</b>	<b>(51 705)</b>	<b>(37 438)</b>	<b>-</b>	<b>(2 415)</b>

**Program Schedule of Expenses and Income  
for the year ended 30 June 2007 (continued)**

	(Programs Refer Note 5)		<b>F7</b>		<b>Total</b>	
	<b>2007</b>	2006	<b>2007</b>	2006	<b>2007</b>	2006
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>EXPENSES:</b>						
Employee benefit expenses	<b>1 168</b>	1 444	<b>290 905</b>	196 525		
Supplies and services	<b>441</b>	837	<b>99 657</b>	71 184		
Depreciation and amortisation	-	-	<b>3 045</b>	2 146		
Grants, subsidies and client payments	<b>29</b>	43	<b>647 675</b>	687 984		
Other	-	-	<b>4</b>	2 350		
<b>Total Expenses</b>	<b>1 638</b>	2 324	<b>1 041 286</b>	960 189		
<b>INCOME:</b>						
Rent, fees and charges	<b>49</b>	166	<b>98 260</b>	86 246		
Dividends - HomeStart Finance	-	-	<b>5 000</b>	5 000		
Commonwealth revenue	-	-	<b>247 862</b>	236 681		
Interest revenue	-	-	<b>12</b>	1 227		
Net gain (loss) from the disposal of non-current assets	-	-	<b>90</b>	-		
Other revenue/income	-	-	<b>3 481</b>	1 381		
<b>Total Income</b>	<b>49</b>	166	<b>354 705</b>	330 535		
<b>NET COST OF PROVIDING SERVICES</b>	<b>(1 589)</b>	(2 158)	<b>(686 581)</b>	(629 654)		

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**1. Objectives And Functions of the Department**

The Department for Families and Communities (the Department) was established on 5 March 2004 and commenced operating on 1 July 2004, to provide a clear focus for the SA Government's goals for the protection of our children and young people and to help build the resilience and well-being of families and communities. The vision of the Department is to be an innovative, effective and responsive leader in improving the quality of family and community life in South Australia. The Department has a broad mandate to work with those in need who, through circumstance, may be poor, vulnerable, at risk of harm or isolated and disconnected.

To achieve this vision, the Department will actively work towards a community where:

- enhanced wellbeing is a fundamental right;
- everybody shares the responsibility for building and supporting stronger families and communities;
- everybody benefits from improved wellbeing.

The Department serves the Minister for Families and Communities, Housing, Ageing and Disability. For the period, from 1 July 2006 to 31 March 2007 the Department also served the Minister for the Status of Women (refer to Note 1.1). The Department has the responsibility for delivery of specific programs to the public with respect to activities assigned to the Department under various Acts as delegated, by the respective Ministers, to the Chief Executive of the Department.

In addition, the Minister for Health has delegated to the Minister for Disability and the Chief Executive certain powers under the *South Australian Health Commission Act 1976* for the incorporated disability health service, namely Julia Farr Services (JFS). The financial affairs of JFS do not form part of the Department's financial report, as JFS is required to maintain separate accounts of its financial affairs and to have the financial statements separately audited by the Auditor-General or an auditor approved by the Auditor-General.

The Department also functions as a service provider to the South Australian Housing Trust (SAHT), South Australian Community Housing Authority (SACHA), South Australian Aboriginal Housing Authority (SAAHA), HomeStart Finance and various other non-government organisations. Similarly, the financial affairs of these organisations do not form part of the Department's financial report.

**1.1 Administrative Restructures***2006-07*

The Intellectual Disability Services Council (IDSC) and the Independent Living Centre (ILC) were incorporated under the *South Australian Health Commission Act 1976*. Effective 1 July 2004, the Minister for Health delegated responsibility for IDSC and ILC to the Minister for Disability. On 29 June 2006 the Governor proclaimed to dissolve IDSC and ILC in accordance with reforms to the governance arrangements for the management of the provision of disability services. Effective 1 July 2006, the Boards of IDSC and ILC dissolved and the assets and liabilities of IDSC and ILC were transferred, assigned or vested in the Minister for Disability. (Refer Note 31).

The Office for Women (OFW) was transferred from the Department to the Attorney-General's Department (AGD) on 1 April 2007.

*2005-06*

Effective 1 April 2006, the Government proclaimed the transfer of employees of the Office for Youth (OFY) to the Department for Further Education, Employment, Science and Technology (DFEEST). It was taken that the proclamation meant the transfer of assets and liabilities of the OFY to DFEEST. The liabilities were primarily employee liabilities.

**1.2 Funding for the Department**

Funding for the Department comes mainly from appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities.

The Department also receives amounts from other sources including rent, fees, and charges, and dividends from portfolio housing agencies.

**2. Summary of Significant Accounting Policies****2.1 Basis of Accounting**

The financial report is a general purpose financial report. The accounts have been prepared in accordance with:

- applicable AASs;
- TIs and APSs promulgated under the provision of the PFAA;
- other mandatory professional reporting requirements in Australia.

*Statement of Compliance*

AASs include AIFRS and AAS 29. The Department has early-adopted the amendments to AASB 101. Refer to Note 4.

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

The Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a 12 month operating cycle and presented in Australian currency.

The existence of the Department and the ongoing delivery of current programs and services is dependent on government policy and on continuing appropriations by Parliament.

**2.2 Reporting Entity**

The Department's financial statements include both departmental and administered items. The Department's financial statements include assets, liabilities, income and expenses controlled or incurred by the Department in its own right. The Administered financial statements included assets, liabilities, income and expenses which the Department administers on behalf of the SA Government, but does not control. A separate set of financial statements is produced as these administered items are regarded as significant in respect to the Department's operations.

**2.3 Comparative Figures**

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or an AAS has required a change. Where presentation and classification of items in the financial report have been amended, comparative amounts have been reclassified unless reclassification is impracticable. Any restated comparative amounts do not replace the original financial report for the preceding period.

**2.4 Rounding**

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

**2.5 Taxation**

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST and the emergency services levy. Income, expenses and assets are recognised net of the amount of GST except:

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

## **2.5 Taxation (continued)**

The net amount of GST recoverable from, or payable to, Australian Taxation Office is included as part of receivables or payables in the Balance Sheet.

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

Commitments and contingencies include GST recoverable from or payable to the Australian Tax Office.

## **2.6 Income and Expenses**

Income and Expenses are recognised in the Department's Income Statement when and only when the flow or consumption or loss of future economic benefits has occurred and can be reliably measured. Income and Expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard or where offsetting reflects the substance of the transaction.

The notes to the financial statements disclose revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date.

### *Fees and Charges*

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

### *Disposal of Non-Current Assets*

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

### *Resources Received/Provided Free of Charge*

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

### *Grant Contributions Received*

Grants that are received from other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies or the Commonwealth Government. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. The contribution is recognised as an asset and income when the Department obtains control of the contributions or the right to receive the contribution.

### *Grants Paid*

Grants that are paid to other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, Non-Government organisations or the public. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. For contributions payable, the contribution will be recognised as a liability and expense when the entity has a present obligation to pay the contribution.

## **2.7 Revenues from SA Government**

Appropriations are recognised as revenues when the Department obtains control over the funding. Control over the appropriations is normally obtained upon their receipt.

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

## **2.8 Dividends**

Dividends are received by the Department from HomeStart Finance, in compliance with section 26(8) of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and redistributed to portfolio housing entities consistent with Departmental strategic plans.

## **2.9 Current and Non-Current Items**

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

## **2.10 Cash and Cash Equivalents**

Cash and cash equivalents as reported in the Balance Sheet includes cash on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value. Cash and cash equivalents in the Cash Flow Statement comprise cash and cash equivalents as defined above. Cash is measured at nominal value.

**2.10 Cash and Cash Equivalents (continued)**

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with the appropriation and expenditure authority. During the financial year the Department was not required to transfer any of its cash balance relating to controlled items to the Consolidated Account. In 2005-06 an amount of \$13.997 million was transferred to Consolidated Account in respect of Administered Items (refer to Note 3 in Administered Items).

**2.11 Receivables**

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

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are receivable within 30 days after the issue of an invoice or otherwise in accordance with relevant contractual arrangements.

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible, after all reasonable attempts have been made to collect the debt, are written off when identified. A provision for doubtful debts is raised when there is objective evidence that the Department will not be able to collect the debts.

**2.12 Inventories**

Inventories are stated at the lower of cost and their net realisable value. Inventories held for use by the Department are measured at cost, with cost being allocated in accordance with the first-in/first-out method.

**2.13 Non-Current Asset Acquisition and Recognition**

Assets are initially recorded at cost plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. Where the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

The Department capitalises all non-current physical assets with a value of \$10 000 or greater.

Assets held for sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell.

Works in progress are projects physically incomplete as at reporting date.

**2.14 Revaluation of Non-Current Assets**

In accordance with APF III:

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

*Land and Buildings at Fair Value*

The Department revalues its land and buildings every three years. However, if at any time management considers that the carrying amount of the asset materially differs from the fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

The Department's land and buildings were revalued using the fair value methodology, as at 30 June 2006, based on independent valuations performed by:

- Martin Burns - MBA, BAppSc. Property Resource Management, AAPI, Certified Practising Valuer (CPV), Liquid Pacific Limited
- Wayne Smith BBus (Property) AAPI, Certified Practising Valuer (CPV), Liquid Pacific Limited.

Land and Buildings transferred from IDSC on 1 July 2006, were transferred at the value recorded by IDSC prior to the transfer.

*Assets Deemed to be at Fair Value*

For those classes of non-current assets where an independent revaluation has not been undertaken, the criteria within APF III have not been met. These classes of non-current assets are deemed to be at fair value as determined by APF III as issued by the Department of Treasury and Finance.

Asset classes that did not satisfy the criteria and are therefore deemed to be at fair value include:

- Leasehold improvements
- Buildings and improvements in progress (WIP)
- Computing equipment
- Motor Vehicles
- Other plant and equipment.

### 2.15 Impairment

All non-current assets are tested for an indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. An impairment loss is recognised immediately in the Income Statement, unless the asset has been revalued. For revalued assets an impairment loss is offset against the revaluation reserve for that same class of assets, to the extent that the impairment loss does not exceed the amount in the asset revaluation reserve for that class of asset.

### 2.16 Depreciation and Amortisation of Non-Current Assets

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

The useful lives of all major assets held by the Department are reassessed on an annual basis.

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

Land and assets held for sale are not depreciated.

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

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Buildings and improvements	Straight line	25-50
Leasehold improvements	Straight line	Life of lease
Computing equipment	Straight line	3
Motor vehicles	Straight line	10
Other plant and equipment	Straight line	3-15

### 2.17 Intangibles

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

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

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

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

At 30 June 2007 the Department did not have any intangible assets.

### 2.18 Payables

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

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

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

All payables are measured at their nominal amount and are unsecured. Invoices are normally settled within 30 days after the Department receives an invoice.

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

The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as the South Australian Superannuation Board (SASB) has assumed these. The only liability outstanding at balance date relates to any contributions due but not yet paid to the SASB.

### 2.19 Employee Benefits

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

*Accrued Salaries and Wages*

The liability for accrued salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

*Sick Leave*

A provision has not been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years is estimated to be less than the annual entitlement of sick leave.

*Annual Leave*

The liability for annual leave is measured as the amount unpaid at the reporting date at remuneration rates expected to be paid at reporting date. The annual leave liability is expected to be paid within 12 months and is measured at the undiscounted nominal amount. In the unusual event where annual leave is expected to be paid later than 12 months, the liability will be measured at present value.

*Long Service Leave*

The liability for long service leave was determined through an actuarial assessment undertaken by William M Mercer Pty Ltd, in accordance with AASB 119. The following assumptions were made by the actuary when performing the assessment:

- Salary increases of 3.5 percent per annum based on the current enterprise bargaining agreement and short-term forecasts;
- Discounting of 6.25 percent per annum based on the pre-tax yield on the 10 year Commonwealth Government bonds at the valuation date.

**2.20 Provisions***Insurance*

The Department is a participant in the State Government's Insurance Program. The Department pays a premium to the South Australian Government Financing Authority (SAFA), SAICORP Division, for professional indemnity insurance and general public liability insurance and is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible.

The provision for Public Liability and Professional Indemnity Insurance represents liabilities for outstanding claims in respect of incidents that have occurred. The liabilities include claims incurred and reported but not paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and the anticipated costs of settling those claims. The claims liabilities are measured as the present values of the expected future payments. Claims incurred but not paid and claim settlement costs that can be directly attributed to particular claims are assessed by reviewing individual claim files.

In respect of IBNR and IBNER claims, an amount of \$50 000 has been set aside for both the Public Liability Claims and Professional Indemnity Claims. These amounts are based upon historical claims activity and with allowance for prudential margins and is reviewed annually. Public Liability and Professional Indemnity Claims relating to periods prior to the restructuring of the former Department of Human Services, effective 1 July 2004, are the responsibility of the Department of Health.

The provision for Property claims represents outstanding payments for incurred damage to property. An allowance is also included for (IBNER) claims. This provision is based upon historical claims activity and with allowance for prudential margins and is reviewed annually.

*Workers Compensation*

The Department is an exempt employer under the WRCA. Under a scheme arrangement the Department and the participating exempt disability health service, JFS are responsible for the management of workers rehabilitation and compensation.

The workers compensation liability recognised for the employees of the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 30 April 2007 data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June 2007. For the 2006-07 financial year the Department has reflected a workers compensation provision of \$16.55 million (\$8.47 million). Refer Note 26.2.

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the Payment Per Claim Incurred (PPCI) valuation method. The assessment has been conducted in accordance with AASB 137 and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

The disability health service, JFS participating in the scheme, continues to be directly responsible for the cost of workers compensation claims and the implementation and funding of preventative programs.

JFS is a non-safety net funded health service. This means the Department funds JFS for workers compensation, lump sum settlements and for redemption payments.

*Workers Compensation (continued)*

Accordingly, the Department recognises a payable to the disability health service equivalent to the liability for these specifically funded items which the disability health Service recognises as a provision in their financial statements. The value of the liability at 30 June 2007 is \$1.28 million (\$3.61 million) (Refer to Note 23).

**2.21 Leases**

The Department has not entered into any finance leases. The Department has entered into some operating leases.

*Operating Leases*

In respect of operating leases, the lessor retains substantially the entire risks and benefits incidental to the ownership of the leased items. Operating lease payments are recognised as an expense on a basis which is representative of the pattern of benefits derived from the leased assets.

**2.22 Government/Non-Government Disclosures**

The Department has adopted the requirements of APF II where the Department must disclose by way of note whether transactions are with entities that are within or external to the SA Government. These transactions are classified by their nature and relate to income, expenses, financial assets and financial liabilities.

**3. Financial Risk Management**

The Department has non-interest bearing assets in the form of cash on hand and receivables, and non-interest bearing liabilities in the form of payables. The Department's exposure to market risk is minimal and cash flow interest risk is minimal. From 1 July 2006, as a result of policy changes, the Department did not receive interest on cash balances in the Departmental operating account. This balance comprises the majority of the Department's controlled cash.

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

In relation to liquidity/funding risk, the continued existence of the Department in its present form and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Department's administration and programs.

**4. Change in Accounting Policy**

*Change in Asset Threshold*

Effective 1 July 2006, the asset capitalisation threshold for the Department was increased to \$10 000. The previous asset capitalisation threshold was \$5000. The increase in the asset capitalisation threshold will ensure that there is consistency in the asset capitalisation threshold across various entities within the portfolio. The increase is in accordance with APF III issued by the Department of Treasury and Finance where assets with a fair value at time of acquisition of less than \$10 000 need not be recognised (capitalised) as an asset.

The change in accounting policy is accounted for by adjusting the balance of retained earnings for 2006 by \$165 000 for the Department and by an adjustment of \$8.09 million directly to equity in 2006-07 for the former ILC and IDSC (ILC \$7.955 million and IDSC \$135 000). Where practicable comparative information has been restated.

*Early-Adoption of AASs*

Except for the amendments to AASB 101 which the Department has early-adopted the AASs and Interpretations that have been recently issued or amended but are not yet effective, have not been adopted for the reporting period ending 30 June 2007. The Department has assessed the impact of new and amended standards and interpretations and considers that there will be no impact on the accounting policies or financial report of the Department.

**5. Programs of the Department**

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

**Program F1: Affordable Housing Choices and Communities that Prosper**

To work with others to expand and improve affordable housing choices across the State and help build communities that prosper.

This program encompasses the management of grants for housing services to low-income households. This includes grants for the provision of public housing, urban and community renewal and private rental services by the SAHT, the provision of public and community managed housing by the SAAHA, the funding and regulation of community housing by the SACHA and activities funded by the Commonwealth State Housing Agreement (CSHA).

**Program F2: High Need Housing**

To develop and implement better high need housing and service responses for people at risk or in need.

This program encompasses the management of grants for housing services and supported accommodation assistance to people in crisis as well as providing other services and programs related to high need housing.



**Program F3: Independence and Community Connection**

To enable people to take charge of their lives and ensure community connection opportunities are available to all.

The program encompasses the provision of services related to supporting people with disabilities to live in the community, managing grants and providing advice to the Minister for the promotion of health, social well-being and quality of life of the community, implementing strategies and programs to promote the participation and support of older people in the community.

**Program F4: Keeping Them Safe and Connected**

To ensure children, young people and families are safe, supported and connected to the future.

This program encompasses the following services; child protection, alternative care for those children and young people not able to be cared for by their own families, case management and support for young people under the Guardianship of the Minister, adoption and post adoption services, youth justice services as directed by the Youth Court (eg remand, bail orders, community service orders, supervision and home detention), provision of secure care facilities for young people who are detained, emergency financial assistance, funeral assistance, domestic violence assistance, anti-poverty preventative programs, and recovery services for victims of disasters.

**Program F5: Effective and Sustainable Business Practices**

To establish and maintain efficient, effective and accountable business practices to underpin delivery of the Connecting to the Future strategic agenda.

This program delivers strategic and overarching support services such as policy development and advice, strategic planning and evaluation, continuous improvement, risk management plans and quality management, research, financial services, information management, workforce and infrastructure development, for the entire Portfolio.

**Program F6: OFY**

The OFY initiated, advocated and facilitated policies and strategies that created opportunities for positive outcomes for young people in South Australia. This program was transferred from the Department to DFEEST effective 1 April 2006.

**Program F7: OFW**

Pursuit of the full and equal participation of women in the social and economic life of the State by providing innovative and balanced public policy advice to government. Providing high quality State-wide information, support and referral services through the Women's Information Service. This program was transferred to the AGD on 1 April 2007.

**6. Employee Benefit Expenses**

	Note	2007 \$'000	2006 \$'000
Salaries and wages		212 553	142 694
TVSPs	6.1	-	1 265
Long service leave		5 924	6 873
Annual leave		20 725	14 808
Superannuation		24 472	15 602
Workers compensation		7 272	3 141
Payroll Tax		14 903	9 969
Other Employee Related Expenses		5 056	2 173
<b>Total Employee Benefit Expenses</b>		<b>290 905</b>	<b>196 525</b>

**6.1 TVSPs**

Amount paid to these employees:

TVSPs	-	1 265
Annual leave and long service leave paid during the reporting period	-	333
Recovery from the Department of Treasury and Finance	-	1 265

	2007 Number of Employees	2006 Number of Employees
Number of employees that were paid TVSPs during the reporting period	-	12

**Remuneration of Employees**

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

	<b>2007</b>	2006
	<b>Number of Employees</b>	Number of Employees
\$100 000 - \$109 999	<b>50</b>	27
\$110 000 - \$119 999	<b>25</b>	6
\$120 000 - \$129 999	<b>8</b>	8
\$130 000 - \$139 999	<b>14</b>	4
\$140 000 - \$149 999	<b>5</b>	6
\$150 000 - \$159 999	<b>7</b>	5
\$160 000 - \$169 999	<b>4</b>	2
\$170 000 - \$179 999	<b>3</b>	-
\$180 000 - \$189 999	<b>4</b>	6
\$190 000 - \$199 999	<b>3</b>	1
\$200 000 - \$209 999	<b>2</b>	-
\$210 000 - \$219 999	<b>1</b>	-
\$240 000 - \$249 999	<b>1</b>	2
\$280 000 - \$289 999	<b>1</b>	-
\$310 000 - \$319 999	<b>-</b>	1
\$320 000 - \$329 999	<b>1</b>	-
<b>Total Number of Employees</b>	<b>129</b>	<b>68</b>

The table includes all employees who received remuneration of \$100 000 or more during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and other salary sacrifice benefits. The total remuneration received by these employees for the year was \$16.7 million (\$9.1 million).

**7. Supplies and Services**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Accommodation and property related	<b>20 987</b>	18 858
Administration	<b>7 590</b>	6 037
Advertising and promotions	<b>539</b>	745
Bad and doubtful debts	<b>89</b>	(366)
Brokerage fees	<b>8 403</b>	-
Client related expenses	<b>4 265</b>	3 037
Communication and computing	<b>16 917</b>	16 836
Contractors and agency staff	<b>8 563</b>	8 976
Consultants	<b>508</b>	496
Drug supplies	<b>467</b>	24
Electricity, gas and fuel	<b>604</b>	-
Food supplies	<b>877</b>	-
Housekeeping	<b>1 201</b>	-
Insurance	<b>857</b>	794
Interpreter and translation fees	<b>21</b>	67
Managed payments	<b>2 716</b>	2 831
Medical, surgical and laboratory supplies	<b>495</b>	-
Minor equipment	<b>5 130</b>	1 314
Motor vehicle expenses	<b>7 109</b>	4 275
Patient transport	<b>70</b>	-
Printing and stationery	<b>3 025</b>	2 696
Repairs and maintenance	<b>4 355</b>	-
Seminars, courses and training	<b>1 350</b>	2 463
Travel and accommodation	<b>2 118</b>	1 835
Other supplies and services	<b>1 124</b>	-
<b>Total Supplies and Services (Excluding Audit Fees)</b>	<b>99 380</b>	<b>70 918</b>
Audit fees - Auditing financial reports*	<b>277</b>	266
<b>Total Audit Fees</b>	<b>277</b>	266
<b>Total Supplies and Services (Including Audit Fees)</b>	<b>99 657</b>	<b>71 184</b>

\* There were no other services provided by the Auditor-General.

Supplies and Services provided by Entities within SA Government:

Accommodation and property related	<b>15 491</b>	15 076
Administration	<b>2 210</b>	80
Advertising and promotions	<b>47</b>	21
Bad and doubtful debts	<b>84</b>	(366)
Client related expenses	<b>287</b>	356
Communication and computing	<b>8 036</b>	10 941
Contractors and agency staff	<b>2 635</b>	3 169
Consultants	<b>16</b>	52
Insurance	<b>852</b>	573
Managed payments	<b>2 466</b>	2 529
Minor Equipment	<b>260</b>	102
Motor vehicle expenses	<b>6 661</b>	3 996

**7. Supplies and Services (continued)**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Supplies and Services provided by Entities within SA Government: (continued)		
Printing and stationery	<b>128</b>	78
Repairs and maintenance	<b>457</b>	-
Seminars, courses and training	<b>90</b>	189
Travel and accommodation	<b>12</b>	23
<b>Total Supplies and Services - SA Government (Excluding Audit Fees)</b>	<b>39 732</b>	36 819
Audit fees - Auditing financial reports	<b>277</b>	266
<b>Total Audit Fees - SA Government</b>	<b>277</b>	266
<b>Total Supplies and Services - SA Government (Including Audit Fees)</b>	<b>40 009</b>	37 085

	2007		2006	
	Number	\$'000	Number	\$'000
The number and dollar amount of consultancies paid/payable (included in Supplies and Services expense) that fell within the following bands:				
Below \$10 000	<b>11</b>	<b>29</b>	19	92
Between \$10 000 - \$50 000	<b>13</b>	<b>299</b>	6	143
Above \$50 000	<b>3</b>	<b>180</b>	3	261
<b>Total Paid/Payable to Consultants Engaged</b>	<b>27</b>	<b>508</b>	28	496

**8. Depreciation and Amortisation**

	Note	<b>2007</b>	2006
		<b>\$'000</b>	\$'000
Depreciation:			
Buildings and improvements		<b>1 733</b>	1 595
Computing equipment		<b>52</b>	18
Motor vehicles		<b>5</b>	-
Other plant and equipment		<b>682</b>	88
<b>Total Depreciation</b>		<b>2 472</b>	1 701
Amortisation:			
Leasehold improvements		<b>573</b>	445
<b>Total Amortisation</b>		<b>573</b>	445
<b>Total Depreciation and Amortisation</b>		<b>3 045</b>	2 146

**9. Grants, Subsidies and Client Payments**

Grants, Subsidies and Client Payments Paid/Payable:			
Recurrent funding to Disability Health Services	9.1	<b>55 666</b>	133 742
Capital grant to Incorporated Health Services	9.2	<b>31</b>	2 063
Funding to non-government organisations	9.3	<b>248 683</b>	222 146
Housing assistance		<b>104 180</b>	109 961
SAHT - Tax Equivalent Regime		<b>123 062</b>	119 021
Supported Accommodation Assistance Program - SA Government entities		<b>1 048</b>	1 061
Home and Community Care - SA Government entities		<b>49 575</b>	44 927
GST Compensation		-	3 030
Family and Community Development - SA Government entities		-	55
Alternative Care - SA Government entities		-	566
Emergency financial assistance		<b>3 085</b>	2 306
Funds for Seniors		<b>6 081</b>	5 544
Public Trustee - Disability		-	2 000
Strathmont Centre		-	4 480
Parks Community Centre (Local Government Grant)		<b>1 921</b>	1 886
Children's payments		<b>40 046</b>	20 945
Concessions		<b>1 027</b>	431
Other		<b>13 270</b>	13 820
<b>Total Grants, Subsidies and Client Payments</b>		<b>647 675</b>	687 984

Grants and Subsidies paid/payable within SA Government:			
Recurrent funding to Disability Health Services	9.1	<b>55 666</b>	133 742
Capital grant	9.2	<b>31</b>	2 063
Housing assistance		<b>102 791</b>	108 137
SAHT - Tax Equivalent Regime		<b>123 062</b>	119 021
Supported Accommodation Assistance Program		<b>1 048</b>	1 061
Home and Community Care		<b>49 575</b>	44 927
GST Compensation		-	3 030
Family and Community Development		-	55
Alternative Care		-	566
Emergency financial assistance		<b>1 029</b>	1 129
Funds for Seniors		<b>5 367</b>	4 824
Public Trustee - Disability		-	2 000
Strathmont Centre		-	4 480
Children's Payments		<b>1 169</b>	388
Concessions		<b>1 027</b>	431
Other		<b>12 576</b>	10 498
<b>Total Grants, Subsidies and Client Payments- SA Government</b>		<b>353 341</b>	436 352

<b>9.1 Recurrent Funding to Incorporated Disability Health Services*</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Julia Farr Services	<b>55 666</b>	51 838
Intellectual Disability Services Council**	-	74 416
Independent Living Centre**	-	7 488
<b>Total Recurrent Funding to Incorporated Disability Health Services</b>	<b>55 666</b>	133 742

\* Effective 1 July 2004, the Minister for Health delegated to the Minister for Disability responsibility for the Incorporated Disability Health Service.

\*\* Effective 1 July 2006, the Boards of IDSC and ILC dissolved and the assets and liabilities of IDSC and ILC were transferred, assigned or vested in the Minister for Disability.

<b>9.2 Capital Funding to Incorporated Health Services*</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Julia Farr Services	<b>31</b>	253
Intellectual Disability Services Council**	-	1 796
Independent Living Centre**	-	14
<b>Total Capital Funding</b>	<b>31</b>	2 063

\* Effective 1 July 2004, the Minister for Health delegated to the Minister for Disability responsibility for the Incorporated Disability Health Service.

\*\* Effective 1 July 2006, the Boards of IDSC and ILC dissolved and the assets and liabilities of IDSC and ILC were transferred, assigned or vested in the Minister for Disability.

<b>9.3 Funding to Non-Government Organisations</b>	<b>2007</b>	2006
Grants and Subsidies paid/payable external to SA Government:	<b>\$'000</b>	\$'000
Minda Inc	<b>30 669</b>	27 681
Royal District Nursing	<b>16 161</b>	15 233
Uniting Care Wesley	<b>13 162</b>	11 909
NOVITA	<b>11 898</b>	10 471
Community Accommodation and Respite Agency Inc	<b>10 966</b>	11 001
Anglicare SA	<b>8 984</b>	7 419
Centacare	<b>6 266</b>	6 004
Community Access Services of SA Inc	<b>4 749</b>	3 101
Leveda Inc	<b>4 245</b>	3 981
The Salvation Army (SA)	<b>3 989</b>	3 719
Community Support Network Inc	<b>3 806</b>	7 234
Aged Care and Housing Group Inc	<b>3 322</b>	2 150
Baptist Community Services	<b>3 315</b>	2 620
Aboriginal Family Support	<b>3 210</b>	1 818
Southern Junction Community	<b>3 208</b>	1 201
Life Without Barriers	<b>3 191</b>	1 132
Anglican Community Care Inc	<b>3 135</b>	2 004
Julia Farr Association Inc	<b>2 920</b>	8 000
Life's for Living	<b>2 298</b>	2 000
Resthaven Inc	<b>2 249</b>	2 076
Royal Society for the Blind	<b>2 158</b>	2 321
Autism Association of SA Inc	<b>2 086</b>	2 033
Orana	<b>2 057</b>	1 759
Guide Dogs Association	<b>1 943</b>	1 102
Meals on Wheels Inc	<b>1 838</b>	1 462
Community Support Inc	<b>1 734</b>	1 448
Helping Hand Aged Care	<b>1 612</b>	-
Community Lifestyles Inc	<b>1 524</b>	1 478
St Johns Youth Services Inc	<b>1 518</b>	2 150
Other	<b>90 470</b>	77 639
<b>Total Funding to Non-Government Organisations</b>	<b>248 683</b>	222 146

\* Payments to non-SA Government Organisations, where total payments to an organisation are greater than \$1.5 million are individually disclosed above. Payments less than \$1.5 million are in 'Other'. This includes payments for major programs, such as SAAP, HACC, Family and Community Development and Alternative Care.

<b>10. Other Expenses</b>	<b>2007</b>	2006
Other Expenses paid/payable:	<b>\$'000</b>	\$'000
Loss on revaluation of non-current assets	-	2 281
Other	<b>4</b>	69
<b>Total Other Expenses</b>	<b>4</b>	2 350
Other Expenses paid/payable within SA Government:		
Other	-	68
<b>Total Other Expenses - SA Government</b>	<b>-</b>	68

<b>11. Rent, Fees and Charges</b>	<b>2007</b>	2006
Rent, Fees and Charges received/receivable:	<b>\$'000</b>	\$'000
Employee services *	<b>55 543</b>	57 427
Insurance recoveries	<b>808</b>	1 018
Business services	<b>15 699</b>	16 979
Recoveries	<b>11 606</b>	9 200
Fines, fees and penalties	<b>742</b>	1 038
Rent	<b>609</b>	584
Patient and client fees	<b>5 447</b>	-
Other user charges and fees	<b>7 806</b>	-
<b>Total Fees and Charges</b>	<b>98 260</b>	86 246
Rent, Fees and Charges received/receivable from Entities within SA Government:		
Employee services *	<b>55 543</b>	56 879
Insurance recoveries	<b>190</b>	1 018
Business services	<b>15 235</b>	16 945
Recoveries	<b>9 064</b>	7 548
Fines, fees and penalties	<b>163</b>	240
Rent	<b>460</b>	465
Other user charges and fees	<b>128</b>	-
<b>Total Fees and Charges - SA Government</b>	<b>80 783</b>	83 095
* Represents the recovery of costs for the provision of employee related services to the SAHT, SACHA and SAAHA.		
<b>12. Commonwealth Revenues</b>		
Commonwealth Revenues received/receivable:		
Housing Assistance	<b>72 539</b>	72 029
Commonwealth State Disability Agreement	<b>68 506</b>	67 429
Home and Community Care	<b>78 952</b>	73 111
Supported Accommodation Assistance Program	<b>17 121</b>	16 760
Aged Care Assessment Program	<b>7 522</b>	5 232
Other	<b>3 222</b>	2 120
<b>Total Commonwealth Revenues</b>	<b>247 862</b>	236 681
<b>13. Interest Revenue</b>		
Interest from entities within the SA Government	-	1 227
Other	<b>12</b>	-
<b>Total Interest Revenue</b>	<b>12</b>	1 227
<b>14. Net Gain from Disposal of Assets</b>		
Land and Buildings:		
Proceeds from disposal	<b>235</b>	-
Less: Net book value of assets disposed	<b>145</b>	-
<b>Net Gain from Disposal of Land and Buildings</b>	<b>90</b>	-
Plant and Equipment:		
Proceeds from disposal	-	-
Less: Net book value of assets disposed	-	-
<b>Net Gain from Disposal of Plant and Equipment</b>	-	-
Total Assets:		
Total proceeds from disposal	<b>235</b>	-
Less: Total value of assets disposed	<b>145</b>	-
<b>Total Net Gain from Disposal of Assets</b>	<b>90</b>	-
<b>15. Other Revenue</b>		
Other Revenue received/receivable:		
Assets received for nil consideration	<b>181</b>	579
Net revenue resulting from a correction of an error	-	194
Other	<b>3 300</b>	608
<b>Total Other Revenue</b>	<b>3 481</b>	1 381
Other Revenue received/receivable from Entities within SA Government:		
Assets received for nil consideration	<b>181</b>	579
Net revenue resulting from a correction of an error	-	194
Other	<b>1 281</b>	52
<b>Total Other Revenue - SA Government</b>	<b>1 462</b>	825

<b>16. Revenues from SA Government</b>	<b>2007</b>	2006
<b>16.1 Revenue from SA Government:</b>	<b>\$'000</b>	\$'000
General appropriation	<b>499 809</b>	438 320
Tax equivalent regime reimbursement	<b>124 847</b>	120 379
State Housing Assistance Funds	<b>26 680</b>	35 626
<b>Total Revenues from SA Government</b>	<b>651 336</b>	594 325
<b>16.2 Grants from SA Government Agencies</b>		
Community Development Fund	<b>3 489</b>	3 400
Department of Treasury and Finance - Contingency funds	<b>4 892</b>	9 396
TVSP recoveries	-	1 265
Social Inclusion	<b>5 923</b>	5 304
Other	<b>13 169</b>	11 281
<b>Total Grants from SA Government Agencies</b>	<b>27 473</b>	30 646
<b>17. Unexpended Funding Commitments</b>		
The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the program.		
As at 30 June 2007 the Department had outstanding funding commitments to the following programs:		
	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Home and Community Care Program	<b>2 876</b>	716
CSHA Projects	<b>6 071</b>	7 487
Supported Accommodation Assistance Program	<b>449</b>	173
Community Care Innovation Fund	-	2 229
Aged Care Assessment Program	<b>123</b>	60
Positive Ageing Grants	-	200
Financial Counselling - Gamblers Rehabilitation	-	194
Unspent APY Lands Funding from External Agencies	-	134
SRF Fire Safety Program	<b>1 452</b>	-
Metropolitan Domiciliary Care - Home and Community Care (HACC)	<b>692</b>	-
Metropolitan Domiciliary Care - Aged Care Assessment Team (ACAT)	<b>228</b>	-
Social Inclusion - Homelessness Grants	<b>196</b>	-
WECAN Aboriginal Schools Program	<b>59</b>	-
Families SA Commonwealth Program	<b>386</b>	-
National Child Protection and Support Service	<b>40</b>	-
Maria Daysh - Bequest	<b>10</b>	-
<b>Total Operating</b>	<b>12 582</b>	11 193
Strathmont Centre	<b>145</b>	971
Youth Training Centre Sustainment	<b>607</b>	452
Case Management System	<b>2 614</b>	-
Child Protection Review - Staff Accommodation	<b>341</b>	-
SACOSS Children's Facility	<b>310</b>	-
Families SA Accommodation	<b>1 151</b>	-
<b>Total Capital</b>	<b>5 168</b>	1 423
<b>Total Unexpended Funding Commitments</b>	<b>17 750</b>	12 616
<b>18. Cash and Cash Equivalents</b>		
Special Deposit Account with the Treasurer	<b>17 397</b>	23 632
Other cash at bank or on hand (Non-Government financial institutions)	<b>795</b>	3
Advance accounts and other	<b>304</b>	304
<b>Total Cash</b>	<b>18 496</b>	23 939
Cash deposits are recognised at their nominal amounts. Interest on cash held in the Special Deposit Account with the Treasurer does not accrue to the Department. Interest accruing on Other Cash at Bank is credited to revenue as it accrues.		
<b>19. Receivables</b>	<b>2007</b>	2006
Current:	<b>\$'000</b>	\$'000
Debtors	<b>6 922</b>	6 996
Patient/Client fees	<b>614</b>	-
Disability Health Services Budget - Over run	-	3 242
Employee related services recoverable	<b>11 709</b>	11 178
Interest income receivable	-	267
Overpaid salaries	<b>118</b>	108
Grant receivables	<b>7 320</b>	-
Sundry receivables	<b>2 613</b>	58
Sub Total Current Receivables	<b>29 296</b>	21 849
Less: Provision for doubtful debts	<b>399</b>	101
Prepayments	<b>179</b>	488
GST receivable	<b>2 554</b>	8 221
<b>Total Current Receivables</b>	<b>31 630</b>	30 457

<b>19. Receivables (continued)</b>	<b>2007</b>	2006
Non-Current:	<b>\$'000</b>	\$'000
Sundry receivables	<b>449</b>	181
Prepayments	-	157
<b>Total Non-Current Receivables</b>	<b>449</b>	338
<b>Total Receivables</b>	<b>32 079</b>	30 795
Government Receivables:		
Receivables from SA Government Entities:		
Debtors	<b>4 433</b>	5 047
Disability Health Services Budget - Over run	-	3 242
Employee related services recoverable	<b>11 709</b>	11 178
Interest income receivable	-	267
Sundry receivables	<b>546</b>	-
Sub Total Receivables	<b>16 688</b>	19 734
Less: Provision for doubtful debts	<b>70</b>	79
Prepayment	<b>157</b>	645
GST receivable	<b>2 554</b>	8 221
<b>Total Receivables - SA Government</b>	<b>19 329</b>	28 521
<b>Interest Rate and Credit Risk</b>		
Receivables are raised for goods and services provided for which payment has not been received.		
Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.		
<b>Bad and Doubtful Debts</b>		
The Department has recognised a bad and doubtful debt expense of \$89 000 in the Income Statement.		
<b>20. Inventories</b>	<b>2007</b>	2006
Current:	<b>\$'000</b>	\$'000
Stores	<b>74</b>	35
Drug supplies	<b>61</b>	-
Medical, surgical and laboratory supplies	<b>14</b>	-
Food and hotel supplies	<b>58</b>	-
Other	<b>78</b>	-
<b>Total Current Inventories</b>	<b>285</b>	35
<b>21. Property, Plant and Equipment</b>		
Land and Buildings:		
Vacant land (fair value)	<b>4 360</b>	4 360
Site land (fair value)	<b>109 051</b>	65 916
Buildings and improvements (fair value)	<b>58 106</b>	43 316
Accumulated depreciation - Buildings and improvements	<b>(12 856)</b>	(11 402)
<b>Total Land and Buildings</b>	<b>158 661</b>	102 190
Leasehold Improvements:		
Leasehold improvements at cost (deemed fair value)	<b>7 980</b>	6 634
Accumulated amortisation - Leasehold improvements	<b>(6 300)</b>	(5 550)
<b>Total Leasehold Improvements</b>	<b>1 680</b>	1 084
<b>Total Land, Buildings and Leasehold Improvements</b>	<b>160 341</b>	103 274
Plant and Equipment:		
Computing equipment at cost (deemed fair value)	<b>418</b>	155
Accumulated depreciation - Computing equipment	<b>(133)</b>	(97)
Motor vehicles at cost (deemed fair value)	<b>138</b>	-
Accumulated depreciation - Motor vehicles	<b>(114)</b>	-
Other plant and equipment at cost (deemed fair value)	<b>4 818</b>	1 444
Accumulated depreciation - Other plant and equipment	<b>(2 388)</b>	(874)
<b>Total Plant and Equipment</b>	<b>2 739</b>	628
<b>Total Property, Plant and Equipment</b>	<b>163 080</b>	103 902

**21.1 Reconciliation of Land, Buildings and Leasehold Improvements**

The following table shows the movement of Land, Buildings and Improvements, and Leasehold Improvements during 2006-07.

	Vacant Land \$'000	Site Land \$'000	Buildings and Improve- ments \$'000	Leasehold Improve- ments \$'000	<b>Total Property, Buildings &amp; Leasehold Improve- ments \$'000</b>
Carrying amount at 1 July	4 360	65 916	31 914	1 084	<b>103 274</b>
Purchases	-	-	-	-	-
Assets received for nil consideration	-	-	-	166	<b>166</b>
Disposals	-	(40)	(105)	-	<b>(145)</b>
Revaluation increment (decrement)	-	-	-	-	-
Depreciation and amortisation for the year	-	-	(1 733)	(573)	<b>(2 306)</b>
Acquisition (Disposal) through administrative restructure	-	43 180	15 067	83	<b>58 330</b>
Transfers to (from) other classes	-	-	-	-	-
Transfers from works in progress	-	-	107	920	<b>1 027</b>
Other movements	-	(5)	-	-	<b>(5)</b>
<b>Carrying amount at 30 June</b>	<b>4 360</b>	<b>109 051</b>	<b>45 250</b>	<b>1 680</b>	<b>160 341</b>

**21.2 Reconciliation of Plant and Equipment**

The following table shows the movement of Plant and Equipment during 2006-07.

	Computing Equipment \$'000	Motor Vehicles \$'000	Other Plant & Equipment \$'000	<b>Total Plant &amp; Equipment \$'000</b>
Carrying amount at 1 July	58	-	570	<b>628</b>
Purchases	-	-	415	<b>415</b>
Assets received for nil consideration	-	-	15	<b>15</b>
Disposals	-	-	-	-
Revaluation increment (decrement)	-	-	-	-
Depreciation and amortisation for the year	(52)	(5)	(682)	<b>(739)</b>
Acquisition (disposal) through administrative restructure	14	29	2 097	<b>2 140</b>
Transfers to (from) other classes	-	-	-	-
Transfers from works in progress	265	-	15	<b>280</b>
Other movements	-	-	-	-
<b>Carrying Amount at 30 June</b>	<b>285</b>	<b>24</b>	<b>2 430</b>	<b>2 739</b>

**22. Capital Works in Progress**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Buildings and Improvements in progress at cost (deemed fair value)	<b>6 080</b>	3 741
<b>Total Capital Works in Progress</b>	<b>6 080</b>	3 741

**23. Payables**

Current:		
Creditors	<b>7 238</b>	16 895
Disability Health Service workers compensation	<b>381</b>	1 067
Disability Health Service Budget under-run	<b>891</b>	-
Grants to SAHT - Tax equivalent regime	<b>34</b>	72
Accrued expenses	<b>3 170</b>	1 239
Employment on-costs	<b>5 395</b>	3 036
Other payables	<b>1 023</b>	239
<b>Total Current Payables</b>	<b>18 132</b>	22 548
Non-Current:		
Disability Health Service workers compensation	<b>902</b>	2 543
Grants to non-government organisations	<b>743</b>	797
Employment on-costs	<b>3 147</b>	2 409
<b>Total Non-Current Payables</b>	<b>4 792</b>	5 749
<b>Total Payables</b>	<b>22 924</b>	28 297
Payables to SA Government Entities:		
Creditors	<b>2 666</b>	7 137
Disability Health Service workers compensation	<b>1 283</b>	3 610
Grants to SAHT - Tax equivalent regime	<b>34</b>	72
Accrued expenses	<b>729</b>	388
Employment on-costs	<b>8 542</b>	5 445
Disability health service budget under-runs	<b>891</b>	-
<b>Total Payables - SA Government Entities</b>	<b>14 145</b>	16 652



**Interest Rate and Credit Risk**

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

<b>24. Employee Benefits</b>		<b>2007</b>	2006
Current:		<b>\$'000</b>	\$'000
Annual leave		<b>20 660</b>	13 096
Long service leave		<b>10 527</b>	6 684
Accrued salaries and wages		<b>5 456</b>	3 140
Other		<b>1 014</b>	335
<b>Total Current Employee Benefits</b>		<b>37 657</b>	23 255
Non-Current:			
Long service leave		<b>33 426</b>	25 769
Other		<b>30</b>	57
<b>Total Non-Current Employee Benefits</b>		<b>33 456</b>	25 826
<b>Total Employee Benefits</b>		<b>71 113</b>	49 081

The total current and non-current employee expenses (ie aggregate employee benefit plus related on-costs) for 2007 is \$43.052 million (\$26.291 million) and \$35.603 million (\$28.235 million) respectively.

<b>25. Borrowings</b>		<b>2007</b>	2006
Non-Current		<b>\$'000</b>	\$'000
Advance - Treasury Imprest Account	Note	<b>285</b>	285
<b>Total Non-Current Borrowings - SA Government</b>		<b>285</b>	285
<b>Total Borrowings</b>		<b>285</b>	285

The Department of Treasury and Finance has advanced the Department funds for the purpose of an Imprest Account. The Department has not entered into any other borrowing arrangements.

<b>26. Provisions</b>			
Current:			
Insurance	26.1	<b>251</b>	272
Workers compensation	26.2	<b>4 465</b>	2 295
<b>Total Current Provisions</b>		<b>4 716</b>	2 567
Non-Current:			
Insurance	26.1	<b>577</b>	551
Workers compensation	26.2	<b>12 089</b>	6 171
<b>Total Non-Current Provisions</b>		<b>12 666</b>	6 722
<b>Total Provisions</b>		<b>17 382</b>	9 289

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Wellbeing group within the Public Sector Workforce Division of the Department of the Premier and Cabinet.

<b>26.1 Reconciliation of Insurance</b>		<b>Public Liability</b>	<b>Property</b>	<b>2007 Total</b>
The following table shows the movement of Insurance during 2006-07:		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Carrying amount as at 1 July		<b>780</b>	<b>43</b>	<b>823</b>
Increase to provision due to revision of estimates		<b>103</b>	-	<b>103</b>
Reduction due to payments		<b>(50)</b>	<b>(20)</b>	<b>(70)</b>
Net revision of estimates		<b>(28)</b>	-	<b>(28)</b>
<b>Carrying Amount at 30 June</b>		<b>805</b>	<b>23</b>	<b>828</b>
The following table shows the movement of Insurance during 2005-06:		Public Liability	Property	2006 Total
		\$'000	\$'000	\$'000
Transfers in at 1 July		740	104	844
Increase to provision due to revision of estimates		341	11	352
Reduction due to payments		(73)	(265)	(338)
Net revision of estimates		(228)	193	(35)
<b>Carrying Amount at 30 June</b>		<b>780</b>	<b>43</b>	<b>823</b>

<b>26.2 Reconciliation of Workers Compensation</b>	<b>2007</b>	2006
The following table shows the movement of workers compensation:	<b>\$'000</b>	\$'000
Carrying amount at 1 July	<b>8 466</b>	-
Transfers in at 1 July	<b>9 770</b>	9 077
Increase to provision due to revision of estimates	<b>5 122</b>	3 179
Reduction due to payments	<b>(6 804)</b>	(3 790)
<b>Carrying Amount at 30 June</b>	<b>16 554</b>	8 466

<b>27. Other Liabilities</b>		
Current:		
Unclaimed monies	<b>69</b>	5
Unearned revenue	<b>42</b>	84
Other	<b>277</b>	-
<b>Total Current Other Liabilities</b>	<b>388</b>	89
<b>Total Other Liabilities</b>	<b>388</b>	89

Other Liabilities with SA Government Entities:		
Other	<b>277</b>	-
<b>Total Other Liabilities - SA Government</b>	<b>277</b>	-

<b>28. Equity</b>		
Contributed capital	<b>19 474</b>	10 763
Asset revaluation reserve	<b>13 433</b>	13 433
Retained earnings	<b>75 021</b>	51 175
<b>Total Equity</b>	<b>107 928</b>	75 371

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

- 29. Financial Instruments**
- 29.1 Financial Assets-Loans**  
The Department has not entered into arrangements where loans have been provided.
- 29.2 Interest Rate Risk Exposure**  
Trade receivables, prepayments and accrued revenues are non-interest bearing. The carrying amount of receivables approximates fair value due to being received on demand.
- All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.
- 29.3 Foreign Exchange Risk**  
In accordance with TI 23, the Department is required to manage any foreign exchange exposures which are greater than \$100 000 through the SAFA. The Department has not entered into any such contracts and is not exposed to any movements in foreign exchange.
- 29.4 Credit Risk**  
Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted. The credit risk on the Department's financial assets excluding investments which have been recognised in the Balance Sheet, is the carrying amount, net of any provision for doubtful debt. There is no concentration of credit risk.

<b>30. Commitments</b>		
<b>30.1 Capital Commitments</b>		
Capital expenditure contracted for at the reporting date, are recognised as liabilities in the financial report, are payable as follows:		
	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Within one year	<b>164</b>	555
Later than one year and not longer than five years	-	-
Later than five years	-	-
<b>Total Capital Commitments</b>	<b>164</b>	555

Included in Capital expenditure commitments above is \$13 000 (\$50 000) which is the GST component of the Capital expenditure commitments.

<b>30.2 Other Commitments</b>		
Within one year	<b>334</b>	2 416
Later than one year and not longer than five years	-	-
Later than five years	-	-
<b>Total Other Commitments</b>	<b>334</b>	2 416

Included in other commitments expenditure above is \$18 000 (\$220 000) which is the GST component of the other expenditure commitments.

**30.3 Operating Lease Commitments**

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

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Within one year	<b>14 317</b>	12 799
Later than one year and not longer than five years	<b>27 401</b>	38 506
Later than five years	-	-
<b>Total Operating Lease Commitments</b>	<b>41 718</b>	51 305

Included in the operating lease commitments above is \$3.7 million (\$4.664 million) which is the GST component of the operating lease payments.

The Department has many lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominately paid in advance. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee.

**31. Net Revenues from Restructure****31.1 Net Revenues from Restructure for 2006-07***Transfers into the Department*

The IDSC and the ILC were incorporated under the *South Australian Health Commission Act 1976*. Effective 1 July 2004 the Minister for Health delegated responsibility for IDSC and ILC to the Minister for Disability. On 29 June 2006 the Governor proclaimed to dissolve IDSC and ILC in association with reforms to the governance arrangements within the SA Government with respect to the management of the provision of disability services. Effective 1 July 2006, the Boards of IDSC and ILC dissolved and the assets and liabilities of IDSC and ILC were transferred, assigned or were vested in the Minister for Disability.

	IDSC	ILC	<b>2007</b>
	\$'000	\$'000	<b>Total</b>
			<b>\$'000</b>
Assets	63 355	10 551	<b>73 906</b>
Liabilities	32 641	1 565	<b>34 206</b>
<b>Net Assets</b>	<b>30 714</b>	<b>8 986</b>	<b>39 700</b>
Increase in Net Assets due to transfers into the Department			<b>39 700</b>

*Transfers out of the Department*

On 22 March 2007, the Governor proclaimed the transfer of the employees of the OFW from the Department to the AGD. It is taken that the proclamation also means the transfer of assets and liabilities of OFW to AGD. In accordance with APF II, for financial accounting and reporting purposes the transfer is taken to occur 1 April 2007.

	OFW	<b>2007</b>
	\$'000	<b>Total</b>
		<b>\$'000</b>
Assets	246	<b>246</b>
Liabilities	254	<b>254</b>
<b>Net Assets</b>	<b>(8)</b>	<b>(8)</b>
Increase in Net Assets due to transfers out of the Department		<b>8</b>

*Increase in Net Assets due to Administrative Restructure in 2006-07*

	IDSC	ILC	OFW	<b>Total</b>
	\$'000	\$'000	\$'000	<b>\$'000</b>
<b>Net Revenues from Restructure</b>	<b>30 714</b>	<b>8 986</b>	<b>8</b>	<b>39 708</b>

**31.2 Net Revenues from Restructure for 2005-06**

On 23 March 2006, the Governor proclaimed the transfer of the employees of the OFY from the Department to the DFEEST. It is taken that the proclamation also means the transfer of assets and liabilities of OFY to DFEEST. In accordance with APF II, for financial accounting and reporting purposes the transfer is taken to occur 1 April 2006.

	OFY	2006
	\$'000	Total
		\$'000
Assets	19	19
Liabilities	354	354
<b>Net Assets</b>	<b>(335)</b>	<b>(335)</b>

*Increase in Net Assets due to Administrative Restructure in 2005-06*

	OFY	Total
	\$'000	\$'000
<b>Net Revenues from Restructure</b>	<b>335</b>	<b>335</b>

**32. Contingent Assets and Liabilities**

The Department does not have any contingent assets and liabilities.

**33. Cash Flow Reconciliations**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Reconciliation of cash and cash equivalents at 30 June as per:		
Cash Flow Statement	<b>18 496</b>	23 939
Balance Sheet	<b>18 496</b>	23 939
	<hr/>	<hr/>
Reconciliation of Net Cash used in Operating Activities to Net Cost of Providing Services:		
Net cash used in operating activities	<b>(11 691)</b>	(3 187)
Less: Revenues from SA Government	<b>(651 336)</b>	(594 325)
Less: Grants from SA Government agencies	<b>(27 473)</b>	(30 646)
	<hr/>	<hr/>
	<b>(690 500)</b>	(628 158)
<i>Add (Less): Non-Cash Items:</i>		
Depreciation	<b>(2 472)</b>	(1 701)
Amortisation	<b>(573)</b>	(445)
Assets transferred	-	(3)
Assets received for nil consideration	<b>181</b>	579
Net gain from disposal of assets	<b>90</b>	-
Revaluation increments/decrements	-	(2 281)
Bad and doubtful debts	-	367
Prior period adjustment - TER	-	194
Changes in Assets and Liabilities:		
Increase (Decrease) in receivables	<b>2 256</b>	12 163
(Decrease) Increase in inventories	<b>59</b>	138
(Increase) Decrease in employee benefits	<b>(3 536)</b>	(7 186)
Decrease (Increase) in payables and provisions	<b>8 214</b>	(3 893)
(Increase) Decrease in other liabilities	<b>(300)</b>	857
Decrease (Increase) in borrowings	-	(285)
	<hr/>	<hr/>
<b>Net Cost of Providing Services</b>	<b>(686 581)</b>	(629 654)
	<hr/>	<hr/>

**34. Remuneration of Directors and Related Party Disclosure**

There are various committees, forums within the Department that assist the Department in meeting its objectives. Where the members are remunerated, certain disclosure are provided.

Members of Board/Committees during 2006-07 were:

**Adoption Board**

Meerilyn C Asquith  
Helen Kay

Jay Tolhurst - Chair  
John Walker

**Community Benefits SA Program (formerly Charitable and Social Welfare Board)**

Harold Allison  
Declan Andrews  
Letitia Ashworth

Collen Fitzpatrick  
Mark Henley - Chair  
Elizabeth Kosmala

**Child Death and Serious Injury Review Committee**

George Beltchev  
Brian Butler  
Roger Byard  
Linda Dore  
Dymphna Eszenyi - Chair  
William Timothy Goodes  
Dianne Gursansky  
Diana Hetzel

Samantha Laubsch  
Christopher Shakes  
Nigel Stewart  
Alison Tucker  
Fiona Ward  
Richenda Webb  
Helen Wighton  
Peter Woite

**Community Housing Appeal Panel**

Margaret Castles  
Gaybrielle Cotton Kenny  
Ursula Dahl  
Nicola Ferencz  
Chris Finn

Georgina Hone  
Kathleen McEvoy - Chair  
Frances Meredith  
Kathryn Millar  
Kathryn Warren

**Public Housing Appeal Panel**

Margaret Castles  
Gaybrielle Cotton Kenny  
Ursula Dahl  
Nicola Ferencz  
Chris Finn  
Peter Anderson

Georgina Hone  
Kathleen McEvoy - Chair  
Frances Meredith  
Kathryn Millar  
Kathryn Warren

**Council for the Care of Children**

Jan Andrews  
 Fiona Arney  
 Peter Bicknell - Chair  
 Jim Birch  
 Jane Chapman  
 Rosemary Crowley - Chair to 21.01.07  
 Jadyne Harvey  
 Juliet Haslam  
 Diana Hetzel

Mellita Kimber  
 Jayne Lehmann  
 Josiene Mazel  
 Cody Morris  
 Chris Robinson  
 Simon Schrapel  
 Dorothy Scott  
 Anthony Sherbon  
 Suzanne Vardon

**Disability Advisory Council of South Australia**

Susan Andrews  
 Monika Baker  
 David Caudry  
 Maurice Corcoran  
 Tony Doyle  
 Miriam High - A/Chair  
 Sharon Holmes

Jayne Lehmann  
 Neil Lillecrapp  
 Jane Mussared  
 Robyn Nicol  
 Zofia Nowack  
 Tony Starkey  
 Michael Wilson

**Housing Council - Community Sector (formerly HACC) - Terminated 30.09.06**

Betty Alberton  
 Patrick Bayley  
 Paul Bennetts  
 Michael Butler  
 Helen Connolly  
 Jane Fletcher  
 Karen Grogan  
 Mark Groote  
 Lana Johnston  
 Vicki Lachlan

Kathleen McEvoy  
 Natasha Miliotis  
 Julie Patterson  
 Graham Ross  
 Jenny Stock  
 Ciaran Synnott - Chair  
 Ron Tan  
 Theresa Walker  
 Jo Wickes  
 Gary Wilson

**Ministerial Advisory Board on Ageing**

Sue Balde  
 Brian Butler  
 Janice Cass  
 Julianne Cheek  
 Rosemary Crowley - Chair  
 Leonard A Faulkner  
 James Giles  
 Patricia Greethead

Graeme Hugo  
 Gerard McEwan  
 Theadora Papadopoulos  
 J D Rigney  
 Joan Stone  
 Neill F Wallman  
 Marjory A Tripp\*

\* Is not a member, but is an external advisor for the assessment of Grants for Seniors.

**Minister's Strategic Housing Advisory Committee (replaced Housing Council - Community Sector)**

Andrew Beer  
 Helen Connolly  
 Leigh Garrett  
 Christine Halsey - Chair  
 Sally Langton  
 Wendy Malycha  
 Nadia Zivkovic

Alistair Matheson  
 Ross Graham  
 Barry Seeger  
 Peter Smith  
 Rosney Snell  
 Matthew Woodward

**Premiers Council for Women (to 31.03.07 - now with the Attorney-General's Department)**

Diat Alferink  
 Rosa Colaneor  
 Judith Cross  
 Ingrid Day  
 Janet Giles  
 Danielle Grant-Cross  
 Elizabeth Haebich  
 Anne-Marie Hayes  
 Sue Lamshed  
 Kerryanne Liddle

Sarah Macdonald  
 Suzanne Magarey  
 Pat Mickan  
 Eleanor Ramsay  
 Ivana Rapajic-Moran  
 Suzanne Roux - Chair  
 Nerida Saunders  
 Eugenia Tsoulis  
 Kim Tolotta

**Risk Management and Audit Committee**

Peter Bull  
 David Caudry  
 Jamie Dreckow - Chair  
 Elizabeth Durward  
 Michael J B Evans  
 Phil Fagan-Schmidt

Leeanne Head  
 Geoff Lamshed  
 Mary Patetsos  
 Suzanne Vardon  
 Joseph Ullianich

**State Emergency Relief Fund**

Suzanne Carmen  
 Veronica Faggotter  
 Barry Grear -Chair  
 Neil Martinson  
 Raina Nechvoglod  
 Robert Kerin  
 Alan Thomson

Rodney Schutz  
 Philip Sims  
 Joseph Ullianich  
 Triada Vesotsky  
 Marilyn Baker  
 Paul McInerney  
 Terry Tysoe

Martin Carney  
 Jan Crawford  
 Helena Dawkins  
 Henk Fernee  
 Ian Harslett  
 Rhonda Pech  
 Barry Windle

**Supported Residential Facilities Advisory Committee (includes Deputy Members)**

Maxine Ashton  
 Phillip Beddall  
 Jane Chapman - Chair  
 Dianne Chapple  
 Deidre Cope  
 Marilyn Crabtree  
 Michael Livori  
 Keith Moorman  
 Paul Pledger  
 Peter Smith  
 Sue Whittington

Christopher Wurm  
 Dennis Chamberlain  
 Alison Creaser  
 Kevin Duke  
 Elizabeth Evans  
 Lloyd Evans  
 Kathryn Farr  
 Val Hall  
 Jeanette Linn  
 Suzanne Marshall  
 Neville Stephens

**Transitional Advisory Group - Disability Services Office (terminated 03.10.06)**

Elizabeth Clare  
 Michael J B Evans  
 Glenda Lee  
 Connie Love

Ian Shephard - Chair  
 Dell Stagg  
 Robert Tinker

Total income received, or due and receivable by Board/Committee members was \$190 000.

The numbers of members whose income from the entity falls within the following bands are:

\$0 - \$9 999  
 \$10 000 - \$19 999  
 \$20 000 - \$29 999

<b>2007 Number of Members</b>
<b>183</b>
<b>1</b>
<b>1</b>
<b>185</b>

**Total**

In accordance with Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board, committee or forum duties during the financial year.

Benefits given by the Department to superannuation funds or otherwise in connection with the retirement of members were \$14 000. During the financial year, no loans were made to members. At the reporting date, no outstanding loans exist with members.

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

**35. Events After Balance Date**

*Metropolitan Domiciliary Care*

Effective 1 July 2007, the Governor proclaimed the dissolution of Metropolitan Domiciliary Care (MDC). This is in accordance with the reforms to the governance arrangements within the SA Government with respect to the management of the provision of health services. All assets and liabilities vested in or held by MDC were transferred or assigned to or vested in, the Minister for Disability.

*Julia Farr Services (JFS)*

Effective 1 July 2007, the Governor proclaimed the dissolution of JFS. This is in accordance with reforms to the governance arrangements within the SA Government with respect to the management of the provision of disability services. All assets and liabilities vested in or held by JFS were transferred or assigned to or vested in, the Minister for Disability.

**36. Administered Items**

The Revenues, Expenditures, Assets and Liabilities that were administered but not controlled by the Department have not been included in the financial statements. These administered transactions and balances are regarded as significant in relation to the Department's overall financial performance and in accordance the APF II, separate consolidated administered financial statements and notes to the accounts have been prepared.

### Administered Items Income Statement for the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
<b>ADMINISTERED INCOME:</b>			
Grants and contributions	5	9 645	9 732
Rent, fees and charges		43	123
Interest		154	146
Other Income		152	284
<b>Total Income</b>		<b>9 994</b>	<b>10 285</b>
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>			
Revenue from SA Government	6.1	106 415	119 909
Payment to SA Government under Cash Alignment Policy	3,6.2	-	(13 997)
<b>Total Revenues from (payments to) SA Government</b>		<b>106 415</b>	<b>105 912</b>
<b>Total Administered Income</b>		<b>116 409</b>	<b>116 197</b>
<b>ADMINISTERED EXPENSES:</b>			
Employee benefit costs		238	264
Supplies and services	8	1 424	1 580
Grants, subsidies and client payments	7	128 057	124 306
<b>Total Administered Expenses</b>		<b>129 719</b>	<b>126 150</b>
<b>OPERATING DEFICIT</b>		<b>(13 310)</b>	<b>(9 953)</b>

Operating Deficit is attributable to the SA Government as Owner

### Administered Items Balance Sheet as at 30 June 2007

	Note	2007 \$'000	2006 \$'000
<b>CURRENT ASSETS:</b>			
Cash	9	8 872	21 194
Receivables		19	18
Other		2 264	1 810
<b>Total Current Assets</b>		<b>11 155</b>	<b>23 022</b>
<b>Total Assets</b>		<b>11 155</b>	<b>23 022</b>
<b>CURRENT LIABILITIES:</b>			
Payables		2 863	1 558
Overdraft		19	18
Employee benefits		9	4
Provisions		2	2
<b>Total Current Liabilities</b>		<b>2 893</b>	<b>1 582</b>
<b>Total Liabilities</b>		<b>2 893</b>	<b>1 582</b>
<b>NET ASSETS</b>		<b>8 262</b>	<b>21 440</b>
<b>EQUITY:</b>			
Retained earnings		8 262	21 440
<b>TOTAL EQUITY</b>		<b>8 262</b>	<b>21 440</b>

Total Equity is attributable to the SA Government as owner

### Administered Items Statement of Changes in Equity for the year ended 30 June 2007

	Retained Earnings \$'000	Total \$'000
<b>Balance at 30 June 2005</b>	31 446	31 446
Restructure - Transfer from Department	(53)	(53)
<b>Operating (Deficit) Surplus for 2005-06</b>	(9 953)	(9 953)
<b>Balance at 30 June 2006</b>	21 440	21 440
Restructure - Transfer into the Department	137	137
Adjustment to equity	(5)	(5)
<b>Operating (Deficit) Surplus for 2006-07</b>	(13 310)	(13 310)
<b>Total recognised income and expense for 2006-07</b>	(13 178)	(13 178)
<b>Balance at 30 June 2007</b>	<b>8 262</b>	<b>8 262</b>

Total Equity is attributable to the SA Government as owner

### Administered Cash Flow Statement for the year ended 30 June 2007

		2007 Inflows (Outflows) \$'000	2006 Inflows (Outflows) \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	Note		
CASH OUTFLOWS:			
Payments to SA Government under Cash Alignment Policy		-	(13 997)
Employee benefit payments		(238)	(262)
Concessions		(106 922)	(135 825)
Other grants, subsidies and client payments		(20 144)	(16 476)
Supplies and services		(1 555)	(1 385)
<b>Total Cash Outflows</b>		<b>(128 859)</b>	<b>(167 945)</b>
CASH INFLOWS:			
Receipts from SA Government		106 415	119 909
Taxes, fees and charges		2	78
Grants and contributions		9 746	9 747
Interest received		154	146
Other receipts		83	499
<b>Total Cash Inflows</b>		<b>116 400</b>	<b>130 379</b>
<b>Net Cash Outflows from Operating Activities</b>	9	<b>(12 459)</b>	<b>(37 566)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Restructuring activities		137	(53)
Cash overdraft		-	(185)
<b>Net Cash Inflows (Outflows) from Financing Activities</b>		<b>137</b>	<b>(238)</b>
<b>NET DECREASE IN CASH HELD</b>		<b>(12 322)</b>	<b>(37 804)</b>
<b>CASH AT 1 JULY</b>		<b>21 194</b>	<b>58 998</b>
<b>CASH AT 30 JUNE</b>		<b>8 872</b>	<b>21 194</b>



**NOTES TO AND FORMING PART OF THE ADMINISTERED ITEMS FINANCIAL STATEMENTS**

**A1. Background**

The Revenues, Expenditures, Assets and Liabilities that were administered but not controlled by the Department have not been included in the financial statements of the Department. These administered transactions and balances are regarded as significant in relation to the Department's overall financial performance and in accordance with APF II, separate consolidated administered financial statements and notes to the accounts have been prepared.

**A2. Accounting Policies**

The accounting policies pertaining to the administered items for the Department are contained in Note 2 for the Department.

**A3. Cash Alignment Policy**

In 2006-07, there were no transfers from Administered Items to consolidated account under the Cash Alignment Policy.

In 2005-06, an amount of \$13.997 million was returned to consolidated account under the Cash Alignment Policy. Of the amount transferred, \$13.407 million related to Concessions and \$590 000 related to the Alternative Care Fund.

**A4. Programs of Administered Items**

Concessions  
Ministers' salary  
Supported Residential Facility Indemnity Fund  
Gamblers Rehabilitation  
Charitable and Social Welfare  
Duke of Edinburgh\*  
CRC Trust  
Family maintenance orders  
Alternative Care Fund  
Community Service Obligations  
State Emergency Relief Fund \*\*

\* Effective 1 April 2006, the Duke of Edinburgh was transferred to DFEEST. Net assets of \$53 000 were transferred from the Department to DFEEST.

\*\* Effective February 2007 the State Emergency Relief Fund was transferred from the Department of the Premier and Cabinet (DPC) to the Department. Net assets of \$137 000 were transferred from DPC into the Department.

**Client Trust Accounts**

The Department has control of client trust accounts, in its capacity as a trustee of trusts, relating to clients of the former IDSC. The balance of the client trust accounts at 30 June 2007 was \$6.84 million (\$6.03 million). These amounts cannot be used by the Department to achieve its own objectives, and accordingly are not included in the financial statements.

	<b>2007</b>
	<b>\$'000</b>
Opening Balance 1 July	<b>6 065</b>
Add: Receipts	<b>8 048</b>
Less: Expenses	<b>7 269</b>
<b>Closing Balance 30 June</b>	<b>6 844</b>

**A5. Grants and Contributions**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Gamblers Rehabilitation	<b>5 345</b>	5 345
Concessions	<b>73</b>	171
Minister's Salary	<b>227</b>	213
Charitable and Social Welfare	<b>4 000</b>	4 000
Duke of Edinburgh Trust	<b>-</b>	3
<b>Total Revenue, Grants and Contributions</b>	<b>9 645</b>	9 732

**A6. Revenue from (Payments to) SA Government****A6.1 Revenue from SA Government**

Concessions	<b>96 211</b>	110 892
Community Service Obligations	<b>10 204</b>	9 017
<b>Total Revenue from SA Government</b>	<b>106 415</b>	119 909

<b>A6.2 Payments to SA Government</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Concessions	-	(13 407)
Alternative Care Fund (Cash Alignment Policy transfer)	-	(590)
<b>Total Payments to SA Government</b>	<b>-</b>	<b>(13 997)</b>

<b>A7. Grants, Subsidies and Client Payments</b>		
Gamblers rehabilitation	<b>4 512</b>	3 501
Concessions	<b>107 913</b>	107 830
Community Service Obligations	<b>9 801</b>	9 017
Duke of Edinburgh	-	7
Charitable and Social Welfare	<b>5 743</b>	3 951
State Emergency Relief Fund	<b>88</b>	-
<b>Total Grants, Subsidies and Client Payments</b>	<b>128 057</b>	<b>124 306</b>

<b>A8. Consultancies</b>				
The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following band:				
	<b>2007</b>		2006	
	<b>Number</b>	<b>\$'000</b>	<b>Number</b>	<b>\$'000</b>
Below \$10 000	-	-	1	5
Between \$10 000 and \$50 000	<b>1</b>	<b>14</b>	-	-
Above \$50 000	<b>1</b>	<b>82</b>	-	-
<b>Total Paid/Payable to the Consultants Engaged</b>	<b>2</b>	<b>96</b>	<b>1</b>	<b>5</b>

<b>A9. Cash Flow Reconciliations</b>	<b>2007</b>	2006
Reconciliation of Cash at 30 June as per:	<b>\$'000</b>	\$'000
Cash Flow Statement	<b>8 872</b>	21 194
Balance Sheet	<b>8 872</b>	21 194

**Reconciliation of Net Cash Outflows from Operating Activities to Operating (Deficit) Surplus**

Net cash inflows (outflows) from operating activities	<b>(12 459)</b>	(37 566)
<i>Add (Less): Non-Cash Items:</i>		
Depreciation and amortisation	-	-
Correction of prior period error	<b>4</b>	-
Assets received for nil consideration	-	-
First time recognition	-	-
Gain on sale of assets	-	-
<i>Changes in Assets and Liabilities:</i>		
Increase (Decrease) in receivables	<b>1</b>	(187)
Increase (Decrease) in other assets	<b>454</b>	45
Decrease (Increase) in payables	<b>(1 305)</b>	27 759
Decrease (Increase) in employee benefits	<b>(5)</b>	(4)
Decrease (Increase) in other liabilities	-	-
<b>Operating Deficit</b>	<b>(13 310)</b>	<b>(9 953)</b>

# FLINDERS UNIVERSITY OF SOUTH AUSTRALIA

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

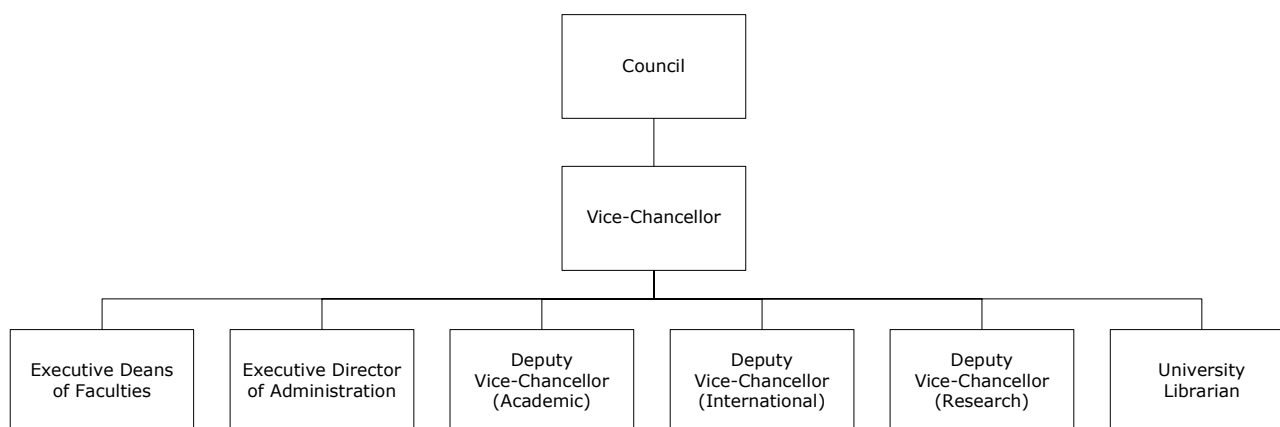
The Flinders University of South Australia (the University) was established pursuant to *The Flinders University of South Australia Act 1966*.

### Functions

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

### Structure

The structure of the University is illustrated in the following organisation chart.



As at 31 December 2006 the University had a number of controlled entities which are detailed at Note 43 to the Financial Statements.

### Audit Committee

As part of the University's corporate governance, the Council has established an Audit Committee which comprises six external members, of whom two are members of Council. The Audit Committee operates within the framework of a Charter and its primary function is to assist Council in exercising due care, diligence and skill in discharging its oversight and monitoring responsibilities. Representatives from the Auditor-General's Department attended Audit Committee meetings as observers throughout the year.

## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### *Audit of the Financial Report*

Regulations under the PFAA provide that the University is a public authority. Consequently, subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the University for each financial year.

#### *Assessment of Controls*

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

## Scope of Audit

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

For the year ended 31 December 2006, specific areas of audit attention included:

- University governance and risk management
- payroll
- expenditure, including a review of credit cards and procurement practices
- revenue
- financial accounting
- investments
- fixed assets
- legal compliance.

## AUDIT FINDINGS AND COMMENTS

### Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Support Act 2003*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Flinders University of South Australia and of the consolidated entity as at 31 December 2006, the results of their operations and their cash flows for the year then ended.

### Assessment of Controls

In my opinion, the controls exercised by the Flinders University of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to payroll and expenditure as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Flinders University of South Australia have been conducted properly and in accordance with law.

### Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Flinders University of South Australia. Responses to the management letters were generally considered to be satisfactory. Matters raised with the University and the related responses are considered herein.

### Payroll

The University has adopted a decentralised control framework for the payroll cycle where each faculty has responsibility for reviewing payroll integrity for faculty employees. A series of payroll reports and financial data are provided to the faculties to facilitate this review process.

Audit found that a policy and procedure requiring faculty staff to review payroll reports was approved in December 2006 but had not been circulated to all relevant University staff. As a result, the level of checking of payroll reports and documentation maintained to support reviews performed varied across the faculties.

As a result of the varied application of controls, Audit could not obtain adequate assurance that payroll data was actually reviewed and appropriate action taken on a consistent and timely basis.

### Response

The University advised that payroll policies and procedures are available on the University intranet site and will be promulgated by the end of August 2007. Ongoing reviews of cost centres will ensure that Faculty Resource Officers are complying with the policy.

### Expenditure

Authority to incur expenditure and approve payments is delegated to selected University staff as a control mechanism to ensure that payments are incurred for university purposes. Audit testing revealed that the delegations were not adhered to in all instances and these were not detected prior to the payments being processed.

*Response*

The University agreed with Audit's recommendations to ensure that current policies, procedures and delegations for authorising expenditure are applied prior to processing invoices. The University also advised that during 2007 a system has been implemented whereby faculties indicate they have checked authorisation by way of a special stamp on the invoice.

**INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT**

The following analyses excludes the effect of the deferred Government superannuation contribution which is recognised as income and the related deferred employee benefits for superannuation included as an expense. These items have no effect on the Net Operating Result as the income is offset against a corresponding expense. Refer to Note 41 to the financial statements for further details of the University's superannuation plans.

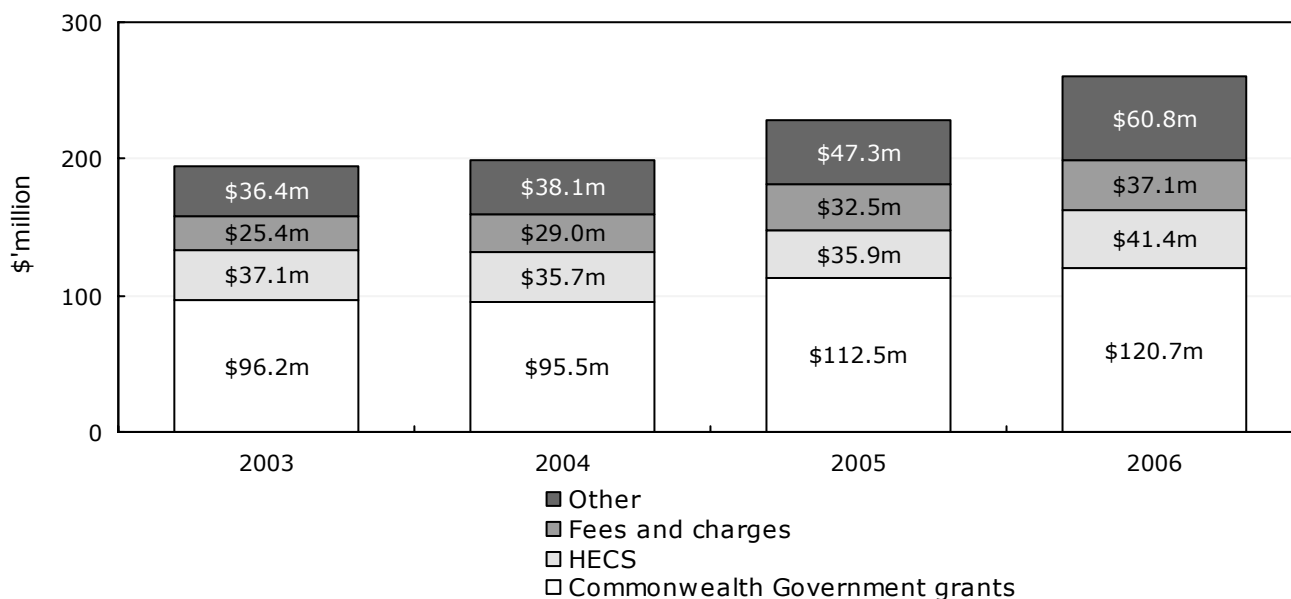
**Highlights of the Financial Report (Consolidated)**

	<b>2006</b>	2005	Percentage
	<b>\$'million</b>	\$'million	Change
<b>INCOME</b>			
Australian Government grants	<b>121</b>	113	7
HECS-HELP	<b>41</b>	36	14
Fees and charges	<b>37</b>	33	12
Other	<b>61</b>	46	33
<b>Total Income</b>	<b>260</b>	228	14
<b>EXPENDITURE</b>			
Employment benefits	<b>150</b>	137	9
Other expenses	<b>90</b>	79	14
<b>Total Expenses</b>	<b>240</b>	216	11
<b>Net Operating Result</b>	<b>20</b>	12	67
<b>NET CASH FLOWS FROM OPERATIONS</b>	<b>31</b>	25	24
<b>ASSETS</b>			
Current assets	<b>115</b>	101	14
Non-current assets	<b>211</b>	203	4
<b>Total Assets</b>	<b>326</b>	304	7
<b>LIABILITIES</b>			
Current liabilities	<b>40</b>	43	(7)
Non-current liabilities	<b>47</b>	44	7
<b>Total Liabilities</b>	<b>87</b>	87	-
<b>EQUITY</b>	<b>239</b>	217	10

**Income Statement****Income**

Revenue increased by \$32 million (14 percent). This is due to increases in Other Revenue of \$15 million (33 percent), Australian Government Grants of \$8 million (7 percent), HECS-HELP of \$5 million (14 percent) and Fees and Charges of \$4 million (12 percent). The increase in Other Revenue was due mainly to an increase of \$4 million in contributed assets and an increase of \$4 million in consultancy and contract income. The increase in Australian Government Grants was due mainly to a \$4 million increase in non-research related Australian Government financial assistance and a \$3 million increase in Commonwealth Grants Scheme funding. HECS-HELP revenue has increased as a result of an increase in domestic student enrolments while the increase in Fees and Charges is predominantly due to the increase in fee-paying overseas students.

A structural analysis of operating income for the University for the four years to 2006 is presented in the following chart.



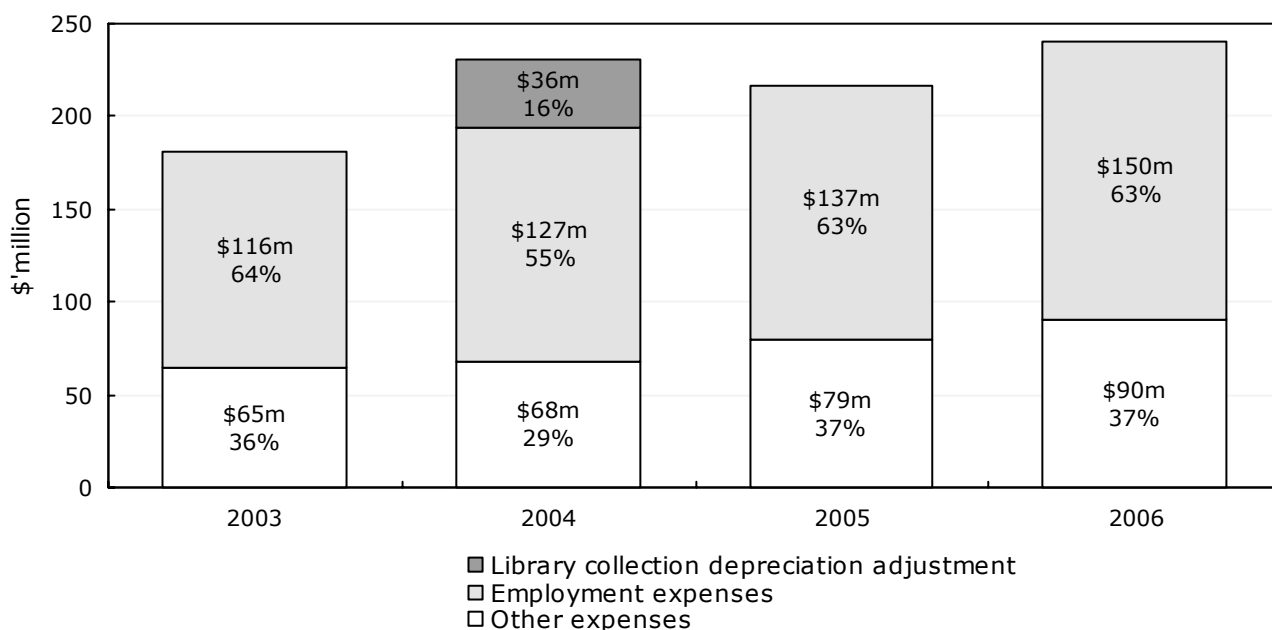
The preceding chart shows that the University is dependent to a large extent on financial assistance from the Australian Government. The chart also demonstrates that each type of revenue has remained consistent as a proportion of the total revenue raised by the University. This indicates that the University has not increased its reliance on any particular stream of revenue over the last four years.

**Expenses**

Total expenses increased by \$24 million (11 percent). The main reason for the increase was an increase in Employment Benefits of \$13 million (9 percent) and an increase in Other Expenses of \$11 million (14 percent). Employment Benefit expenses increased because a new Workplace Agreement, effective from June 2006, resulted in a 5.3 percent salary increase for University staff. In addition, accrued annual leave entitlements for academic staff were reported for the first time as outlined in Note 1(h)(ii) to the financial report.

Other Expenses increased by \$11 million (14 percent) due mainly to increases in fees and charges of \$3 million, \$2 million in travel, staff development and entertainment and a \$2 million asset write down.

For the four years to 2006, a structural analysis of the main operating expense items for the University is shown in the following chart.

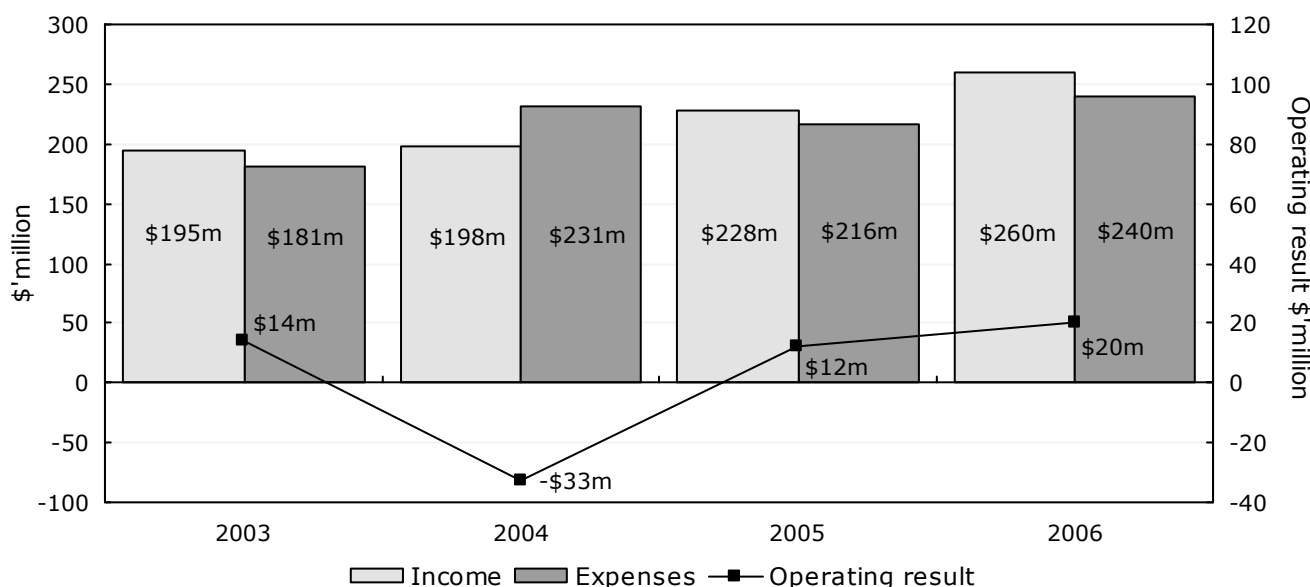


The preceding chart shows that with the exception of 2004 the proportion of employment expenses to total expenditure has remained constant over the last four years. This proportion changed in 2004 due primarily to the recognition of the Library Collection Depreciation Adjustment of \$36 million.

### Operating Result

The following chart shows the operating income, operating expenses and the operating result for the four years to 2006. The chart shows that the University recorded a surplus for the first year followed by a deficit in 2004 and then surpluses in 2005 and 2006.

The deficit recorded in 2004 was due mainly to the recognition of a Library Collection Depreciation Adjustment resulting from the revision of the estimated useful lives of the University's Library Collection.



### Balance Sheet

From 2005 to 2006 assets increased by \$22 million (7 percent) and liabilities showed no overall movement from the prior year.

The value of current assets increased by \$14 million (14 percent) due largely to an increase in cash and cash equivalents held by the University. The increase in non-current assets of \$8 million (4 percent) was due to an increase in property, plant and equipment of \$7 million. The value of total liabilities did not change because an increase in employee benefit provisions was off-set by a decrease in interest bearing liabilities.

### Cash Flow Statement

The following table summarises the net cash flows for 2006 and 2005.

	2006 \$'million	2005 \$'million
<b>Net Cash Flows</b>		
Operations	<b>31</b>	24
Investing	<b>(16)</b>	(12)
Change in Cash	<b>15</b>	12
Cash at 31 December	<b>80</b>	65

Net cash inflow from operating activities increased by \$7 million. The increase reflects mainly an increase in cash receipts received from the Commonwealth Government and an increase in receipts from student fees and other customers.

Net cash outflow from investing activities mainly reflects the University's purchase of property, plant and equipment.

## Income Statement for the year ended 31 December 2006

	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>REVENUE FROM CONTINUING OPERATIONS:</b>					
Australian Government financial assistance:					
Australian Government grants	1(o),2	<b>120 668</b>	112 615	<b>120 602</b>	112 606
HECS-HELP - Australian Government payments	2	<b>35 314</b>	30 403	<b>35 314</b>	30 403
FEE-HELP	2	<b>2 439</b>	2 298	<b>2 439</b>	2 298
State and local Government financial assistance	3	<b>8 448</b>	8 870	<b>8 351</b>	8 870
HECS-HELP - Student Payments		<b>6 120</b>	5 516	<b>6 120</b>	5 516
Fees and charges	1(o),4	<b>37 138</b>	32 510	<b>35 709</b>	31 237
Investment income	1(o),5	<b>8 653</b>	7 588	<b>8 103</b>	7 043
Royalties, trademarks and licenses	6	<b>1 339</b>	463	<b>1 174</b>	463
Consultancy and contracts	1(o),7	<b>19 933</b>	15 713	<b>7 787</b>	4 317
Other revenue	8	<b>19 285</b>	12 342	<b>13 449</b>	12 065
Share of net results of associates using the equity method	44	<b>391</b>	(103)	-	-
Sub Total		<b>259 728</b>	228 215	<b>239 048</b>	214 818
Deferred Government superannuation contributions	1(h),41	<b>900</b>	2 100	<b>900</b>	2 100
<b>Total Revenue from Continuing Operations</b>		<b>260 628</b>	230 315	<b>239 948</b>	216 918
Gains (losses) on disposal of assets	9	<b>151</b>	18	<b>145</b>	935
<b>Total Income from Continuing Operations</b>		<b>260 779</b>	230 333	<b>240 093</b>	217 853
<b>EXPENSES FROM CONTINUING OPERATIONS:</b>					
Employee benefits and on-costs	10	<b>150 275</b>	136 877	<b>146 229</b>	133 396
Depreciation and amortisation	11	<b>10 933</b>	10 816	<b>10 899</b>	10 587
Repairs and maintenance	12	<b>9 888</b>	11 119	<b>9 796</b>	11 044
Bad and doubtful debts	13	<b>266</b>	293	<b>248</b>	288
Other expenses	14	<b>68 533</b>	57 153	<b>55 098</b>	47 925
Sub Total		<b>239 895</b>	216 258	<b>222 270</b>	203 240
Deferred employee benefits for superannuation	1(h),10,41	<b>900</b>	2 100	<b>900</b>	2 100
<b>Total Expenses from Continuing Operations</b>		<b>240 795</b>	218 358	<b>223 170</b>	205 340
<b>OPERATING RESULT FOR THE YEAR</b>		<b>19 984</b>	11 975	<b>16 923</b>	12 513
Operating Result attributable to minority interest	34	-	(3)	-	-
<b>OPERATING RESULT ATTRIBUTABLE TO THE UNIVERSITY</b>		<b>19 984</b>	11 978	<b>16 923</b>	12 513



## Balance Sheet as at 31 December 2006

	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>ASSETS:</b>					
CURRENT ASSETS:					
Cash and cash equivalents	1(d),15	<b>80 236</b>	65 213	<b>78 118</b>	62 673
Trade and other receivables	1(d),16	<b>11 242</b>	12 418	<b>9 661</b>	11 247
Inventories	1(l),17	<b>508</b>	358	<b>206</b>	358
Held-to-maturity investments	1(d),19	<b>500</b>	2 800	<b>500</b>	2 800
Other financial assets at fair value through profit or loss	1(d),18	<b>19 027</b>	16 684	<b>16 507</b>	14 595
Other non-financial assets	26	<b>3 924</b>	3 945	<b>3 916</b>	4 345
<b>Total Current Assets</b>		<b>115 437</b>	101 418	<b>108 908</b>	96 018
NON-CURRENT ASSETS:					
Trade and other receivables	1(d),16	<b>27 080</b>	26 444	<b>27 080</b>	26 444
Held-to-maturity investments	1(d),19	<b>3 102</b>	3 128	<b>3 102</b>	3 128
Investments using the equity method	1(b),20	-	1 117	-	1 117
Available-for-sale financial assets	1(d),21	<b>3 965</b>	3 351	<b>10 263</b>	7 034
Investment property	1(e),22	<b>5 855</b>	5 400	<b>5 855</b>	5 400
Other financial assets	23	<b>364</b>	473	<b>364</b>	473
Property, plant and equipment	1(p),24	<b>165 821</b>	158 989	<b>165 088</b>	158 759
Intangible assets	1(g),27	<b>4 539</b>	3 972	<b>2 817</b>	2 925
<b>Total Non-Current Assets</b>		<b>210 726</b>	202 874	<b>214 569</b>	205 280
<b>Total Assets</b>		<b>326 163</b>	304 292	<b>323 477</b>	301 298
<b>LIABILITIES:</b>					
CURRENT LIABILITIES:					
Trade and other payables	1(d),28	<b>16 726</b>	16 087	<b>14 584</b>	14 624
Interest-bearing liabilities	1(d),29	<b>3 067</b>	7 033	<b>8 834</b>	12 011
Provisions	1(h),1(j),30	<b>10 693</b>	10 121	<b>10 388</b>	9 822
Other liabilities	1(d),31	<b>9 380</b>	9 662	<b>6 099</b>	5 799
<b>Total Current Liabilities</b>		<b>39 866</b>	42 903	<b>39 905</b>	42 256
NON-CURRENT LIABILITIES:					
Trade and other payables	1(d),28	<b>3 814</b>	3 397	<b>3 784</b>	3 383
Provisions	1(h),1(j),30	<b>42 700</b>	40 581	<b>42 491</b>	40 494
<b>Total Non-Current Liabilities</b>		<b>46 514</b>	43 978	<b>46 275</b>	43 877
<b>Total Liabilities</b>		<b>86 380</b>	86 881	<b>86 180</b>	86 133
<b>NET ASSETS</b>		<b>239 783</b>	217 411	<b>237 297</b>	215 165
<b>EQUITY:</b>					
Parent entity interest:					
Statutory funds	32	<b>8 457</b>	6 019	<b>8 457</b>	6 019
Reserves	33	<b>48 316</b>	45 930	<b>55 957</b>	50 750
Retained surplus	33	<b>182 995</b>	165 447	<b>172 883</b>	158 396
<b>Total Parent Entity Interest</b>		<b>239 768</b>	217 396	<b>237 297</b>	215 165
Minority interest	34	<b>15</b>	15	-	-
<b>TOTAL EQUITY</b>		<b>239 783</b>	217 411	<b>237 297</b>	215 165

## Statement of Changes in Equity for the year ended 31 December 2006

	Note	Consolidated		University	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
<b>TOTAL EQUITY AT 1 JANUARY</b>		<b>217 411</b>	202 769	<b>215 165</b>	200 961
Gain on revaluation of land and buildings	33	<b>1 239</b>	2 140	<b>1 239</b>	2 140
Gain on revaluation of art collection	33	<b>900</b>	526	<b>900</b>	526
Gain (Loss) on revaluation of Held-to-maturity investments	33	<b>(19)</b>	85	<b>(19)</b>	85
Gain (Loss) on revaluation of Available-for-sale investments	33	<b>377</b>	-	<b>3 198</b>	(93)
Realised gain on disposal of subsidiary	9,33	-	-	-	(883)
AASB 119 adjustment - Super Scheme No. 1 surplus	23,33	<b>(109)</b>	(84)	<b>(109)</b>	(84)
<b>Net income recognised directly in equity</b>		<b>2 388</b>	2 667	<b>5 209</b>	1 691
<b>Operating result for the year</b>		<b>19 984</b>	11 975	<b>16 923</b>	12 513
<b>Total Recognised Income and Expense for the Year</b>		<b>22 372</b>	14 642	<b>22 132</b>	14 204
<b>TOTAL EQUITY AT 31 DECEMBER</b>		<b>239 783</b>	217 411	<b>237 297</b>	215 165
Total recognised income and expense for the year is attributable to:					
University		<b>22 372</b>	14 645	<b>22 132</b>	14 204
Minority interest	34	-	(3)	-	-
		<b>22 372</b>	14 642	<b>22 132</b>	14 204

## Cash Flow Statement for the year ended 31 December 2006

	Note	Consolidated		University	
		2006 Inflows (Outflows) \$'000	2005 Inflows (Outflows) \$'000	2006 Inflows (Outflows) \$'000	2005 Inflows (Outflows) \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Australian Government grants received	2(g)	155 875	147 100	155 809	147 186
State Government grants received		8 419	6 915	8 322	6 915
Local Government grants received		29	1 954	29	1 954
HECS-HELP - Student payments		6 120	5 516	6 120	5 516
Receipts from student fees and other customers		85 830	64 001	69 313	48 906
Dividends received		432	356	278	229
Interest received		5 872	4 027	5 741	4 011
Other investment income		779	1 372	832	1 396
Payments to suppliers and employees (inclusive of GST)		(232 173)	(206 597)	(215 162)	(192 945)
<b>Net Cash provided by Operating Activities</b>	49	<b>31 183</b>	<b>24 644</b>	<b>31 282</b>	<b>23 168</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from sale of property, plant and equipment		631	1 046	614	1 083
Payments for property, plant and equipment		(14 377)	(12 517)	(14 551)	(12 483)
Proceeds from sale of financial assets		2 307	5 381	2 307	3 306
Payments for financial assets		(1 465)	(3 236)	(1 340)	(1 242)
Increase (Decrease) in funds held on behalf of other entities		(3 256)	(3 131)	(2 867)	(1 434)
<b>Net Cash used in Investing Activities</b>		<b>(16 160)</b>	<b>(12 457)</b>	<b>(15 837)</b>	<b>(10 770)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Proceeds from borrowings		-	-	-	-
<b>Net Cash provided by Financing Activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>15 023</b>	<b>12 187</b>	<b>15 445</b>	<b>12 398</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>65 213</b>	<b>53 026</b>	<b>62 673</b>	<b>50 275</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	1(d)(i),49	<b>80 236</b>	<b>65 213</b>	<b>78 118</b>	<b>62 673</b>
Non-cash financing and investing activities	50				

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the years presented unless otherwise stated.

##### (a) Basis of Preparation

The financial statements are a general purpose financial report. They have been prepared on a full accrual basis and in accordance with AASs, AASB Interpretations, the requirements of the Department of Education, Science and Training (DEST)<sup>1</sup> and other State/Australian Government legislative requirements. Accounting Standards include AIFRS.

The financial statements are generally consistent with relevant provisions of the TIs issued pursuant to the PFAA and the APF issued pursuant to the TIs, except where they conflict with the DEST guidelines.

<sup>1</sup> DEST requirements are specified in the publication 'Financial Statement Guidelines for Australian Higher Education Providers for the 2006 Reporting Period'.

**(a) Basis of Preparation (continued)**

The financial report has been prepared based on a 12 month operating cycle and is presented in Australian dollars.

The consolidated financial statements (the Economic entity) comprise the accounts of the University (the Parent entity) and all of its subsidiaries.

*Compliance with International Financial Reporting Standards (IFRS)*

The financial statements and notes comply with the AASs some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

*Historical Cost Convention*

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

*Critical Accounting Estimates*

The preparation of financial statements in conformity with AASs requires management to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements are made by management in the application of AASs that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in this accounting policy note and relevant notes to the financial statements. The main items with critical assumptions are DEST financial assistance for student load, superannuation receivable and provision, investment classifications, valuation of property, plant and equipment where not independently valued, long service leave liability, annual leave liability, workers compensation provision and depreciation.

**(b) Principles of Consolidation**

*(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University as at 31 December and the revenues and expenses of all subsidiaries for the financial years shown. The consolidated financial statements (the Economic entity) comprise the accounts of the University (the Parent entity) and all of its subsidiaries. A subsidiary is any entity controlled by the University. Control exists where the University has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. A list of subsidiaries is contained in Note 43.

The University consolidates the Heaslip Trust entity despite having no ownership interest. However, the University is the sole beneficiary of the Trust and is therefore required to consolidate this entity under the provisions of AASB 127.

The effects of transactions between subsidiaries and the University have been eliminated on consolidation.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated Income Statement and Balance Sheet respectively.

*(ii) Associates*

Associates are entities over which the Economic entity has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. Where material, investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Economic entity's investment in associates is shown in Note 44.

The Economic entity's share of its associates' post-acquisition profits or losses is recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's Income Statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Economic entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Economic entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

*(ii) Associates (continued)*

Unrealised gains on transactions between the Economic entity and its associates are eliminated to the extent of the Economic entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Economic entity.

**(c) Depreciation and Amortisation**

The basis for depreciation and the depreciation rates are reviewed annually. Depreciation is calculated on a straight line basis on all property, plant and equipment, other than land and works of art, which are not depreciated. The following rates are based on the estimated useful life of the assets to the University:

Depreciation:	<i>Percentage</i>
Buildings and infrastructure	2.5
Equipment:	
Motor vehicles	20.0
General equipment	16.7
Computer hardware	33.3
Furniture	10.0
Aircraft	10.0
Library collection	10.0
Amortisation:	
Computer software	20.0

The gross amount of depreciable assets and the related accumulated depreciation is provided within Note 24. Depreciation expense by asset class is shown in Note 11.

**(d) Financial Instruments***(i) Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand and at bank, deposits with financial institutions at call within three days and term deposits less than 90 days that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank accounts are recognised at nominal amounts. Note disclosure is made in Note 15.

For the Balance Sheet, Cash and cash equivalents exclude Bank overdrafts, as they are included within Other liabilities.

For the Cash Flow Statement, Cash and cash equivalents are net of Bank overdrafts.

*(ii) Receivables*

Receivables are shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (provision for doubtful debts). The University's credit terms are net 30 days. Note disclosure is made in Note 16.

Details regarding the receivable from the Australian Government relating to the State Super Scheme are disclosed in Note 1(h)(iv) 'Superannuation'.

*(iii) Financial Assets (Investments)*

Subsequent to initial recognition, investments in subsidiaries are measured at fair value. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the parent entity financial statements.

In accordance with AASB 139 other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Financial Assets at Fair Value through Profit or Loss*

The consolidated entity has classified certain shares, convertible notes and property trust investments as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

*Held-to-maturity Investments*

Indexed bonds and fixed interest securities are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

*Available-for-sale Financial Assets*

Certain shares held are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period. This category includes investments classified as 'Available-for-sale' and any investments that do not fit the definitions for inclusion in the previous categories. Consequently it should not be assumed that the University has plans to dispose of these assets.

*Loans and Receivables*

Trade receivables, loans, and other receivables are recorded at cost less impairment.

The carrying amount of investments is reviewed annually by the University to ensure that all items are carried at fair value. Note disclosure for financial assets (investments) is made in Notes 18, 19, 20 and 22.

(iv) *Payables*

Payables are shown at amounts due to suppliers, inclusive of GST and exclusive of any applicable discounts that will be taken. Note disclosure is made in Note 28.

(v) *Interest Bearing Liabilities*

The University has no loans or borrowings. However the University receives deposits from subsidiaries, certain joint ventures and related external entities for group investment along with University funds and shares the investment income with those entities. Note disclosure is made in Note 29.

(vi) *Other Liabilities: Funds Held on behalf of External Entities*

Funds held on behalf of external entities are shown at amounts due. These do not incur any interest charges. Note disclosure is made in Note 31.

**(e) Investment Property**

The Mark Oliphant building investment property is measured on a fair value basis. Independent valuations are undertaken triennially. At each reporting date, the reported value is reviewed to ensure that it does not differ materially from the property's fair value at that date. Changes to fair value are recorded in the Income Statement as other income. The investment property was independently valued at fair value as at 31 December 2004 by Norm Satchell, AAPI, B.App.Sc (Val) of Edward Rushton Pty Ltd.

The University acquired the Mark Oliphant building in 2000 as an investment property. The intention was, and still is, to make returns from capital appreciation and rentals. The property is off campus and the majority of tenants are external entities. Where subsidiaries or internal units of the University occupy space, rental is charged. This contrasts with space in the University where no charges are applied. There are no restrictions on the realisability of investment property or remittance of income from it.

In 2006 the Remote Health Precinct was completed. A portion of this property is treated as an investment property and as at 31 December is shown at cost which approximates fair value. This investment property will be independently revalued triennially in accordance with University policy. Note disclosure is made in Note 22.

**(f) Website Costs**

Costs in relation to websites are charged as expenses in the period in which they are incurred.

**(g) Intangible Assets**

(i) *Research and Development*

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Income Statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Income Statement as an expense when incurred.

The University expenses development costs when incurred, as the expenses are not recoverable beyond reasonable doubt. One of the University's subsidiaries, Flinders Technologies Pty Ltd, has the rights to commercialise intellectual property arising from the University. Development costs incurred by Flinders Technologies Pty Ltd are treated as deferred expenditure:

- during the assessment phase of projects, until financial viability is determined; and
- for projects expected to be financially viable, to offset future revenue.

Development costs treated as deferred expenditure are included in the Consolidated Balance Sheet and are disclosed under Note 27 as Project costs carried forward.

The recoverability of deferred expenditure is reviewed annually and any amounts previously deferred that are no longer expected to be recovered are charged to the Net Operating Result.

- (ii) *Software Costs*  
The University capitalises certain software costs with a purchase price greater than \$50 000 and an expected useful life greater than 12 months, together with external costs associated with implementation. These are recorded on the basis of cost and then amortised once the system is operational.

**(h) Employee Expenses**

Employee expenses expected to be settled within one year have been recognised at their nominal amount. These liabilities are measured at the amounts expected to be paid when the liability is settled. On-costs on the leave liabilities accruing to employees are recognised as provisions and on-costs not accruing to employees are classed as payables as required under SA State Government APF IV (APS 5.25). Benefits expected to be settled later than one year have been measured at the present value of the estimated applicable future cash flows to be made for those benefits and related on-costs.

- (i) *Long Service Leave*  
The long service leave liability is independently actuarially estimated each year in accordance with AASB 119. The last update was performed at 31 December 2006 by Stuart Mules, FIAA, of Mercer Human Resource Consulting Pty Ltd. The assumptions used by the actuary include:

- investment earnings rate of 5.92 percent per annum
- salary inflation rate of 5.0 percent per annum
- on-costs have been applied at the rate of 25.0 percent
- the proportion of leave taken in service is 67.0 percent, the balance at termination of service.

The current portion represents the amount expected to be paid in the following 12 months. Note disclosure is made in Notes 28 and 30.

- (ii) *Annual Leave*  
Up until 2006, the University's liability for unused annual leave applied only to non-academic staff. Prior to 21 August 2006, in accordance with conditions of employment, academic staff were generally required to take annual leave each year in the year in which it was earned and no formal records were maintained. Accordingly no annual leave liability was recorded at year end for academic staff.

As a result of the Australian Government's WorkChoices legislation, the University is required to formally record academic annual leave which it has done with effect from 21 August 2006.

The calculation to measure the value of annual leave has assumed a 4.0 percent salary inflation factor, as required by the SA State Government APF IV (APS 5.5). The current portion represents the amount expected to be paid in the following 12 months. Note disclosure is made in Notes 28 and 30.

- (iii) *Sick Leave*  
No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken each year is less than the annual entitlement for sick leave.

- (iv) *Superannuation*  
*Superannuation Schemes*  
Superannuation schemes exist to provide benefits to University employees and their dependents upon resignation, retirement, disability or death. The contributions made to these schemes by the University and the emerging cost from unfunded Schemes are expensed in the Income Statement. Except in the case of multi-employer plans such as UniSuper, the University recognises, as an asset or a liability, the difference between the employer established defined benefit superannuation plan's accrued benefits and the net market value of the plan's assets. Note 41 provides details in respect of the individual schemes.

*Superannuation Scheme No. 1*

Actuarial gains or losses are recognised in the Statement of Changes in Equity in the period to which they relate.

*Unfunded Superannuation - State Superannuation Scheme*

In accordance with the 1998 instructions issued by the then Department of Education, Training and Youth Affairs (now known as the Department of Education Science and Training (DEST)), the effects of the unfunded superannuation liabilities of the University were recorded in the Income Statement and Balance Sheet for the first time in 1998. The prior years' practice had been to disclose liabilities by way of a note to the financial statements. An arrangement exists between the Australian Government and the State Government to meet the unfunded liability for the University's beneficiaries of the State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by the *State Grants (General Revenue) Amendment Act 1987, Higher Education Funding Act 1988* and subsequent amending legislation. Accordingly the unfunded liabilities have been recognised in the Balance Sheet under Provisions with a corresponding asset recognised under Receivables. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the University or the Economic entity.

(v) **Invalidity Scheme**

The Invalidity Scheme exists to provide benefits to certain members of University Superannuation Scheme Number 1 and a small number of other staff in the event of invalidity. The University calculates the present liability of the Scheme by estimating the net present value of future insurance premiums together with an assessment of the probable amount that will be paid above the level of insurance cover. Details are disclosed in Notes 30 and 41.

(vi) **Redundancy/Severance**

Provision is made for redundancy payments in circumstances where the University has formally approved individuals' redundancies and a reliable estimate of the amount of the payments can be determined.

Provision is also made for severance payments where it is probable payments will be made under industrial awards for fixed-term staff. The liability for severance payments is disclosed in Note 30.

(i) **Foreign Currency**

(i) **Functional and Presentation Currency**

The consolidated financial statements are presented in Australian dollars which is the Economic entity's functional and presentation currency.

(ii) **Transactions and Balances**

Foreign currency transactions were converted to Australian currency at the rates of exchange prevailing at the dates of the transactions. There were no material foreign currency monetary items outstanding at balance date.

(j) **Workers Compensation**

The University is responsible for payments of workers compensation and is registered with WorkCover as an exempt employer. Unisure Pty Ltd administers workers compensation arrangements on behalf of the University.

The provision for workers compensation liability is actuarially determined each year. The method used is the claims paid development method where all past claims are brought to current values with an allowance for late claims reporting and administration costs. The liability for workers compensation is disclosed in Note 30.

(k) **GST**

The University recognises revenues and expenses net of the amount of GST, except where the amount of GST incurred by the University is not recoverable from the taxation authority.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

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

(l) **Inventories**

Inventories are stores of consumable items including printing and maintenance materials and are measured at cost. Annual stocktakes are used to verify inventory account balances. Other small inventories of consumable items including stationery, fuel and antisera are expensed as purchased. Note disclosure is made in Note 17.

(m) **Investments in Business Undertakings**

**Subsidiaries**

Investments in subsidiaries are carried in the University's Balance Sheet at fair value. Dividends are brought to account when they are declared. Note disclosure is made in Note 43.

**Associates**

Investments in Associates are valued at the lower of cost or recoverable amount in the University's financial statements. On consolidation, the investment is equity accounted. Note disclosure is made in Notes 20 and 44.

**Joint Ventures**

**Joint Venture Operations**

The University's interest in the share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the University's Balance Sheet and Income Statement, where material. Details of joint ventures are included in Note 45.

**Joint Venture Entities**

The University has no material interest in joint venture entities and does not include any amount in the financial statements for its interest in joint venture entities. Disclosure is made in Note 45.



**(n) Leased Assets**

*University as Lessee*

Leases of assets where substantially all the risks and benefits of ownership, but not legal ownership, are transferred to the University are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual value. They are then amortised on a straight line basis over the lease term.

Leases of assets where substantially all the risks and benefits of ownership remain with the lessor are classified as operating leases. Payments made under an operating lease are expensed in the period to which the payment relates.

*University as Lessor*

The University leases space in two investment properties to external entities. Accommodation on campus is leased to students. The University also leases a small amount of space on its main campus to commercial entities for provision of services to students and staff and a portion of the Lincoln Marine Science Centre to other research entities. The leases are all classified as operating leases.

The University has included commitments for lease options where it is reasonably certain that the lease option will be exercised. Note disclosure is made in Note 40(b).

**(o) Revenue Recognition**

*(i) Australian Government Financial Assistance*

DEST provide annual grants for teaching and research to the University each year and these are brought to account in the period in which they are received because the University has control of the funds and there is not a direct reciprocal obligation to DEST. Certain grants are paid on a provisional basis, eg for student load, with funding adjustments made in the following year. Where material, the University makes appropriate estimates and adjusts the revenue in the year to which it relates.

Other revenue from DEST is brought to account when earned.

Other Commonwealth grant revenue is recognised when received.

Note disclosure is made in Note 2.

*(ii) Consultancy and Contract Research*

Revenue from Consultancy and Contract Research is recognised in the period in which the consultancies/contract services are provided. Research Grant revenue is recognised as revenue when received. Note disclosure is made in Note 7.

*(iii) Donations*

Donations are received in cash and non-cash forms. Non-cash donations are recognised at the University's estimate of the fair value of the items donated. Note disclosure is made in Note 8.

*(iv) Fees and Charges: Student Revenue*

Revenue comprises fees from students for the provision of courses. The fees are recognised in the periods during which the courses are provided. Note disclosure is made in Note 4.

*(v) Investment Income*

Interest income is recognised as it accrues. For 'Held-to-maturity assets', the indexation component of indexed bonds is recorded as revenue in the year that it is earned. Dividend income and imputation credits are recognised only when declared before 31 December reporting date.

Income distributions from Managed Funds are recognised on receipt of official advice from investment companies of the University's entitlement to distributions. All movements in the value of investments classified as 'financial assets at fair value through profit and loss' are included in the Net Operating Result. For 'Available-for-sale investments' and investments classified as 'Other financial assets', realised gains are included in the Net Operating Result while unrealised gains and losses are taken to the Asset Revaluation Reserve for Investments except to the extent that unrealised losses exceed previous revaluation increments for all investments held in that reserve. Note disclosure is made in Note 5.

**(p) Property, Plant and Equipment**

Property, plant and equipment are measured on a fair value basis. At each reporting date, the value of each asset class is reviewed to ensure that it does not differ materially from the assets class' fair value at that date. Where necessary, the asset class is revalued to reflect its fair value. Note disclosure is made in Note 24.

*(i) Land*

Land occupied by the University is owned by the University in its own right and by the State Government. The value of land owned by the State Government is reflected in the University's financial statements on the basis that the University effectively controls the land occupied.

Land controlled by the University was revalued as at 31 December 2005 based on general land price movements in relevant areas, as advised by Greg McCloud AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty Ltd. This updated the previous independent valuation as at 31 December 2004 by Greg McCloud. Land was also revalued as at 31 December 2006 by the University based on a review of price movement trends. Comprehensive independent land valuations are undertaken triennially.

(ii) **Buildings and Infrastructure**

Buildings and infrastructure controlled by the Consolidated entity were independently revalued as at 31 December 2004 by Norm Satchell, AAPI, B.App.Sc (Val) and Greg McCloud AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty Ltd. Building values were reviewed as at 31 December 2005, but based on advice from Greg McCloud, there was no change in fair value. Based on a review of price movement trends there was no revaluation for 2006. Comprehensive independent valuations are undertaken triennially.

Buildings under construction are measured at cost.

(iii) **Library Collection**

The Library collection was revalued in 2004 and is reported at Council's valuation. Additions in 2005 and 2006 were initially recorded at cost. The value was reassessed as at 31 December 2006 and the existing value deemed to be fair value. The value is depreciated over a 10 year period on a straight-line basis with assets at 10 years being disposed of for accounting purposes.

(iv) **Equipment**

This class of assets includes computer hardware (not software), furniture, vehicles, marine and general equipment. Individual items costing \$10 000 or more are capitalised and recorded in the Balance Sheet initially at cost. Items costing less than \$10 000 are recognised as an expense in the Income Statement in the period acquired. The depreciated value of equipment is deemed to be its fair value.

The acquisition cost for software includes the cost of staff time and consultants costs incurred in implementing the software.

(v) **Aircraft**

Individual items costing \$10 000 or more are initially capitalised and recorded in the Balance Sheet at cost. Items costing less than \$10 000 are recognised as an expense in the Income Statement in the period acquired. The carrying values of aircraft are reviewed annually by University management to ensure that they are carried at fair value.

(vi) **Works of Art**

The Works of Art collection was revalued as at 31 December 2006 and is reported at Council's valuation based on fair value.

**(q) Impairment of Assets**

At each reporting date, the University undertakes an assessment of its significant assets to determine if there is any evidence of impairment. Where an impairment exists, the University recognises an impairment loss. This is calculated as the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

**(r) Doubtful Debts**

The collectability of receivables is assessed at balance date and provision made for any doubtful debts. Note disclosure is made in Note 16.

**(s) Income Tax Status**

The activities of the University are exempt from income tax as are all but two of its wholly owned subsidiaries. One of the subsidiaries, Flinders Reproductive Medicine, operating through the Flinders ART Clinic Trust is subject to income tax but fully distributes all net earnings, so no tax is payable.

The University is subject to FBT, the GST and payroll tax.

**(t) Borrowing Costs**

When applicable, borrowing costs are recognised as an expense in the period incurred. At present neither the University nor the Economic entity has any borrowings.

**(u) Current and Non-Current Classification**

Assets and liabilities are characterised as either current or non-current. The University and the Economic entity operate on a 12 month operating cycle. Assets and liabilities that are sold, consumed or realised as part of the 12 month operating cycle are classified as current. All other assets and liabilities are classified as non-current.

**(v) Rounding to the Nearest \$'000**

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.

**(w) Comparative Figures**

The previous year's figures are provided in the financial statements for comparative purposes. Where practicable, comparative figures have been adjusted to conform to changes in presentation and classification in the present year.

**(w) Comparative Figures (continued)**

The 2005 comparatives have been adjusted so that:

- for 2005 and 2006, capitalised software costs are now classified as intangible assets (Note 27) rather than equipment (Note 24);
- there has been some minor reclassification of grant income amounts amongst the income lines within Note 2 as a result of corrections to acquittal comparative details in Note 53;
- leave-loading costs for Non-academic staff are charged as annual leave expense rather than salaries expense. Refer Note 10.

**(x) Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous year.

2. Australian Government Financial Assistance including HECS-HELP and other Australian Government Loan Programmes	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>(a) Commonwealth Grants Scheme and Other Grants</b>	54.1				
Commonwealth Grants Scheme (CGS) #		62 725	59 959	62 725	59 959
Indigenous Support Fund		426	376	426	376
Equity Programmes +		356	332	356	332
Workplace Reform Programme		845	811	845	811
Workplace Productivity Programme		363	-	363	-
Capital Development Pool		-	825	-	825
Superannuation Programme		1 745	875	1 745	875
<b>Total Commonwealth Grants Scheme and Other Grants</b>		<b>66 460</b>	<b>63 178</b>	<b>66 460</b>	<b>63 178</b>
<b>(b) Higher Education Loan Programmes</b>	54.2				
HECS-HELP		35 314	30 403	35 314	30 403
FEE-HELP *		2 439	2 298	2 439	2 298
<b>Total Higher Education Loan Programmes</b>		<b>37 753</b>	<b>32 701</b>	<b>37 753</b>	<b>32 701</b>
<b>(c) Scholarships</b>	54.3				
Australian Postgraduate Awards		1 696	1 714	1 696	1 714
International Postgraduate Research Scholarships		243	291	243	291
Commonwealth Education Costs Scholarships		493	282	493	282
Commonwealth Accommodation Scholarships		828	531	828	531
<b>Total Scholarships</b>		<b>3 260</b>	<b>2 818</b>	<b>3 260</b>	<b>2 818</b>
<b>(d) DEST - Research</b>	54.4				
Institutional Grants Scheme		6 364	6 574	6 364	6 574
Research Training Scheme		10 823	11 093	10 823	11 093
Research Infrastructure Block Grants		2 964	3 064	2 964	3 064
<b>Total DEST - Research Grants</b>		<b>20 151</b>	<b>20 731</b>	<b>20 151</b>	<b>20 731</b>
<b>(e) Australian Research Council</b>					
<b>(i) Discovery</b>	54.5(a)				
Project		3 216	2 177	3 216	2 177
Indigenous Researchers Development		32	63	32	63
<b>Total Discovery</b>		<b>3 248</b>	<b>2 240</b>	<b>3 248</b>	<b>2 240</b>
<b>(ii) Linkages</b>	54.5(b)				
Special Research Initiatives		-	25	-	25
Infrastructure		800	1 035	800	1 035
International		18	30	18	30
Projects		996	893	996	893
<b>Total Linkages</b>		<b>1 814</b>	<b>1 983</b>	<b>1 814</b>	<b>1 983</b>
<b>(iii) Networks and Centres</b>	54.5(c)				
Research Networks		62	25	62	25
<b>Total Networks and Centres</b>		<b>62</b>	<b>25</b>	<b>62</b>	<b>25</b>

# Includes the basic CGS grant amount, CGS-Regional loading and CGS-Enabling loading.

+ Includes amounts For Higher Education Equity Support Programme and Students with Disabilities Programme.

\* For 2005, FEE-HELP would include PELS and BOTPLS.

(f) <b>Other Australian Government Financial Assistance</b>	Note	Consolidated		University	
		2006	2005	2006	2005
National Health and Medical Research Council		\$'000	\$'000	\$'000	\$'000
Other Research		7 937	7 357	7 937	7 357
Other Non-research		6 400	7 774	6 334	7 765
<b>Total Other Australian Government Financial Assistance</b>		<b>11 336</b>	6 509	<b>11 336</b>	6 509
<b>Total Australian Government Financial Assistance</b>		<b>25 673</b>	21 640	<b>25 607</b>	21 631
<b>Reconciliation</b>					
Australian Government grants (a+c+d+e+f)		120 668	112 615	120 602	112 606
HECS-HELP Australian Government payments		35 314	30 403	35 314	30 403
Other Australian Government loan programmes (FEE-HELP)		2 439	2 298	2 439	2 298
<b>Total Australian Government Financial Assistance</b>		<b>158 421</b>	145 316	<b>158 355</b>	145 307
<b>(g) Australian Government Grants Received - Cash Basis</b>					
CGS and other DEST Grants	54.1	65 792	63 208	65 792	63 208
Higher Education Loan Programmes Scholarships	54.2	35 954	33 781	35 954	33 781
DEST Research	54.3	3 220	2 755	3 220	2 755
ARC Grants - Discovery	54.4	20 151	21 481	20 151	21 481
ARC Grants - Linkages	54.5	3 107	2 132	3 107	2 132
Other Australian Government Grants	54.5	1 960	2 166	1 960	2 166
<b>Total Australian Government Grants Received - Cash Basis</b>		<b>155 844</b>	146 850	<b>155 778</b>	146 936
OS-Help (Net)		31	250	31	250
<b>Total Australian Government Funding Received - Cash Basis</b>		<b>155 875</b>	147 100	<b>155 809</b>	147 186
<b>3. State and Local Government Financial Assistance</b>					
South Australian Government:					
Research financial assistance		2 505	2 648	2 505	2 648
Reimbursements		2 150	3 033	2 150	3 033
Non-research		1 633	1 200	1 633	1 200
<b>Total South Australian Government</b>		<b>6 288</b>	6 881	<b>6 288</b>	6 881
Local Government:					
Research financial assistance		29	35	29	35
<b>Total Local Government</b>		<b>29</b>	35	<b>29</b>	35
Other State/Territory Government:					
Other State Government grants		2 131	1 954	2 034	1 954
<b>Total Other State/Territory Government</b>		<b>2 131</b>	1 954	<b>2 034</b>	1 954
<b>Total State and Local Government Financial Assistance</b>		<b>8 448</b>	8 870	<b>8 351</b>	8 870
<b>4. Fees and Charges</b>					
Course Fees and Charges:					
Fee-paying overseas students		24 915	21 771	24 909	21 771
Fee-paying domestic postgraduate students		2 292	2 056	2 292	2 056
Fee-paying domestic non-award students		135	150	135	150
Other domestic course fees and charges		1 832	1 189	1 832	1 183
<b>Total Course Fees and Charges</b>		<b>29 174</b>	25 166	<b>29 168</b>	25 160
Other Non-course Fees and Charges:					
Student accommodation		3 685	3 508	3 685	3 508
Rental charges		459	311	459	305
Other student charges		423	483	423	482
Other hire fees		229	264	226	253
Parking fees		1 225	861	1 225	861
Other fees and charges		1 943	1 917	523	668
<b>Total Other Fees and Charges</b>		<b>7 964</b>	7 344	<b>6 541</b>	6 077
<b>Total Fees and Charges</b>		<b>37 138</b>	32 510	<b>35 709</b>	31 237

5. <b>Investment Income</b>	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Realised Gains:					
Dividends:					
Wholly-owned subsidiaries		-	-	-	-
Other entities		432	356	278	229
		<b>432</b>	<b>356</b>	<b>278</b>	<b>229</b>
Interest		4 725	4 057	4 609	4 026
Managed funds		1 147	746	1 132	729
Investment property rental revenue		779	626	832	667
<b>Total Realised Gains</b>		<b>7 083</b>	<b>5 785</b>	<b>6 851</b>	<b>5 651</b>
Unrealised Gains:					
Movements in assets at fair value through profit and loss		1 570	1 803	1 252	1 392
<b>Total Unrealised Gains</b>		<b>1 570</b>	<b>1 803</b>	<b>1 252</b>	<b>1 392</b>
<b>Total Investment Income</b>		<b>8 653</b>	<b>7 588</b>	<b>8 103</b>	<b>7 043</b>
<b>6. Royalties, Trademarks and Licences</b>					
<b>Total Royalties, Trademarks and Licences</b>		<b>1 339</b>	<b>463</b>	<b>1 174</b>	<b>463</b>
<b>7. Consultancy and Contracts</b>					
Consultancy		14 114	12 245	2 460	1 853
Contract research		5 819	3 468	5 327	2 464
<b>Total Consultancy and Contracts</b>		<b>19 933</b>	<b>15 713</b>	<b>7 787</b>	<b>4 317</b>
<b>8. Other Revenue</b>					
Donations and bequests		1 361	1 127	1 354	1 127
Contribution of assets		4 770	956	1 410	956
Scholarships and prizes		1 154	864	1 154	864
Non-government grants		4 771	3 085	4 621	2 831
Reimbursements		1 905	3 245	2 146	3 383
Reversal of write-down		229	-	103	-
Sales and other charges		4 779	2 807	2 599	2 664
Other revenue		316	258	62	240
<b>Total Other Revenue</b>		<b>19 285</b>	<b>12 342</b>	<b>13 449</b>	<b>12 065</b>
<b>9. Gains/Losses on Disposal of Assets</b>					
Net gain on disposal of subsidiary		-	-	-	883
Net gain on sale of assets - Refer below		151	18	145	52
<b>Total Other Income</b>		<b>151</b>	<b>18</b>	<b>145</b>	<b>935</b>
Proceeds from Sale of Assets:					
Investments		1 489	2 008	11	49
Property, plant and equipment		631	1 002	614	1 002
<b>Total Proceeds from Sale of Assets</b>		<b>2 120</b>	<b>3 010</b>	<b>625</b>	<b>1 051</b>
Carrying Amount of Assets Sold:					
Investments		1 489	2 038	-	45
Property, plant and equipment		480	954	480	954
<b>Total Carrying Amount of Assets Sold</b>		<b>1 969</b>	<b>2 992</b>	<b>480</b>	<b>999</b>
Net Gains on Sale of Assets:					
Investments		-	-	11	4
Property, plant and equipment		151	48	134	48
<b>Total Net Gains on Sale of Assets</b>		<b>151</b>	<b>48</b>	<b>145</b>	<b>52</b>
Net Losses on Sale of Assets:					
Investments		-	30	-	-
Property, plant and equipment		-	-	-	-
<b>Total Net Losses on Sale of Assets</b>		<b>-</b>	<b>30</b>	<b>-</b>	<b>-</b>
<b>Net Gain (Loss) on Sale of Assets</b>		<b>151</b>	<b>18</b>	<b>145</b>	<b>52</b>

Where net losses are made on sale of assets, the loss is disclosed as an expense in Note 14.

10. Employee Benefits and On-costs	Consolidated		University	
	2006	2005	2006	2005
Academic:	\$'000	'000	\$'000	'000
Salaries	58 517	54 244	57 787	53 518
Contributions to superannuation and pension schemes:				
Emerging cost	1 612	1 311	1 612	1 311
Funded	8 350	7 681	8 265	7 590
Payroll tax	3 661	3 412	3 621	3 373
Workers compensation	337	15	328	6
Long service leave expense	2 491	2 277	2 478	2 287
Annual leave	4 994	4 399	4 972	4 392
Redundancy expenses	100	-	100	-
<b>Total Academic</b>	<b>80 062</b>	<b>73 339</b>	<b>79 163</b>	<b>72 477</b>
Non-Academic:				
Salaries	52 108	47 126	49 644	44 814
Contributions to superannuation and pension schemes:				
Emerging cost	414	290	414	290
Funded	8 044	6 886	7 562	6 775
Payroll tax	3 398	3 048	3 328	2 987
Workers compensation	241	74	226	61
Long service leave expense	1 451	1 860	1 430	1 819
Annual leave	4 557	4 225	4 462	4 144
Redundancy expenses	-	29	-	29
<b>Total Non-Academic</b>	<b>70 213</b>	<b>63 538</b>	<b>67 066</b>	<b>60 919</b>
<b>Total Employee Benefits and On-costs</b>	<b>150 275</b>	<b>136 877</b>	<b>146 229</b>	<b>133 396</b>
Deferred Government Employee Benefits for Superannuation	900	2 100	900	2 100
<b>Total Employee Related Expensed including Deferred Government Employee Benefits for Superannuation</b>	<b>151 175</b>	<b>138 977</b>	<b>147 129</b>	<b>135 496</b>
11. Depreciation and Amortisation				
Depreciation:				
Buildings and infrastructure	2 642	2 544	2 642	2 522
Plant and equipment	3 201	3 181	3 167	3 099
Aircraft	219	219	219	94
Library collection	3 998	4 164	3 998	4 164
<b>Total Depreciation</b>	<b>10 060</b>	<b>10 108</b>	<b>10 026</b>	<b>9 879</b>
Amortisation:				
Software	873	708	873	708
<b>Total Amortisation</b>	<b>873</b>	<b>708</b>	<b>873</b>	<b>708</b>
<b>Total Depreciation and Amortisation</b>	<b>10 933</b>	<b>10 816</b>	<b>10 899</b>	<b>10 587</b>
12. Repairs and Maintenance				
Buildings and grounds	6 147	5 360	6 117	5 354
Minor new works	1 698	3 839	1 698	3 839
Equipment and artwork	2 043	1 920	1 981	1 851
<b>Total Repairs and Maintenance</b>	<b>9 888</b>	<b>11 119</b>	<b>9 796</b>	<b>11 044</b>
13. Bad and Doubtful Debts				
<b>Total Bad and Doubtful Debts</b>	<b>266</b>	<b>293</b>	<b>248</b>	<b>288</b>
14. Other Expenses				
Scholarships, grants and prizes	8 654	7 988	8 654	7 975
Non-capitalised equipment	4 772	5 629	4 723	4 969
Advertising, marketing and promotional expenses	2 025	1 452	1 997	1 434
Fees and charges	12 792	9 475	7 398	5 739
Consultancy fees	3 467	3 304	1 547	1 352
General consumables	4 580	5 859	4 372	5 002
Printing and photocopying	1 486	1 508	1 412	1 426
Operating lease rental expenses	1 550	1 260	1 451	953
Telecommunications	1 541	1 694	1 435	1 627
Travel, staff development and entertainment	10 484	8 323	8 432	6 979
Asset write-down	2 099	-	1 811	103
Revaluation decrement	-	15	-	-
Utilities	2 655	2 208	2 654	2 198
Student related expenditure	2 428	1 026	1 385	1 026
Library	2 065	1 812	2 053	1 811
Software	1 577	1 665	1 549	1 640
Postage and freight	898	907	884	869
Insurance	1 127	1 167	1 073	1 064
Other expenses	4 333	1 861	2 268	1 758
<b>Total Other Expenses</b>	<b>68 533</b>	<b>57 153</b>	<b>55 098</b>	<b>47 925</b>

**15. Cash and Cash Equivalents**

	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	1 557	2 297	359	1 859
Cash deposits at call within three days	27 260	20 757	27 260	20 757
Term deposits maturing within 90 days	51 419	42 159	50 499	40 057
<b>Total Cash and Cash Equivalents</b>	<b>80 236</b>	<b>65 213</b>	<b>78 118</b>	<b>62 673</b>

**16. Trade and Other Receivables**

Current:				
Student fees	901	1 397	901	1 397
Less: Provision for doubtful receivables	760	787	760	787
	141	610	141	610
General debtors	9 132	9 999	7 551	8 828
Less: Provision for doubtful debts	231	191	231	191
	8 901	9 808	7 320	8 637
Subsidiary debtors	-	-	278	296
Less: Provision for doubtful debts	-	-	278	296
	-	-	-	-
Deferred government contribution for superannuation	2 200	2 000	2 200	2 000
<b>Total Current Receivables</b>	<b>11 242</b>	<b>12 418</b>	<b>9 661</b>	<b>11 247</b>
Non-Current:				
General debtors	580	644	580	644
	580	644	580	644
Deferred government contribution for superannuation	26 500	25 800	26 500	25 800
<b>Total Non-Current Receivables</b>	<b>27 080</b>	<b>26 444</b>	<b>27 080</b>	<b>26 444</b>
<b>Total Trade and Other Receivables</b>	<b>38 322</b>	<b>38 862</b>	<b>36 741</b>	<b>37 691</b>

**(a) Bad and Doubtful Trade Receivables**

The Economic entity has recognised a loss of \$37 000 (loss of \$293 000) in respect of bad and doubtful trade receivables during the year ended 31 December 2006. The loss has been included in the face of the Income Statement.

**(b) Effective Interest Rates and Credit Risk**

Information regarding the effective interest rate and credit risk of both current and non-current receivables is set out in the Financial instruments disclosures at Note 35.

**17. Inventories**

	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Current:				
Inventories held for other than distribution	508	358	206	358
<b>Total Current Inventories</b>	<b>508</b>	<b>358</b>	<b>206</b>	<b>358</b>
<b>Total Inventories</b>	<b>508</b>	<b>358</b>	<b>206</b>	<b>358</b>

**18. Other Financial Assets at Fair Value through Profit or Loss**

Current:				
Managed Funds:				
Deutsche Bank Private Wealth Management	3 021	2 667	3 021	2 667
Australian Executor Trustees	1 307	1 168	-	-
Unisure Pty Ltd	6 274	6 014	6 274	6 014
	10 602	9 849	9 295	8 681
Property:				
Property trust	276	218	195	160
	276	218	195	160
Equities:				
Australian equities	8 136	6 604	7 017	5 754
Convertible notes	13	13	-	-
	8 149	6 617	7 017	5 754
<b>Total Other Financial Assets at Fair Value through Profit or Loss</b>	<b>19 027</b>	<b>16 684</b>	<b>16 507</b>	<b>14 595</b>

Changes in fair values of other financial assets at fair value through profit or loss are recorded in investment revenue in the Income Statement and disclosed in Note 5.

**19. Held-to-maturity Investments**

Current:				
Government securities	-	2 300	-	2 300
Term deposits greater than 90 days	500	500	500	500
<b>Total Current Held-to-maturity Assets</b>	<b>500</b>	<b>2 800</b>	<b>500</b>	<b>2 800</b>
Non-Current:				
Indexed bonds	2 687	2 705	2 687	2 705
Fixed interest	415	423	415	423
<b>Total Non-current Held-to-maturity Assets</b>	<b>3 102</b>	<b>3 128</b>	<b>3 102</b>	<b>3 128</b>
<b>Total Held-to-maturity Investments</b>	<b>3 602</b>	<b>5 928</b>	<b>3 602</b>	<b>5 928</b>

20. <b>Investments Accounted for using the Equity Method</b>	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Investment in associates	44	-	1 117	-	1 117
<b>Total Investments accounted for using the Equity Method</b>		<b>-</b>	<b>1 117</b>	<b>-</b>	<b>1 117</b>
Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at the lower of cost and recoverable amount by the parent entity (see Note 44).					
21. <b>Available-for-sale Financial Assets</b>	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Non-current:					
Equities:					
Interests in business undertakings:					
Subsidiaries at Council valuation	43	-	-	9 437	6 844
Other entities		826	190	826	190
Australian equities		2 638	2 628	-	-
International equities		501	533	-	-
<b>Total Available-for-sale Financial Assets</b>		<b>3 965</b>	<b>3 351</b>	<b>10 263</b>	<b>7 034</b>
22. <b>Investment Properties</b>		Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Non-current:					
Properties held for investment purposes		5 855	5 400	5 855	5 400
		<b>5 855</b>	<b>5 400</b>	<b>5 855</b>	<b>5 400</b>
Movements for the period:					
Opening balance at 1 January		5 400	5 400	5 400	5 400
Additions for the year		455	-	455	-
<b>Closing Balance at 31 December</b>		<b>5 855</b>	<b>5 400</b>	<b>5 855</b>	<b>5 400</b>
Direct operating expenses (income generating)		365	317	424	380
Direct operating expenses (non-income generating)		274	307	215	244
		<b>639</b>	<b>624</b>	<b>639</b>	<b>624</b>
23. <b>Other Financial Assets</b>	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Non-current:					
Superannuation Scheme surplus					
Surplus in Superannuation Scheme No. 1	41	364	473	364	473
<b>Total Non-Current Other Financial Assets</b>		<b>364</b>	<b>473</b>	<b>364</b>	<b>473</b>
24. <b>Property, Plant and Equipment</b>		Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Land, Buildings and Infrastructure</b>					
Crown Land:					
2005 Independent valuation		-	19 880	-	19 880
2006 University valuation		21 011	-	21 011	-
		<b>21 011</b>	<b>19 880</b>	<b>21 011</b>	<b>19 880</b>
Freehold Land:					
2005 Independent valuation		-	2 175	-	2 175
2006 University valuation		2 283	-	2 283	-
		<b>2 283</b>	<b>2 175</b>	<b>2 283</b>	<b>2 175</b>
<b>Total Land</b>		<b>23 294</b>	<b>22 055</b>	<b>23 294</b>	<b>22 055</b>
Buildings:					
2004 independent valuation		95 449	95 449	95 074	95 074
At cost		6 245	5 549	6 620	5 924
<b>Total Buildings</b>		<b>101 694</b>	<b>100 998</b>	<b>101 694</b>	<b>100 998</b>
Infrastructure:					
2004 Independent valuation		4 762	4 762	4 762	4 762
At cost		490	316	490	316
<b>Total Infrastructure</b>		<b>5 252</b>	<b>5 078</b>	<b>5 252</b>	<b>5 078</b>
		<b>106 946</b>	<b>106 076</b>	<b>106 946</b>	<b>106 076</b>
Less: Accumulated depreciation		5 185	2 544	5 185	2 544
<b>Total Buildings and Infrastructure</b>		<b>101 761</b>	<b>103 532</b>	<b>101 761</b>	<b>103 532</b>
Buildings under construction		5 795	43	5 795	43
<b>Total Land, Buildings and Infrastructure</b>		<b>130 850</b>	<b>125 630</b>	<b>130 850</b>	<b>125 630</b>



**24. Property, Plant and Equipment (continued)**

	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>Library Collection</b>				
2004 University valuation	22 979	22 979	22 979	22 979
At cost	4 064	2 476	4 064	2 476
	<b>27 043</b>	25 455	<b>27 043</b>	25 455
Less: Accumulated depreciation	10 217	7 837	10 217	7 837
<b>Total Library Collection</b>	<b>16 826</b>	17 618	<b>16 826</b>	17 618
<b>Equipment:</b>				
At fair value	34 423	30 913	31 966	30 325
Less: Accumulated depreciation	24 285	22 407	22 561	22 049
<b>Total Equipment</b>	<b>10 138</b>	8 506	<b>9 405</b>	8 276
<b>Aircraft:</b>				
2005 University valuation	1 620	1 620	1 620	1 620
At cost	570	570	570	570
Less: Accumulated depreciation	1 156	937	1 156	937
<b>Total Aircraft</b>	<b>1 034</b>	1 253	<b>1 034</b>	1 253
<b>Works of Art:</b>				
2005 University valuation	-	5 982	-	5 982
2006 University valuation	6 973	-	6 973	-
<b>Total Works of Art</b>	<b>6 973</b>	5 982	<b>6 973</b>	5 982
<b>Total Property, Plant and Equipment</b>	<b>165 821</b>	158 989	<b>165 088</b>	158 759

**Valuations of Land and Buildings**

Land, buildings and infrastructure were revalued as at 31 December 2004 by Norm Satchell AAPI B.App.Sc (Val) and Greg McCloud AAPI B.App.Sc (Val) of Edward Rushton Pty Ltd. The basis of both valuations was current market value (existing use).

Land was revalued in 2005 based on general land price movements in relevant areas, as advised by Greg McCloud AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty. Ltd. In 2006 land, building and infrastructure values were reviewed but, based on the evidence available, there was no change in fair value for buildings and infrastructure. Land was revalued based on a review of land price movement trends. Refer Note 1(p)(i) and (ii).

The basis of valuation of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

**Reconciliations**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current year are set out below.

(a)	Consolidated 2006	Land \$'000	Buildings and Infra- structure \$'000	Constr- uction in Progress \$'000	Library \$'000	Equip- ment \$'000	Aircraft \$'000	Works of Art \$'000	2006
									Total \$'000
	Balance at 1 January	22 055	103 532	43	17 618	8 506	1 253	5 982	158 989
	Additions	-	1 075	6 003	3 206	5 313	-	91	15 688
	Transfer ^	-	(455)	-	-	-	-	-	(455)
	Reclassification	-	251	(251)	-	-	-	-	-
	Disposals	-	-	-	-	(480)	-	-	(480)
	Revaluation increments (decrements)	1 239	-	-	-	-	-	900	2 139
	Depreciation expense	-	(2 642)	-	(3 998)	(3 201)	(219)	-	(10 060)
	<b>Carrying Amount at 31 December</b>	23 294	101 761	5 795	16 826	10 138	1 034	6 973	165 821
(b)	<b>Parent Entity 2006</b>								
	Balance at 1 January	22 055	103 532	43	17 618	8 276	1 253	5 982	158 759
	Additions	-	1 075	6 003	3 206	4 776	-	91	15 151
	Transfer ^	-	(455)	-	-	-	-	-	(455)
	Reclassification	-	251	(251)	-	-	-	-	-
	Disposals	-	-	-	-	(480)	-	-	(480)
	Revaluation increments (decrements)	1 239	-	-	-	-	-	900	2 139
	Depreciation expense	-	(2 642)	-	(3 998)	(3 167)	(219)	-	(10 026)
	<b>Carrying Amount at 31 December</b>	23 294	101 761	5 795	16 826	9 405	1 034	6 973	165 088

^ Transfer relates to investment property constructed in Alice Springs as part of the Remote Health Precinct. Refer to Note 1(e) for further detail.

<b>Reconciliations (continued)</b>		Buildings	Constr-	Library	Equip-	Aircraft	Works	2005	
		Land	& Infra-		uction in		ment	of Art	Total
(a)	<b>Consolidated 2005</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	Balance at 1 January	20 330	100 786	425	18 703	7 742	1 473	5 258	154 717
	Additions	-	2 862	2 046	3 079	4 483	-	198	12 668
	Reclassification	-	2 428	(2 428)	-	-	-	-	-
	Disposals	(415)	-	-	-	(539)	-	-	(954)
	Revaluation increments (decrements)	2 140	-	-	-	-	-	526	2 666
	Depreciation expense	-	(2 544)	-	(4 164)	(3 180)	(220)	-	(10 108)
	<b>Carrying Amount at 31 December</b>	<b>22 055</b>	<b>103 532</b>	<b>43</b>	<b>17 618</b>	<b>8 506</b>	<b>1 253</b>	<b>5 982</b>	<b>158 989</b>
(b)	<b>Parent 2005</b>								
	Balance at 1 January	20 330	100 411	425	18 703	7 461	-	5 258	152 588
	Additions	-	2 862	2 046	3 079	4 448	-	198	12 633
	Reclassification	-	2 428	(2 428)	-	-	-	-	-
	Disposals	(415)	-	-	-	(539)	-	-	(954)
	Transfers (ex ARA)	-	353	-	-	5	1 347	-	1 705
	Revaluation increments (decrements)	2 140	-	-	-	-	-	526	2 666
	Depreciation expense	-	(2 522)	-	(4 164)	(3 099)	(94)	-	(9 879)
	<b>Carrying Amount at 31 December</b>	<b>22 055</b>	<b>103 532</b>	<b>43</b>	<b>17 618</b>	<b>8 276</b>	<b>1 253</b>	<b>5 982</b>	<b>158 759</b>

## 25. Restricted Assets

The University has restrictions imposed on the real property listed in Note 24 'Land, Buildings and Infrastructure' under *The Flinders University of South Australia Act 1966*. Section 3(5) of the Act states:

*The University must not alienate (except by way of lease for a term not exceeding 21 years), mortgage or charge land vested in or conveyed to the University on trust except with, and in accordance with any terms or conditions of, an approval given by the Governor.*

## 26. Other Non-Financial Assets

	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Current:				
Prepayments	<b>3 924</b>	3 945	<b>3 916</b>	4 345
<b>Total Other Non-Financial Assets</b>	<b>3 924</b>	3 945	<b>3 916</b>	4 345

## 27. Intangible Assets

	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Non-Current:				
Software costs	<b>5 923</b>	5 158	<b>5 923</b>	5 158
Less: Accumulated amortisation	<b>3 106</b>	2 233	<b>3 106</b>	2 233
<b>Book Value of Software Costs</b>	<b>2 817</b>	2 925	<b>2 817</b>	2 925
Project costs carried forward (development costs)	<b>1 722</b>	1 047	-	-
<b>Total Intangible Assets</b>	<b>4 539</b>	3 972	<b>2 817</b>	2 925

	Software	Project	<b>Total</b>
	Costs	Costs	
	\$'000	\$'000	\$'000
Consolidated:			
At 1 January 2005:			
Cost	4 429	1 066	5 495
Accumulated depreciation and impairment	(1 525)	(270)	(1 795)
<b>Net Book Amount</b>	<b>2 904</b>	<b>796</b>	<b>3 700</b>

Year ended 31 December 2005:			
Opening net book amount	2 904	796	3 700
Additions	729	251	980
Amortisation charge	(708)	-	(708)
<b>Closing Net Book Amount</b>	<b>2 925</b>	<b>1 047</b>	<b>3 972</b>

Year ended 31 December 2006:			
Opening book amount	2 925	1 047	<b>3 972</b>
Additions	820	675	<b>1 495</b>
Disposals	(55)	-	<b>(55)</b>
	3 690	1 722	<b>5 412</b>
Impairment charge	-	-	-
Amortisation charge	(873)	-	<b>(873)</b>
<b>Closing Net Book Amount</b>	<b>2 817</b>	<b>1 722</b>	<b>4 539</b>

At 31 December 2006:			
Cost	5 923	1 992	<b>7 915</b>
Accumulated amortisation and impairment	(3 106)	(270)	<b>(3 376)</b>
<b>Net Book Amount</b>	<b>2 817</b>	<b>1 722</b>	<b>4 539</b>

**28. Trade and Other Payables**

	Consolidated		University	
	2006	2005	2006	2005
Current:	\$'000	\$'000	\$'000	\$'000
Creditors	3 676	2 327	2 733	2 187
OS-HELP Liability to Australian Government	31	185	31	185
Accrued expenses	10 911	11 744	9 746	10 460
Annual leave on-costs	844	541	820	514
Long service leave on-costs	1 264	1 290	1 254	1 278
<b>Total Current Trade and Other Payables</b>	<b>16 726</b>	<b>16 087</b>	<b>14 584</b>	<b>14 624</b>
Non-Current:				
Annual leave on-costs	417	342	402	342
Long service leave on-costs	3 397	3 055	3 382	3 041
<b>Total Non-Current Trade and Other Payables</b>	<b>3 814</b>	<b>3 397</b>	<b>3 784</b>	<b>3 383</b>
<b>Total Trade and Other Payables</b>	<b>20 540</b>	<b>19 484</b>	<b>18 368</b>	<b>18 007</b>

**29. Interest Bearing Liabilities**

Interest bearing liabilities consist of funds held on behalf of related entities. The University invests these funds and provides an investment return to those entities. Funds held are at call.

Current:				
<i>Unsecured</i>				
Funds Held on Behalf of External Entities:				
Student entities	-	3 144	2 173	3 144
Other entities	3 067	3 889	3 067	3 889
Deposits from subsidiaries	-	-	3 594	4 978
<b>Total Current Unsecured Interest Bearing Liabilities</b>	<b>3 067</b>	<b>7 033</b>	<b>8 834</b>	<b>12 011</b>
<b>Total Interest Bearing Liabilities</b>	<b>3 067</b>	<b>7 033</b>	<b>8 834</b>	<b>12 011</b>

The University has no assets pledged as security for interest bearing liabilities.

**30. Provisions**

Current Provisions Expected to be Settled within 12 months:

Employee benefits:				
Annual leave	2 909	1 825	2 708	1 693
Long service leave	5 088	5 245	4 984	5 078
Deferred Government benefits for superannuation	2 200	2 000	2 200	2 000
Severance - Contract employees	153	316	153	316
<b>Total Employee Benefits</b>	<b>10 350</b>	<b>9 386</b>	<b>10 045</b>	<b>9 087</b>
Workers compensation	343	735	343	735
<b>Total Current Provisions</b>	<b>10 693</b>	<b>10 121</b>	<b>10 388</b>	<b>9 822</b>
Non-Current:				
Employee benefits:				
Annual leave	1 376	1 126	1 328	1 101
Long service leave	13 605	12 135	13 444	12 073
Deferred Government benefits for superannuation	26 500	25 800	26 500	25 800
Severance	107	-	107	-
Invalidity scheme	153	212	153	212
<b>Total Employee Benefits</b>	<b>41 741</b>	<b>39 273</b>	<b>41 532</b>	<b>39 186</b>
Workers compensation	959	1 308	959	1 308
<b>Total Non-Current Provisions</b>	<b>42 700</b>	<b>40 581</b>	<b>42 491</b>	<b>40 494</b>
<b>Total Provisions</b>	<b>53 393</b>	<b>50 702</b>	<b>52 879</b>	<b>50 316</b>
Reconciliation of Employee Benefits:				
Current employee benefits	10 350	9 386	10 045	9 087
Non-current employee benefits	41 741	39 273	41 532	39 186
Add: Leave on-costs (included in Note 28 Trade and Other Payables)	5 922	5 228	5 858	5 175
<b>Aggregate Employee Benefits</b>	<b>58 013</b>	<b>53 887</b>	<b>57 435</b>	<b>53 448</b>
Reconciliation of leave provisions:				
Annual leave	4 285	2 951	4 036	2 794
Annual leave on-costs	1 261	883	1 222	856
<b>Total Annual Leave Provision</b>	<b>5 546</b>	<b>3 834</b>	<b>5 258</b>	<b>3 650</b>
Long service leave	18 693	17 380	18 428	17 151
Long service leave on-costs	4 661	4 345	4 636	4 319
<b>Total Long Service Leave Provision</b>	<b>23 354</b>	<b>21 725</b>	<b>23 064</b>	<b>21 470</b>
<b>Total Leave Provisions</b>	<b>28 900</b>	<b>25 559</b>	<b>28 322</b>	<b>25 120</b>

**Movements in Provisions**

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Consolidated - 2006

	<b>Workers Compensation \$'000</b>
Current:	
Carrying amount at 1 January	735
Additional provisions recognised	-
Unused amounts reversed	392
<b>Carrying Amount at 31 December</b>	<b>343</b>
Non-Current:	
Carrying amount at 1 January	1 308
Additional provisions recognised	-
Unused amounts reversed	349
<b>Carrying Amount at 31 December</b>	<b>959</b>

31. <b>Other Liabilities</b>	Consolidated		University	
	2006	2005	2006	2005
Current:	\$'000	\$'000	\$'000	\$'000
Income in Advance:				
Fees and charges	3 754	2 782	3 581	2 782
Other	4 054	6 177	946	1 914
	<b>7 808</b>	8 959	<b>4 527</b>	4 696
Australian Government unspent financial assistance	159	-	159	-
Funds held on behalf of external entities	1 413	703	1 413	1 103
<b>Total Current Other Liabilities</b>	<b>9 380</b>	9 662	<b>6 099</b>	5 799
<b>Total Other Liabilities</b>	<b>9 380</b>	9 662	<b>6 099</b>	5 799
32. <b>Statutory Funds</b>				
Statutory funds	<b>8 457</b>	6 019	<b>8 457</b>	6 019
<b>Total Statutory Funds</b>	<b>8 457</b>	6 019	<b>8 457</b>	6 019

Statutory Funds represent funds or assets donated by external parties (including Government) with specific statutory restrictions. For Flinders University this consists of any ARC, NH&MRC and DEST funding that remains unspent at the end of the year.

33. <b>Reserves and Retained Surpluses</b>	(a) <b>Reserves</b>	Note	Consolidated		University	
			2006	2005	2006	2005
	Asset Revaluation Reserve:		\$'000	\$'000	\$'000	\$'000
	Property, plant and equipment revaluation reserve		19 254	17 115	18 556	16 417
	Held-to-maturity investments revaluation reserve		385	404	385	404
	Available-for-sale investments revaluation reserve		377	-	8 716	5 518
	<b>Total Asset Revaluation Reserve</b>		<b>20 016</b>	17 519	<b>27 657</b>	22 339
	Capital reserve		8 582	8 582	8 582	8 582
	Endowment reserve		8 710	7 867	8 710	7 867
	Grant reserve		10 490	11 465	10 490	11 465
	Student loan reserve		518	497	518	497
	<b>Total Reserves</b>		<b>48 316</b>	45 930	<b>55 957</b>	50 750
	Movements in Revaluation Reserves:					
	Property, plant and equipment revaluation reserve:					
	Balance 1 January		17 115	14 449	16 417	13 751
	Increment (Decrement) on revaluation of:					
	Land	24	1 239	2 140	1 239	2 140
	Artwork	24	900	526	900	526
	<b>Balance 31 December</b>		<b>19 254</b>	17 115	<b>18 556</b>	16 417

(a) <b>Reserves (continued)</b>	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Movements in Revaluation Reserves (continued):				
Held-to-maturity investments revaluation reserve:				
Balance 1 January	404	319	404	319
Increment (Decrement) on revaluation	(19)	85	(19)	85
<b>Balance 31 December</b>	<b>385</b>	<b>404</b>	<b>385</b>	<b>404</b>
Available-for-sale investments revaluation reserve:				
Balance 1 January	-	-	5 518	6 494
Increment (Decrement) on revaluation	377	-	3 198	(93)
Transfer to net profit - Gross	-	-	-	(883)
<b>Balance 31 December</b>	<b>377</b>	<b>-</b>	<b>8 716</b>	<b>5 518</b>
Endowment reserve:				
Balance 1 January	7 867	8 881	7 867	8 881
Allocation from current year operating surplus	843	-	843	-
Current year usage of funds	-	(1 014)	-	(1 014)
<b>Balance 31 December</b>	<b>8 710</b>	<b>7 867</b>	<b>8 710</b>	<b>7 867</b>
Grant reserve:				
Balance 1 January	11 465	12 057	11 465	12 057
Allocation from current year operating surplus	-	-	-	-
Current year usage of funds	(975)	(592)	(975)	(592)
<b>Balance 31 December</b>	<b>10 490</b>	<b>11 465</b>	<b>10 490</b>	<b>11 465</b>
Student loan reserve:				
Balance 1 January	497	487	497	487
Allocation from current year operating surplus	21	10	21	10
<b>Balance 31 December</b>	<b>518</b>	<b>497</b>	<b>518</b>	<b>497</b>

(b) <b>Retained Surplus</b>				
Movements in retained surplus were as follows:				
Retained surplus at 1 January	165 447	154 892	158 396	147 311
Operating result for the period	19 984	11 978	16 923	12 513
Movements in Super Scheme No. 1 surplus	(109)	(84)	(109)	(84)
Transfers (to) from statutory funds and reserves	(2 327)	(1 339)	(2 327)	(1 344)
<b>Retained Surplus at 31 December</b>	<b>182 995</b>	<b>165 447</b>	<b>172 883</b>	<b>158 396</b>

(c) **Nature and Purpose of Reserves**

The asset revaluation reserve is used to record increases and decreases in the value of non-current assets.

The capital reserve is used to record funds dedicated to capital projects.

The endowment reserve is used to record the value of unspent gifts, prizes and bequests provided to the University.

The grant reserve is used to record the accumulated balance of funds restricted to grant research.

The student loan reserve is funds reserved for the purpose of providing loans to students.

34. **Minority Interest**

Interest in:	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Share capital	3	3	-	-
Retained surplus	12	12	-	-
<b>Total Minority Interests</b>	<b>15</b>	<b>15</b>	<b>-</b>	<b>-</b>

**35. Financial instruments**

The following is the Economic entity's accounting policies and terms and conditions for each class of financial asset, financial liability and equity instruments:

<b>Recognised Financial Instruments</b>	<b>Note</b>	<b>Accounting Policies</b>	<b>Terms and Conditions</b>
<b>(i) Financial Assets</b>			
Cash at Bank	1(d),15	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the period it is earned.
Deposits within three days	15	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the period it is earned.
Term Deposits	15	Recognised at nominal amounts.	Interest accrued credited to revenue as it is earned.
Government Securities (excluding Indexed Bonds)	19	Recognised at nominal amounts.	Interest accrued credited to revenue as it is earned.
Indexed Bonds	19	Recognised at market value.	Interest accrued credited to revenue as it is earned. Indexation factor credited to revenue as at year end.
Equities	18,21	Recognised at market value.	Carrying amount of investments adjusted to market value in June and December.
Managed Funds	18	Recognised at market value.	Accrued distributions credited to revenue in June and December.
Interest in Business Undertakings	21	Recognised at fair value.	Carrying amount of investments reviewed annually to ensure that it is not in excess of the recoverable amount of these investments.
Investment Properties	22	Recognised at fair value.	Independently valued every three years - refer Note 1(e) for details of most recent valuation.
Receivables	16	Shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (Provision for Doubtful Debts).	Credit is allowed for a 30 day term.
<b>(ii) Financial Liabilities</b>			
Trade Creditors and Accruals	28	Liabilities are recognised for amounts to be paid in future for goods and services received, whether or not billed to the Economic entity.	Trade Liabilities are normally settled within 30 days of statement.
Interest Bearing Liabilities	29	Carried at their principal amounts.	Interest is credited monthly at the University's (weighted) interest earning rate on short term investments.

The Economic entity's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at balance date are shown below.

**Interest Rate Risk Exposure 2006**

	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 Years \$'000	Over 2 to 3 Years \$'000	Over 3 to 4 Years \$'000	Over 4 to 5 Years \$'000	Over 5 Years \$'000	Non-Interest Bearing \$'000	<b>2006 Total \$'000</b>
<b>Financial Assets:</b>									
<b>Current Assets:</b>									
Cash and cash equivalents	29 715	50 521	-	-	-	-	-	-	<b>80 236</b>
Receivables	-	-	-	-	-	-	-	11 243	<b>11 243</b>
Held-to-maturity investments	-	500	-	-	-	-	-	-	<b>500</b>
Other financial assets at fair value through profit or loss	-	13	-	-	-	-	-	19 014	<b>19 027</b>
<b>Total Current Assets</b>	<b>29 715</b>	<b>51 034</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30 257</b>	<b>111 006</b>
<b>Non-Current Assets:</b>									
Receivables	-	-	-	-	-	-	-	27 080	<b>27 080</b>
Held-to-maturity investments	415	-	-	-	2 687	-	-	-	<b>3 102</b>
Available-for-sale financial assets	-	-	-	-	-	-	-	3 965	<b>3 965</b>
Other financial assets	-	-	-	-	-	-	-	364	<b>364</b>
<b>Total Non-Current Assets</b>	<b>415</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 687</b>	<b>-</b>	<b>-</b>	<b>31 409</b>	<b>34 511</b>
<b>Total Financial Assets</b>	<b>30 130</b>	<b>51 034</b>	<b>-</b>	<b>-</b>	<b>2 687</b>	<b>-</b>	<b>-</b>	<b>61 666</b>	<b>145 517</b>
Weighted average interest rate - percent	6.12	6.23	-	-	4.00	-	-	-	-

**Interest Rate Risk Exposure 2006 (continued)**

	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 Years \$'000	Over 2 to 3 Years \$'000	Over 3 to 4 Years \$'000	Over 4 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	<b>2006 Total \$'000</b>
Financial Liabilities:									
Current Liabilities:									
Payables	-	-	-	-	-	-	-	16 726	<b>16 726</b>
Interest bearing liabilities	3 067	-	-	-	-	-	-	-	<b>3 067</b>
Other liabilities	1 413	-	-	-	-	-	-	7 967	<b>9 380</b>
<b>Total Current Liabilities</b>	<b>4 480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24 693</b>	<b>29 173</b>
Non-Current Liabilities:									
Payables	-	-	-	-	-	-	-	3 814	<b>3 814</b>
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 814</b>	<b>3 814</b>
<b>Total Financial Liabilities</b>	<b>4 480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28 507</b>	<b>32 987</b>
Weighted Average Interest rate - percent	6.22								
<b>Net Financial Assets</b>	<b>25 650</b>	<b>51 034</b>	<b>-</b>	<b>-</b>	<b>2 687</b>	<b>-</b>	<b>-</b>	<b>33 159</b>	<b>112 530</b>

**Interest Rate Risk Exposure 2005**

	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 Years \$'000	Over 2 to 3 Years \$'000	Over 3 to 4 Years \$'000	Over 4 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	<b>2005 Total \$'000</b>
Financial Assets:									
Current Assets:									
Cash and cash equivalents	29 010	36 203	-	-	-	-	-	-	65 213
Receivables	-	-	-	-	-	-	-	12 419	12 419
Held-to-maturity investments	-	2 800	-	-	-	-	-	-	2 800
Other financial assets at fair value through profit or loss	-	-	13	-	-	-	-	16 671	16 684
<b>Total Current Assets</b>	<b>29 010</b>	<b>39 003</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29 090</b>	<b>97 116</b>
Non-Current Assets:									
Receivables	-	-	-	-	-	-	-	26 444	26 444
Held-to-maturity investments	423	-	-	-	-	2 705	-	-	3 128
Investments using the equity method	-	-	-	-	-	-	-	1 117	1 117
Available-for-sale financial assets	-	-	-	-	-	-	-	3 351	3 351
Other financial assets	-	-	-	-	-	-	-	473	473
<b>Total Non-Current Assets</b>	<b>423</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 705</b>	<b>-</b>	<b>31 385</b>	<b>34 513</b>
<b>Total Financial Assets</b>	<b>29 433</b>	<b>39 003</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>2 705</b>	<b>-</b>	<b>60 475</b>	<b>131 629</b>
Weighted average interest rate - percent	6.05	5.82	7.00	-	-	4.00	-	-	-
Financial Liabilities:									
Current Liabilities:									
Payables	-	-	-	-	-	-	-	16 087	16 087
Interest bearing liabilities	7 033	-	-	-	-	-	-	-	7 033
Other liabilities	703	-	-	-	-	-	-	8 959	9 662
<b>Total Current Liabilities</b>	<b>7 736</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25 046</b>	<b>32 782</b>
Non-Current Liabilities:									
Payables	-	-	-	-	-	-	-	3 397	3 397
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 397</b>	<b>3 397</b>
<b>Total Financial Liabilities</b>	<b>7 736</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28 443</b>	<b>36 179</b>
Weighted Average Interest rate - percent	5.56	-	-	-	-	-	-	-	-
<b>Net Financial Assets</b>	<b>21 697</b>	<b>39 003</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>2 705</b>	<b>-</b>	<b>32 032</b>	<b>95 450</b>

'Interest rate risk' is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

'Currency risk/foreign exchange risk' is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Economic entity's exposure to foreign exchange risk is limited to its investments in international equities of \$501 000 (\$533 000) and a component of its managed funds that are invested in international equities/international fixed interest.

**35. Financial Instruments (continued)**

'Credit risk' is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Except for the following concentration of credit risk, the Economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Economic entity:

- Superannuation receivable from DEST of \$28.7 million (\$27.8 million).

**Net Fair Value**

At reporting date the carrying amount of financial assets and liabilities approximates their net fair values.

**36. Disaggregated Information**

The University operates in the field of higher education in Australia and provides teaching and research services.

**37. Key Management Personnel Disclosures**

**37.1 Responsible Persons**

The principal governing body of the University is its Council. All members of the University Council were appointed or elected under the provisions of *The Flinders University of South Australia Act 1966*. Council members include University employees who may be ex-officio members or elected staff members. An asterisk indicates University employees.

No members of Council received any remuneration from the University other than by way of salary and related benefits arising from a normal employment relationship.

**(a) Names of responsible persons:**

**Council Members in 2006**

Persons listed were all Council members for the full year unless otherwise indicated.

**Members ex-officio**

**Chancellor**

Sir Eric J Neal, AC, CVO

**Vice-Chancellor**

\*Professor Anne R Edwards

**Presiding member of the Academic Senate**

\*Professor Andrew W Parkin

**Members appointed by the Council**

Nicholas Begakis, AM  
John G Branson (to April 2006)  
Ian A Chesterman, AM  
Leonie J Clyne  
John G Hood (from June 2006)  
The Hon Dr Diana Laidlaw, AM  
Peggy Lau Flux  
Mary P Mitchell  
Judith M Roberts, AO  
Michael S Shanahan, AM  
Ian G Yates, AM

**Member co-opted and appointed by the Council**

Thomas R Phillips

**Members elected by the academic staff**

\*Associate Professor Owen E Covick  
\*Professor Lindon MH Wing, OAM

**Members elected by the general staff**

\*Hugh A Kearns  
\*Christine A Steele

**Student members appointed by Council**

Samantha Battam (from August 2006)  
Nigel V Palmer (to June 2006)  
Lejla Sarcevic  
April L Sullivan



**(a) Names of responsible persons (continued):  
Directors of University Subsidiaries in 2006**

Persons listed were Directors for the full year unless otherwise indicated.

**Airborne Research Australia Pty Ltd (in voluntary liquidation)**

Mr Austin Taylor (Chair)  
Professor John Browett  
Associate Professor Jorg Hacker  
Dr Rob Lewis  
Mr David Twiss

**Flinders Bioremediation Pty Ltd**

Mr Richard Krantz (Chair) (to March 2006)  
Mr Tony Read (Chair) (from May 2006)  
Professor Andrew Ball  
Ms Denise Martin  
Mr John Phillips

**Flinders Campus Community Services**

Professor Suzanne Corcoran (Chair) (from July 2006)  
Ms Samantha Battams (from July 2006)  
Mr Tony D'Aloia (from July 2006)  
Ms Jennifer Duncan (from July 2006)  
Mr John Hood (from July 2006)  
Mr Mark King (from July 2006)  
Mr Joey Mazanek (from November 2006)  
Mr Kgapane Mohale (from July 2006)  
Mr Sam Ogden (from July 2006)  
Ms Lejia Sarcevic (from July 2006)  
Mr Robert Simms (from July 2006)  
Ms Michelle Tatyzo (from November 2006)  
Ms Lois Whittall (from July 2006)

**Flinders Consulting Pty Ltd**

Ms Leonie Clyne (Chair)  
Associate Professor Colin Carati  
Professor Dean Forbes  
Dr Wayne Harvey (Executive Director) (to April 2006)  
Ms Sally MacDonald-Taylor  
Ms Elaine Melhuish  
Mr Douglas Strain

**Flinders Reproductive Medicine Pty Ltd <sup>1</sup>**

Ms Sally MacDonald-Taylor (Chair)  
Ms Heather Denholm  
Dr Wayne Harvey (to April 2006)  
Professor Marc Keirse  
Dr Enzo Lombardi (Acting Medical Director)  
Mr Nick Swann  
Mr Michael Szwarcbord

**Flinders Technologies Pty Ltd**

Mr John Branson (Chair)  
Mrs Janet Grieve  
Professor Christopher Marlin  
Mr Geoffrey Pitt  
Dr John Turner (Managing Director) (to September 2006)

**Flinders MediTech Pty Ltd <sup>2</sup>**

Mr John Branson (Chair)  
Mrs Janet Grieve  
Professor Christopher Marlin  
Mr Geoffrey Pitt  
Dr John Turner (Executive Director) (to September 2006)

**MediMolecular Pty Ltd <sup>3</sup>**

Mr John Branson (Chair)  
Mr Rahmon Coupe  
Dr John Turner (to September 2006)

**Re-Time Pty Ltd <sup>2</sup>**

Mr John Branson (Chair)  
Mrs Janet Grieve  
Professor Christopher Marlin  
Mr Geoffrey Pitt  
Dr John Turner (Managing Director) (to September 2006)

<sup>1</sup> 100 percent owned by Flinders Consulting Pty Ltd.

<sup>2</sup> 100 percent owned by Flinders Technologies Pty Ltd.

<sup>3</sup> 75 percent owned by Flinders Technologies Pty Ltd.

**Directors of University Subsidiaries in 2006 (continued)**

**Heaslip Trust**

Mr Andrew Goode (Chair)  
 Ms Barbara Fergusson  
 Mr Cesare Silvestri  
 Dr David Tye  
 Professor Lindon Wing, OAM

**Lung Health Diagnostics Pty Ltd**

Professor Christopher Marlin (Chair)

**National Institute of Labour Studies Inc**

Mr Mike Terlet, AO (Chair)  
 Ms Jan Andrews  
 Professor John Browett  
 Mr John Lesses, AM  
 Associate Professor Bill Martin  
 Professor Sue Richardson

**National Institute of Labour Studies Foundation Inc <sup>4</sup>**

Professor Judith Sloan (Chair)  
 Mr Hedley Bachmann  
 Professor John Browett  
 Mr Peter Dewhurst  
 Mr Bruce Sheldrick

**Remuneration of Board Members**

The table comprises total remuneration that falls within the prescribed bandwidths for Board members. Remuneration for Executive Officers who are also Directors is shown as zero in this table, with their total remuneration shown under 'Remuneration of Executive Officers'.

	Consolidated		University	
	2006	2005	2006	2005
	Number of Staff		Number of Staff	
\$nil	<b>81</b>	70	<b>23</b>	21
\$1 - \$9 999	<b>5</b>	6	-	-
\$10 000 - \$19 999	<b>1</b>	3	-	-
\$20 000 - \$29 999	<b>3</b>	3	-	-
\$30 000 - \$39 999	<b>1</b>	1	-	-
	<b>91</b>	83	<b>23</b>	21
	Consolidated		University	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Aggregate Remuneration of Board members</b>	<b>145</b>	158	-	-

**37.2 Key Management Personnel**

*Remuneration of Key Management Personnel*

The table comprises total remuneration that falls within the prescribed bandwidths for executives whose total remuneration is over \$100 000:

	Consolidated		University	
	2006	2005	2006	2005
	Number of Staff		Number of Staff	
\$100 000 - \$109 999	-	1	-	-
\$110 000 - \$119 999	<b>1</b>	1	-	1
\$120 000 - \$129 999	-	2	-	-
\$130 000 - \$139 999	<b>2</b>	-	<b>1</b>	-
\$140 000 - \$149 999	-	-	-	-
\$170 000 - \$179 999	<b>1</b>	1	<b>1</b>	1
\$180 000 - \$189 999	-	1	-	1
\$190 000 - \$199 999	<b>1</b>	-	<b>1</b>	-
\$200 000 - \$209 999	<b>1</b>	1	<b>1</b>	1
\$210 000 - \$219 999	<b>1</b>	-	<b>1</b>	-
\$220 000 - \$229 999	<b>1</b>	1	-	-
\$230 000 - \$239 999	-	5	-	5
\$240 000 - \$249 999	<b>3</b>	-	<b>3</b>	-
\$250 000 - \$259 999	<b>1</b>	-	<b>1</b>	-
\$370 000 - \$379 999	-	1	-	1
\$380 000 - \$389 999	<b>1</b>	-	<b>1</b>	-
\$470 000 - \$479 999	<b>1</b>	-	-	-
	<b>14</b>	14	<b>10</b>	10
	Consolidated		University	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Aggregate Remuneration of Executives</b>	<b>3 248</b>	2 801	<b>2 303</b>	2 220

<sup>4</sup> National Institute of Labour Studies Inc Subsidiary.

**37.2 Key Management Personnel (continued)**

The DEST Guidelines specify that executives are defined 'as the CEO and/or any person in a senior management position considered to be part of the University's executive group who is directly accountable and responsible for the strategic direction and operational management of the entity.'<sup>1</sup>

**37.3 Related Party Transactions**

The remuneration includes salary, employer's superannuation costs and other benefits, including the associated fringe benefits tax. No loans have been provided to key management personnel.

From time to time University Council members have interests in entities with which the University conducts business. In all cases, transactions are undertaken on a normal commercial basis.

**38. Remuneration of Auditors**

	Consolidated		University	
	2006	2005	2006	2005
Auditing the financial report:	\$'000	\$'000	\$'000	\$'000
South Australian Auditor-General	218	197	218	197
Other auditors	43	17	2	2
<b>Total Remuneration for Audit Services</b>	<b>261</b>	<b>214</b>	<b>220</b>	<b>199</b>

No other services were provided by the auditors who audited the financial reports.

**39. Contingent Liabilities and Contingent Assets****Contingent Liabilities**

The University is an exempt employer for WorkCover purposes. The University is required by WorkCover to have a bank guarantee in place for the purposes of covering workers compensation liabilities in the event that the University was unable to pay them. As at 31 December 2006 the University had a bank guarantee of \$2.965 million in place. The Guarantee expires in April 2008 when it will be renewed.

**Contingent Assets**

There are no material contingent assets.

**40. Commitments****(a) Capital Commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		University	
	2006	2005	2006	2005
Buildings Works:	\$'000	\$'000	\$'000	\$'000
Within one year	1 050	3 663	1 040	3 663
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	<b>1 050</b>	<b>3 663</b>	<b>1 040</b>	<b>3 663</b>
Plant and Equipment:				
Within one year	1 494	1 578	1 466	1 578
Later than one year but not later than five years	215	-	185	-
Later than five years	-	-	-	-
	<b>1 709</b>	<b>1 578</b>	<b>1 651</b>	<b>1 578</b>
Joint Ventures:				
Within one year	-	5	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	-	5	-	-
<b>Total Capital Commitments</b>	<b>2 759</b>	<b>5 246</b>	<b>2 691</b>	<b>5 241</b>

**(b) Lease Commitments**

The University has various operating leases of property and equipment. Lease amounts have only been included in the table where there is a non-cancellable commitment.

	Consolidated		University	
	2006	2005	2006	2005
<i>University as Lessee</i>	\$'000	\$'000	\$'000	\$'000
<b>Total Lease Payments recognised as an Expense during the Reporting Period</b>	<b>1 550</b>	<b>1 326</b>	<b>1 451</b>	<b>953</b>
<i>Commitments</i>				
Commitments in relation to leases contracted for as at the reporting date but not recognised as liabilities, payable:				
Within one year	453	456	453	456
Later than one year but not later than five years	845	817	845	817
Later than five years	462	297	462	297
<b>Total Lease Commitments</b>	<b>1 760</b>	<b>1 570</b>	<b>1 760</b>	<b>1 570</b>

1 Financial Statement Guidelines for Australian Higher Education Providers for the 2006 Reporting Period

University as Lessor	Consolidated		University	
	2006	2005	2006	2005
Lease receivables contracted but not included in the financial statements and receivable as follows:	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Within one year	<b>593</b>	545	<b>612</b>	566
Later than one year but not later than five years	<b>1 669</b>	913	<b>1 669</b>	929
Later than five years	<b>789</b>	-	<b>789</b>	-
<b>Total</b>	<b>3 051</b>	1 458	<b>3 070</b>	1 495

In 2000 the University purchased the Mark Oliphant building in Science Park as an investment property. As at 31 December 2006 57 percent (57 percent) of the building is leased or available for lease to entities outside the Economic entity. A further 8.8 percent (8.9 percent) is leased to entities outside the University but within the Economic entity.

In 2006 the Remote Health Precinct was completed. A portion of this property is treated as an investment property and as at 31 December 2006 81 percent of this investment property is leased or available for lease to entities outside the Economic entity.

The University has accommodation for 551 students available on campus that are leased on a yearly basis. As leases are not entered into until February and are completed before the end of the year, they are not included in the above figures.

The University leases a small amount of space on its main campus to commercial entities that provide services to students and staff. It also leases space to other research entities in the Port Lincoln Marine Science Centre.

**(c) Other Expenditure Commitments**

Commitments in existence at the reporting date but not recognised as liabilities, payable:

	Consolidated		University	
	2006	2005	2006	2005
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Within one year	<b>4 774</b>	4 255	<b>4 774</b>	4 255
Later than one year but not later than five years	<b>3 449</b>	1 774	<b>3 449</b>	1 774
Later than five years	<b>463</b>	150	<b>463</b>	150
<b>Total Other Expenditure Commitments</b>	<b>8 686</b>	6 179	<b>8 686</b>	6 179

**41. Superannuation Plans**

The University contributes to the following employee superannuation funds:

**(i) UniSuper**

**(a) UniSuper Defined Benefit Plan or Investment Choice Plan**

UniSuper is classified as a multi-employer fund for the purposes of accounting and disclosure requirements contained in AASB 119.

UniSuper Management Pty Ltd administers the Scheme and UniSuper Ltd is the Trustee. The University contributes at a rate double the contributions made by employees. Employees' contributions are normally seven percent of their gross salaries. The fund provides the option of defined benefits based on years of service and final average salary or an accumulation fund. The defined benefits scheme is fully funded. For accounting purposes the defined benefits scheme is treated as a defined contribution scheme under the multi-employer provisions of AASB 119 since UniSuper are unable to provide segregated information by university.

UniSuper reports its results on a financial year ending 30 June.

As at 30 June 2006 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Benefit Plan.

Historically, surplus in the Defined Benefit Plan has been used to improve members' benefits and has not affected the amount of participating employers contributions. Clause 34 of the UniSuper Trust Deed outlines the process UniSuper must take (including employer notifications and notice periods) in the event that the UniSuper assets are considered by the Trustee to be insufficient to provide benefits payable under the deed. This clause was amended during 2006 such that instead of UniSuper requesting additional payments from employers, in the event that UniSuper assets are insufficient to provide benefits payable then the Trustee must reduce benefits on a fair and equitable basis. The change was made after an assessment that it was extremely unlikely all employers would agree to increased contributions and hence the default position of Clause 34 requiring reduced benefits would apply in any case. The change in clause 34 of the UniSuper Trust Deed effectively alters the nature of the fund to a defined contribution fund.

(b) *UniSuper Award Plus Plan*

UniSuper Management Pty Ltd administers the fund and TESS Superannuation Ltd is the Trustee. The University contributes to the fund at a rate determined by the trust deed. The Scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University also makes contributions into the fund for employee benefits arising under the Superannuation Guarantee Legislation.

(ii) **South Australian Superannuation Scheme**

The University has 82 (88) present and former employees who are members of closed State Government superannuation schemes. Under the schemes, defined benefits are paid as a lump sum or continuing pension on the termination of the employees' service, based on contributions made by the employee and the employees' final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for administering the schemes. Under current arrangements, the Board pays the benefits and is reimbursed by the University. The Commonwealth Government funds the University on an emerging cost basis and recovers the State's share of the cost directly from the State Government.

The unfunded superannuation liability for future benefits for current employees and pensioners was assessed as at 31 December 2006 by the Director Superannuation, South Australian Department of Treasury and Finance, at \$28.7 million (\$27.8 million). The net unfunded amount has been recognised in the accounts of the University as a liability with a corresponding receivable from the Commonwealth Government (see Note 16). Recognition of the receivable from the Commonwealth is in accordance with DEST Guidelines and reflects an assessment that while there is no legislated requirement, the Commonwealth has committed to fund the University's emerging costs.

Assumptions adopted by the Director Superannuation (State Superannuation Office), South Australian Department of Treasury and Finance in determining the University's liability were:

- Rate of increase in the Consumer Price Index (CPI) 2.5 percent per annum
- Rate of salary increases 4.0 percent per annum
- Investment earnings 7.5 percent per annum

These assumptions have not changed since 1999.

These rates provide for a 1.5 percent real gap between CPI and salary increases and a further 3.5 percent real gap between salary increases and investment earnings.

The liability and asset have been classified as current and non-current according to the cash flow projections of the assessment.

	University	
	2006	2005
	\$'000	\$'000
University's gross liability	30 900	29 700
Less: Funded component	2 200	1 900
<b>Unfunded Liability</b>	<b>28 700</b>	<b>27 800</b>

(iii) **Superannuation Scheme No. 1**

*Superannuation Scheme*

Prior to the inception of UniSuper, the University operated its own schemes. Employees were given the option of transferring to UniSuper or remaining with the University's own scheme. As at 30 June 2006 there were 13 members of the Scheme (13 members). The Scheme, managed by a Board of Trustees, is similar to that of UniSuper with the University contributing, as a minimum, twice that of employees.

The administrator of the Scheme has calculated the value of members' accrued benefits at 30 June each year. As at 30 June, the financial position of the fund was:

	University	
	2006	2005
	\$'000	\$'000
Net Market Value	7 311	6 310
Less: Accrued Benefits	6 947	5 837
<b>Surplus</b>	<b>364</b>	<b>473</b>
<b>Vested Benefits</b>	<b>6 947</b>	<b>5 837</b>

The surplus of the fund is 5 percent (surplus of 8 percent).

Portfolio Planning Solutions undertook the last actuarial review as at 31 December 2003, the results of which were discussed in a report dated 25 October 2004. At that time the Scheme had a surplus of \$415 000, which was 8 percent of members' accrued benefits. As a result of that review, the actuary concluded that the favourable position of the Scheme allowed the suspension of employer's contributions until 31 December 2006. The only employer contributions that were made in 2006 related to salary packaged member contributions, being \$41 500 (\$40 000).

The Scheme has both a defined benefit and an accumulation aspect with members being entitled to the higher calculated benefits of the two. Currently the accumulation fund aspect is dominant and consequently disclosure of the assumptions relevant to the defined benefit aspect is not relevant.

*Invalidity Scheme*

Certain members of Superannuation Scheme No. 1 and a small number of other staff are members of the Invalidity Scheme. Total membership is 9 (9). The Scheme was established to provide benefits to members who suffered disablement or temporary incapacity and the benefits are identical to those provided under the UniSuper defined benefit fund.

The University is directly responsible for the financial administration of the Scheme and for ensuring that the future liabilities of the Scheme are adequately funded. The University has taken out insurance to protect the majority of the risk and has set funds aside to cover the remaining risk.

The University has recognised a liability of \$153 000 (\$212 000) for the Scheme. This is equal to the estimated present value of future insurance premiums and future disablement benefits above that provided by the insurance cover, as at 31 December 2006.

**42. Related Parties**

**Responsible Persons and Specified Executives**

Disclosures relating to Council members, Directors of subsidiaries and specified executives are set out in Note 37.

**Wholly-Owned Economic Entity**

Ownership interests in subsidiaries are set out in Note 43.

**43. Subsidiaries**

Flinders University is the Parent entity or ultimate Parent entity of the following entities, all of which are incorporated in Australia. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

Name of Entity	Principal Activities	Ownership Interest	
		2006 Percent	2005 Percent
Airborne Research Australia Pty Ltd (in voluntary liquidation)*	Undertakes atmospheric research.	100	100
Flinders Bioremediation Pty Ltd	Develop and extend commercial activities of the University in the areas of soil bioremediation, organic waste management and related technologies.	100	100
Flinders Campus Community Services Pty Ltd ^	Provided on-campus services and support for students.	100	-
Flinders Consulting Pty Ltd	Arranges the conduct of commercial consultancies.	100	100
Flinders Reproductive Medicine Pty Ltd (subsidiary of Flinders Consulting Pty Ltd)	Provides a high quality comprehensive infertility investigatory and treatment service.	100	100
Flinders Technologies Pty Ltd	Commercialisation of University sourced intellectual property.	100	100
Flinders MediTech Pty Ltd (subsidiary of Flinders Technologies Pty Ltd)	Medical device company	100	100
MediMolecular Pty Ltd (subsidiary of Flinders Technologies Pty Ltd)	Biotech company.	75	75
Re-time Pty Ltd (subsidiary of Flinders Technologies Pty Ltd)	Specialist eye-wear company	100	100
Heaslip Trust**	Supports medical education activities in the School of Medicine.	NA	NA
Lung Health Diagnostics Pty Ltd	Biotech development company.	60	60
National Institute of Labour Studies Inc (NILS Inc)	Undertakes independent research and consultancy services in labour studies.	100	100
National Institute of Labour Studies Foundation Inc (100 percent owned by NILS Inc)	Supports the activities of NILS Inc.	100	100

\* In 2005 the University substantively transferred the operations, assets and liabilities of Airborne Research Australia Pty Ltd (ARA) into the University, effective from 24 August 2005. The corporate structure of ARA is in the process of being voluntarily liquidated however the distribution in specie had not occurred as at 31 December 2006.

\*\* The University does not control the Trust but it is consolidated since the University is the sole beneficiary.

^ Following the introduction of Voluntary Student Unionism (VSU) legislation it was decided to amalgamate the net assets and operations of the existing six student organisations into a new entity - Flinders Campus Community Services (FCCS), which was formally established on 3 July 2006. The University is the sole member of FCCS and has the responsibility for appointing the majority of Board members. Accordingly, FCCS is a subsidiary and therefore its financial statements have been consolidated into the Economic entity's financial statements.

**44. Investments in Associates**

<i>Name of Entity</i>	<i>Principal Activity</i>	Ownership Interest		Consolidated Carrying Amount		Parent Entity Carrying Amount	
		2006 Percent	2005 Percent	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Unisure Pty Ltd	Provision of workers compensation services and investment of funds set aside for workers compensation	33.3	33.3	-	-	-	-
SABRENet Ltd	Delivers high capacity broadband network services to the education and research sector	20	20	-	1 117	-	1 117

Each of the above associates is incorporated in Australia.

	Consolidated	
	2006 \$'000	2005 \$'000
<b>(a) Movements in Carrying Amounts:</b>		
Carrying amount at 1 January	1 117	-
External share of initial funding	-	1 220
University investment	91	-
Share of profit (loss) before income tax	391	(103)
Write-down of investment**	(1 599)	-
<b>Carrying Amount at 31 December</b>	<b>-</b>	<b>1 117</b>
<b>(b) Share of Associate's Operating Result</b>		
Net operating result before income tax	391	(103)
<b>Net Operating Result after Income Tax</b>	<b>391</b>	<b>(103)</b>

**(c) Summarised Financial Information of Associates**

	Assets \$'000	Group's share of		Profit (Loss) \$'000
		Liabilities \$'000	Revenues \$'000	
<b>2005</b>				
SABRENet Ltd	1 117	-	-	(103)
	1 117	-	-	(103)

**(d) Share of Associates' Expenditure Commitments, Other than for the Supply of Inventories**

	Consolidated	
	2006 \$'000	2005 \$'000
Capital commitments	-	1 296
Lease commitments	-	-
<b>Total Commitments</b>	<b>-</b>	<b>1 296</b>

**(e) Contingent Liabilities of Associates**

There are no material contingent liabilities.

In 2005, the University has recorded an impairment loss of \$103 000 in respect to its investment in an associated entity, SABRENet Ltd, a not for profit company limited by guarantee. The loss is recorded in Other Expenses in the Income Statement. SABRENet Ltd has been funded to develop and operate a high capacity broadband network services to the education and research sector. The impairment loss represents the University's share of initial expenses that have not been capitalised as part of the development of the broadband network. The recoverable amount has been estimated on a value in use basis and represents the University's share of funds remaining for the development of the broadband project.

In 2006, SABRENet made a surplus and this was sufficient to reverse the impairment loss recorded in 2005. Accordingly, the impairment loss reversal is recorded as part of revenue in the Income Statement.

\*\* In 2005, the net assets of SABRENet consisted mostly of cash. At 31 December 2006 the net assets consist mostly of the physical infrastructure which comprises the high-speed broadband network accessible by the research and higher education entities involved, being the three South Australian universities, the State Government of South Australia and the DSTO. The University considered the value of its access to the network unable to be reliably measured and consequently the value of the investment was written down to nil and to disclose the University's involvement in this entity by way of note.

**Unisure Pty Ltd**

The University is an exempt employer under the WRCA, and is a shareholder along with the University of Adelaide and the University of South Australia in Unisure Pty Ltd, which manages workers compensation claims on behalf of the three institutions. Unisure Pty Ltd is the trustee of the Unisure Unit Trust, which holds the University's workers compensation liability and the associated investment funds. All transactions for the period flow through the Unit Trust and the University's share is included in the University financial results. Consequently the investment in the Associate has not been accounted for using the equity method as per AASB 128.

**Unisure Pty Ltd (continued)**

The University has incorporated its share of the financial transactions of the Unisure Unit Trust into the University column of the financial statements.

	University	
	2006	2005
	\$'000	\$'000
Current Assets:		
Cash	39	90
Non-Current Assets:		
Unisure managed funds	6 274	6 014
<b>Total Assets</b>	<b>6 313</b>	<b>6 104</b>
Current Liabilities:		
Workers compensation	343	735
Non-Current Liabilities:		
Workers compensation	959	1 308
<b>Total Liabilities</b>	<b>1 302</b>	<b>2 043</b>
<b>Net Assets</b>	<b>5 011</b>	<b>4 061</b>

**45. Interests in Joint Ventures**

**(a) Joint Venture Operations**

<b>Name of Entity</b>	<b>Principal Activity</b>	Output Interest	
		2006	2005
		Percent	Percent
Centre for Remote Health	Provision of health education and research to remote areas.	50	50
Greater Green Triangle University Department of Rural Health	Creation of a network of excellence in health professional education, population health, research and clinical service, the Greater Green Triangle region.	50	50

The Economic entity's interest in assets employed in the above joint venture operations is detailed below. The amounts are included in the University financial reports and consolidated financial reports under their respective asset categories:

**Centre for Remote Health**

	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Current Assets:				
Receivables	685	490	685	490
Prepayments	-	340	-	340
<b>Total Current Assets</b>	<b>685</b>	<b>830</b>	<b>685</b>	<b>830</b>
Non-Current Assets:				
Property, plant and equipment	2 077	1 700	2 077	1 700
<b>Total Assets</b>	<b>2 762</b>	<b>2 530</b>	<b>2 762</b>	<b>2 530</b>
Current Liabilities:				
Payables	4	-	4	-
Annual leave	24	5	24	5
Long service leave	3	2	3	2
<b>Total Current Liabilities</b>	<b>31</b>	<b>7</b>	<b>31</b>	<b>7</b>
Non-Current Liabilities:				
Annual leave	17	10	17	10
Long service leave	25	45	25	45
<b>Total Non-Current Liabilities</b>	<b>42</b>	<b>55</b>	<b>42</b>	<b>55</b>
<b>Total Liabilities</b>	<b>73</b>	<b>62</b>	<b>73</b>	<b>62</b>
<b>Share of Assets Employed in Joint Venture</b>	<b>2 689</b>	<b>2 468</b>	<b>2 689</b>	<b>2 468</b>

**Greater Green Triangle**

Current Assets:				
Receivables	652	415	652	415
Non-Current Assets:				
Property, plant and equipment	83	85	83	85
<b>Total Assets</b>	<b>735</b>	<b>500</b>	<b>735</b>	<b>500</b>
Current Liabilities:				
Payables	10	-	10	-
Annual leave	16	3	16	3
<b>Total Current Liabilities</b>	<b>26</b>	<b>3</b>	<b>26</b>	<b>3</b>
Non-Current Liabilities:				
Annual Leave	7	9	7	9
Long service leave	27	19	27	19
<b>Total Non-Current Liabilities</b>	<b>34</b>	<b>28</b>	<b>34</b>	<b>28</b>
<b>Total Liabilities</b>	<b>60</b>	<b>31</b>	<b>60</b>	<b>31</b>
<b>Share of Assets Employed in Joint Venture</b>	<b>675</b>	<b>469</b>	<b>675</b>	<b>469</b>



*Joint Venture*

The University's joint venture operations have no contingent liabilities as at 31 December 2006 (\$nil).

**Other**

The University has collaborative arrangements in place with a number of overseas institutions for joint teaching of students. Revenue is shared between the University and collaborating institutions. The University's share of revenue and expense is included in the Income Statement.

**(b) Joint Venture Entities**

The University participates in a number of joint venture entities, however as the University's interest is not considered to be material, they have not been taken up in the accounts on an equity basis as per AASB 131.

Relevant disclosures are as follows:

Name of Entity		Reporting Date	Principal Activity	Ownership Interest	
				2006 Percent	2005 Percent
<b>Cooperative Research Centres (CRC)</b>					
Cooperative Research Centre for Aboriginal Health (CRAH)	(U)	30 June	To provide a cross cultural framework for strategic research leading to evidence based improvements in education and health practice.	15	16
Cooperative Research Centre for Bioproducts (CRC Bioproducts)	(U)	30 June	To develop commercial applications of new bioproducts and bioprocesses.	-	11
Cooperative Research Centre for Sensor Signal Information Processing (CSSIP)	(U)	30 June	To provide research and postgraduate education in signal and information processing for sensors.	-	7
Cooperative Research Centre for Sustainable Aquaculture of Finfish (Aquafin CRC)	(U)	30 June	To provide research and education for the sustainable aquaculture of finfish in Australia.	6	6
<b>Other Joint Venture Entities</b>					
Australian Housing and Urban Research Institute (AHURI) – Southern Research Centre	(U)	30 June	Is a cooperative venture between five universities to carry out research into housing and related issues with emphasis on economic, social and policy aspects.	7	8
Centre for Groundwater Studies (CGS)	(U)	31 December	Is a cooperative research and education venture focused on processes affecting recharge, discharge, contamination and remediation of groundwater.	14	15
Helpmann Academy for the Visual and Performing Arts Inc (Helpmann Academy)	(I)	30 June	Offers award courses for people seeking professional careers in the arts.	-*	-*
South Australian Centre for Economic Studies (SACES)	(U)	31 December	To conduct research on economic issues for government and private sector bodies with particular application to South Australia.	50	50
South Australian Consortium for Information Technology and Telecommunications (SACITT)	(I)	31 December	To explore collaborative IT&T research and development issues.	33	33
South Australian Partnership for Advanced Computing (SAPAC)	(U)	31 December	To support and promote the use of advanced and high-performance computing and communications in South Australia.	40	33
South Australian Tertiary Admissions Centre (SATAC)	(U)	30 June	Agent for tertiary institutions in Adelaide for receiving and processing applications for admission to tertiary level courses.	25	25
The Centre for Innovation Inc (TCII)	(I)	30 June	To promote, encourage and facilitate continuing economic development.	33	33
The Ethics Centre of South Australia (ECSA)	(U)	31 December	To facilitate ethics research and teaching in South Australia.	33	33

(I) Incorporated

(U) Unincorporated

\* Partner but no right to residual assets

**(c) Other Information**

- (1) *Capital Expenditure Commitments*  
No material capital expenditure commitments.
- (2) *Contingent Liabilities*  
No material contingent liabilities.
- (3) *After Balance Date Events*  
No material after balance date events.

**46. Economic Dependency**

The Economic entity is to a significant extent dependant on monies received pursuant to the Commonwealth Department of Education, Science and Training (DEST) operating and research grants and the Higher Education Contribution Scheme (HECS). In 2006, funding from both DEST and HECS totalled \$133.7 million (\$124.9 million) and represented 51 percent (54 percent) of revenue.

**47. Discontinuing Operations**

Neither the University nor the Economic entity had discontinuing operations.

**48. Events Occurring after the Balance Sheet Date**

There were no events that took place after reporting date that have a material impact on the financial statements of the University or the Economic entity.

However, to match increased levels of demand for teaching and research, the University is planning to expand its infrastructure by the development of an additional two major buildings. The buildings are expected to be constructed over 2007-2008. It is estimated that the building program will require an investment of around \$45 million.

**49. Reconciliation of Operating Result to Net Cash Flows from Operating Activities**

	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Operating result for the period	<b>19 984</b>	11 975	<b>16 923</b>	12 513
Non-Cash Items:				
Depreciation and amortisation	<b>10 933</b>	10 816	<b>10 899</b>	10 587
Equity accounted for investment	-	-	-	(1 117)
Gain on transfer of subsidiary	-	-	-	(883)
Asset write-down	<b>2 099</b>	-	<b>1 811</b>	-
Revaluation movement	-	15	-	-
Net (gain) loss on sale of assets	<b>(151)</b>	(18)	<b>(145)</b>	(52)
Net contribution of assets	<b>(2 881)</b>	(956)	<b>(1 410)</b>	(956)
Capitalised investment revenue	-	(45)	-	(15)
Unrealised investment gains	<b>(1 570)</b>	(1 803)	<b>(1 252)</b>	(1 392)
Share of net result using equity method	<b>(391)</b>	-	-	-
Other	-	(84)	-	(84)
<b>Total of Non-Cash Items</b>	<b>8 039</b>	7 925	<b>9 903</b>	6 088
Change in Assets and Liabilities:				
(Increase) Decrease in receivables	<b>536</b>	(4 815)	<b>1 849</b>	(4 619)
(Increase) Decrease in inventories	<b>(150)</b>	(58)	<b>152</b>	(61)
(Increase) Decrease in other assets	<b>21</b>	(2 114)	<b>429</b>	(993)
Increase (Decrease) in payables	<b>1 956</b>	6 155	<b>361</b>	5 283
Increase (Decrease) in provisions	<b>1 790</b>	2 626	<b>1 675</b>	2 605
Increase (Decrease) in other liabilities	<b>(993)</b>	2 950	<b>(10)</b>	2 352
<b>Net Cash provided by Operating Activities</b>	<b>31 183</b>	24 644	<b>31 282</b>	23 168

The cash and cash equivalents figures in Note 15 are reconciled to cash and cash equivalents at the end of the year in the Cash Flow Statement as follows:

	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash at bank and on hand	<b>1 557</b>	2 297	<b>359</b>	1 859
Cash deposits at call within three days:	<b>27 260</b>	20 757	<b>27 260</b>	20 757
Term deposits maturing within 90 days	<b>51 419</b>	42 159	<b>50 499</b>	40 057
Cash and cash equivalents balance per Balance Sheet	<b>80 236</b>	65 213	<b>78 118</b>	62 673
Bank overdraft	-	-	-	-
<b>Balance per Cash Flow Statement</b>	<b>80 236</b>	65 213	<b>78 118</b>	62 673



**53. Acronyms and Abbreviations**

AASB	Australian Accounting Standards Board
AIFRS	Australian equivalents to International Financial Reporting Standards
APS	Accounting Policy Statement
ARC	Australian Research Council
BOTPLS	Bridging Courses for Overseas Trained Professionals
CGS	Commonwealth Grants Scheme
DEST	Department of Education, Science and Training
FEE-HELP	Fee Higher Education Loan Programme (financial support for full-fee paying domestic students)
HECS-HELP	Higher Education Contribution Scheme - Higher Education Loan Programme
IFRS	International Financial Reporting Standards
NH&MRC	National Health & Medical Research Council
OS-HELP	Overseas - Higher Education Loan Programme
PELS	Post-graduate Education Loan Programme
VSU	Voluntary Student Unionism

**54. Acquittal of Australian Government Financial Assistance**

		University Only			
		Commonwealth Grants Scheme <sup>1</sup>		Indigenous Support Fund	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
<b>54.1 DEST - CGS and Other DEST Grants</b>					
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)	Note	<b>62 725</b>	59 918	<b>426</b>	376
Net accrual adjustments		-	41	-	-
Revenue for the period	2(a)	<b>62 725</b>	59 959	<b>426</b>	376
Surplus (Deficit) from the previous year		-	190	-	-
<b>Total Revenue including Accrued Revenue</b>		<b>62 725</b>	60 149	<b>426</b>	376
Less: Expenses including accrued expenses		<b>62 725</b>	60 149	<b>426</b>	376
<b>Surplus (Deficit) for Reporting Period</b>		-	-	-	-

		University Only			
		Equity Programmes <sup>2</sup>		Workplace Reform Programme	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		<b>356</b>	332	<b>845</b>	811
Net accrual adjustments		-	-	-	-
Revenue for the period	2(a)	<b>356</b>	332	<b>845</b>	811
Surplus (Deficit) from the previous year		<b>13</b>	-	-	2 398
<b>Total Revenue including Accrued Revenue</b>		<b>369</b>	332	<b>845</b>	3 209
Less: Expenses including accrued expenses		<b>369</b>	319	<b>845</b>	3 209
<b>Surplus (Deficit) for Reporting Period</b>		-	13	-	-

		University Only			
		Workplace Productivity Programme		Capital Development Pool	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		<b>363</b>	-	-	825
Net accrual adjustments		-	-	-	-
Revenue for the period	2(a)	<b>363</b>	-	-	825
Surplus (Deficit) from the previous year		-	-	<b>3 094</b>	3 639
<b>Total Revenue including Accrued Revenue</b>		<b>363</b>	-	<b>3 094</b>	4 464
Less: Expenses including accrued expenses		<b>122</b>	-	<b>1 026</b>	1 370
<b>Surplus (Deficit) for Reporting Period</b>		<b>241</b>	-	<b>2 068</b>	3 094

		University Only			
		Superannuation Programme		Total	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		<b>1 077</b>	946	<b>65 792</b>	63 208
Net accrual adjustments		<b>668</b>	(71)	<b>668</b>	(30)
Revenue for the period	2(a)	<b>1 745</b>	875	<b>66 460</b>	63 178
Surplus (Deficit) from the previous year		-	-	<b>3 107</b>	6 227
<b>Total Revenue including Accrued Revenue</b>		<b>1 745</b>	875	<b>69 567</b>	69 405
Less: Expenses including accrued expenses		<b>1 745</b>	875	<b>67 258</b>	66 298
<b>Surplus (Deficit) for Reporting Period</b>		-	-	<b>2 309</b>	3 107

1 Includes the basic CGS grant amount, CGS-Regional Loading, CGS-Enabling Loading.

2 Includes Higher Education Equity Support Programme and Higher Education Disability Support Programme.

**54.2 Higher Education Loan Programmes**

		University Only			
		HECS-HELP (Australian Government) Payments Only)		FEE-HELP	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		<b>33 381</b>	31 697	<b>2 573</b>	2 084
Net accrual adjustments		<b>1 933</b>	(1 294)	<b>(134)</b>	214
Revenue for the period	2(b)	<b>35 314</b>	30 403	<b>2 439</b>	2 298
Surplus (Deficit) from the previous year		-	-	-	-
<b>Total Revenue including Accrued Revenue</b>		<b>35 314</b>	30 403	<b>2 439</b>	2 298
Less: Expenses including accrued expenses		<b>35 314</b>	30 403	<b>2 439</b>	2 298
<b>Surplus (Deficit) for Reporting Period</b>		-	-	-	-

		University Only Total			
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)	Note	<b>35 954</b>	33 781	<b>1 799</b>	(1 080)
Net accrual adjustments		<b>1 799</b>	(1 080)		
Revenue for the period	2(b)	<b>37 753</b>	32 701		
Surplus (Deficit) from the previous year		-	-		
<b>Total Revenue including Accrued Revenue</b>		<b>37 753</b>	32 701		
Less: Expenses including accrued expenses		<b>37 753</b>	32 701		
<b>Surplus (Deficit) for Reporting Period</b>		-	-		

**54.3 Scholarships**

		University Only			
		Australian Postgraduate Awards		International Postgraduate Research Scholarships	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		<b>1 696</b>	1 714	<b>203</b>	228
Net accrual adjustments		-	-	<b>40</b>	63
Revenue for the period	2(c)	<b>1 696</b>	1 714	<b>243</b>	291
Surplus (Deficit) from the previous year		<b>33</b>	133	-	-
<b>Total Revenue including Accrued Revenue</b>		<b>1 729</b>	1 847	<b>243</b>	291
Less: Expenses including accrued expenses		<b>1 740</b>	1 814	<b>243</b>	291
<b>Surplus (Deficit) for Reporting Period</b>		<b>(11)</b>	33	-	-

		University Only			
		Commonwealth Education Cost Scholarships		Commonwealth Accommodation Scholarships	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		<b>493</b>	282	<b>828</b>	531
Net accrual adjustments		-	-	-	-
Revenue for the period	2(c)	<b>493</b>	282	<b>828</b>	531
Surplus (Deficit) from the previous year		<b>30</b>	4	<b>75</b>	-
<b>Total Revenue including Accrued Revenue</b>		<b>523</b>	286	<b>903</b>	531
Less: Expenses including accrued expenses		<b>431</b>	256	<b>720</b>	456
<b>Surplus (Deficit) for Reporting Period</b>		<b>92</b>	30	<b>183</b>	75

		University Only Total			
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		<b>3 220</b>	2 755	<b>40</b>	63
Net accrual adjustments		<b>40</b>	63		
Revenue for the period	2(c)	<b>3 260</b>	2 818		
Surplus (Deficit) from the previous year		<b>138</b>	137		
<b>Total Revenue including Accrued Revenue</b>		<b>3 398</b>	2 955		
Less: Expenses including accrued expenses		<b>3 134</b>	2 817		
<b>Surplus (Deficit) for Reporting Period</b>		<b>264</b>	138		

**54.4 DEST Research**

		University Only			
		Institutional Grants Scheme		Research Training Scheme	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		<b>6 364</b>	6 574	<b>10 823</b>	11 093
Net accrual adjustments		-	-	-	-
Revenue taken up as a liability		-	-	-	-
Revenue for the period	2(d)	<b>6 364</b>	6 574	<b>10 823</b>	11 093
Surplus (Deficit) from the previous year		<b>990</b>	1 571	<b>265</b>	-
Plus: Funds held as a liability		-	-	-	-
<b>Total Revenue including Accrued Revenue</b>		<b>7 354</b>	8 145	<b>11 088</b>	11 093
Less: Expenses including accrued expenses		<b>6 324</b>	7 155	<b>10 896</b>	10 828
<b>Surplus (Deficit) for Reporting Period</b>		<b>1 030</b>	990	<b>192</b>	265

		University Only			
		Systematic Infrastructure Initiative		Research Infrastructure Block Grants	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)	Note	-	750	<b>2 964</b>	3 064
Net accrual adjustments		-	-	-	-
Revenue taken up as a liability <sup>3</sup>	2(d)	-	(750)	-	-
Revenue for the period		-	-	<b>2 964</b>	3 064
Surplus (Deficit) from the previous year		<b>4 085</b>	3 800	<b>1 006</b>	1 012
Plus: Funds held as a liability		-	750	-	-
<b>Total Revenue including Accrued Revenue</b>		<b>4 085</b>	4 550	<b>3 970</b>	4 076
Less: Expenses including accrued expenses		<b>4 085</b>	465	<b>3 326</b>	3 070
<b>Surplus (Deficit) for Reporting Period</b>		-	4 085	<b>644</b>	1 006

		University Only Total	
		2006	2005
		\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		<b>20 151</b>	21 481
Net accrual adjustments		-	-
Revenue taken up as a liability		-	(750)
Revenue for the period	2(d)	<b>20 151</b>	20 731
Surplus (Deficit) from the previous year		<b>6 346</b>	6 383
Plus: Funds held as a liability		-	750
<b>Total Revenue including Accrued Revenue</b>		<b>26 497</b>	27 864
Less: Expenses including accrued expenses		<b>24 631</b>	21 518
<b>Surplus (Deficit) for Reporting Period</b>		<b>1 866</b>	6 346

**54.5 Australian Research Council Grants**

(a) *Discovery*

		University Only			
		Projects		Indigenous Researchers Development	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		<b>3 075</b>	2 069	<b>32</b>	63
Net accrual adjustments		<b>141</b>	108	-	-
Revenue for the period	2(e)(i)	<b>3 216</b>	2 177	<b>32</b>	63
Surplus (Deficit) from the previous year		<b>625</b>	744	<b>45</b>	10
<b>Total Revenue including Accrued Revenue</b>		<b>3 841</b>	2 921	<b>77</b>	73
Less: Expenses including accrued expenses		<b>2 919</b>	2 296	<b>53</b>	28
<b>Surplus (Deficit) for Reporting Period</b>		<b>922</b>	625	<b>24</b>	45

		University Only Total	
		2006	2005
		\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		<b>3 107</b>	2 132
Net accrual adjustments		<b>141</b>	108
Revenue for the period	2(e)(i)	<b>3 248</b>	2 240
Surplus (Deficit) from the previous year		<b>670</b>	754
<b>Total Revenue including Accrued Revenue</b>		<b>3 918</b>	2 994
Less: Expenses including accrued expenses		<b>2 972</b>	2 324
<b>Surplus (Deficit) for Reporting Period</b>		<b>946</b>	670

3 Funds received from DEST were held by the University on behalf of others. As a result they are not revenue under AAS. As they need to be acquitted under DEST funding requirements, they are shown as funds available for expenditure.

(b) *Linkages*

		University Only			
		Special Research Initiatives		Infrastructure	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		-	-	800	1 196
Net accrual adjustments		-	25	-	(161)
Revenue for the period	2(e)(ii)	-	25	800	1 035
Surplus (Deficit) from the previous year		9	14	392	103
<b>Total Revenue including Accrued Revenue</b>		<b>9</b>	<b>39</b>	<b>1 192</b>	<b>1 138</b>
Less: Expenses including accrued expenses		9	30	946	746
<b>Surplus (Deficit) for Reporting Period</b>		<b>-</b>	<b>9</b>	<b>246</b>	<b>392</b>

		University Only			
		International		Projects	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		7	26	1 153	944
Net accrual adjustments		11	4	(157)	(51)
Revenue for the period	2(e)(ii)	18	30	996	893
Surplus (Deficit) from the previous year		17	4	558	563
<b>Total Revenue including Accrued Revenue</b>		<b>35</b>	<b>34</b>	<b>1 554</b>	<b>1 456</b>
Less: Expenses including accrued expenses		12	17	1 067	898
<b>Surplus (Deficit) for Reporting Period</b>		<b>23</b>	<b>17</b>	<b>487</b>	<b>558</b>

		University Only Total	
		2006	2005
		\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		1 960	2 166
Net accrual adjustments		(146)	(183)
Revenue for the period	2(e)(ii)	1 814	1 983
Surplus (Deficit) from the previous year		976	684
<b>Total Revenue including Accrued Revenue</b>		<b>2 790</b>	<b>2 667</b>
Less: Expenses including accrued expenses		2 034	1 691
<b>Surplus (Deficit) for Reporting Period</b>		<b>756</b>	<b>976</b>

(c) *Networks and Centres*

		University Only			
		Research Networks		Total	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programmes)		-	-	-	-
Net accrual adjustments		62	25	62	25
Revenue for the period	2(e)(ii)	62	25	62	25
Surplus (Deficit) from the previous year		44	25	44	25
<b>Total Revenue including Accrued Revenue</b>		<b>106</b>	<b>50</b>	<b>106</b>	<b>50</b>
Less: Expenses including accrued expenses		28	6	28	6
<b>Surplus (Deficit) for Reporting Period</b>		<b>78</b>	<b>44</b>	<b>78</b>	<b>44</b>

# DEPARTMENT OF FURTHER EDUCATION, EMPLOYMENT, SCIENCE AND TECHNOLOGY

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Department of Further Education, Employment, Science and Technology (the Department) is established as an Administrative Unit pursuant to the PSMAct.

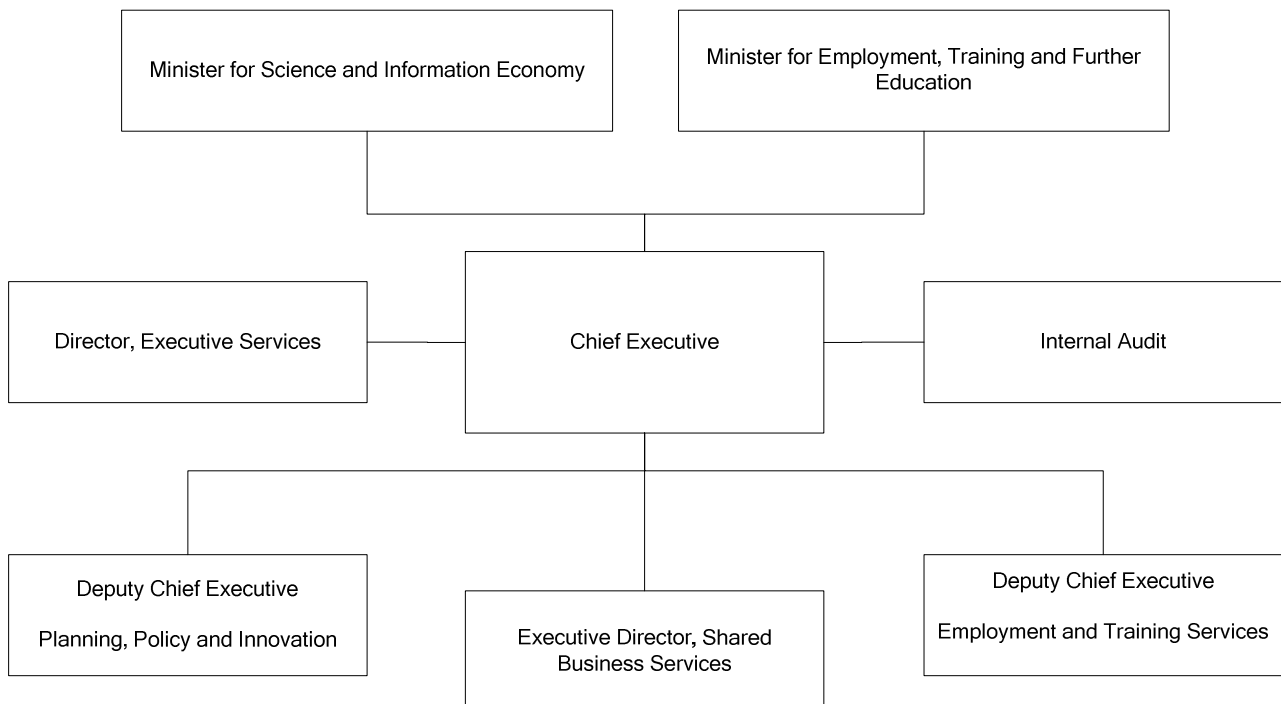
### Functions

The functions of the Department include:

- providing vocational education and training by TAFE institutes and other providers outside the schooling sector, including publicly funded adult community education (ACE);
- providing employment development programs to assist individuals into employment, particularly those who are disadvantaged;
- providing regulatory services through the provision of registration, accreditation and approval for registered training organisations, and the regulation of apprenticeships and traineeships;
- managing the State's interface with industry and commerce on training matters;
- providing advice to the Government on policy and planning in higher education;
- developing the State's research capacity and infrastructure involving both higher education and industry;
- providing the Government's principal focus for science, technology and innovation policy development and program delivery in South Australia that links the Government, business, industry and education sectors;
- increasing the numbers of young people involved in government and community decision-making processes.

### Structure

The structure of the Department is illustrated in the following organisation chart.





## **AUDIT MANDATE AND COVERAGE**

### **Audit Authority**

#### ***Audit of the Financial Report***

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

#### ***Assessment of Controls***

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

### **Scope of Audit**

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

During 2006-07, specific areas of audit attention included:

- budgetary control and financial management reporting
- expenditure, including accounts payable and payroll
- revenue, including bank reconciliations
- non-current assets
- liabilities for employee benefits
- general ledger
- risk management
- procurement.

Audit emphasis was directed to the audit of Central Office and certain operations of the TAFE SA Regional Institute.

A review was also undertaken of Vocational Education and Training funding.

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

- budgetary control and financial management reporting
- fraud investigation.

## **AUDIT FINDINGS AND COMMENTS**

### **Auditor's Report on the Financial Report**

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Department of Further Education, Employment, Science and Technology as at 30 June 2007, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

#### **Assessment of Controls**

In my opinion, the controls exercised by the Department of Further Education, Employment, Science and Technology in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to financial management reporting, risk management, expenditure, payroll, Hourly Paid Instructors and policies and procedures, as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Further Education, Employment, Science and Technology have been conducted properly and in accordance with law.

## **Communication of Audit Matters**

Matters arising during the course of the audit were detailed in management letters to the Chief Executive. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Department and the related responses are considered herein.

## **Financial Management Reporting**

In a management letter to the Department in 2005-06, Audit made reference to the need for the Department to have a highly developed management reporting process to effectively manage its significant financial resources. A review, during 2006-07, of financial management reporting revealed that certain progress has been achieved in working towards a more reliable management reporting process. To assist with this process, a Budget and Finance Executive Committee and a Strategic Finance and Budget Unit have been established. Work undertaken in 2006-07, by the Department, has focused on developing and implementing a budget methodology and refining its budget monitoring and reporting mechanisms.

In its review, Audit commented on the following issues:

- There was a need to prepare and promulgate policies, procedures and guidelines for the principal budget processes.
- Variances existed between the approved budget and budget data recorded in the general ledger.
- A framework should be established to ensure that changes made to budget data, in the general ledger, by business units is appropriately approved.
- The quality of explanations, by business units, of actual to budget variations requires improved clarity.
- Further work is required to ensure the integrity of accrual financial data.

In its response to the audit findings, the Department advised that:

- policies and procedures will be developed during 2007-08;
- a number of factors, including a mid-year budget review and receipt of new funding contributed to variances between the approved budget and the budget data recorded in the general ledger. Despite the variances, the accuracy of management reporting was not materially affected;
- a more formal process, to manage budget changes, will be introduced in 2007-08;
- improvement is required in the quality of the explanation, by business units, of budget variations. The quality of explanations is expected to improve in 2007-08;
- it agreed that an effective reporting process relies on the quality of accrual financial information. A review of the monthly accrual reporting process is being undertaken.

## **Risk Management**

In 2005-06, Audit drew attention to the need to expedite the risk management process. The Department stated that:

- it had completed an extensive review of its Risk Management Framework;
- it intended to establish an Audit and Risk Management Committee to advise the Chief Executive on a range of internal controls and risk processes;
- a software package for the identification, monitoring and reporting of Departmental risk was being developed and risk management training sessions were to commence in the early part of 2006-07.

Audit has noted that the Audit and Risk Management Committee convened for its first meeting in June 2007 and the Committee has reviewed the draft Risk Management Framework. Training courses have been conducted during the year by the South Australian Government Financing Authority, SAICORP Division. The value of the training may be diminished as there will be a significant gap between the training and its utilisation in practice.

It was also noted that a formal process has not been implemented to identify, evaluate and manage risk throughout the Department. It was Audit's view that this will take some time and that priority needed to be given to implementing these tasks.

Following its recent assessment of the risk management process, Audit also recommended that risk management be integrated with the corporate strategic and annual planning processes.

In its response, the Department advised that significant work has been undertaken to develop a software package and a revised training approach is being developed that will ensure a consistent approach to risk identification, management and reporting. Implementation of the Risk Management Framework is proposed for early 2008. The Risk Management Framework Policy Statement and the updated Department's Strategic Plan now reflect the Department's intention to achieve an integrated approach between all business processes and risk management.

### **Accounts Receivable Point of Sale System (ARPOS)**

ARPOS is an integrated Point of Sale and Debtor Management System which became operational in 2003.

In late 2006, an Applications Baseline Study was conducted across government by the Office of the CIO. The Study was based on a survey with responses being provided by the respective government agencies. The analysis of the information by the Office of the CIO suggests that ARPOS is unstable in the short-term.

Audit also noted that there is a lack of support being provided by the system's vendor and a number of issues identified by departmental personnel have not been actioned. It is Audit's view that there is a very high business risk with the current level of support being provided to ARPOS.

The Department has informed Audit that ARPOS has been moved to a more robust infrastructure and discussions are being held with the system's vendor in relation to a planned upgrade and service level agreements.

### **Expenditure**

The audit revealed that internal controls over expenditure could be further strengthened by:

- exercising financial delegation approval at the invoice level instead of at the time of requisition of goods and services;
- reminding officers of their responsibilities when exercising their financial delegations;
- reminding employees of the requirements for booking travel arrangements and of the need to comply with the Commissioner's Standard for accommodation arrangements;
- improving the verification process over the vendor masterfile.

The Department agreed with the audit recommendations and has advised of corrective action taken.

### **Payroll**

A number of recommendations were made following a review of the payroll system and they included:

- a procedure be developed that requires the verification of all leave taken. Such a process will assist in ensuring the integrity of leave entitlements;
- key changes made to the payroll masterfile be independently verified. Although the bona fide certificate review should identify data entry errors, this review is a reactive control and would not prevent errors from being made;
- bona fide certificates to be returned on a timely basis;
- a procedure be issued to inform Managers as to the process to review timesheets as they are currently being reviewed with varying degrees of effectiveness.

The Department has adopted the audit recommendations and will be implementing procedures and providing instructions to staff.

### **Hourly Paid Instructors**

A 2006 Enterprise Agreement provides that Hourly Paid Instructor's weekly teaching hours shall not exceed 15 hours per week. A review of payments made to Hourly Paid Instructors revealed that a number of Instructors had worked in excess of 15 hours per week for a significant number of weeks. There was no evidence of any monitoring process as required by the Conditions of Employment Manual.

The Department has informed Audit that tighter controls will be put in place to minimise non-compliance and regular reports will be prepared for managers to assist them in their management of Hourly Paid Instructors.

### **Policies and Procedures**

A review of the Department's policies and procedures for the principal accounting functions revealed that some were incomplete and others did not exist. In some cases the policies and procedures were out dated.

In its response, the Department has advised that policies and procedures will be progressively addressed during 2007-08.

### Procurement

It is noted that the Department has undertaken significant work to establish and implement a Procurement Framework. In its review of the procurement function, Audit identified several areas where procurement processes could be improved, in particular:

- it is important that procurement and contract processes ensure that sufficient time is allowed for management assessment and execution of a competitive process that could be applied to acquisitions where current contracts are due to expire;
- the initial risk assessments, for acquisitions greater than \$55 000, be supported by rationale to ensure that authorising officers understand the risk assessment;
- there was a need to develop a Contract Management Framework and ensure that there are appropriate processes in place to ensure compliance.

The Department advised that the matters are being addressed with the introduction of a Forward Procurement Planning Policy and a recently completed review of Contract Management. Rationale for risk assessment will also be provided.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

### Highlights of the Financial Report

	2007 \$'million	2006 \$'million	Percentage Change
<b>INCOME</b>			
State Government funds	285	248	15
Commonwealth Government grants	101	101	-
Student and other fees and charges	77	70	10
Other revenue	13	18	(28)
<b>Total Income</b>	<b>476</b>	437	9
<b>EXPENSES</b>			
Employee benefits	260	255	2
Supplies and services	134	135	(1)
Other expenses	75	76	(1)
<b>Total Expenses</b>	<b>469</b>	466	n/a
<b>Net Result</b>	<b>7</b>	(29)	124
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>28</b>	5	460
<b>ASSETS</b>			
Current assets	80	64	25
Non-current assets	515	459	12
<b>Total Assets</b>	<b>595</b>	523	14
<b>LIABILITIES</b>			
Current liabilities	57	54	6
Non-current liabilities	55	49	12
<b>Total Liabilities</b>	<b>112</b>	103	9
<b>EQUITY</b>	<b>483</b>	420	15

### Income Statement

#### Income

Income was \$476.5 million (\$436.9 million). The principal source of funding for the Department is State Government appropriation which totalled \$285.4 million. Other income included Commonwealth grants of \$100.9 million and \$76.6 million from student and other fees and charges.

**Expenses**

Employee benefits of \$259.5 million constituted 55 percent of the total expenses of \$469.2 million. Other major expenses included \$57.3 million in grants and subsidies which included \$17 million and \$16.7 million for employment programs and science and technology programs respectively, \$19.2 million for funding to non-TAFE providers for Vocational Education and Training and \$23.7 million for information technology infrastructure and communications.

**Net Result**

The surplus for the year was \$7.3 million compared to a deficit of \$29 million in 2005-06.

The improvement in the operating result is mainly attributable to the increase of \$37.7 million in revenues from the SA Government.

**Balance Sheet**

The Balance Sheet shows that the material items controlled by the Department are:

	<b>2007</b>	2006	Percentage
	<b>\$'million</b>	\$'million	Change
<b>ASSETS</b>			
Cash on hand	<b>59</b>	47	26
Land and buildings	<b>460</b>	406	13
<b>LIABILITIES</b>			
Employee benefits	<b>62</b>	56	10

The increase in value of land and buildings results from the revaluation of this class of non-current assets for 2006-07.

**Cash Flow Statement**

The following table summarises the net cash flows for the two years to 2007.

	<b>2007</b>	2006
	<b>\$'million</b>	\$'million
<b>Net Cash Flows</b>		
Operating	<b>28.3</b>	5.4
Investing	<b>(16.6)</b>	(10.9)
Change in Cash	<b>11.7</b>	(5.5)
Cash at 30 June	<b>59.0</b>	47.3

The increase in operating cash flows reflects increased appropriation funding from the State Government for 2006-07.

## Income Statement for the year ended 30 June 2007

		2007	2006
	Note	\$'000	\$'000
<b>EXPENSES:</b>			
Employee benefits	6	<b>259 538</b>	254 679
Supplies and services	7	<b>134 400</b>	134 598
Grants and subsidies	8	<b>57 313</b>	58 354
Depreciation	9	<b>15 360</b>	14 316
Loss from disposal of assets	16	<b>337</b>	-
Other	10,11	<b>2 209</b>	85
<b>Total Expenses</b>		<b>469 157</b>	462 032
<b>INCOME:</b>			
Commonwealth grants	12	<b>100 858</b>	100 772
Student and other fees and charges	13	<b>76 575</b>	69 711
Other grants and contributions	14	<b>7 101</b>	9 516
Interest	15	<b>77</b>	2 976
Gain from the disposal of assets	16	-	479
Other	17	<b>6 502</b>	5 787
<b>Total Income</b>		<b>191 113</b>	189 241
<b>NET COST OF PROVIDING SERVICES</b>		<b>278 044</b>	272 791
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>			
Revenues from SA Government	18	<b>285 372</b>	247 709
Less: Payments to SA Government	18	-	3 589
<b>Total Revenues from (Payments to) SA Government</b>		<b>285 372</b>	244 120
<b>NET RESULT BEFORE RESTRUCTURE</b>		<b>7 328</b>	(28 671)
Net expenses from restructure		-	(335)
<b>NET RESULT AFTER RESTRUCTURE</b>		<b>7 328</b>	(29 006)

Net Result after restructure is attributable to the SA Government as owner

## Balance Sheet as at 30 June 2007

	Note	2007 \$'000	2006 \$'000
<b>CURRENT ASSETS:</b>			
Cash	19	58 960	47 270
Receivables	20	19 724	14 499
Inventories	23	928	1 952
<b>Total Current Assets</b>		<b>79 612</b>	63 721
<b>NON-CURRENT ASSETS:</b>			
Receivables	20	262	222
Investments	21	1 849	1 442
Property, plant and equipment	22	513 490	457 968
<b>Total Non-Current Assets</b>		<b>515 601</b>	459 632
<b>Total Assets</b>		<b>595 213</b>	523 353
<b>CURRENT LIABILITIES:</b>			
Payables	24	25 627	28 146
Employee benefits	25	17 365	17 068
Provisions	26	2 325	2 455
Other	27	11 505	6 122
<b>Total Current Liabilities</b>		<b>56 822</b>	53 791
<b>NON-CURRENT LIABILITIES:</b>			
Payables	24	3 832	3 348
Employee benefits	25	44 845	38 457
Provisions	26	6 356	6 557
Other	27	499	499
<b>Total Non-Current Liabilities</b>		<b>55 532</b>	48 861
<b>Total Liabilities</b>		<b>112 354</b>	102 652
<b>NET ASSETS</b>		<b>482 859</b>	420 701
<b>EQUITY:</b>			
Retained earnings		404 007	396 679
Asset revaluation reserve		78 852	24 022
<b>TOTAL EQUITY</b>		<b>482 859</b>	420 701

Total Equity is attributable to the SA Government as owner

Commitments	29
Contingent assets and liabilities	30

**Statement of Changes in Equity  
for the year ended 30 June 2007**

		Asset Revaluation Reserve	Retained Earnings	Total
	Note	\$'000	\$'000	\$'000
Balance at 30 June 2005		23 684	416 856	440 540
Error correction		-	(903)	(903)
<b>Restated balance at 30 June 2005</b>		23 684	415 953	439 637
Net result after restructure for 2005-06		-	(27 792)	(27 792)
<b>Balance at 30 June 2006</b>		23 684	388 161	411 845
Error correction	28	338	8 518	8 856
<b>Restated Balance at 30 June 2006</b>		24 022	396 679	420 701
Gain on revaluation of land during 2006-07		9 059	-	9 059
Gain on revaluation of buildings during 2006-07		45 771	-	45 771
Net result for 2006-07		-	7 328	7 328
<b>Balance at 30 June 2007</b>		<b>78 852</b>	<b>404 007</b>	<b>482 859</b>

Total Equity is attributable to the SA Government as owner



## Cash Flow Statement for the year ended 30 June 2007

	2007	2006
	<b>Inflows</b>	Inflows
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<b>(Outflows)</b>	(Outflows)
CASH OUTFLOWS:	<b>\$'000</b>	\$'000
Employee benefits	(251 494)	(245 781)
Supplies and services	(138 207)	(132 145)
Grants and subsidies	(57 313)	(58 354)
Other	5 147	3 264
<b>Cash used in Operations</b>	<b>(441 867)</b>	<b>(433 016)</b>
CASH INFLOWS:		
Commonwealth grants	100 858	100 772
Student and other fees and charges	73 151	68 312
Other grants and contributions	4 239	4 189
Interest received	77	3 033
GST receipts from taxation authority	(2 539)	7 500
Other	6 137	5 210
<b>Cash generated from Operations</b>	<b>181 923</b>	<b>189 016</b>
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	285 372	247 709
Payments to SA Government	-	(3 589)
Funds from other Government entities	2 862	5 327
<b>Cash generated from SA Government</b>	<b>288 234</b>	<b>249 447</b>
<b>Net Cash provided by Operating Activities</b>	<b>28 290</b>	<b>5 447</b>
	32	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Purchase of non-current assets	(16 618)	(12 924)
CASH INFLOWS:		
Sales of non-current assets	18	2 013
<b>Net Cash used in Investing Activities</b>	<b>(16 600)</b>	<b>(10 911)</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>	<b>11 690</b>	<b>(5 464)</b>
<b>CASH AT 1 JULY</b>	<b>47 270</b>	<b>52 734</b>
<b>CASH AT 30 JUNE</b>	<b>58 960</b>	<b>47 270</b>
	19	

## Program Schedule - Expenses and Income for the year ended 30 June 2007

	Employment and Skills Formation			Science, Technology and Innovation		
	VET	Higher Education	Regulatory Services	Learning Workforce		Information Economy
				Dev. and Employment	Science and Innovation	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>EXPENSES:</b>						
Employee benefits	243 242	483	5 140	5 535	1 256	1 794
Supplies and services	127 497	88	974	3 265	673	869
Grants and subsidies	23 813	3	1	15 178	15 434	1 280
Depreciation	15 360	-	-	-	-	-
Loss on disposal of assets	337	-	-	-	-	-
Other	2 082	3	33	48	11	15
<b>Total Expenses</b>	<b>412 331</b>	<b>577</b>	<b>6 148</b>	<b>24 026</b>	<b>17 374</b>	<b>3 958</b>
<b>INCOME:</b>						
Commonwealth grants	100 060	-	-	470	206	122
Student and other fees and charges	76 603	-	(28)	-	-	-
Other grants and contributions	5 670	-	-	1 326	66	-
Interest income	77	-	-	-	-	-
Other	5 298	15	391	112	82	224
<b>Total Income</b>	<b>187 708</b>	<b>15</b>	<b>363</b>	<b>1 908</b>	<b>354</b>	<b>346</b>
<b>Net Cost of Providing Services</b>	<b>224 623</b>	<b>562</b>	<b>5 785</b>	<b>22 118</b>	<b>17 020</b>	<b>3 612</b>
<b>GOVERNMENT:</b>						
Revenues from SA Government	231 260	616	5 019	22 650	17 877	3 871
<b>NET RESULT AFTER RESTRUCTURE</b>	<b>6 637</b>	<b>54</b>	<b>(766)</b>	<b>532</b>	<b>857</b>	<b>259</b>

	Office for Youth			<b>2007 Total \$'000</b>
	Strengthened Partnerships	Young People's		
		Engagement	Creative Leadership	
	\$'000	\$'000	\$'000	
<b>EXPENSES:</b>				
Employee benefits	863	621	604	<b>259 538</b>
Supplies and services	452	328	254	<b>134 400</b>
Grants and subsidies	328	938	338	<b>57 313</b>
Depreciation	-	-	-	<b>15 360</b>
Loss on disposal of assets	-	-	-	<b>337</b>
Other	7	5	5	<b>2 209</b>
<b>Total Expenses</b>	<b>1 650</b>	<b>1 892</b>	<b>1 201</b>	<b>469 157</b>
<b>INCOME:</b>				
Commonwealth grants	-	-	-	<b>100 858</b>
Student and other fees and charges	-	-	-	<b>76 575</b>
Other grants and contributions	20	19	-	<b>7 101</b>
Interest income	-	-	-	<b>77</b>
Other	249	93	38	<b>6 502</b>
<b>Total Income</b>	<b>269</b>	<b>112</b>	<b>38</b>	<b>191 113</b>
<b>Net Cost of Providing Services</b>	<b>1 381</b>	<b>1 780</b>	<b>1 163</b>	<b>278 044</b>
<b>GOVERNMENT:</b>				
Revenues from SA Government	1 182	1 791	1 106	<b>285 372</b>
<b>NET RESULT AFTER RESTRUCTURE</b>	<b>(199)</b>	<b>11</b>	<b>(57)</b>	<b>7 328</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Agency Objectives and Funding

#### (a) Objective

To build the breadth and depth of workforce skills in South Australia, complemented by leading science and technology development, and building community education and capacity, social inclusion and continuous learning into the culture of the State.

The portfolio plays a central role in achieving South Australia's Strategic Plan objectives Growing Prosperity, Fostering Creativity, and Expanding Opportunity; and makes a substantial contribution to Improving Wellbeing, Attaining Sustainability and Building Communities.

The Department of Further Education, Employment, Science and Technology (the Department) undertakes a range of functions in order to meet its objectives and contribute to the achievement of South Australia's Strategic Plan objectives and targets:

- provision of strategic policy advice for developing the State's workforce;
- provision of strategic advice for science, technology, information economy and innovation policy that links government with business, industry and education sectors;
- ensuring high quality vocational education and training (VET) delivered by TAFE institutes, private registered training organisations and adult community education providers;
- regulation of VET organisations, university and non-university higher education providers, and providers of English language intensive courses for overseas students;
- regulation, administration and funding of apprenticeships and traineeships;
- managing State funded employment and community development programs;
- supporting the Government's strategic direction in the higher education sector;
- initiating, advocating and facilitating policies and strategies, including appropriate programs and grants, that create opportunities for positive outcomes for all young people in South Australia;
- raising the profile of South Australia in the international education market place.

#### (b) Funding

The Department is predominantly funded by State Government appropriations supplemented by Commonwealth grants. In addition income is generated from sales and/or a fee-for-service basis. These include:

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

The financial activities of the Department are primarily conducted through a Special Deposit Account with the Department of Treasury and Finance pursuant to section 8 of the PFAA and to comply with the *Skilling Australia's Workforce Act 2005*. The Special Deposit Account is used for funds provided by State Government appropriation, Commonwealth grants and revenues from fees and charges.

#### (c) Administered Funds

The Department is responsible for the administration of the Minister for Employment, Training and Further Education's salary and allowances funded by Special Acts Appropriation. These appropriations are not controlled by the Department and hence do not form part of the controlled financial statements. Salary and allowances paid to the Minister in the 2006-07 financial year totalled \$225 145 (\$214 241).

### 2. Significant Accounting Policies

#### (a) Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, TIs and APSs issued pursuant to the PFAA.

AASs include AIFRS and AAS 29. The Department has early-adopted the amendments to AASB 101. Refer to Note 4 'Changes in Accounting Policies'.

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Department's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial report are outlined in the applicable notes;
- compliance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19.

**(a) Basis of Accounting (continued)**

In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in this financial report:

- (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, and greater than \$100 000, are separately identified and classified according to their nature;
- (b) expenses incurred as a result of engaging consultants (as reported in the Income Statement);
- (c) employee TVSP information;
- (d) employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees;
- (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

The Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a 12 month operating cycle and presented in Australian currency.

**(b) Reporting Entity**

The financial report reflects the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right.

**(c) Transferred Function as a Result of Restructuring**

No restructures occurred in 2006-07.

For comparative purposes, on 1 April 2006, the Office for Youth was transferred from the Department for Families and Communities to the Department of Further Education, Employment, Science and Technology.

**(d) Comparative Figures**

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

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

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

**(e) Income and Expenses**

Income and expenses are recognised in the Income Statement when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Income and expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard.

The following are specific recognition criteria:

- Income from fees and charges is derived from the provision of goods and services to other SA Government agencies and to other clients, and is recognised when invoices are raised.
- Income from disposal of non-current assets is recognised when control of the asset has passed to the buyer.
- Grants are amounts provided by the Department to entities for general assistance or for a particular purpose. Grants may be for capital, specific or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract or correspondence. The grants are paid when the conditions set out in the contract or correspondence are met.
- Income from grants is recognised upon receipt of funding. Contribution income is recognised when control of the contribution or the right to receive the contribution and the income recognition criteria are met.

**(f) Revenues from (Payments to) SA Government**

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

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy.

**(g) Current and Non-Current Classification**

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

**(h) Cash**

For the purposes of the Cash Flow Statement, cash includes cash at bank and other deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

**(i) Employee Benefits and Employment Related Expenses**

Liabilities have been established for various employee benefits arising from services rendered by employees to balance date. Employee benefits include entitlements to wages and salaries, long service leave, annual leave and non-attendance days.

Non-attendance days are accrued annually for employees engaged under the *Technical and Further Education Act 1976* but are non-cumulative. Employment related expenses include on-costs such as employer superannuation and payroll tax on employee entitlements together with the workers compensation insurance premium. These are reported under Payables as on-costs on employee benefits (refer Note 24).

**(i) Salaries, Wages, Annual Leave and Non-attendance Days**

Liabilities for salaries, wages, annual leave, non-attendance days and leave loading are measured and recognised at their nominal amount in respect of employees' services up to the reporting date.

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

**(ii) Long Service Leave**

The liability for long service leave is recognised after an employee has completed eight and a half years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

**(iii) Sick Leave**

Sick leave is not provided for in the financial report, as it is non-vesting. However, entitlements are accumulated and any sick leave is considered to be taken from the employees' current entitlement.

**(iv) Superannuation**

The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they are incurred. There is no liability for payments to beneficiaries as they have been assumed by the Superannuation Funds. The liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

**(j) Provisions**

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

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

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

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Wellbeing Group within the Public Sector Workforce Division of the Department of the Premier and Cabinet.

**(k) Receivables**

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

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

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

**(l) Inventory**

Inventories held-for-sale and/or distribution are measured at the lower of cost (as determined by the latest purchase price) or their net realisable value.

Inventories comprise of learning modules, food and wine, winemaking equipment, books, hair and beauty products and timber supplies.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

**(m) Leases**

The Department has entered into a number of operating lease agreements, as lessee, for buildings and other facilities where the lessors effectively retain all risks and benefits incidental to ownership of the items held under the operating leases.

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

The benefit of lease incentives received by the Department in respect of operating leases have been recorded as income for the financial year.

Details of commitments of current non-cancellable operating leases are disclosed at Note 29.

**(n) Property, Plant and Equipment**

Assets are initially recorded at cost plus any incidental cost involved with the acquisition. Where assets are acquired for no consideration, or minimal value, they are recorded at their fair value in the Balance Sheet.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$1 million.

*Revaluation of Non-Current Assets*

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

Every three years, the Department revalues its land, buildings and leasehold improvements. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

Any revaluation decrement is recognised in the Income Statement, except to the extent that it offsets a previous revaluation increment for the same asset class, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset class.

The valuation methodology applied to specific classes of non-current assets under revaluations is as follows:

*Land*

Land is recorded on the basis of best use market value obtained from the South Australian Valuer-General. The most recent valuation was conducted as at 30 June 2007.

*Buildings and Improvements*

Information was obtained from the Strategic Asset Management Information System (SAMIS), maintained by the Department for Transport, Energy and Infrastructure. Buildings and improvements are valued at current replacement cost. Replacement costs have been established by reference to Quantity Surveyors estimates. The building data provided in the statements relates specifically to buildings and paved areas. The most recent valuations for buildings and paved areas were conducted as at 30 June 2007.

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

*Library Collection*

The library collection is recorded at valuation. The most recent valuation was carried out as at 30 June 2005 by VALCORP Aust Pty Ltd, on the basis of written down current cost.

*Plant and Equipment*

Items of plant and equipment are recorded at fair value less accumulated depreciation.

All plant and equipment assets with a value of \$10 000 or greater are capitalised.

Items under \$10 000 are recorded in the Income Statement as an expense in the accounting period in which they are acquired.

**(o) Impairment**

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

For revalued assets an impairment loss is offset against the asset revaluation reserve.

**(p) Depreciation of Non-Current Assets**

Non-current assets are systematically depreciated using the straight-line method of depreciation over their useful lives. This method is considered to reflect the consumption of their service potential. The Department reviews useful lives of assets annually.

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

	<i>Useful Life (Years)</i>
Transportable buildings	30-50
Fixed construction buildings	40-149
Improvements	10-20
Paved areas	15-48
Computing and communication equipment	3-10
Other plant and equipment	7-40

**(q) Payables**

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

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

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

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

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

Payroll tax is a state tax levied on total gross salary paid plus (non-cash) benefits and employer superannuation contributions. The estimated amount of payroll tax payable in respect of employee benefits liabilities is also shown as a payable in the Balance Sheet. Any increase or decrease in the level of required payroll tax provision is charged as an increase or decrease in the payroll tax expense in the Income Statement. The payroll tax liability is only payable when employee benefits are paid.

**(r) Investments**

Investments are carried in the Balance Sheet at the lower of cost or recoverable amount.

**(s) Accounting for Taxation**

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

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

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

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Balance Sheet.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office. If GST is not payable to, or recoverable from the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

**(t) Rounding**

All amounts are rounded to the nearest thousand dollars (\$'000).

### 3. **Financial Risk Management**

The Department has significant non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets. The Department's exposure to market risk and cash flow interest risk is minimal.

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

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Department's administration and programs.

### 4. **Changes in Accounting Policies**

Except for the amendments to AASB 101, which the Department has early-adopted, the AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the reporting period ending 30 June 2007. The Department has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial report of the Department.

### 5. **Programs and Sub-programs**

The programs and sub-programs presented in this report are:

#### **Program - Employment and Skills Formation**

Description/Objective: To strengthen the economic prosperity and social well-being of South Australia through strategic employment, skills formation and further education activities.

##### *Sub-program — Vocational Education and Training*

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

##### *Sub-program — Higher Education*

Provision of advice to the Minister on higher education policy and planning.

##### *Sub-program — Regulatory Services*

Provision of registration, accreditation and approval services for registered training organisations, and the regulation and administration of apprenticeships and traineeships.

##### *Sub-program — Learning, Workforce Development and Employment*

Addressing the disadvantaged by providing opportunities to participate in employment, training, skills development, adult community education and assisting industry to meet current and future skills needs.

#### **Program - Science, Technology and Innovation**

Description/Objective: Provides the Government's principal strategic focus for science, technology, information economy and innovation policy development and program delivery in South Australia that links the government with business, industry and education sectors.

##### *Sub-program — Science and Innovation*

Provision of high level strategic advice to the Minister on maximising economic, environmental and social benefits from the State's scientific research and innovation by:

- identifying strategic priorities for State Government investment;
- raising awareness and understanding of the importance and benefits of science and innovation amongst government, business and the community;
- facilitating coordinated and strategic bids for Commonwealth grants;
- facilitating coordination of education and research activity with end-user (industry) requirements to maximise the benefits of South Australia's science and innovation activities and to drive economic development for the State.

##### *Sub-program — Information Economy*

Provision of high level strategic policy advice to the Minister and Government on the information economy and the ICT sector and undertaking or facilitating programs and projects that:

- raise awareness and understanding of the information economy among government, business, industry and education providers;
- contribution to greater understanding of the information economy and its effects;
- facilitate bids for significant Commonwealth grants.

#### **Program - Youth**

Description/Objective: To support the Government's vision that South Australia is a place where people from all walks of life choose to live, the Office for Youth provides a range of programs, policy initiatives and grants that enable young people to contribute to decisions that impact on their lives and access opportunities that enable them to reach their full potential while making a positive contribution to their communities.



*Sub-program — Strengthened Partnerships*

Strengthen partnerships across government, the Department and the youth sector to support young people's engagement within their community.

*Sub-program — Young People's Engagement*

Support for all young people to be actively engaged in their communities in learning and decision-making and specific support to engage disadvantaged young people.

*Sub-program — Creative Leadership*

Promotion of creative leadership opportunities for young people, celebration of young leaders' achievement, encouragement of innovative community leadership and support for equity and diversity amongst emerging leaders.

**6. Employee Benefits**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Salaries and wages (including annual leave)	<b>208 701</b>	204 165
Superannuation	<b>23 463</b>	22 003
Payroll tax	<b>13 449</b>	12 792
Long service leave	<b>10 412</b>	6 455
Workers compensation	<b>2 158</b>	4 475
TVSPs	-	3 496
Other employee related costs	<b>1 355</b>	1 293
	<b>259 538</b>	254 679
<b>TVSPs</b>		
Amount paid to these employees:		
TVSPs	-	3 496
Annual leave and long service leave accrued over the period	-	1 031
	-	4 527
Recovery from the Department of Treasury and Finance	-	3 496
Number of employees who were paid TVSPs during the reporting period	-	33

**Remuneration of Employees**

	<b>2007</b>	2006
	<b>Number of</b>	Number of
	<b>Employees</b>	Employees
The number of employees whose remuneration received or receivable falls within the following bands:		
\$100 000 - \$109 999	<b>67</b>	58
\$110 000 - \$119 999	<b>32</b>	13
\$120 000 - \$129 999	<b>10</b>	4
\$130 000 - \$139 999	<b>4</b>	7
\$140 000 - \$149 999	<b>6</b>	7
\$150 000 - \$159 999	<b>6</b>	6
\$160 000 - \$169 999	<b>3</b>	4
\$170 000 - \$179 999	<b>4</b>	-
\$180 000 - \$189 999	<b>2</b>	-
\$190 000 - \$199 999	-	1
\$200 000 - \$209 999	<b>2</b>	1
\$210 000 - \$219 999	-	2
\$220 000 - \$229 999	<b>2</b>	1
\$230 000 - \$239 999	<b>1</b>	2
\$240 000 - \$249 999	<b>1</b>	-
\$260 000 - \$269 999	-	1
\$290 000 - \$299 999	<b>1</b>	1
	<b>141</b>	108

The table above reflects all employees who received remuneration of \$100 000 or more during the year.

For 2007, it includes one employee (eight employees) who resigned or retired during the year.

Remuneration of employees includes salaries, salary sacrifice amounts, superannuation contributions and FBT. The total remuneration received or receivable by the employees included in the above table for 2007 was \$17.4 million (included in employee benefits), (\$13.7 million).

**7. Supplies and Services**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Supplies and Services provided by Entities within the SA Government:		
Minor works, maintenance and equipment	<b>13 398</b>	12 121
Information technology infrastructure and communication	<b>8 852</b>	10 642
Fees - contracted services (including consultants)	<b>4 347</b>	3 677
Utilities	<b>1 009</b>	787
Cleaning	<b>6 459</b>	7 484
Vehicle and travelling expenses	<b>2 708</b>	2 905
Rentals and leases	<b>3 630</b>	2 890
Other	<b>516</b>	557
<b>Total Supplies and Services - SA Government Entities</b>	<b>40 919</b>	41 063

<b>7. Supplies and Services (continued)</b>	<b>2007</b>	2006
Supplies and Services provided by Entities external to the SA Government:	<b>\$'000</b>	\$'000
Funding to non-TAFE providers for Vocational Education and Training	<b>19 194</b>	20 745
Printing and consumables	<b>14 959</b>	15 083
Minor works, maintenance and equipment	<b>4 584</b>	4 949
Information technology infrastructure and communication	<b>14 821</b>	8 944
Fees - contracted services (including consultants)	<b>10 590</b>	13 925
Trainee and apprenticeship reimbursements	<b>1 543</b>	992
Utilities	<b>5 625</b>	5 819
Cleaning	<b>1 070</b>	1 208
Vehicle and travelling expenses	<b>3 854</b>	4 670
Rentals and leases	<b>1 596</b>	1 158
Other	<b>15 645</b>	16 042
<b>Total Supplies and Services - Non-SA Government Entities</b>	<b>93 481</b>	93 535
<b>Total Supplies and Services</b>	<b>134 400</b>	134 598

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

<b>Consultancy</b>	<b>2007</b>		2006	
The number and dollar amount of consultancies paid/payable (included in Supplies and Services) that fell within the following bands:	<b>Number of Consultancies</b>	<b>\$'000</b>	Number of Consultancies	\$'000
\$0 - \$10 000	<b>7</b>	<b>16</b>	4	21
\$10 000 - \$50 000	<b>5</b>	<b>86</b>	7	156
Above \$50 000	-	-	3	491
<b>Total Paid/Payable to the Consultants Engaged (GST exclusive)</b>		<b>102</b>		668

<b>8. Grants and Subsidies</b>	<b>2007</b>	2006
Grants and Subsidies paid/payable to Entities within the SA Government:	<b>\$'000</b>	\$'000
Employment programs	<b>3 835</b>	3 734
Vocational education and training programs	<b>1 751</b>	150
Science and technology programs	<b>8 605</b>	10 248
Tertiary student transport concessions	<b>7 834</b>	6 737
Skill Centre programs	<b>283</b>	180
Other specific grants	<b>572</b>	139
<b>Total Grants and Subsidies - SA Government Entities</b>	<b>22 880</b>	21 188

Grants and Subsidies paid/payable to Entities external to the SA Government:		
Employment programs	<b>13 145</b>	13 284
Vocational education and training programs	<b>9 580</b>	9 755
Science and technology programs	<b>8 105</b>	11 340
Skill Centre programs	<b>2 214</b>	1 942
Other specific grants	<b>1 389</b>	845
<b>Total Grants and Subsidies - Non-SA Government Entities</b>	<b>34 433</b>	37 166
<b>Total Grants and Subsidies</b>	<b>57 313</b>	58 354

<b>9. Depreciation</b>	<b>2007</b>	2006
Buildings and improvements	<b>12 973</b>	12 139
Plant and equipment	<b>2 387</b>	2 177
<b>Total Depreciation</b>	<b>15 360</b>	14 316

<b>10. Other Expenses Paid/Payable to Entities external to the SA Government</b>	<b>2007</b>	2006
Allowance for doubtful debts and debt write-offs	<b>1 763</b>	(204)
Settlement of personal injury claims	-	42
Asset revaluation reserve decrement	<b>209</b>	-
<b>Total Other Expenses Paid/Payable to Entities external to the SA Government</b>	<b>1 972</b>	(162)

<b>11. Auditors' Remuneration</b>	<b>2007</b>	2006
Audit fees paid/payable to the Auditor-General's Department	<b>223</b>	232
Audit fees paid/payable to entities external to the SA Government	<b>14</b>	15
<b>Total Auditors' Remuneration</b>	<b>237</b>	247

#### **Other Services**

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

<b>12. Commonwealth Grants</b>	<b>2007</b>	2006
Recurrent Grants:	<b>\$'000</b>	\$'000
VET Funding	<b>77 850</b>	75 935
Specific purpose	<b>7 641</b>	8 236
	<b>85 491</b>	84 171
Capital Grants:		
VET Funding	<b>13 600</b>	13 600
Specific purpose	<b>1 767</b>	3 001
	<b>15 367</b>	16 601
<b>Total Commonwealth Grants</b>	<b>100 858</b>	100 772
<b>13. Student and Other Fees and Charges</b>		
Fees and Charges received/receivable from Entities within the SA Government:		
Sales/fee for service revenue	<b>1 436</b>	1 479
Student enrolment fees and charges	<b>956</b>	551
Other user fees and charges	<b>116</b>	144
<b>Total Fees and Charges - SA Government Entities</b>	<b>2 508</b>	2 174
Fees and Charges received/receivable from Entities external to the SA Government:		
Sales/fee for service revenue	<b>43 234</b>	37 924
Student enrolment fees and charges	<b>28 813</b>	27 215
Other user fees and charges	<b>2 020</b>	2 398
<b>Total Fees and Charges - Non-SA Government Entities</b>	<b>74 067</b>	67 537
<b>Total Student and Other Fees and Charges</b>	<b>76 575</b>	69 711
<b>14. Other Grants and Contributions</b>		
Grants and subsidies revenue	<b>2 795</b>	3 807
Miscellaneous contributions	<b>1 330</b>	166
Donations	<b>114</b>	216
Grants from entities within the SA Government	<b>2 862</b>	5 327
<b>Total Other Grants and Contributions</b>	<b>7 101</b>	9 516
<b>15. Interest</b>		
Interest from entities within the SA Government	<b>43</b>	2 958
Interest from entities external to the SA Government	<b>34</b>	18
<b>Total Interest</b>	<b>77</b>	2 976
<b>16. Net (Loss) Gain on Disposal of Non-Current Assets</b>		
Land and Buildings:		
Proceeds from disposals	-	2 000
Less: Written down value	<b>82</b>	1 249
<b>(Loss) Gain on Disposals</b>	<b>(82)</b>	751
Plant and Equipment:		
Proceeds from disposals	<b>18</b>	13
Less: Written down value	<b>273</b>	285
<b>Loss on Disposals</b>	<b>(255)</b>	(272)
Total Assets:		
Proceeds from disposals	<b>18</b>	2 013
Less: Written down value	<b>355</b>	1 534
<b>Total (Loss) Net Gain on Disposals</b>	<b>(337)</b>	479
<b>17. Other Income</b>		
TSVP recoveries (SA Government)	-	3 496
Share of net gains from investments	<b>407</b>	21
Sundry income	<b>6 095</b>	2 270
<b>Total Other Income</b>	<b>6 502</b>	5 787
<b>18. Revenues from (Payments to) SA Government</b>		
Revenues from the SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	<b>268 802</b>	232 348
Accrual appropriation	<b>1 137</b>	8 828
Appropriation transfers from contingency	<b>15 433</b>	6 533
<b>Total Revenues from SA Government</b>	<b>285 372</b>	247 709
Payments to the SA Government:		
Return of surplus cash pursuant to cash alignment policy	-	3 589
<b>Total Revenues from (Payments to) SA Government</b>	<b>285 372</b>	244 120



**21. Investments (continued)**

	Austraining International Pty Ltd	
	2007	2006
Retained profits attributable to associated company:	\$'000	\$'000
Balance at 1 July	1 042	611
Share of operating profit (loss) after income tax	407	431
<b>Balance at 30 June</b>	<b>1 449</b>	<b>1 042</b>

**Austraining International Pty Ltd**

Austraining International Pty Ltd, which has a reporting date of 30 June, is controlled by the Minister for Employment, Training and Further Education. Its principal activity is to secure international contracts for work in vocational education and training.

The current investment value is based on unaudited financial statements as at 30 June 2007. The figures are not consolidated as they were considered to be immaterial and unaudited at the time of preparing these statements.

**22. Property, Plant and Equipment**

Land and Buildings:	<b>2007</b>	2006
	\$'000	\$'000
Land at fair value	58 793	49 734
Buildings and improvements at fair value/cost	740 753	632 823
Accumulated depreciation	(340 213)	(287 018)
Construction work in progress	1 172	10 307
<b>Total Land and Buildings</b>	<b>460 505</b>	<b>405 846</b>
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	33 599	31 795
Accumulated depreciation	(16 985)	(16 044)
<b>Total Plant and Equipment</b>	<b>16 614</b>	<b>15 751</b>
Libraries:		
Libraries at valuation	36 371	36 371
<b>Total Libraries</b>	<b>36 371</b>	<b>36 371</b>
<b>Total Property, Plant and Equipment</b>	<b>513 490</b>	<b>457 968</b>

Valuations of land were performed at 30 June 2007 by the Valuer-General, buildings and improvements at 30 June 2007 by the Department for Transport, Energy and Infrastructure and libraries at 30 June 2005 by VALCORP Aust Pty Ltd.

**Impairment**

There were no indications of impairment of property plant and equipment, infrastructure and intangible assets at 30 June 2007.

**Reconciliations**

Reconciliations of the carrying amount of each class of non-current assets at the beginning and end of the current financial year are set out below:

	Carrying Amount	01.07.06 Additions	Disposals	Net Revaluation Increment (Decrement)	Other Movements	Deprec- iation	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2007</b>							<b>30.06.07</b>
Land at fair value	49 734	-	-	9 059	-	-	58 793
Buildings and improvements at fair value	281 075	22 230	(82)	45 560	64 194	(12 876)	400 101
Buildings and improvements at cost	64 730	-	-	-	(64 194)	(97)	439
Computing, communication equipment and furniture and equipment at cost	15 751	3 523	(273)	-	-	(2 387)	16 614
Construction work in progress	10 307	316	-	-	(9 451)	-	1 172
Libraries at valuation	36 371	-	-	-	-	-	36 371
<b>Total</b>	<b>457 968</b>	<b>26 069</b>	<b>(355)</b>	<b>54 619</b>	<b>(9 451)</b>	<b>(15 360)</b>	<b>513 490</b>
	Carrying Amount	01.07.05 Additions	Disposals	Net Revaluation Increment (Decrement)	Other Movements	Deprec- iation	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	30.06.06 \$'000
<b>2006</b>							
Land at fair value	50 534	-	(800)	-	-	-	49 734
Buildings and improvements at fair value	292 493	-	(455)	-	(2)	(10 961)	281 075
Buildings and improvements at cost	65 916	-	-	-	-	(1 186)	64 730
Computing, communication equipment and furniture and equipment at cost	13 863	4 350	(285)	-	-	(2 177)	15 751
Construction work in progress	1 118	9 189	-	-	-	-	10 307
Libraries at valuation	36 371	-	-	-	-	-	36 371
<b>Total</b>	<b>460 295</b>	<b>13 539</b>	<b>(1 540)</b>	<b>-</b>	<b>(2)</b>	<b>(14 324)</b>	<b>457 968</b>

<b>23. Inventories</b>	<b>2007</b>	2006
Current:	<b>\$'000</b>	\$'000
Inventories held-for-sale	<b>680</b>	1 377
Inventories held-for-distribution	<b>248</b>	575
<b>Total Inventories</b>	<b>928</b>	1 952
<b>24. Payables</b>		
Current:		
Creditors	<b>16 882</b>	22 410
Accrued expenses	<b>5 126</b>	3 282
Employment on-costs	<b>3 559</b>	2 312
Other	<b>60</b>	142
<b>Total Current Payables</b>	<b>25 627</b>	28 146
Non-Current:		
Employment on-costs	<b>3 832</b>	3 348
<b>Total Non-Current Payables</b>	<b>3 832</b>	3 348
<b>Total Payables</b>	<b>29 459</b>	31 494
Payables to SA Government Entities:		
Creditors	<b>3 511</b>	2 922
Accrued expenses	<b>2 223</b>	-
Employment on-costs	<b>7 391</b>	5 660
<b>Total Payables to SA Government Entities</b>	<b>13 125</b>	8 582
Payables to Non-SA Government Entities:		
Creditors	<b>13 371</b>	19 488
Accrued expenses	<b>2 903</b>	3 282
Other	<b>60</b>	142
<b>Total Payables to Non-SA Government Entities</b>	<b>16 334</b>	22 912
<b>Total Payables</b>	<b>29 459</b>	31 494
<b>25. Employee Benefits</b>		
Current:		
Annual leave	<b>8 313</b>	7 738
Long service leave	<b>3 064</b>	3 829
Accrued salaries and wages	<b>1 479</b>	1 520
Non-attendance days	<b>4 509</b>	3 981
<b>Total Current Employee Benefits</b>	<b>17 365</b>	17 068
Non-Current:		
Long service leave	<b>44 845</b>	38 457
<b>Total Non-Current Employee Benefits</b>	<b>44 845</b>	38 457
<b>Total Employee Benefits</b>	<b>62 210</b>	55 525
The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2006-07 is \$20.9 million and \$48.7 million respectively. In the 2006-07 financial year, the long service leave benchmark has been revised from nine years to eight and a half years based on an actuarial assessment.		
<b>26. Provisions</b>	<b>2007</b>	2006
Current:	<b>\$'000</b>	\$'000
Workers compensation	<b>2 325</b>	2 455
<b>Total Current Provisions</b>	<b>2 325</b>	2 455
Non-Current:		
Workers compensation	<b>6 356</b>	6 557
<b>Total Non-Current Provisions</b>	<b>6 356</b>	6 557
<b>Total Provisions</b>	<b>8 681</b>	9 012
Carrying amount at 1 July	<b>9 012</b>	7 268
Additional provisions recognised	<b>(331)</b>	1 744
<b>Carrying Amount at 30 June</b>	<b>8 681</b>	9 012
<b>27. Other Liabilities</b>		
Current:		
Deposits	<b>2 754</b>	1 547
Unearned revenue	<b>7 952</b>	4 489
Unpaid personal injury claims	<b>-</b>	42
Other liabilities	<b>799</b>	44
<b>Total Current Other Liabilities</b>	<b>11 505</b>	6 122
Non-Current:		
Advances	<b>499</b>	499
<b>Total Non-Current Other Liabilities</b>	<b>499</b>	499
<b>Total Other Liabilities</b>	<b>12 004</b>	6 621

<b>28. Adjustments to Equity</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Asset recognition adjustments	<b>9 229</b>	-
Recognition of revenue relating to a previous period	<b>281</b>	-
Reversal of prepaid expense relating to a previous period	<b>(411)</b>	-
Accounts receivable adjustments	<b>(123)</b>	-
Other adjustments	<b>(458)</b>	-
Long service leave adjustment	-	(903)
<b>Total Adjustments to Equity</b>	<b>8 518</b>	(903)

**Asset Recognition Adjustments**

Asset recognition adjustments reflect buildings and building improvements that have been recognised in the 2006-07 financial year, which were purchased or constructed in previous years. The adjustments are a result of more accurate and complete information being recorded in subsidiary asset systems, which better reflects the Department's asset base.

**Accounts Receivable Adjustments**

Work undertaken in 2006-07 revealed discrepancies in accounts receivable accounts that related to prior accounting periods. These adjustments have corrected these misstatements, and better reflect a more accurate balance of the Department's receivables.

**29. Commitments****Remuneration Commitments**

At the end of the reporting period the Department had the following remuneration commitments:	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Payable no later than one year	<b>3 898</b>	2 528
Payable later than one year and not later than five years	<b>8 124</b>	7 214
<b>Total</b>	<b>12 022</b>	9 742

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

**Capital Commitments**

At the end of the reporting period the Department had entered into the following capital commitments. These amounts are due for payment:

No later than one year	<b>1 077</b>	10 478
<b>Total (including GST)</b>	<b>1 077</b>	10 478
GST included in capital expenditure commitments	<b>98</b>	953

**Operating Leases Commitments**

At the reporting date, the Department had the following obligations as lessee under non-cancellable operating leases. These are not recognised as liabilities in the Balance Sheet.

Payable no later than one year	<b>5 169</b>	3 109
Payable later than one year and not later than five years	<b>16 673</b>	1 185
Payable later than five years	<b>18 396</b>	93
<b>Total (including GST)</b>	<b>40 238</b>	4 387
GST included in operating lease commitments	<b>3 658</b>	399

The primary operating lease commitment relates to head office accommodation charges.

**30. Contingent Assets and Liabilities**

The Department has no items which meet the definition of contingent assets. There are, however, a number of outstanding personal injury claims not settled as at 30 June 2007 with an estimated settlement value of \$296 000. In addition, the Minister for Employment, Training and Further Education has provided a \$3 million guarantee to Austraining International Pty Ltd which has not been invoked as at 30 June 2007.

**31. Remuneration of Board and Committee Members**

Members that were entitled to receive remuneration during the 2006-07 financial year were:

**Training and Skills Commission**

P Wright  
F Trent  
M Smith  
P Johns  
K Thiele  
T MacDonald  
A Smith  
B Mowbray

**Premier's Science Research Council**

Dr R Head  
Prof R Blandy  
Prof T Munro  
Prof C Marlin  
Prof J Ralston  
Dr P Crook  
M Davis

**Training and Skills Commission (continued)**

H Winchester  
D Strain  
G Peak  
G Rayner  
T Phillips  
I Curry  
S Schrapel  
S Frazer  
E Thornton  
T Cruickshank

**Information Economy Advisory Board**

G Foreman  
Prof C Marlin  
Dr D Egan  
J Grieve  
T Whiting

**Budget and Finance Committee**

I McLachlan

**Minister's Youth Council**

R Barry  
A King (resigned 2 June 2007)  
K Klein  
H McEwen  
K Gbla  
S Lee  
J McKenzie  
I Mawa  
J McCafferty  
T Swanson  
A Solomon-Bridge  
A Campbell  
L Smeaton  
C Wanganeen  
D Wilkins (appointed 1 February 2007)  
S Scott (appointed 1 February 2007)  
L DeBoer (appointed 1 February 2007)  
R Dixon (appointed 1 February 2007)  
J Parasiers (appointed 1 February 2007)

**Audit and Risk Management Committee**

I McLachlan

Total remuneration received, or due and receivable, by Board Members was \$144 000 (\$128 000).

The number of Members whose income from the entity falls within the following band is:

	<b>2007</b>	2006
	<b>Number of</b>	Number of
	<b>Members</b>	Members
\$0 - \$9 999	<b>44</b>	25
\$10 000 - \$19 999	<b>3</b>	6
\$20 000 - \$29 999	<b>1</b>	-
	<b>48</b>	31

**32. Reconciliation of Net Cash provided by Operating Activities to**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
<b>Net Cost of Providing Services</b>		
Net Cash provided by Operating Activities	<b>28 290</b>	5 447
Depreciation	<b>(15 360)</b>	(14 316)
Decrease (Increase) in other provisions	<b>331</b>	(1 235)
Investments - share of operating gains (losses)	<b>407</b>	21
(Loss) Gain on sale of assets	<b>(337)</b>	479
Decrement in value of assets	<b>(209)</b>	-
Increase in employee benefits	<b>(6 685)</b>	(7 648)
Increase (Decrease) in receivables	<b>5 265</b>	(2 563)
(Decrease) Increase in inventories	<b>(1 024)</b>	513
Decrease (Increase) in payables	<b>2 033</b>	(5 858)
Increase in other liabilities	<b>(5 383)</b>	(3 511)
Revenues from Government	<b>(285 372)</b>	(244 120)
<b>Net Cost of Providing Services</b>	<b>(278 044)</b>	(272 791)



# DEPARTMENT OF HEALTH

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Department of Health (the Department) is an Administrative Unit established pursuant to the PSMAct.

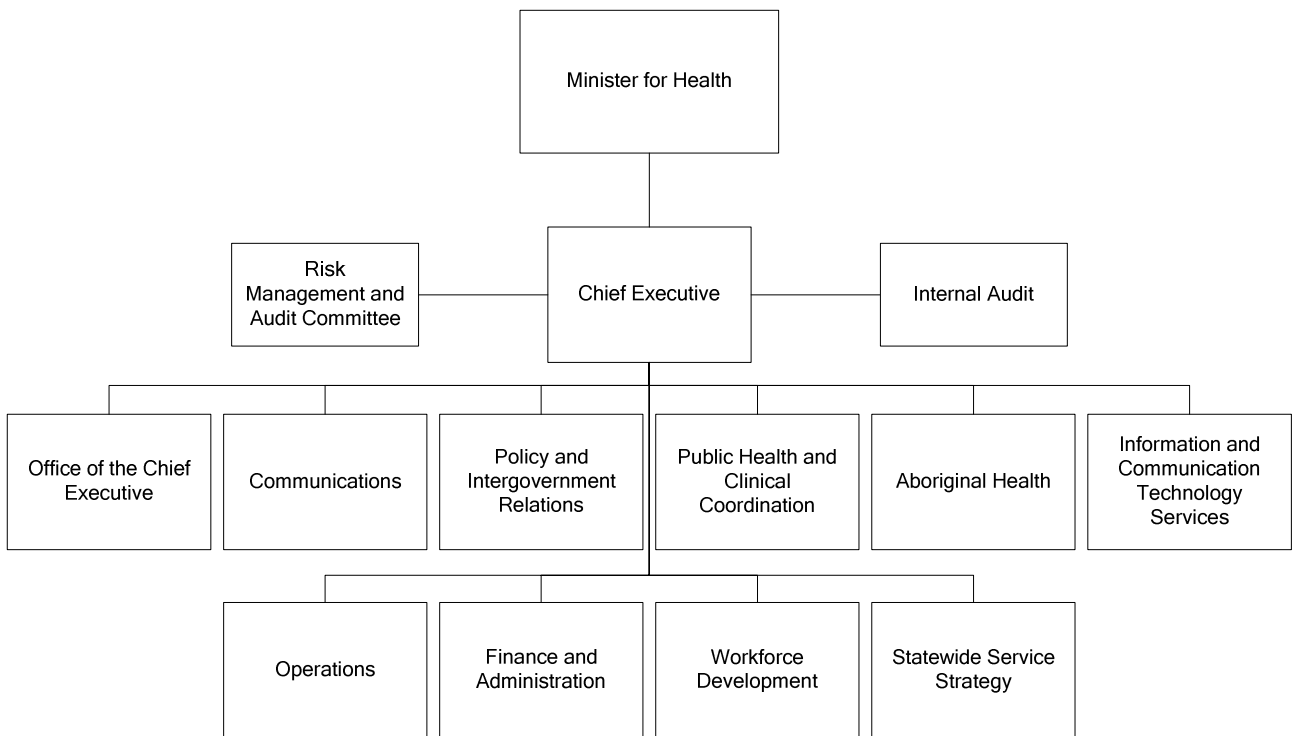
### Functions

The Department is charged with broad ranging policy and administrative responsibilities associated with health. One of the functions delegated to the Chief Executive of the Department under the *South Australian Health Commission Act 1976* (the Act) is to ensure that there is proper allocation and use of resources between Hospitals, Health Centres and Health Services incorporated under the Act.

The Department's role includes that as funder or service purchaser, policy setter and strategic planner and provider of services.

### Structure

The structure of the Department is illustrated in the following organisation chart.



## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### *Audit of the Financial Report*

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

A discussion of the arrangements for the preparation and audit of financial statements for Incorporated Health Services is provided in the section of this Report titled 'Commentary on Health Services Activities' following presentation of the Department's financial statements.

### **Assessment of Controls**

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

### **Scope of Audit**

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

During 2006-07, specific areas of audit attention included:

- risk management
- legal compliance
- insurance services
- payroll
- accounts payable
- accounts receivable
- funding to health services
- interstate patient transfers
- non-current assets
- revenues received from the Commonwealth
- grants to non-government organisations (NGO)
- Shared services arrangements.

## **AUDIT FINDINGS AND COMMENTS**

### **Auditor's Report on the Financial Report**

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Department of Health as at 30 June 2007, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

### **Assessment of Controls**

In my opinion, the controls exercised by the Department of Health in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to Funding to Non-government Organisations, Payroll and Accounts Payable as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Health have been conducted properly and in accordance with law.

### **Audit Committee and Internal Audit**

The Department's Audit Committee has continued in operation throughout the 2006-07 financial year. Internal audit and risk management services are provided to the Department by the Department for Families and Communities (DFC) under a shared service arrangement.

Internal Audit continued to conduct audits within the Department. In addition to using DFC staff, assignments have been undertaken by private sector firms as contractors. Work undertaken by Internal Audit for the Department was considered in designing the audit programs. Reliance was placed on the work of Internal Audit in assessing the effectiveness of the Department's internal controls. Specific areas in which reliance was placed on internal audit work included:

- ICT security assurance
- patient administration and financials information system implementation
- elective surgery waiting lists
- NGO performance management.

## Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Department. Responses to the management letters were generally considered to be satisfactory. The following is a summary of headings in this section that contain audit commentary relating to the operations of the Department:

- risk management
- legal compliance framework
- recurrent funding to health services
- funding to NGO
- Commonwealth Government grants
- payroll
- accounts payable
- accounts receivable
- Shared services arrangements
- ICT management and control
- DH Communications Network HSNNet
- CHRIS.

## Risk Management

Good governance constitutes a number of generally accepted and practised elements, including corporate and operational policy and planning; development and operation of risk and control systems and practices; and the development and operation of internal and external reporting processes.

Effective governance at whatever level it is applied, will facilitate and support the achievement of strategic and operational goals/objectives, whether they be at the whole of government, agency or project levels. One of the important elements of effective governance relates to risk management.

Since 1997, TIs and/or the FMF have placed requirements on agencies and their Chief Executives in relation to the elements of good governance, including risk management practices.

During 2005-06, Audit reviewed the progress made by the Department in establishing effective risk management practices. As a result of this review, the following observations were made.

### *Strategic Directions*

As a consequence of the split of the former Department of Human Services (DHS), the Department needed to develop and implement new planning and control processes. To this end the Department developed 'Strategic Directions 2004-06' which 'provides a framework for planning and prioritising actions across the State health system towards achieving the outcomes expected by the Government and the community'.

The Department's 'Strategic Directions 2004-06' document was linked to South Australia's Strategic Plan and also outlined that on an annual basis the Department would develop a companion document detailing the Department's priorities for action.

Audit considered the preparation of a Strategic Directions document, which outlined the Department's strategic goals and objectives, to be integral to effective risk management.

### *Risk Management and Audit Committee*

The Department has a Risk Management and Audit Committee (the Committee). The terms of reference of the Committee state that the 'Committee is responsible for overseeing risk management, internal controls, auditing and monitoring compliance with laws, policies and relevant codes of conduct, and reports to the Chief Executive'.

Further, the terms of reference states that Government policy in South Australia requires the Chief Executive to develop risk management standards and practices to protect and enhance their resources and enable the achievement of corporate objectives. The purpose of the Committee is to assist the Chief Executive in the identification of risks, determining priorities for action, developing and implementing strategies for effective risk management and in ensuring accountabilities are met.

The Department's 'Risk Management Policy and Framework' (RMPF) states that the 'Department is committed to protecting itself from situations or events that would prevent it from achieving its strategic goals and objectives, and that Risk Management is regarded as an integral part of good management practice and the adoption of an agency-wide approach to risk management is a key strategy towards the achievement of the Department's corporate objectives'.

## *Health*

An important element of the RMPF is the identification, analysis, evaluation, treatment and monitoring of risks on a consistent basis across the Department. To facilitate this process the Risk Management and Internal Audit Division have been involved in providing workshops to assist Divisions across the Department in preparing their risk registers and treatment plans.

At the Committee's April 2006 meeting, the Committee was advised that a number of risk registers and treatment plans were outstanding.

Audit considered that the timely return of risk registers and treatment plans was essential to ensure that appropriate mechanisms are implemented to mitigate risk. An important element of the monitoring and review of identified risks is the development of a risk based Internal Audit Plan. This process is protracted by the incomplete return of risk registers and treatment plans. Audit sought advice from the Department concerning the action the Department proposed to take to progress the completion of risk registers and treatment plans.

In response, the Department advised that the strategic directions and objectives of the Department had been under review for some time and remained under review pending Government's consideration of its long term strategy for the provision of health services within the State in the future. Notwithstanding, a relevant pragmatic risk management practice was continuing to be followed within the Department. In addition, each division within the Department had now completed a risk register and treatment plan.

### *Progress during 2006-07*

During 2006-07, the Department released the 'SA Health Strategic Plan 2007 – 2009' (the Strategic Plan). The Strategic Plan outlines the four key strategic directions over the next three years within the overarching context of South Australia's Strategic Plan.

In addition, the Department's Risk Management and Audit Committee endorsed a revised Risk Management Policy. The policy and framework sets out the fundamental principles, tools and responsibilities for the risk management process.

A 'Risk Management – Governance & Reporting Framework' was endorsed by the Committee in April 2007. The purpose of the framework is to document and inform senior executives and management regarding the requirements to ensure the development of an accountable and effective risk management and reporting system. To facilitate this, a web-based application to record risks, ratings, controls and treatments was implemented during the year.

The Committee reviews quarterly risk reports which cover all material risks and controls (including financial, operational and compliance controls) and progress towards the implementation of a Departmental risk management system.

Audit will continue to monitor these activities during 2007-08.

### ***Legal Compliance Framework***

The Department, in carrying out its functions, is required to comply with various Acts and regulations. The Department also ensures that those responsible for legislation committed to the Minister for Health and the Minister for Mental Health and Substance Abuse or relevant to the health portfolio are appropriately advised about the discharge of their duties.

During 2006-07, Audit sought to gain an understanding of the arrangements implemented by the Department to ensure compliance with the requirements of legislation applicable to the Department.

Audit considers that a formal and structured compliance framework would include the following:

- A central corporate role in identifying relevant legislation, documenting the requirements of key provisions and assigning responsibility to identified officers.
- Formal processes for confirming that all key provisions of legislation are assigned to officers and confirmation that this remains current.
- Documented policies and procedures which record the action required to be taken with respect to specific provisions of legislation, including reporting to the Chief Executive on action taken.

Audit wrote to the Department seeking to gain an insight into the Department's current position in managing legal compliance risk. Areas of particular interest included:

- processes in place to capture key provisions and requirements of assigned legislation;
- mechanisms used to assign legislative responsibilities/functions to Departmental employees;
- legal compliance monitoring and reporting systems;
- the relationship between the Department's legal compliance processes and risk management practices;
- the link between assigned responsibilities for legislative requirements and the Department's Delegations of Authority.

In response, the Department advised that it had undertaken work to:

- establish a new system for the issuing and distributing of policy directives, guidelines and information bulletins in which legal compliance is clearly articulated;
- establish a central process for monitoring changes to legislation;
- institute a robust process of ensuring compliance with relevant legislation including documenting the requirements of key provisions and providing advice on assigning responsibility and delegating relevant powers and functions to identified officers;
- ensure all key provisions of legislation are assigned to delegated officers.

Audit will monitor progress during 2007-08.

### **Recurrent Funding to Health Services**

The Department has a key responsibility in managing and monitoring funding provided to health services within the State as the 'Funder Provider' of health sector funds. In 2006-07 \$2.4 billion of recurrent funding was provided to health services, representing a significant proportion of Departmental expenditure. The control framework implemented by the Department to support this function is significant in the context of the monetary amounts involved as well as the impact on the achievement of Departmental objectives and the Government's Strategic Plan objectives.

The scope of the audit during 2006-07 included an assessment of controls covering the following:

- *Execution of Health Service Agreements* — Performance Agreements are entered into with Health Services on a timely basis and are appropriately executed;
- *Compliance Requirements of Health Service Performance Agreements* — The processes in place to ensure the key compliance requirements of the Health Service Performance Agreements are monitored by the Department;
- *Cash Call Payments* — Cash calls are appropriately approved in accordance with the Department's delegation instrument prior to payment, and are accurately processed into Accounts Payable;
- *Budget Variations* — Budget variations are appropriately approved and supported;
- *Performance of Key Reconciliations* — Key reconciliations relating to recurrent funding to health services are regularly performed and subject to independent review;
- *Casemix Audit of Coding and Admission Practices* — The progress made by the Department in relation to the performance of Casemix Audits.

The current funding model has, as its foundation, Health Service Agreements between the Health Services and the Minister which reflect a focus on the Department as a funder purchasing outputs from the Health Services as service providers.

## *Health*

The Health Service Agreements between the Minister of Health and Health Services represent a key element of the control framework relied upon by the Department to secure accountability over funds allocated to Health Services. This framework is premised on the basis that the roles, rights and responsibilities are clearly understood and agreed upon by each party. It is Audit's view that executed agreements are a significant component of the control framework over the funding allocation process.

Matters arising from the 2006-07 audit are outlined hereunder.

### *Health Service Agreements - Reporting of Key Deliverables*

The Department has built on the progress noted last year with respect to the development of Health Service Performance Agreements. In particular, Audit noted that the Department has:

- adopted a uniform format for the Health Service Performance Agreements and the related Companion Document for both Metropolitan and Country Health Services;
- a number of performance indicators and targets have been specified in the 2006-07 Health Service Performance Agreements. The Companion document to these agreements provides details of the purpose, definition, data source and reporting arrangements for each indicator.

### *Health Service Agreements – Performance Framework*

The Department has also put effort into the development of a performance framework for the monitoring and reporting of compliance with Health Service Performance Agreements. For example, in early 2006-07 the Department established the Portfolio Performance Review Committee (PPRC) comprising senior representatives from the Department and Health Services. The responsibilities of the Committee include the following:

- Monitoring activity trends including community and hospital based activity levels in order to understand the factors contributing to demand growth.
- Reviewing performance measures included in Health Service Agreements with Regions.
- Monitoring financial performance against capital and recurrent budgets and recommend strategies and reprioritisation opportunities to the Department's Executive to deal with over expenditure situations.

Audit reviewed the minutes of the PPRC and some of the reports tabled at PPRC meetings and considers that the Department has established a performance framework which enables the Department and the Health Service to, amongst other things:

- measure improvement in service performance and health outcomes;
- provide accountability for funds.

### ***Funding to Non-Government Organisations (NGO)***

Prior year reviews by both Audit and Internal Audit of controls over grant funding provided by the Department to non-government service providers identified a number of control deficiencies relating to the administration and management of grant funding. Control deficiencies identified included:

- no evidence to support formal analysis by the Department that linked funding for specific programs to the Department's strategic objectives;
- the lack of a central Contracts Register;
- variations in practice across Divisions;
- lack of formal evaluation of service providers to assess the effectiveness and accountability of funded programs;
- lack of documentation to support performance monitoring;
- funding agreements were not appropriately executed;
- lack of documented policies and procedures for a number of key areas of operation.

### *NGO Performance Management Reform Project*

As a result of the issues raised by Audit and Internal Audit, the Department commenced a 'NGO Performance Management Reform Project' (the Project). The Project outline states that the objective of the Project is to 'reform the Department's performance management procedures in relation to non-government organisations'. An external consultant was engaged by the Department and a Project management group was established to oversee the Project.

#### *Audit Review and Findings for 2006-07*

The Department is progressing significant work to improve the controls over grant funding to NGOs. Due to the size of the Reform Project, many of these processes have only been recently implemented or are in the process of implementation.

NGO Payments are made pursuant to Agreements that have been entered into between the Department and the NGO. For most NGO payments the Department uses the Department for Families and Communities Funding and Grants Management System (FGMS) to generate the payment according to the payment schedule embodied in the respective agreements.

In accordance with TI 8, a payment or disbursement can only be made if it is approved by an employee with the appropriate expenditure delegation. Audit review of the FGMS users that have the authority to authorise and release grant payments from FGMS to Masterpiece revealed that many of these users do not have the appropriate expenditure delegation. As a result a number of NGO payments have been made during 2006-07 without the appropriate authority. Accordingly, the Department's Controls Opinion for 2006-07 has been qualified in relation to grant funding to NGOs.

These issues were communicated to the Department.

In response the Department has advised that:

- a number of financial policies in relation to grant funding had been developed and were implemented as from 1 July 2007;
- a Funding and Planning Framework for grant funding to NGOs had been developed which approval would be sought shortly to implement across the Department;
- the delegation instruments and policies are being revised to ensure the appropriate authority to release grant payments.

### **Commonwealth Government Grants**

Commonwealth Government grants represent a major source of revenue for the Department. In 2006-07 the Department received \$898 million in Commonwealth Government grants.

Prior year audits have revealed that there are a number of areas where the controls relating to the grant revenue environment could be improved. In particular, Audit considered there to be a need for the Department to consider centralising the grant revenue management, monitoring and reporting practices across the Department and to establish and implement policies which explicitly detail the controls and responsibilities over this area of departmental operations. During the 2005-06 audit, Audit noted that the Department was undertaking work to centralise these processes. Notwithstanding, Audit observed that there are still areas for improvement, including increasing the level of communication between the key divisions and the specialist areas for the major agreements.

The overall results of the 2006-07 audit revealed that the issues raised during 2005-06 have been adequately addressed by the Department.

### **Payroll**

Salaries and Wages expenditure processed through the Payroll system represents a significant expenditure item for the Department amounting to \$63.8 million in 2006-07.

A Service Level Agreement (SLA) was entered into by the Department for the 2006-07 year with Southern Adelaide Health Service (SAHS). Audit assessed the control environment of SAHS to determine whether reliance can be placed on controls relating to the processing and recording of payroll. Although the SLA has resulted in SAHS being responsible for a number of key payroll processes, other key controls are still the responsibility of the Department. For example, the Department is responsible for the bona fide review process which is considered a key control in the Department's payroll environment.

## *Health*

Audit noted that the SLA was not signed until January 2007. Audit considers that the SLA between the Department and SAHS represents an important element of the control framework as it documents the roles, rights and responsibilities that have been agreed upon by each party. It is important that the agreements are executed on a timely basis.

Audit coverage also included a follow up of the Department's progress in addressing issues raised as a result of the 2005-06 audit.

While the audit noted some progress in addressing the issues there remains significant control weaknesses in relation to the bona fide reports.

In summary the control weaknesses noted during the 2006-07 audit included:

- absence of return of all bona fide certificates from departmental managers exposing the Department to risks;
- absence of evidence of performance and review over the reconciliation to ensure the Payroll System data is completely and accurately updated to the General Ledger (GL);
- evidence of review of changes to payroll masterfile;
- absence of a formalised Departmental policy over all key control areas.

As a consequence of these control weaknesses, the Department's controls opinion has continued to be qualified in relation to the payroll control environment.

### *Bona Fide Certificates*

The issue of bona fide certificates has been raised with the Department over the last few years. The bona fide certification process represents a key element of the Department's internal control environment and is relied on to provide the Department with assurance that payroll payments are made to bona fide employees, for work actually performed and at the correct classification.

Audit review revealed that a significant number of bona fide certificates relating to the Department were not returned to the payroll area within the required time frame or, in a number of instances, not returned at all. The number represented an increase on the unreturned rate for the prior corresponding period. As previously mentioned the lack of return of bona fide certificates by the relevant managers exposes the Department to the following risks:

- invalid people being paid by the Department;
- employees being paid at incorrect rate, for hours not worked or for overtime not entitled to;
- employees leave details not being accurately and completely captured and recorded in the payroll system.

It is Audit's view that for this highly important control to be effective, the Payroll Services division as well as each Departmental cost centre must work together to achieve, as close as possible, full compliance on an ongoing and timely basis with the bona fide Policy. This is required to effectively address the control weakness.

As a result of the control weaknesses noted, Audit made a number of recommendations to the Department. The Department agreed with the recommendations of Audit and outlined actions underway to improve processes.

Audit will monitor progress during 2007-08.

### **Accounts Payable**

During 2006-07, the Department had not only responsibility for processing their own accounts payable transactions but also for DFC under a Shared Service Arrangement. In addition, DFC provide services to the Department in relation to the online purchase order system.

Audit has previously identified and reported on a number of control weaknesses relating to the Accounts Payable control environment which ultimately led to the controls opinion for this area to be qualified in the 2005-06 year. In prior years, Audit was unable to place any reliance over the application of financial delegations in place.



The results of the 2006-07 audit revealed a number of the previously highlighted control weaknesses that still exist, including those in relation to the delegations which has again resulted in the controls opinion being qualified.

In summary the control weaknesses noted during the 2006-07 audit included:

- delegations for Masterpiece and for the Basware expenditure system are not aligned with the approved delegations instrument;
- instances where requisitions had been approved based on the line amount rather than the total value of the requisition.

#### *Delegations of Authority*

Delegations of Authority are an important matter in ensuring that proper controls are operating within an agency regarding expenditure approvals and are specifically mandated by the TIs issued pursuant to the PFAA.

TI 8 provides for the responsible Minister to grant to a Chief Executive of a Government Department a standing authority to incur expenditure for the financial year. Where such an authority has been granted, the Chief Executive can in turn sub-delegate to officers of that public authority.

As raised in last year's Report, the Department was unable to locate any such delegation for the year ending 30 June 2006.

It was noted during the recent audit that the:

- Instrument of Delegation for the financial year from 1 July 2006 to 30 June 2007 was signed by the Minister of Health in early November 2006;
- sub-delegation to the Executive Director, Finance and Administration for the maintenance of financial delegations was signed in January 2007.

Audit considers it appropriate that the Department implement a mechanism to ensure that all Delegation Instruments are updated and executed in a timely manner.

A positive response was received from the Department.

#### *Review Of Delegation Listings*

Audit conducted a review of the Department's signed delegations. The review involved agreeing the delegations between Masterpiece and the approved sub-delegation and between Basware and the approved sub-delegation.

Audit noted a number of inconsistencies between the systems where some officers had no delegation for the approved sub-delegation yet had delegations on either Basware and/or Masterpiece. Audit acknowledges that some of the inconsistencies may arise as a result of the approved sub-delegation being by position and the Basware and Masterpiece delegations being by officer.

Audit recommended to the Department that regular reviews be conducted over both systems to ensure that the online delegations are consistent with the approved sub-delegations.

A positive response was received from the Department.

#### **Accounts Receivable**

Last year's Report highlighted a number of control weaknesses relating to the accounts receivable processing environment. These control weaknesses included:

- *Cash Handling Controls* — Failure to review the monthly deposit reconciliation;
- *Approval of Invoice Requests* — Absence of appropriate approval over invoice request forms in accordance with the Department's Financial Services Customer Service Manual;
- *Review over Invoices Raised* — Absence of Departmental policy concerning operational controls for the review of invoices raised;
- *Debtor Follow up Procedures* — Non-adherence to Departmental policy.

Audit followed up action proposed by the Department in response to the issues raised in 2006 and found that the issues raised had been addressed and that there had been an improvement in the accounts receivable environment.

### **Shared Services Arrangements**

As a result of the restructure of the former DHS, certain business services were retained by the Department of Health (DH) and DFC respectively. Shared services arrangements were entered into for the 2004-05, 2005-06 and 2006-07 years to facilitate the delivery of certain business services to both agencies. Under these arrangements, the services provided to DFC by DH included Financial Services and Legal Services. Services provided to DH by DFC included Risk Management and Internal Audit Services; Purchasing; Information and Communication Technology for Telecommunications Services and Masterpiece Services; and Fleet Management.

Audit review of the 2006-07 Shared Services arrangements between DH and DFC revealed that the Shared Services Agreements were not executed on a timely basis. The agreements for the provision of services by DH and vice versa were executed in May 2007 and April 2007 respectively.

From 1 July 2007, DFC has assumed the lead role in the provision of a range of financial and accounting services to DH. Services such as accounts payable, accounts receivable and financial reporting which had previously been provided by DH to DFC will in 2007-08 be provided to DH by DFC. As a result of these changed arrangements 37 employees transferred from DH to DFC effective 1 July 2007. A Service Level Agreement for these new arrangements is in the process of being developed.

Audit considers that the Shared Service Agreements between DH and DFC represent an important element of the control framework as they document accountability obligations of both agencies regarding the roles, rights and responsibilities that have been agreed upon by each party. It is important that the agreements are executed on a timely basis.

### **Information and Communication Technology Management and Control**

Last year's Report included specific commentary relating to ICT governance structure and arrangements, ICT strategic planning, information security and disaster recovery planning. It was indicated that the matters relating to information security and disaster recovery planning would be the subject of further review by Audit.

Regarding information security, a Department ICT Policy and Standards Review Committee was in full operation with a number of information security policies and procedures implemented or under development. Further, the Information Security Management System had been audited by an external assessment and certification service provider and certification to international standards was retained.

With respect to disaster recovery, approval was obtained for the establishment of a second data centre by mid 2007 and upgrading and commissioning of infrastructure in that data centre to provide full disaster recovery capability for a key clinical information system by late 2007.

Business continuity management is the responsibility of individual health units. Audit was advised that the Department Portfolio Executive approved the development of a Health Portfolio Business Continuity Management Framework and the establishment of a project steering group which will oversee the coordination of appropriate Business Continuity Plans.

Audit will continue to monitor these activities in 2007-08.

### **DH Communications Network HSNet**

The HSNet communications network provides wide area network connectivity to a number of agencies within the Department and agencies within the DFC throughout the Adelaide CBD, metropolitan area and major regional areas of the State. HSNet supports users principally working in the health and housing sectors. HSNet is also connected to the state government communications network, StateNet.

In early 2007, Audit undertook a review of application systems and related CPE of an agency connected within the HSNet network. A potential risk to the security of agency and health unit systems with respect to network security segregation within HSNet was identified. Audit formally communicated this issue to the Department because of the Department's control over the health communication network. The Department response provided advice of strategies and actions to manage the risk.

**CHRIS**

Over a number of years, Audit has undertaken reviews of the organisational management, procedures and associated internal control environment for the Department's CHRIS Human Resource Management System (HRMS) processed at the bureau service managed by an external service provider. The reviews have also addressed compliance to a Bureau Service Agreement between the Minister for Health and the service provider.

Last year's Report stated that there remained matters to be addressed by the Department from the earlier reviews. The Department formally advised in July 2006 that it was:

- consulting with the then Department for Administrative and Information Services to complete a security review of the service provider CPE in the 2006 calendar year;
- progressing the assessment of the Department security patch management policy and procedures for applicability to the service provider;
- progressing the finalisation of a Service Level Agreement between the Department and DFC;
- intending to undertake a physical test of the service provider Disaster Recovery and Business Resumption Plan within the 2006-07 financial year;
- instituting an administrative review process to review the status of individual agencies disaster recovery plans on at least a quarterly basis.

Audit has reviewed the progress regarding these matters. At the time of preparation of this Report, the Department advised that the Government's Shared Services initiative was influencing the resolution of these matters. It specifically indicated that it was:

- progressing the authorisations to complete a security review of the service provider CPE in the 2007 calendar year;
- continuing to progress the assessment of the security patch management policy and procedures for applicability to the service provider. With the implementation of the Shared Services initiative, the whole of government security patch management policy and procedures would apply;
- deferring the finalisation of a Service Level Agreement between the Department and DFC in consideration of the potential for other arrangements to apply under the Shared Services initiative;
- undertaking a physical test of the service provider Disaster Recovery and Business Resumption Plan with the relocation of the bureau service to another processing location;
- continuing to regularly undertake an administrative review of the status of individual agencies disaster recovery plans.

Audit will continue to monitor these matters in 2007-08.

**Further Audit Commentary*****Financial Management Improvement Project (FMIP)***

In December 2003, Cabinet approved the engagement of accounting consultants to examine the budget and financial management practices of the former DHS. The review included evaluation of reporting arrangements and examination of performance against the formal budget allocation and how variations were managed by the Department.

The final report of the consultants titled 'Department of Human Services Review of Financial Management Stage One Final Report' was tabled in Parliament in July 2005. The review indicated that the DHS budget had experienced unfavourable budget variances for an extended period and that the ability to conduct a detailed analysis of this budget variance had been hindered by DHS budget information being unreliable.

In order to implement the recommendations of the consultants the Department established a steering committee which has embarked on the 'Financial Management Improvement Project' (FMIP). A number of the recommendations have been implemented and others are in the process of implementation. The FMIP is also responsible for managing the Cabinet approved 'Improved Consolidated Financial Reporting' initiative across the health portfolio.

## Health

To date the FMIP has completed a number of tasks, including:

- the adoption of an agreed set of monthly financial reporting requirements across the Health Portfolio;
- the endorsement of a common chart of accounts for the Health Portfolio;
- allocation of resources to Regions to evaluate the capacity of Regions to implement change and to identify gaps in their current processes and systems;
- developed and endorsed as departmental policy a set of accrual accounting principles to be implemented across the Health Portfolio;
- development and implementation of a Central data warehouse to store all the financial data collected from Health Units. This will be used as the platform for reporting at all levels across the Health Portfolio.

In 2006-07, the Departmental expenditure on the Financial Management Improvement Project was \$1.1 million (\$853 000). This does not include costs that have been incurred by individual hospitals and health centres across the Health Portfolio.

Audit will continue to monitor the Financial Management Improvement Project during 2007-08.

### **Modbury Hospital**

In April 2007, the Government announced that it had negotiated an arrangement with Healthscope Limited (a private health care operator), to terminate the contract to run the Modbury Hospital as from 1 July 2007.

On 1 July 2007, the operation of the Modbury Hospital was assumed by the Central Northern Adelaide Health Service.

Audit will review the terms of disengagement of Healthscope Limited and the resumption of control by the Government of Modbury Hospital during the 2007-08 audit of the Central Northern Adelaide Health Service.

### **Changes to Country Health Services**

A new incorporated health centre 'Country Health SA Incorporated' (Country Health SA) was established on 18 May 2006 by proclamation pursuant to section 48 of the *South Australian Health Commission Act 1976*. Country Health SA replaces a number of existing country health services notably:

- Eyre Regional Health Service
- Hills Mallee Southern Regional Health Service
- Mid North Regional Health Service
- Northern and Far Western Regional Health Service
- Riverland Health Authority
- South East Regional Health Service
- Wakefield Regional Health Service.

The governing bodies of the existing health services, whose functions were replaced by the newly created Country Health SA, were dissolved effective 1 July 2006. On the dissolution of the existing health services the real and personal property and rights and liabilities were transferred to Country Health SA. This reform has given Country Health SA responsibility and accountability for the health of the population in Country South Australia.

In June 2007, Country Health SA was prescribed pursuant to the *South Australian Health Commission Act 1976*. As a result, the accounts of Country Health SA must be audited at least once in every year by the Auditor-General.

The audit of Country Health SA for 2006-07 is in progress.

### **Health Care Plan**

South Australia's Health Care Plan was released by the State Government in June 2007. The plan indicates a significant investment in health care in South Australia. The Government proposes to build a 800 bed Hospital on North Terrace at an estimated cost of \$1.7 billion over the next ten years. In addition, the Health Care Plan outlines some key changes to the way in which hospital services are currently provided. These include the consolidation of services at some hospital sites. In addition, the Health Care Plan outlines a focus on illness prevention through investment in establishing GP Plus Health Care Centres.

As part of the implementation of the Health Care Plan, a Major Projects Office has been established to lead the delivery of the capital component of the Plan. The Office will be responsible for the delivery of the Marjorie Jackson-Nelson Hospital project and will also provide advice on other major infrastructure projects.

Audit will monitor developments with respect to the Health Care Plan during 2007-08.

### Health Care Bill

Following the release of South Australia's Health Care Plan in June 2007 the Government released the draft Health Care Bill for public comment in July 2007.

The Bill aims to create a unified, single public health system, with improved state-wide coordination and integration of public health services. While a number of the provisions of the draft Bill are similar to those in the current *South Australian Health Commission Act 1976*, there are significant proposed changes.

The Bill proposes the Department to have direct responsibility and accountability for managing South Australia's public health system, not just responsibility for funding it.

While the metropolitan health regions will continue to exist, certain proposed changes mean that Chief Executive Officers will report directly to the Chief Executive of the Department, rather than to individual/separate Boards. In addition, the South Australian Ambulance Service will be transferred to the Department as an identifiable agency with its own Chief Executive Officer.

Country Health SA is proposed to be incorporated as a hospital under the draft Bill. All of the country hospitals which are currently separately incorporated are proposed to become part of the Country Health SA Incorporated Hospital.

Consistent with the metropolitan regions, Country Health SA will not have a board of management. Instead it will have a Chief Executive Officer who will report directly to the Chief Executive of the Department.

The Bill also includes proposed new governance arrangements, including the establishment of a high level, independent Health Performance Council that will review the performance of the health system and report on the health outcomes of South Australians.

Audit will monitor developments during 2007-08.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

### Highlights of the Financial Report

	2007 \$'million	2006 \$'million	Percentage Change
<b>INCOME</b>			
Rent, fees and charges	110	78	41
SA Government appropriations	1 687	1 439	17
Grants from SA Government agencies	31	66	(53)
Commonwealth Government grants	898	843	7
Other	11	20	(45)
<b>Total Income</b>	<b>2 737</b>	2 446	12
<b>EXPENSES</b>			
Employee benefits expenses	64	58	10
Supplies, services and other expenses	174	149	17
Grants, subsidies and client payments	2 559	2 271	13
<b>Total Expenses</b>	<b>2 797</b>	2 478	13
<b>Net Result before Restructure</b>	<b>(60)</b>	(32)	88
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(67)</b>	(25)	168
<b>ASSETS</b>			
Current assets	85	119	(29)
Non-current assets	74	75	(1)
<b>Total Assets</b>	<b>159</b>	194	(18)

	<b>2007</b>	2006	Percentage
	<b>\$'million</b>	\$'million	Change
<b>LIABILITIES</b>			
Current liabilities	<b>65</b>	56	16
Non-current liabilities	<b>129</b>	139	(7)
<b>Total Liabilities</b>	<b>194</b>	195	n/a
<b>EQUITY</b>	<b>(35)</b>	(1)	340

### Income Statement

Income for 2006-07 amounted to \$2.7 billion (\$2.4 billion), and principally comprised South Australian Government Appropriations of \$1.7 billion (\$1.4 billion) and Commonwealth Government Grants of \$898 million (\$843 million). The \$1.7 billion provided by the South Australian Government includes \$48.9 million transferred to the Department from the Governor's Appropriation Fund as a result of increased activity in the public health system.

Expenses were \$2.8 billion (\$2.5 billion), principally comprising Grants, Subsidies and Client Payments of \$2.6 billion (\$2.3 billion). Grants, Subsidies and Client Payments includes funding to Incorporated Health Services of \$2.5 billion (\$2.2 billion) and funding to NGOs of \$54 million (\$53 million). The increase in the funding provided to the incorporated Health Services results from increased activity in the public health system.

### Balance Sheet

As at 30 June 2007, the Department has a net asset deficiency of \$35.5 million compared to a deficiency in 2005-06 of \$1.5 million. While the Department recorded a deficit (Net Result) for the year ending 30 June 2007 of \$61.5 million, this was offset by an equity contribution by the South Australian Government of \$42.7 million in the middle of June 2007 of which \$15.2 million was returned to the South Australian Government at the end of June 2007. The net contribution of \$27.5 million has significantly improved the net asset deficiency of the Department.

Despite that deficiency the total current assets of the Department exceeds the current liabilities by \$20 million.

### Current Assets

A significant proportion of the Department's current assets comprises cash and cash equivalents that decreased from \$56 million to \$14 million as at 30 June 2007. The decrease resulted from the transfer in August 2006 of \$25.2 million to the surplus cash working account maintained by the Department of Treasury and Finance, in accordance with the cash alignment policy. In June 2007 \$10 million was returned to the Department from the surplus cash working account. The remaining \$15.2 million was treated as a return of equity as outlined above.

In relation to cash and cash equivalents, the Department has Unexpended Funding Commitments involving programs sourced from monies provided by the State and Commonwealth Governments (refer Note 18).

### Cash Flow Statement

In 2007 the Department recorded a net cash outflow of \$43 million compared with a net cash inflow of \$26 million during 2005-06. The \$69 million increase in cash outflows is directly attributable to the increase in cash outflows from operating activities.

**Income Statement  
for the year ended 30 June 2007**

		<b>2007</b>	2006
	Note	<b>\$'000</b>	\$'000
<b>EXPENSES:</b>			
Employee benefits expenses	6	<b>63 798</b>	58 202
Supplies and services	7	<b>169 123</b>	143 853
Depreciation and amortisation	8	<b>1 685</b>	1 351
Grants, subsidies and client payments	9	<b>2 559 171</b>	2 271 469
Finance costs	10	<b>2 929</b>	2 947
Other expenses	11	<b>181</b>	95
<b>Total Expenses</b>		<b>2 796 887</b>	2 477 917
<b>INCOME:</b>			
Revenues from rent, fees and charges	12	<b>109 668</b>	78 308
Commonwealth Government grants	13	<b>898 003</b>	843 099
Interest revenue	14	<b>3 369</b>	4 545
Net gain (loss) from the disposal of assets	15	<b>199</b>	(16)
Other income	16	<b>7 002</b>	14 707
<b>Total Income</b>		<b>1 018 241</b>	940 643
<b>NET COST OF PROVIDING SERVICES</b>		<b>(1 778 646)</b>	(1 537 274)
<b>REVENUES FROM SA GOVERNMENT:</b>			
Revenues from SA Government	17.1	<b>1 687 458</b>	1 439 135
Grants from SA Government agencies	17.2	<b>30 725</b>	66 047
		<b>1 718 183</b>	1 505 182
<b>NET RESULT BEFORE RESTRUCTURE</b>		<b>(60 463)</b>	(32 092)
Net (expenses) revenues from administrative restructures	31	<b>(1 064)</b>	160
<b>NET RESULT AFTER RESTRUCTURE</b>		<b>(61 527)</b>	(31 932)
<b>NET RESULT AFTER RESTRUCTURE IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>		<b>(61 527)</b>	(31 932)

**Balance Sheet  
as at 30 June 2007**

	Note	<b>2007</b>	2006
		<b>\$'000</b>	\$'000
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	19	<b>13 662</b>	56 273
Receivables	20	<b>68 314</b>	59 973
Inventories	21	<b>3 181</b>	2 180
<b>Total Current Assets</b>		<b>85 157</b>	118 426
<b>NON-CURRENT ASSETS:</b>			
Receivables	20	<b>35 031</b>	35 665
Property, plant and equipment	22	<b>35 559</b>	35 432
Capital works in progress	22.1	<b>2 867</b>	4 214
<b>Total Non-Current Assets</b>		<b>73 457</b>	75 311
<b>Total Assets</b>		<b>158 614</b>	193 737
<b>CURRENT LIABILITIES:</b>			
Payables	23	<b>20 929</b>	24 488
Employee benefits	24	<b>8 263</b>	6 817
Borrowings	25	<b>1 236</b>	842
Provisions	26	<b>12 485</b>	13 204
Other liabilities	27	<b>21 866</b>	10 746
<b>Total Current Liabilities</b>		<b>64 779</b>	56 097
<b>NON-CURRENT LIABILITIES:</b>			
Payables	23	<b>19 983</b>	20 078
Employee benefits	24	<b>8 549</b>	9 819
Borrowings	25	<b>27 148</b>	28 384
Provisions	26	<b>73 279</b>	80 440
Other liabilities	27	<b>362</b>	397
<b>Total Non-Current Liabilities</b>		<b>129 321</b>	139 118
<b>Total Liabilities</b>		<b>194 100</b>	195 215
<b>NET ASSETS</b>		<b>(35 486)</b>	(1 478)
<b>EQUITY:</b>			
Contributed capital	28	<b>205 268</b>	177 749
Asset revaluation reserve	28	<b>18 789</b>	19 301
Retained earnings	28	<b>(259 543)</b>	(198 528)
<b>TOTAL EQUITY</b>		<b>(35 486)</b>	(1 478)
Total Equity is attributable to the SA Government as owner			
Unexpended funding commitments	18		
Commitments	30		
Contingent assets and liabilities	33		



## Statement of Changes in Equity for the year ended 30 June 2007

	Note	Asset			Total
		Contributed Capital \$'000	Revaluation Reserve \$'000	Retained Earnings \$'000	
Balance at 30 June 2005		119 719	19 997	(166 446)	(26 730)
<b>Restated balance at 30 June 2005</b>		<b>119 719</b>	<b>19 997</b>	<b>(166 446)</b>	<b>(26 730)</b>
Gain on revaluation of property during 2005-06		-	3 010	-	3 010
Loss on revaluation of plant and equipment during 2005-06		-	(3 706)	-	(3 706)
Equity contribution from the Department of Treasury and Finance		58 030	-	-	58 030
<b>Net income/expense recognised directly in equity for 2005-06</b>		<b>58 030</b>	<b>(696)</b>	<b>-</b>	<b>57 334</b>
Net result after restructure for 2005-06		-	-	(31 932)	(31 932)
<b>Total Recognised Income and Expense for 2005-06</b>		<b>-</b>	<b>-</b>	<b>(31 932)</b>	<b>(31 932)</b>
<b>Balance at 30 June 2006</b>		<b>177 749</b>	<b>19 301</b>	<b>(198 378)</b>	<b>(1 328)</b>
Changes in accounting policy		-	-	(150)	(150)
<b>Adjusted balance at 30 June 2006</b>	28	<b>177 749</b>	<b>19 301</b>	<b>(198 528)</b>	<b>(1 478)</b>
Equity contribution from Department of Treasury and Finance		42 751	-	-	42 751
Transfers from asset revaluation reserve		-	(512)	512	-
Repayment of equity contribution to the Department of Treasury and Finance		(15 232)	-	-	(15 232)
<b>Net income/expense recognised directly in equity for 2006-07</b>		<b>27 519</b>	<b>(512)</b>	<b>512</b>	<b>27 519</b>
Net result after restructure for 2006-07		-	-	(61 527)	(61 527)
<b>Total Recognised Income and Expense for 2006-07</b>		<b>-</b>	<b>-</b>	<b>(61 527)</b>	<b>(61 527)</b>
<b>Balance at 30 June 2007</b>	28	<b>205 268</b>	<b>18 789</b>	<b>(259 543)</b>	<b>(35 486)</b>

All Changes in Equity are attributable to the SA Government as owner

## Cash Flow Statement for the year ended 30 June 2007

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Employee payments	(62 580)	(59 442)
Supplies and services	(165 791)	(128 122)
Grants, subsidies and client payments	(2 509 971)	(2 282 137)
Interest paid	(2 860)	(2 911)
Finance costs	(107)	(20)
GST payments on purchases	(28 574)	(26 591)
GST remitted to ATO	-	(36 211)
Other payments	-	(8)
<b>Cash used in Operations</b>	<b>(2 769 883)</b>	<b>(2 535 442)</b>
CASH INFLOWS:		
Fees and charges	55 262	72 895
Receipts from Commonwealth	898 003	843 099
Interest received	3 813	3 568
GST receipts on receivables	1 478	6 706
GST refund from the ATO	20 683	62 347
GST input tax credits	-	2 388
Other receipts	5 024	14 337
<b>Cash generated from Operations</b>	<b>984 263</b>	<b>1 005 340</b>
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	1 687 458	1 439 135
Receipts from SA Government agencies	30 725	66 047
<b>Total Cash Flows from SA Government</b>	<b>1 718 183</b>	<b>1 505 182</b>
<b>Net Cash used in Operating Activities</b>	<b>(67 437)</b>	<b>(24 920)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(2 561)	(4 783)
Loans provided	(1 300)	(4 000)
<b>Cash used in Investing Activities</b>	<b>(3 861)</b>	<b>(8 783)</b>
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	838	3
Repayment of loans	1 892	2 409
<b>Cash generated from Investing Activities</b>	<b>2 730</b>	<b>2 412</b>
<b>Net Cash used in Investing Activities</b>	<b>(1 131)</b>	<b>(6 371)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Repayment of capital to government	(15 232)	-
Repayment of borrowings	(842)	(551)
Payments due to restructuring activities	(720)	(214)
<b>Cash used in Financing Activities</b>	<b>(16 794)</b>	<b>(765)</b>
CASH INFLOWS:		
Capital contributions from government (not operations)	42 751	58 030
<b>Cash generated from Financing Activities</b>	<b>42 751</b>	<b>58 030</b>
<b>Net Cash provided by Financing Activities</b>	<b>25 957</b>	<b>57 265</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(42 611)</b>	<b>25 974</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>	<b>56 273</b>	<b>30 299</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>13 662</b>	<b>56 273</b>

**Program Schedule of Expenses and Income  
for the year ended 30 June 2007**

					<b>2007</b>
Programs (refer Note 5)	S1	S2	S3	S4	<b>Total</b>
<b>EXPENSES:</b>	\$'000	\$'000	\$'000	\$'000	<b>\$'000</b>
Employee benefit expenses	13 349	12 610	35 690	2 149	<b>63 798</b>
Supplies and services	32 704	8 346	127 427	646	<b>169 123</b>
Depreciation and amortisation	76	22	1 570	17	<b>1 685</b>
Grants, subsidies and client payments	27 497	4 659	2 520 569	6 446	<b>2 559 171</b>
Finance costs	-	-	2 929	-	<b>2 929</b>
Other expenses	-	-	181	-	<b>181</b>
<b>Total Expenses</b>	<b>73 626</b>	<b>25 637</b>	<b>2 688 366</b>	<b>9 258</b>	<b>2 796 887</b>
<b>INCOME:</b>					
Revenue from rent, fees and charges	1 262	3 679	104 723	4	<b>109 668</b>
Commonwealth government grants	46 846	583	850 465	109	<b>898 003</b>
Interest revenue	-	-	3 369	-	<b>3 369</b>
Net gain (loss) from disposal of assets	-	(7)	212	(6)	<b>199</b>
Other	2 433	7	4 365	197	<b>7 002</b>
<b>Total Income</b>	<b>50 541</b>	<b>4 262</b>	<b>963 134</b>	<b>304</b>	<b>1 018 241</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>(23 085)</b>	<b>(21 375)</b>	<b>(1 725 232)</b>	<b>(8 954)</b>	<b>(1 778 646)</b>
<b>REVENUES FROM SA GOVERNMENT:</b>					
Revenues from SA Government	-	190	1 687 268	-	<b>1 687 458</b>
Grants from SA Government agencies	335	7	30 127	256	<b>30 725</b>
	<b>335</b>	<b>197</b>	<b>1 717 395</b>	<b>256</b>	<b>1 718 183</b>
<b>NET RESULT BEFORE RESTRUCTURE</b>	<b>(22 750)</b>	<b>(21 178)</b>	<b>(7 837)</b>	<b>(8 698)</b>	<b>(60 463)</b>
Net expenses from administrative restructure	-	-	(1 064)	-	<b>(1 064)</b>
<b>NET RESULT AFTER RESTRUCTURE</b>	<b>(22 750)</b>	<b>(21 178)</b>	<b>(8 901)</b>	<b>(8 698)</b>	<b>(61 527)</b>

## Program Schedule of Expenses and Income for the year ended 30 June 2006

					2006
Programs (refer Note 5)	S1	S2	S3	S4	Total
<b>EXPENSES:</b>	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses	12 273	8 682	34 882	2 365	58 202
Supplies and services	18 258	4 242	120 580	773	143 853
Depreciation and amortisation	66	9	1 274	2	1 351
Grants, subsidies and client payments	6 863	2 109	2 255 477	7 020	2 271 469
Finance costs	-	-	2 947	-	2 947
Other expenses	-	-	95	-	95
<b>Total Expenses</b>	<b>37 460</b>	<b>15 042</b>	<b>2 415 255</b>	<b>10 160</b>	<b>2 477 917</b>
<b>INCOME:</b>					
Revenue from rent, fees and charges	779	917	76 451	161	78 308
Commonwealth Government grants	26 480	-	816 483	136	843 099
Interest revenue	-	-	4 545	-	4 545
Net gain (loss) from disposal of assets	(4)	(3)	(9)	-	(16)
Other	301	2	14 362	42	14 707
<b>Total Income</b>	<b>27 556</b>	<b>916</b>	<b>911 832</b>	<b>339</b>	<b>940 643</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>(9 904)</b>	<b>(14 126)</b>	<b>(1 503 423)</b>	<b>(9 821)</b>	<b>(1 537 274)</b>
<b>REVENUES FROM SA GOVERNMENT:</b>					
Revenues from SA Government	-	-	1 439 135	-	1 439 135
Grants from SA Government agencies	4	268	65 615	160	66 047
	4	268	1 504 750	160	1 505 182
<b>NET RESULT BEFORE RESTRUCTURE</b>	<b>(9 900)</b>	<b>(13 858)</b>	<b>1 327</b>	<b>(9 661)</b>	<b>(32 092)</b>
Net revenues from administrative restructure	-	-	160	-	160
<b>NET RESULT AFTER RESTRUCTURE</b>	<b>(9 900)</b>	<b>(13 858)</b>	<b>1 487</b>	<b>(9 661)</b>	<b>(31 932)</b>

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1. Objectives of the Department of Health

The vision of the Department of Health (the Department) is to build a health care system that is there when the public needs it, that is fair and trustworthy, that supports the public, families and the community to achieve full health potential; that encourages individuals to have a say, listens to individuals and makes sure that their views are taken into account. To achieve this vision the Department is:

- establishing and leading an agenda for health system development, innovation and reform;
- leading the development of state-wide policies, plans and targets;
- influencing and advocating on South Australian health issues with the State and Federal Government Departments;
- coordinating relations between Regions, Minister, other Government Departments and the Department;
- funding services on behalf of State Government and overseeing the health system budget process;
- providing public and environmental health services;
- facilitating and being a focal point for system innovation and new state-wide initiatives.

## 1. Objectives of the Department of Health (continued)

The Department is committed to ensuring the sound health and well being of all South Australians. It is responsible for setting directions, developing policies, funding and monitoring the performance of the South Australian public health, hospital and community based health care services. The Department has a strong commitment to reconciliation and improved health outcomes for Aboriginal people and communities. In order to fulfil these commitments the Department is focusing on improving performance, organisational culture, systems and governance. The Department has responsibility for delivery of specific programs to the public with respect to activities assigned to the Department and the powers and functions performed under the *South Australian Health Commission Act 1976* (the Act), and other legislation as delegated by the Minister for Health, Minister Assisting the Premier for Social Inclusion (the Minister) and the Minister for Health and Substance Abuse to the Chief Executive of the Department.

### 1.1 Departmental Functions

One of the functions delegated to the Chief Executive of the Department under the Act is to ensure that there is proper allocation and use of resources between Health Regions, Health Centres and Health Services incorporated under the Act.

The financial affairs of incorporated Health Services do not form part of the Department's financial report. Under the Act these bodies are required to maintain separate accounts of their respective financial affairs and to have them separately audited by the Auditor-General or an auditor approved by the Auditor-General.

### 1.2 Administered Items

The Department administered certain revenues, expenses, assets and liabilities on behalf of other government agencies and non-government entities. They are not controlled by the Department and are consequently not recognised in the Department's financial statements. They are regarded as insignificant and disclosed in Note 36.

### 1.3 Administrative Restructures

2006-07

Effective 1 July 2006, the assets and liabilities of the former Country Health Division within the Department, were transferred to the newly incorporated entity Country Health South Australia (CHSA). Assets and liabilities of the former Environmental Health Division within the Department were also transferred to CHSA.

2005-06

Effective 1 July 2005, the assets and liabilities of BreastScreen SA were transferred to the Central Northern Adelaide Health Service (CNAHS).

Effective 1 July 2005, the assets and liabilities of the Drugs Policy and Programs were transferred to the Southern Adelaide Health Service (SAHS).

### 1.4 Funding for the Department

Funding for the Department comes from two main sources:

- Appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities.
- Payment and recoveries from portfolio agencies for Business Service functions performed on behalf of the agencies, with fees for these services being determined on a cost recovery basis.

In addition to the main funding sources, the Department receives amounts from other sources.

## 2. Summary of Significant Accounting Policies

### 2.1 Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with:

- applicable AASs
- TIs and APSs promulgated under the provision of the PFAA
- other mandatory professional reporting requirements in Australia.

#### *Statement of Compliance*

AASs include AIFRS and AAS 29. The Department has early-adopted the amendments to AASB 101. This is further outlined in Note 4.

The preparation of the financial report requires the use of certain accounting estimates, where management is required to exercise its judgement in the process of applying the Department's accounting policies. The areas involving a higher degree of judgements or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes.

*Statement of Compliance (continued)*

The preparation of the financial report also requires compliance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 16. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in this financial report:

- Revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature.
- Expenses incurred as a result of engaging consultants (as reported in the Income Statement).
- Employee TVSPs.
- Employees whose normal remuneration is greater than \$100 000 or more (within \$10 000 bandwidths) and aggregate remuneration paid or payable or otherwise made available, directly or indirectly by the Department to those employees.
- Board/Committee member and remuneration information, where a board or committee member is entitled to receive income from membership other than direct out of pocket reimbursement.

The Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared in accordance with historic cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a 12 month operating cycle.

The existence of the Department and the ongoing delivery of current programs and services is dependent on government policy and on continuing appropriations by Parliament.

**2.2 Reporting Entity**

The Department's financial statements include both departmental and administered items. The Department's financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. As administered items are insignificant to the Department's overall financial performance and position, they have been disclosed in a schedule of administered items as notes to the accounts.

**2.3 Comparative Figures**

The presentation and classification of items in the Financial Statements are consistent with prior periods except where a specific APS or applicable AAS has required change.

**2.4 Rounding**

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

**2.5 Taxation**

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST and emergency services levy. Income, expenses and assets are recognised net of the amount of GST except that:

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

**2.6 Income and Expenses**

Income and Expenses are recognised in the Department's Income Statement when and only when the flow or consumption or loss of future economic benefits has occurred and can be reliably measured.

Income and Expenses have been classified according to their nature in accordance with APF II and have not been offset unless required or permitted by another accounting standard.

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

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

Resources received/provided free of charge are recorded as income/expenditure in the Income Statement at their fair value. Goods and Services received free of charge are recorded as such with revenue being separately disclosed. Resources provided free of charge are recorded at their fair value in the expense line items to which they relate.

Grants that are received from other entities by the Department for general assistance or a particular purpose may be for capital, current or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, Commonwealth Government or Non-Government Organisations. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Grants that are paid to other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, Non-Government Organisations or the public. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

**2.7 Revenues from SA Government**

Appropriations from program funding are recognised as revenues when the Department obtains control over the assets. Control over the appropriations is normally obtained upon their receipt and are accounted for in accordance with TI 3.

Where money has been appropriated in the form of a loan, the Department has recorded a loan receivable.

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

**2.8 Dividends**

The Department did not receive any dividends.

**2.9 Current and Non-Current Items**

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

**2.10 Cash and Cash Equivalents**

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash at bank and deposits at call that are readily converted into cash and are used in the management function on a day-to-day basis. Cash is measured at nominal value.

The Government has a policy to align agency cash balances with the appropriation and expenditure authority. During the 2006-07 financial year the Department transferred \$15.2 million (\$nil) of its cash balance to the Department of Treasury and Finance as a repayment of contributed equity.

**2.11 Receivables**

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

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

*Health Service Receivables*

Health Service deficits are recognised in the Department's financial statements as a receivable from Health Services. At each balance date the likelihood that the Health Services may not be able to repay the amounts is assessed by the Department.

In the past significant provisions for doubtful debts have been recognised in the Department's financial statements against the Health Services' receivable balances, which reflected an assessment that there was no reasonable expectation that Health Services would be able to repay the monies owed with respect to budget overruns. During 2006-07 the Treasurer approved the write-off of this accumulated health debt of some \$48.5 million.

*Doubtful Debts*

Receivables are recognised and carried at the original invoiced amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. The Department determines the provision for doubtful debts based on a review of the balances within receivables that are unlikely to be collected.

Bad debts are written off only after all reasonable effort has been made to collect the debt. During 2006-07, the Treasurer approved writing off \$6 million in debt of the Children, Youth and Women's Health Services relating to funding a Co-generation facility.

**2.12 Inventories**

The Department deems inventory to be held for distribution and to be measured at lower of cost and current replacement cost (where current replacement cost is the cost the entity would incur to acquire the asset on the reporting date). Inventories held for use by the Department are measured at cost, with cost being allocated in accordance with the first-in/first-out method. Cost is the aggregation of the costs of purchase (eg purchase price, import duties, transportation and handling costs) net of trade discounts and rebates, the costs of conversion into finished products (eg labour and production overhead costs) and other costs in bringing the inventories to their present location and condition excluding the cost of abnormal wastage, storage, administration and selling.

**2.13 Non-Current Asset Acquisition and Recognition**

Assets are initially recorded at cost plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. Where assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

### 2.13 **Non-Current Asset Acquisition and Recognition (continued)**

Where the payment for an asset is deferred, and when material, the Department measures the asset at the present value of the future outflows, discounted using the interest rate of a similar interest rate borrowing.

The Department capitalises all non-current physical assets with a value of \$10 000 or greater in accordance with APF III.

The Department's non-current assets include property, plant and equipment controlled by the Department.

Works in progress are projects physically incomplete as at reporting date.

### 2.14 **Revaluation of Non-Current Assets**

In accordance with APF III:

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

Every three years the Department revalues its land and buildings. However, if at any time management considers that the carrying amount of the asset materially differs from the fair value then the asset will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Asset classes that satisfied the criteria and are revalued include:

- vacant land
- site land
- vacant buildings
- building and improvements.

The Department's land and buildings were revalued using the fair value methodology, as at 30 June 2006, based on independent valuations performed by:

- Andrew Lucas - MBA, BAppSc.(Val), Dip. Acc., Associate Australian Property Institute (AAPI), Certified Practising Valuer (CPV), Valcorp Aust Pty Limited.

#### *Assets Deemed to be at Fair Value*

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APF III have not been met, these classes of non-current assets are deemed to be at fair value as determined by APF III as issued by the Department of Treasury and Finance.

Asset classes that did not satisfy the criteria and are therefore deemed to be at fair value include:

- leasehold improvements
- buildings and improvements in progress
- computing equipment
- other plant and equipment
- plant and equipment in progress.

### 2.15 **Depreciation and Amortisation of Non-Current Assets**

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

The useful lives of all major assets held by the Department are reassessed on an annual basis.

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

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

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Buildings and improvements	Straight Line	25-50
Leasehold improvements	Straight Line	Life of lease
Computer equipment/Systems development	Straight Line	3
Other plant and equipment	Straight Line	3-15

### 2.16 **Intangibles**

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset and when the amount of the expenditure is greater than or equal to \$10 000, in accordance with departmental policies.

Capitalised software is amortised over the useful life of the asset, with a maximum time limit of three years.



**2.17 Payables**

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

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

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

All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with TI 8 after the Department receives an invoice.

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

The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries, as the South Australian Superannuation Board (SASB) has assumed these. The only liability outstanding at balance date relates to any contributions due but not yet paid to the SASB.

**2.18 Employee Benefits**

These benefits accrue for employees as a result of services provided up to the reporting date, that remain unpaid.

*Sick Leave*

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

*Annual Leave*

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2007 and is measured at the nominal amount.

*Long Service Leave*

The liability for long service leave was determined through an actuarial assessment undertaken by Mercer Human Resource Consulting Pty Ltd, in accordance with AASB 119. The following assumptions were made by the actuary when performing the assessment:

- Salary increases of 3.5 percent per annum based on the current enterprise bargaining agreement and short-term forecasts;
- Discounting of 6.25 percent per annum based on the pre-tax yield on the 10 year Commonwealth Government bonds at the valuation date.

*Accrued Salaries and Wages*

The liability for accrued salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

**2.19 Provisions***Insurance*

The Department is a participant in the State Government's Insurance Program. The Department pays a premium to the South Australian Government Financing Authority (SAFA), SAICORP Division, for professional indemnity insurance and general public liability insurance, and is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible. For Professional Indemnity claims after 1 July 1994 and General Public Liability and Property claims after 1 July 1999 the deductible per claim is \$1 000 000. For claims incurred prior to these dates the deductible per claim is \$50 000.

The determination of professional indemnity insurance provision was carried out through an actuarial assessment in accordance with AASB 1023 conducted by Brett & Watson Pty Ltd. Current and non-current liabilities of the Department are determined by taking into account prudential margins, inflation, taxes, claims incurred but not reported and claims incurred but not enough reported.

The provision for claims for general public liability insurance and property is a management assessment.

*Workers Compensation*

The Department is an exempt employer under the WRCA. Under a scheme arrangement the Department and participating exempt Health Services are responsible for the management of workers rehabilitation and compensation.

The workers compensation liability recognised for the employees of the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 31 May data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June. For the 2006-07 financial year the Department has reflected a workers compensation provision of \$1.5 million (\$1.4 million) (Refer Note 26).

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the Payment Per Claim Incurred (PPCI) valuation method. The assessment has been conducted in accordance with AASB 1023 and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

*Workers Compensation (continued)*

Health Services participating in the scheme continue to be directly responsible for the cost of workers compensation claims and the implementation and funding of preventative programs. The Department has agreed to specifically fund safety net funded Health Services for workers compensation expenditure and for lump sum settlements and for redemption payments. The Department also specifically funds non-safety net funded Health Services for workers compensation lump sum settlements and for redemption payments. Accordingly, the Department recognises a payable to Health Services equivalent to the liability for these specifically funded items which Health Services recognise as a provision in their financial statements. The workers compensation liability to Health Services as at 30 June 2007 is \$26.3 million (\$26.9 million). (Refer Note 23).

**2.20 Leases**

The Department has entered into finance leases that are immaterial and are classified as plant and equipment, and has also entered into operating leases.

*Operating Leases*

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

**2.21 SA Government/Non-SA Government Disclosures**

The Department has adopted the requirements of APF II where the Department must disclose by way of note whether transactions are with entities that are within or external to the SA Government. These transactions are classified by their nature and relate to revenues, expenses, financial assets and financial liabilities.

**2.22 Continuity of Operations**

As at 30 June 2007, the Department had a net asset deficiency of \$35.5 million (\$1.5 million). The Government is committed to the ongoing funding of the Department to enable it to perform its functions.

**3. Financial Risk Management**

The Department has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (held to maturity investments) and liabilities (borrowings from the SA Government). The Department's exposure to market risk and cash flow interest risk is minimal.

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

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its present programs, is dependent on government policy and on continuing appropriations by Parliament for the Department's administration and programs.

**4. Change in Accounting Policy**

**4.1 Change in Asset Threshold**

Effective 1 July 2006, the asset capitalisation threshold for the Department was increased to \$10 000. The previous asset capitalisation threshold was \$5000. The increase in the asset capitalisation threshold will ensure that there is consistency in the asset capitalisation threshold across various entities within the portfolio. The increase is in accordance with APF III issued by the Department of Treasury and Finance where assets with a fair value at time of acquisition of less than \$10 000 need not be recognised (capitalised) as an asset.

The change in accounting policy is accounted for retrospectively by reducing the balance of retained earnings for 2006 by \$150 000 and where practicable restating comparative information.

**4.2 Early Adoption of AASs**

Except for the amendments to AASB 101, which the Department has early adopted, the AASs and Interpretations that have been recently issued or amended but are not yet effective, have not been adopted for the reporting period ending 30 June 2007. The Department has assessed the impact of new and amended standards and interpretations and considers that there will be no impact on the accounting policies or financial report of the Department.

**5. Programs of the Department**

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

2006-07 Programs Reported:

**Program S1: Public Health and Clinical Coordination**

Development and implementation of policy and programs in relation to health protection and promotion and illness prevention as well as provision of high level clinical advice to enhance department decision making.

**Program S2: Health System Improvement and Reform**

Provision of health intelligence, innovation, leadership, health reform, policy and planning for the health system.

**Program S3: Health System Management**

Management of the health system including funding, service level agreements, ongoing performance management and monitoring, statewide service planning and coordination and the provision of support services.

**Program S4: Aboriginal Health Services**

Aboriginal Health Services is responsible for policy advice, programs and services, community development, funding, monitoring and workforce development, support and advice on Aboriginal health related matters to the Department, Minister and the Aboriginal community.

2005-06 Programs Reported:

**Program S1: Public Health and Clinical Coordination**

Development and implementation of policy and programs in relation to health protection and promotion and illness prevention as well as provision of high level clinical advice to enhance department decision making.

**Program S2: Health System Improvement and Reform**

Provision of health intelligence, innovation, leadership, health reform, policy and planning for the health system.

**Program S3: Health System Management**

Management of the health system including funding, service level agreements, ongoing performance management and monitoring, statewide service planning and coordination and the provision of support services.

**Program S4: Aboriginal Health Services**

Aboriginal Health Services is responsible for policy advice, programs and services, community development, funding, monitoring and workforce development, support and advice on Aboriginal health related matters to the Department, Minister and the Aboriginal community.

**6. Employee Benefits Expenses**

	Note	2007 \$'000	2006 \$'000
Salaries and wages		<b>46 513</b>	44 542
TVSP	6.1	-	466
Long service leave		<b>1 696</b>	368
Annual leave		<b>4 784</b>	3 410
Employment on-costs (superannuation)		<b>5 936</b>	4 750
Workers compensation		<b>824</b>	636
Other		<b>4 045</b>	4 030
<b>Total Employee Benefits Expenses</b>		<b>63 798</b>	58 202

**6.1 TVSPs**

Amount paid to these employees:

TVSPs	-	466
Annual leave and long service leave accrued over the period	-	242
Recovery from the Department of Treasury and Finance	-	466

	2007 Number of Employees	2006 Number of Employees
Number of employees that were paid TVSPs during the reporting period	-	7

**Remuneration of Employees**

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

\$100 000 - \$109 999	<b>15</b>	17
\$110 000 - \$119 999	<b>7</b>	2
\$120 000 - \$129 999	-	3
\$130 000 - \$139 999	<b>10</b>	5
\$140 000 - \$149 999	<b>4</b>	5
\$150 000 - \$159 999	<b>5</b>	3
\$160 000 - \$169 999	<b>3</b>	4
\$170 000 - \$179 999	<b>3</b>	5
\$180 000 - \$189 999	<b>2</b>	1
\$190 000 - \$199 999	<b>3</b>	4
\$200 000 - \$209 999	<b>1</b>	2
\$210 000 - \$219 999	<b>3</b>	5
\$220 000 - \$229 999	<b>2</b>	-
\$280 000 - \$289 999	<b>1</b>	1
\$290 000 - \$299 999	<b>1</b>	2
\$300 000 - \$309 999	<b>2</b>	1
\$320 000 - \$329 999	-	1
\$380 000 - \$389 999*	<b>1</b>	-
\$440 000 - \$449 999*	<b>1</b>	-
\$600 000 - \$609 999*	<b>1</b>	-
<b>Total Number of Employees</b>	<b>65</b>	61

**Remuneration of Employees (continued)**

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and other salary sacrifice benefits. The total remuneration received by these employees for the year was \$11 million (\$9.7 million).

\* Where employees have left the Department, the remuneration reflects lump sum long service, annual leave and termination benefits.

For the purpose of this Note remuneration does not include amounts in payment or reimbursement of out of pocket expenses incurred for the benefit of the entity or a controlled entity.

<b>7. Supplies and Services</b>	<b>2007</b>	2006
Total Supplies and Services provided:	<b>\$'000</b>	\$'000
Accommodation and property related	<b>8 710</b>	7 956
Advertising and promotions	<b>1 926</b>	920
Bad and doubtful debts	<b>(141)</b>	3 858
Client related expenses	<b>-</b>	2
Communication and computing	<b>47 390</b>	42 858
Contractors and agency staff	<b>15 605</b>	14 510
Consultants	<b>1 272</b>	958
Drugs and medical supplies	<b>28 245</b>	14 985
Internal Audit	<b>540</b>	501
Insurance	<b>16 347</b>	23 138
Interpreter and translator fees	<b>17</b>	33
Interstate patient transfers	<b>34 147</b>	19 027
Managed payments	<b>16</b>	7
Minor equipment	<b>830</b>	941
Motor vehicles	<b>762</b>	811
Printing, stationery, postage and periodicals	<b>1 846</b>	1 844
Seminars, courses and training	<b>1 804</b>	2 358
Travel and accommodation	<b>1 635</b>	1 436
Other administration	<b>7 938</b>	7 455
<b>Total Supplies and Services</b>	<b>168 889</b>	143 598
Audit fees paid/payable to the Auditor-General's Department	<b>234</b>	255
<b>Total Audit Fees</b>	<b>234</b>	255
<b>Total Supplies and Services</b>	<b>169 123</b>	143 853
<b>Other Services</b>		
No other services were provided by the Auditor-General's Department.		
Supplies and Services provided by Entities within the SA Government:		
Accommodation and property related	<b>4 645</b>	7 073
Advertising and promotions	<b>17</b>	49
Bad and doubtful debts	<b>(142)</b>	3 858
Communication and computing	<b>13 028</b>	20 259
Contractors and agency staff	<b>4 456</b>	3 731
Consultants	<b>-</b>	4
Drugs and medical supplies	<b>378</b>	66
Internal audit	<b>540</b>	501
Insurance	<b>19 819</b>	18 935
Interpreter and translator fees	<b>3</b>	-
Managed payments	<b>16</b>	-
Minor equipment	<b>17</b>	12
Motor vehicles	<b>690</b>	698
Printing, stationery, postage and periodicals	<b>43</b>	296
Seminars, courses and training	<b>190</b>	535
Travel and accommodation	<b>21</b>	23
Other administration	<b>1 655</b>	2 768
<b>Total Supplies and Services - SA Government Entities</b>	<b>45 376</b>	58 808
Audit fees paid/payable to the Auditor-General's Department	<b>234</b>	255
<b>Total Audit Fees - SA Government Entities</b>	<b>234</b>	255
<b>Total Supplies and Services - SA Government Entities</b>	<b>45 610</b>	59 063

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

	<b>2007</b>		2006	
	<b>Number</b>	<b>\$'000</b>	Number	\$'000
Below \$10 000	<b>17</b>	<b>39</b>	20	81
Between \$10 000 and \$50 000	<b>20</b>	<b>475</b>	20	452
Above \$50 000	<b>6</b>	<b>758</b>	5	425
<b>Total Paid/Payable to the Consultants Engaged</b>	<b>43</b>	<b>1 272</b>	45	958

8. Depreciation and Amortisation		2007	2006
Depreciation:	Note	\$'000	\$'000
Buildings and improvements		161	134
Other plant and equipment		71	113
Computing equipment		1 419	1 031
<b>Total Depreciation</b>		<b>1 651</b>	<b>1 278</b>
Amortisation:			
Leasehold improvements		34	73
<b>Total Amortisation</b>		<b>34</b>	<b>73</b>
<b>Total Depreciation and Amortisation</b>		<b>1 685</b>	<b>1 351</b>
9. Grants, Subsidies and Client Payments			
Recurrent funding to Incorporated Health Services	9.1	2 379 508	2 096 367
Capital funding to Incorporated Health Services	9.2	90 110	76 042
Funding to non-government organisations	9.3	54 400	53 124
Patient Assisted Transport Scheme*		-	6 197
National Blood Authority		18 868	18 615
Concessions		-	492
Other		16 285	20 632
<b>Total Grant, Subsidies and Client Payments</b>		<b>2 559 171</b>	<b>2 271 469</b>

\* The Patient Assisted Transport Scheme was transferred to Country Health SA effective 1 July 2006.

Grants, subsidies and client payments to entities within the SA Government:			
Recurrent funding to Incorporated Health Services	9.1	2 379 508	2 096 367
Capital funding to Incorporated Health Services	9.2	90 110	76 042
Other		5 946	7 447
<b>Total Grant, Subsidies and Client Payments to Entities within the SA Government</b>		<b>2 475 564</b>	<b>2 179 856</b>

9.1 Recurrent Funding to Incorporated Health Services		2007	2006
Central Northern Adelaide Health Service		1 110 024	1 003 035
Southern Adelaide Health Service		405 228	361 404
Children's Youth and Women's Health Service		246 541	229 762
Country Health South Australia		395 313	-
Northern And Far Western Regional Health Service**		-	69 587
Hills Mallee Southern Regional Health Service**		-	60 076
South East Regional Health Service**		-	58 305
Wakefield Regional Health Service**		-	54 677
Mid North Regional Health Service**		-	38 032
Eyre Regional Health Service**		-	34 172
Riverland Health Authority**		-	30 910
Repatriation General Hospital		108 313	97 787
Institute of Medical And Veterinary Science		38 281	33 858
Metropolitan Domiciliary Care		21 005	22 639
SA Ambulance		53 537	-
Other		1 266	2 123
<b>Total Recurrent Funding to Incorporated Health Services</b>		<b>2 379 508</b>	<b>2 096 367</b>

9.2 Capital Funding to Incorporated Health Services		2007	2006
Central Northern Adelaide Health Service		56 503	24 689
Southern Adelaide Health Service		16 879	17 708
Children's Youth and Women's Health Service		4 513	6 037
Country Health South Australia		8 754	-
Northern and Far Western Regional Health Service**		-	1 653
South East Regional Health Service**		-	3 104
Hills Mallee Southern Regional Health Service**		-	6 861
Mid North Regional Health Service**		-	1 136
Wakefield Regional Health Service**		-	1 466
Riverland Health Authority**		-	1 170
Eyre Regional Health Service**		-	2 704
Repatriation General Hospital		2 118	8 160
Institute of Medical And Veterinary Science		885	972
Other		458	382
<b>Total Capital Funding to Incorporated Health Services</b>		<b>90 110</b>	<b>76 042</b>

\*\* Effective 1 July 2006 the Governor proclaimed Country Health SA. On the same day, these Incorporated Health services were dissolved, with all assets and liabilities being transferred to Country Health SA.

<b>9.3 Funding to Non-Government Organisations</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Australian Red Cross	<b>1 329</b>	1 574
Royal District Nursing Service of SA Inc	<b>9 549</b>	8 862
Uniting Care Wesley	<b>1 635</b>	2 124
Centacare	<b>460</b>	771
Neami Limited	<b>1 236</b>	900
SHINE SA	<b>6 459</b>	3 928
Life Without Barriers	<b>927</b>	743
The Richmond Fellowship of Victoria	<b>927</b>	682
Aboriginal Health Council	<b>1 972</b>	1 881
SA Amputee Service	<b>867</b>	2 221
South Australian Division of General Practice Inc	<b>433</b>	394
Southern Cross Care (SA) Inc	<b>880</b>	855
SA Rural and Remote Medical Support Agency (now Rural Doctors Workforce Agency)	-	3 689
Relationships Australia	<b>1 151</b>	1 086
Nganampa Health Council	<b>1 289</b>	1 652
Southern District War Memorial Hospital	<b>321</b>	1 242
Mental Illness Fellowship of SA	<b>392</b>	468
Beyond Blue	<b>556</b>	-
Calvary Hospital	-	250
Aged Care and Housing Group Inc	<b>6 511</b>	4 172
The Flinders University	<b>1 328</b>	1 076
Royal Flying Doctor Service	-	2 292
The Aids Council of SA	<b>1 254</b>	1 228
Other	<b>14 924</b>	11 034
<b>Total Funding to Non-Government Organisations</b>	<b>54 400</b>	53 124
<b>10. Finance Costs</b>		
Finance costs Paid/Payable to Entities within the SA Government:		
Interest on borrowings	<b>2 823</b>	2 921
Other	<b>106</b>	26
<b>Total Finance Costs - SA Government Entities</b>	<b>2 929</b>	2 947
<b>Total Finance Costs</b>	<b>2 929</b>	2 947
<b>11. Other Expenses</b>		
Other Expenses Paid/Payable:		
Assets donated free of charge	<b>181</b>	87
Prior period adjustments not assignable	-	8
<b>Total Other Expenses</b>	<b>181</b>	95
Other Expenses Paid/Payable to Entities within the SA Government:		
Assets donated free of charge	<b>181</b>	87
Prior period adjustments not assignable	-	8
<b>Total Other Expenses - SA Government</b>	<b>181</b>	95
<b>12. Revenue from Rent, Fees and Charges</b>		
Rent, Fees and Charges Received/Receivable:		
Interstate patient transfers	<b>52 445</b>	28 894
Insurance recoveries from health services	<b>26 105</b>	25 760
Recoveries	<b>26 416</b>	20 158
Business services	<b>3 519</b>	2 607
Fees, fines and penalties	<b>1 148</b>	854
Rent	<b>35</b>	35
<b>Total Rent, Fees and Charges</b>	<b>109 668</b>	78 308
Rent, Fees and Charges Received/Receivable from Entities within the SA Government:		
Insurance recoveries from health services	<b>25 660</b>	24 474
Recoveries	<b>20 942</b>	17 211
Business services	<b>3 063</b>	2 561
Fees, fines and penalties	<b>131</b>	15
<b>Total Rent, Fees and Charges - SA Government</b>	<b>49 796</b>	44 261

<b>13. Commonwealth Government Grants</b>		<b>2007</b>	2006
	Note	<b>\$'000</b>	\$'000
Australian Health Care Agreement - Base Funding Arrangement		<b>724 989</b>	691 958
COAG Patient Initiative		<b>5 650</b>	-
Housing Assistance		-	350
Department of Veteran Affairs		<b>70 546</b>	77 259
Highly Specialised Drugs		<b>37 953</b>	34 823
Public Health Outcome Funding Agreement		<b>12 504</b>	12 260
Meningococcal C Vaccine		-	673
Essential Vaccines		<b>22 573</b>	8 307
Police Diversion		<b>3 661</b>	3 500
Woomera Hospital		<b>1 167</b>	1 144
Red Cross		<b>460</b>	-
Other		<b>18 500</b>	12 825
<b>Total Commonwealth Government Grants</b>		<b>898 003</b>	843 099
<b>14. Interest Revenue</b>			
Interest from Entities within SA Government:			
Interest on funds held		<b>(20)</b>	1 343
Interest on loans		<b>3 389</b>	3 202
<b>Total Interest Revenue</b>		<b>3 369</b>	4 545
Effective from 1 July 2006, with the approval of the Treasurer, the Department of Treasury and Finance ceased paying interest on agency operating account balances.			
<b>15. Net Gain (Loss) from Disposal of Assets</b>			
Land and Buildings:			
Proceeds from disposal		<b>849</b>	-
Less: Net book value of assets disposed		<b>610</b>	-
Less: Other costs of disposal		<b>11</b>	-
<b>Net Gain from Disposal of Land and Buildings</b>		<b>228</b>	-
General Plant and Equipment:			
Proceeds from disposal		-	3
Less: Net book value of assets disposed		<b>29</b>	19
<b>Net Loss from Disposal of General Plant and Equipment</b>		<b>(29)</b>	(16)
Total Assets:			
Total proceeds from disposal		<b>849</b>	3
Less: Total value of assets disposed		<b>639</b>	19
Less: Total other costs of disposal		<b>11</b>	-
<b>Total Net Gain (Loss) from Disposal of Assets</b>		<b>199</b>	(16)
<b>16. Other Income</b>			
Capital contributions		<b>2 649</b>	13 099
Assets received for nil consideration	16.1	<b>2 046</b>	404
Prior period adjustments not assignable		-	51
Other		<b>2 307</b>	1 153
<b>Total Other Income</b>		<b>7 002</b>	14 707
<b>16.1 Assets Received for Nil Consideration</b>			
During the reporting period the Department received the following assets free of charge or for nominal consideration:			
Inventory		<b>2 046</b>	-
Other		-	404
<b>Total Assets Received for Nil Consideration</b>		<b>2 046</b>	404
<b>17. Revenues from SA Government</b>			
<b>17.1 Revenues from SA Government</b>			
Appropriations from Consolidated Account pursuant to the Appropriation Act:			
General appropriation		<b>1 687 458</b>	1 439 135
<b>Total SA Government Appropriations</b>		<b>1 687 458</b>	1 439 135
<b>17.2 Grants from SA Government Agencies</b>			
Community Development Fund		<b>6 600</b>	6 500
Department of Treasury and Finance - Contingency Funds		<b>20 689</b>	53 279
TVSP recoveries		-	466
Other		<b>3 436</b>	5 802
<b>Total Grants from SA Government Agencies</b>		<b>30 725</b>	66 047
<b>Total Revenue from SA Government</b>		<b>1 718 183</b>	1 505 182

**18. Unexpended Funding Commitments**

The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the program. As at 30 June 2007 the Department had outstanding funding commitments to the following programs:

	Note	2007 \$'000	2006 \$'000
Australian Immunisation Agreement		8 562	-
Australian Better Health Initiative		2 402	-
Quality Development Funding		2 146	1 200
Healthconnect Project		1 269	-
Public Health Outcome Funding Agreement		898	6 337
Police Drug Diversion		896	700
Strategic Health Research Program		530	-
Country Drought Funding		326	-
Infection Control (Surveillance)		209	209
Quality through Outcomes in Mental Health Care		200	-
Meningococcal C - State Delivery		-	488
Quality Outcomes (COPO) - Mental Health Funding		-	276
Rehab and Geriatric Evaluation Management (GEM)		-	190
Overseas Trained Specialist Upskilling Program		-	189
Program of Experience in the Palliative Approach (PEPA)		-	150
Other		3 508	666
<b>Total Unexpended Funding Commitments</b>		<b>20 946</b>	<b>10 405</b>

**19. Cash and Cash Equivalents**

Special Deposit Account with the Treasurer		13 582	55 502
Advance Account		80	771
<b>Total Cash and Cash Equivalents</b>		<b>13 662</b>	<b>56 273</b>

**20. Receivables**

Current:			
Debtors		12 280	19 131
Less: Provision for doubtful debts		1 054	1 362
Health service budget over-runs		9 368	11 481
Grants		1 999	-
Interstate patient transfers		32 064	19 247
Loans	20.1	1 561	7 430
Less: Provision for doubtful debts loans		-	6 016
Prepayments		7 180	8 712
Interest		192	1 175
Overpaid salaries		33	53
Sundry		45	122
GST receivable		4 646	-
<b>Total Current Receivables</b>		<b>68 314</b>	<b>59 973</b>

## Non-Current:

Health service budget over-runs		-	48 442
Less: Provision for doubtful debts health service budget over-runs		-	48 442
Loans	20.1	35 011	35 211
Prepayments		-	433
Sundry		20	21
<b>Total Non-Current Receivables</b>		<b>35 031</b>	<b>35 665</b>
<b>Total Receivables</b>		<b>103 345</b>	<b>95 638</b>

## Current and Non-current Receivables from SA Government Entities:

Debtors		10 084	15 112
Less: Provision for doubtful debts		89	1 004
Health service budget over-runs		9 368	59 923
Less: Provision for doubtful debts health service budget over-runs		-	48 442
Loans		36 572	42 641
Less: Provision for doubtful debts loans		-	6 016
Prepayments		-	6 000
Interest		192	1 175
<b>Total Receivable from Entities within SA Government</b>		<b>56 127</b>	<b>69 389</b>



<b>20.1 Reconciliation of Inter-Health Loans</b>	<b>2007</b>	2006
As at 30 June 2007 the Balance of Loans to Health Services and Related Movements is as follows:	<b>\$'000</b>	\$'000
Balance at 1 July	<b>42 641</b>	40 017
Add: Advances to health services	<b>1 300</b>	4 000
Capitalised interest charges	<b>539</b>	291
Transfers	<b>-</b>	742
<b>Total Repayable</b>	<b>44 480</b>	45 050
Less: Principal repayments received	<b>1 892</b>	2 399
Interest rebated	<b>-</b>	10
Loans written-off	<b>6 016</b>	-
<b>Balance at 30 June</b>	<b>36 572</b>	42 641

The Department to 30 June 2007 has financed the Health Services with loans amounting to \$8.2 million (\$13.4 million) from Department funds and \$28.4 million (\$29.2 million) from back to back loan arrangements with the Department of Treasury and Finance.

The movements and status of the back-to-back loan arrangements are as follows:

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Balance at 1 July	<b>29 226</b>	29 732
Add: Capitalised interest charges	<b>-</b>	45
<b>Total Repayable</b>	<b>29 226</b>	29 777
Less: Principal Repayments	<b>842</b>	551
<b>Balance at 30 June</b>	<b>28 384</b>	29 226

<b>21. Inventories</b>		
Drug supplies	<b>3 181</b>	2 180
<b>Total Inventories</b>	<b>3 181</b>	2 180

<b>22. Property, Plant and Equipment</b>		
Land and Buildings:		
Vacant land at fair value	<b>21 812</b>	22 422
Site land at fair value	<b>4 811</b>	5 051
Vacant buildings at fair value	<b>735</b>	735
Buildings and improvements at fair value	<b>3 523</b>	4 512
Less: Accumulated depreciation - Buildings and improvements at fair value	<b>149</b>	-
<b>Total Land and Buildings</b>	<b>30 732</b>	32 720

Leasehold Improvements:		
Leasehold improvements at cost (deemed fair value)	<b>3 363</b>	1 560
Less: Accumulated amortisation	<b>1 134</b>	1 298
<b>Total Leasehold Improvements</b>	<b>2 229</b>	262
<b>Total Property and Leasehold Improvements</b>	<b>32 961</b>	32 982

Plant and Equipment:		
Computing equipment at cost (deemed fair value)	<b>5 160</b>	3 720
Less: Accumulated depreciation - Computing equipment at cost	<b>2 949</b>	1 712
Other plant and equipment at cost (deemed fair value)	<b>613</b>	865
Less: Accumulated depreciation - Other plant and equipment	<b>226</b>	423
<b>Total Plant and Equipment</b>	<b>2 598</b>	2 450
<b>Total Property, Plant and Equipment</b>	<b>35 559</b>	35 432

<b>22.1 Capital Works in Progress</b>		
Buildings and improvements in progress at cost (deemed fair value)	<b>2 867</b>	4 214
<b>Total Capital Works in Progress</b>	<b>2 867</b>	4 214

#### Correction of Errors

An amount, totalling \$1.4 million relating to upgrading leasehold improvements was incorrectly expensed in 2005-06. At 30 June 2006, the balance in Works in Progress was understated by \$1.4 million. At 30 June 2007, the leasehold improvements were completed and the balance of leasehold improvements reflects the \$1.4 million. Comparative balances have been restated to reflect the correction.

*Reconciliation of Property and Leasehold Improvements*

The following table shows the movement of land, buildings and improvements, and leasehold improvements during 2006-07:

	Vacant Land \$'000	Site Land \$'000	Vacant Buildings \$'000	Buildings & Improvmts \$'000	Leasehold Imprvmts \$'000	<b>2007 Total Property &amp; Leasehold Imprvmts \$'000</b>
Carrying amount at 1 July	22 422	5 051	735	4 512	262	<b>32 982</b>
Purchases	-	-	-	-	44	<b>44</b>
Assets donated free of charge	-	-	-	-	(165)	<b>(165)</b>
Disposals	(610)	-	-	-	-	<b>(610)</b>
Revaluation Increment (Decrement)	-	-	-	-	-	<b>-</b>
Depreciation and amortisation	-	-	-	(161)	(34)	<b>(195)</b>
Acquisition (Disposal) through administrative restructure	-	(240)	-	(989)	-	<b>(1 229)</b>
Transfers from work in progress	-	-	-	12	2 122	<b>2 134</b>
<b>Carrying Amount at 30 June</b>	<b>21 812</b>	<b>4 811</b>	<b>735</b>	<b>3 374</b>	<b>2 229</b>	<b>32 961</b>

*Reconciliation of Plant and Equipment*

The following table shows the movement of plant and equipment during 2006-07:

	Computing Equipment \$'000	Other Plant and Equipment \$'000	<b>2007 Total Plant and Equipment \$'000</b>
Carrying amount at 1 July	2 041	559	<b>2 600</b>
Change of accounting policy	(33)	(117)	<b>(150)</b>
Revised carrying amount	2 008	442	<b>2 450</b>
Purchases	-	122	<b>122</b>
Assets donated free of charge	-	(15)	<b>(15)</b>
Depreciation and amortisation	(1 419)	(71)	<b>(1 490)</b>
Acquisition (Disposal) through administrative restructure	-	(46)	<b>(46)</b>
Acquisition (Disposal) from transfers from works in progress	1 622	-	<b>1 622</b>
Other movements	-	(45)	<b>(45)</b>
<b>Carrying Amount at 30 June</b>	<b>2 211</b>	<b>387</b>	<b>2 598</b>

<b>23. Payables</b>	<b>2007</b>	2006
Current:	<b>\$'000</b>	\$'000
Creditors	<b>10 090</b>	12 640
Health service workers compensation	<b>7 258</b>	7 887
Health service budget under-runs	<b>374</b>	865
GST payable	-	1 767
Grants	<b>1 808</b>	79
Interest	<b>192</b>	230
Employee benefit on-costs	<b>1 207</b>	1 020
<b>Total Current Payables</b>	<b>20 929</b>	24 488
Non-Current:		
Health service workers compensation	<b>18 991</b>	18 967
Grants	<b>204</b>	193
Employee benefit on-costs	<b>788</b>	918
<b>Total Non-Current Payables</b>	<b>19 983</b>	20 078
<b>Total Payables</b>	<b>40 912</b>	44 566
Payables to Entities within SA Government:		
Creditors	<b>9 805</b>	6 730
Health service workers compensation	<b>26 249</b>	26 854
Health service budget under-runs	<b>374</b>	865
Interest	<b>192</b>	230
Employee benefit on-costs	<b>1 995</b>	1 938
<b>Total Payables to Entities within SA Government</b>	<b>38 615</b>	36 617

**Interest Rate and Credit Risk**

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

<b>24. Employee Benefits</b>	<b>2007</b>	2006
Current:	<b>\$'000</b>	\$'000
Annual leave	<b>4 654</b>	3 920
Long service leave	<b>2 441</b>	1 918
Accrued salaries and wages	<b>1 072</b>	981
Other	<b>96</b>	(2)
<b>Total Current Employee Benefits</b>	<b>8 263</b>	6 817
Non-Current:		
Long service leave	<b>8 549</b>	9 819
<b>Total Non-Current Employee Benefits</b>	<b>8 549</b>	9 819
<b>Total Employee Benefits</b>	<b>16 812</b>	16 636

The total current and non-current employee benefit (ie aggregate employee benefit plus related on-costs) is \$9.5 million (\$7.8 million) and \$9.3 million (\$10.7 million) respectively.

<b>25. Borrowings</b>		
Current:		
Department of Treasury and Finance - Loans	<b>1 236</b>	842
<b>Total Current Borrowings</b>	<b>1 236</b>	842
Non-Current:		
Department of Treasury and Finance - Loans	<b>27 148</b>	28 384
<b>Total Non-Current Borrowings</b>	<b>27 148</b>	28 384
<b>Total Borrowings</b>	<b>28 384</b>	29 226
Repayable:		
Not later than one year	<b>1 236</b>	842
Later than one year but not later than five years	<b>6 064</b>	6 087
Later than five years	<b>21 084</b>	22 297
	<b>28 384</b>	29 226

<b>26. Provisions</b>			
Current:			
Insurance	26.1	<b>11 844</b>	12 558
Workers compensation	26.2	<b>429</b>	434
Other		<b>212</b>	212
<b>Total Current Provisions</b>		<b>12 485</b>	13 204
Non-Current:			
Insurance	26.1	<b>72 242</b>	79 441
Workers compensation	26.2	<b>1 037</b>	999
<b>Total Non-Current Provisions</b>		<b>73 279</b>	80 440
<b>Total Provisions</b>		<b>85 764</b>	93 644

**26.1 Reconciliation of Insurance**

The following table shows the movement of insurance during 2006-07:

	Medical Malpractice	Public Liability	Property	<b>2007 Total</b>
Carrying amount at 1 July	\$'000 88 970	\$'000 2 292	\$'000 737	<b>\$'000 91 999</b>
Increase to provision due to new claims	3 422	81	3 472	<b>6 975</b>
Reduction due to payments	(5 987)	(740)	(648)	<b>(7 375)</b>
Net revision of estimates	(6 245)	474	(1 742)	<b>(7 513)</b>
<b>Carrying Amount at 30 June</b>	<b>80 160</b>	<b>2 107</b>	<b>1 819</b>	<b>84 086</b>

The following table shows the movement of insurance during 2005-06:

	Medical Malpractice	Public Liability	Property	2006 Total
Carrying amount at 1 July	\$'000 89 528	\$'000 2 823	\$'000 1 354	\$'000 93 705
Increase to provision due to new claims	2 660	571	695	3 926
Reduction due to payments	(5 531)	(968)	(745)	(7 244)
Net revision of estimates	2 313	(134)	(567)	1 612
<b>Carrying Amount at 30 June</b>	<b>88 970</b>	<b>2 292</b>	<b>737</b>	<b>91 999</b>

<b>26.2 Reconciliation of Workers Compensation</b>	<b>2007</b>
The following table shows the movement of workers compensation during 2006-07:	<b>\$'000</b>
Carrying amount at 1 July	<b>1 433</b>
Increase to provision due to revision of estimates	<b>796</b>
Reduction due to payments	<b>(763)</b>
<b>Carrying Amount at 30 June</b>	<b>1 466</b>

<b>Reconciliation of Workers Compensation</b>	2006
The following table shows the movement of workers compensation during 2005-06:	\$'000
Carrying amount at 1 July	1 397
Increase to provision due to revision of estimates	615
Reduction due to payments	(579)
<b>Carrying Amount at 30 June</b>	<b>1 433</b>

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Wellbeing group within the Public Sector Workforce Division of the Department of the Premier and Cabinet. These claims are expected to be settled within the next financial year.

<b>27. Other Liabilities</b>	<b>2007</b>	2006
Current:	<b>\$'000</b>	\$'000
Unclaimed monies	<b>1 080</b>	1 012
Interstate patient transfers	<b>20 003</b>	9 077
Unearned revenue	<b>692</b>	566
Other	<b>91</b>	91
<b>Total Current Other Liabilities</b>	<b>21 866</b>	10 746
Non-Current:		
Unearned revenue	<b>362</b>	397
<b>Total Non-Current Other Liabilities</b>	<b>362</b>	397
<b>Total Other Liabilities</b>	<b>22 228</b>	11 143

<b>28. Equity</b>		
Contributed capital	<b>205 268</b>	177 749
Retained earnings	<b>(259 543)</b>	(198 528)
Asset revaluation reserve	<b>18 789</b>	19 301
<b>Total Equity</b>	<b>(35 486)</b>	(1 478)
<b>Contributed Capital</b>		
Balance at 1 July	<b>177 749</b>	119 719
Receipt of equity contribution from the Department of Treasury and Finance	<b>42 751</b>	58 030
Repayment of equity contribution to the Department of Treasury and Finance	<b>(15 232)</b>	-
<b>Balance at 30 June</b>	<b>205 268</b>	177 749

**29. Financial Instruments**  
**29.1 Terms, Conditions and Accounting Policies**

*Financial Assets*

Cash deposits are recognised at their nominal amounts and interest is credited to revenue as it accrues. Interest on cash held in the Special Deposit Account with the Treasurer does not accrue to the Department. Interest accruing on Other Cash on Hand is credited to revenue as it accrues.

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

Loans are recognised at the nominal amounts lent and collectability of amounts outstanding is reviewed at balance date. A provision is made for bad and doubtful loans where collection of the loan or part thereof is judged to be less likely rather than more likely. Interest is credited to revenue as it accrues. Principal is repaid in accordance with the repayment schedule. Interest rates are fixed and interest payments are due on the day of the scheduled agreed terms of payment.

*Financial Liabilities*

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

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

**29.2 Interest Rate Risk Exposure**

Trade receivables, prepayments and accrued revenues are non-interest bearing. The carrying amount of receivables approximates fair value due to being received on demand.

All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

**29.3 Foreign Exchange Risk**

In accordance with TI 23 the Department was required to enter into six forward exchange contracts through the SAFA, to cover the anticipated acquisition of hospital equipment in the 2005-06 and 2007-08 financial years. The objective of these hedging contracts is to manage the likelihood of any foreign currency exposures that could arise during the period between approval for the acquisition and payment for delivery. The Department is not exposed to any movements in foreign exchange.

**29.4 Credit Risk**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on the Department's financial assets excluding investments which have been recognised in the Balance Sheet, is the carrying amount, net of any provision for doubtful debts.

**30. Commitments****30.1 Capital Commitments**

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

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Not later than one year	<b>11 818</b>	6 256
Later than one year but not later than five years	-	7 517
Later than five years	-	-
<b>Total Capital Commitments (including GST)</b>	<b>11 818</b>	13 773

Included in Capital expenditure commitments above is \$1 million (\$1.3 million) which is the GST component of the Capital expenditure commitments.

**30.2 Other Commitments**

Capital expenditure contracted for by the Department on behalf of Health Units, at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Not later than one year	<b>56 757</b>	70 447
Later than one year but not later than five years	<b>83 465</b>	111 345
Later than five years	-	-
<b>Total Other Commitments (including GST)</b>	<b>140 222</b>	181 792

Included in the Other commitments above is \$12.7 million (\$16.5 million) which is the GST component of the Other commitments. The Department also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements. The value of these commitments as at 30 June 2007 has not been quantified.

**30.3 Operating Lease Commitments**

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Not later than one year	<b>5 904</b>	5 418
Later than one year but not later than five years	<b>11 886</b>	21 259
Later than five years	-	-
<b>Total Operating Lease Commitments (including GST)</b>	<b>17 790</b>	26 677

Included in the operating lease commitments above is \$1.6 million (\$2.6 million) which is the GST component of the operating lease payments.

The Department has a number of lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominately paid in advance. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee. Contingent rental payments are determined using a set rate. In most cases this is either CPI or current market rate.

**31. Net Revenues (Expenses) from Administrative Restructures**

The net revenues (expenses) relating to the restructure of administrative arrangements recognised in the Income Statement are the following:	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Country Health	<b>(28)</b>	-
Environmental Health	<b>(1 036)</b>	-
Department for Families and Communities	-	65
Drugs Policy and Programs	-	51
BreastScreen SA	-	44
	<b>(1 064)</b>	160

**Transfers from the Department during 2006-07**

Effective 1 July 2006, the assets and liabilities of the former Country Health Division within the Department, were transferred to the newly incorporated entity CHSA. Assets and liabilities of the former Environmental Health Division (EH) within the Department were also transferred to CHSA. Assets and liabilities transferred from the Department have been transferred at the value recorded by the Department.

In respect of the activities relinquished, the following assets and liabilities were transferred out of the Department in 2006-07:

	Country	EH	<b>2007</b>
	\$'000	\$'000	<b>Total</b>
			<b>\$'000</b>
Assets:			
Current assets	720	-	<b>720</b>
Non-current assets	35	1 240	<b>1 275</b>
<b>Total Assets</b>	<b>755</b>	<b>1 240</b>	<b>1 995</b>
Liabilities:			
Current liabilities	256	72	<b>328</b>
Non-current liabilities	471	132	<b>603</b>
<b>Total Liabilities</b>	<b>727</b>	<b>204</b>	<b>931</b>
<b>NET ASSETS</b>	<b>28</b>	<b>1 036</b>	<b>1 064</b>

**Transfers from the Department during 2005-06**

As at the 1 July 2005 the functions of BreastScreen SA were transferred to Central Northern Adelaide Health Service (CNAHS). The Drugs Policy and Programs unit was transferred to Southern Adelaide Health Service (SAHS). In addition some residual assets and liabilities were transferred to DFC.

In respect of the activities relinquished, the following assets and liabilities were transferred out of the Department in 2005-06:

	BreastScreen	SAHS	DFC	<b>2007</b>
	\$'000	\$'000	\$'000	<b>Total</b>
				<b>\$'000</b>
Assets:				
Current assets	-	-	220	<b>220</b>
Non-current assets	703	11	-	<b>714</b>
<b>Total Assets</b>	<b>703</b>	<b>11</b>	<b>220</b>	<b>934</b>
Liabilities:				
Current liabilities	367	27	285	<b>679</b>
Non-current liabilities	380	35	-	<b>415</b>
<b>Total Liabilities</b>	<b>747</b>	<b>62</b>	<b>285</b>	<b>1 094</b>
<b>NET ASSETS</b>	<b>(44)</b>	<b>(51)</b>	<b>(65)</b>	<b>(160)</b>

**32. Remuneration of Committee Members**

Members that were entitled to receive remuneration for membership during the 2006-07 financial year were:

**Gay and Lesbian Health Ministerial Advisory Council**

Jane Edwards  
Mark Fuller  
Josephine Harrison  
Lindsay Osborn  
Ian Purcell  
Jennifer Scott  
Georgie Swift  
Jane Thompson  
Sally Gibson

**Public and Environmental Health Council**

Kevin Buckett  
John Coombe  
Robert Dunstone  
Nancy Cromar  
Michaela Hobby  
John Cugley  
Felicity-ann Lewis  
David Blaikie  
Michael Livori

**SA Council on Reproductive Technology**

Sheryl deLacey  
Terence Donald  
Martyn Evans  
Geraldine Hannon (D'Assumpcao)  
Oswald Petrucco  
Cate Howell  
Catherine Jeffries  
Gregory Pike  
Susan Priest  
Robert Polinitz  
Bernadette Richards  
Jodie Semmler  
Anusha Visvanathan  
Peter Woolcock  
Christine Kirby  
Robert Norman  
Ann Braendler  
Russell Shute  
Andrew Dutney

**32. Remuneration of Committee Members (continued)  
Reproductive Technology Eligibility Review**

**Panel**

Sheryl deLacey  
Diana Dibden  
Karen Fitzgerald  
Alan Jenkins  
Robert Polinitz

**DH Risk Management and Audit Committee**

Robyn Pak-Poy  
Jane Yuile  
Dr Tony Sherbon  
Dr Chris Baggoley  
Carlo D'Ortenzio  
David Johnston  
Geoff Tattersall  
John O'Connor  
Kym Piper  
Jenny Richter  
Dr Richenda Webb  
David Swan

**Health Ministers Advisory Council Secretariat**

No members paid

**Controlled Substances Advisory Council**

Robert Ali  
Penelope Briscoe  
William Dollman  
Denis Edmonds  
Judy C Gillett-Ferguson  
Julia Nichols  
Christopher Reynolds  
Lloyd Sansom  
Caroline Ward  
Geoffrey Anderson  
Elena Anear  
Carolyn Lewis  
Wendy Scheil  
Tim Semple  
Merrilyn Smith  
Wendy Wickes

**Advanced Directives Review Departmental Committee**

Margaret Brown  
Lloyd Evans  
Martyn Evans  
John Harley  
Roger Hunt  
Deb Muller  
April Lawry-Smith  
Karla McCulloch  
Graham Nerlich  
Marion Seal  
Judith Worrall

**Rural Health Advisory Council**

Committee did not meet in 2006-07

**Clinical Senate**

Acting Professor Karen Grimmer  
Professor Guy Ludbrook  
Dr Phil Aylward  
Acting Professor Brenda Wilson  
Acting Professor Norman James  
Dr Chris Cain  
Acting Professor Graeme Russ  
Professor Jeffrey Robinson  
Elaine Ashworth  
Professor Paddy Phillips  
Dr Peter Joyner  
Dr Cathy Sanders  
Professor Justin Beilby  
Elizabeth Birchmore  
Judy Smith  
Christine Holliday  
Cate Curry  
Dr Lesley Long  
Marisa Barbarioli  
Deborah Law  
Dr Ruth Marshall  
Professor Guy Maddern  
Rob Padbury  
Dr Sharon Liberali  
Debra Walker  
Dr Lucie Walters  
Dr Denes Marantos  
Michael Rice

**South Australian Safety and Quality Council**

Dr David Ben-Tovim  
Professor Ross Kalucy  
Professor Villis Marshall  
Hans J Ohff  
Susan O'Neill  
Dr Rob Padbury  
Debra Petrys  
Kaye Roberts-Thomson  
Phil Robinson  
Dr David Rosenthal  
Ann Smith  
Rachel Strauss  
Stephen Walker  
Barbara Wieland

**SA Safety and Quality Consumer and Community Council**

Carolyn Donaghey-Harris  
Juli Ferguson  
Carolyn Gray  
Ashleigh Moore  
Jeannette Mossop  
Stephanie Newell  
Debra Petrys  
Ann Smith  
Jill Wishart

**Human Research Ethics Committee**

No members paid

Total income received, or due and receivable, by members was \$78 000.

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

\$0 - \$9 999  
\$10 000 - \$19 999  
\$20 000 - \$29 999

**Total Number of Members**

<b>Number of Members</b>
<b>2007</b>
<b>130</b>
<b>1</b>
<b>1</b>
<b>132</b>

In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board, committee or forum duties during the financial year.

**32. Remuneration of Committee Members (continued)**

Benefits given by the Department to superannuation funds or otherwise in connection with the retirement of members were \$1000.

During the financial year, no loans were made to members. At the reporting date, no outstanding loans exist with members.

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

**33. Contingent Assets and Liabilities**

The Department does not have any contingent assets or liabilities.

**34. Cash Flow Reconciliations**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Reconciliation of Cash - At 30 June as per:		
Cash Flow Statement	<b>13 662</b>	56 273
Balance Sheet	<b>13 662</b>	56 273

**Reconciliation of Net Cash used in Operating Activities to Net Cost of Providing Services**

Net cash used in operating activities	<b>(67 437)</b>	(24 920)
South Australian Government Appropriations	<b>(1 687 458)</b>	(1 439 135)
Grants from South Australian Government agencies	<b>(30 725)</b>	(66 047)
Outflow in Cash before Appropriations	<b>(1 785 620)</b>	(1 530 102)
<i>Add/Less: Non-Cash Items:</i>		
Depreciation and amortisation	<b>(1 685)</b>	(1 351)
Assets received for nil consideration	<b>2 046</b>	404
Bad and doubtful debts	<b>141</b>	(3 858)
Asset donated free of charge	<b>(181)</b>	(87)
Prior period adjustment unassignable	<b>-</b>	30
Gain on sale of assets	<b>199</b>	(16)
Capitalised interest on borrowings	<b>-</b>	(45)
Capitalised interest on loans	<b>539</b>	291
<i>Changes in Assets and Liabilities:</i>		
Increase (Decrease) in receivables	<b>7 619</b>	5 176
Increase (Decrease) in inventories	<b>(1 045)</b>	(195)
Decrease (Increase) in payables	<b>3 554</b>	(1 018)
Decrease (Increase) in employee benefits	<b>(1 008)</b>	181
Decrease (Increase) in other liabilities	<b>(11 085)</b>	(8 347)
Decrease (Increase) in provisions	<b>7 880</b>	1 663
<b>Net Cost of Providing Services</b>	<b>(1 778 646)</b>	(1 537 274)

**35. Events After Balance Date**

There are not any material after balance day events.

**36. Schedules of Administered Funds**

The following Income, Expenditures, Assets and Liabilities were administered but not controlled by the Department and have not been included in the financial statements. In accordance with the Department of Treasury and Finance Model Financial Statements, these items are regarded as insignificant to the Department's overall performance and are disclosed in the following schedules.

**Schedule of Administered Income and Expenses for the year ended 30 June 2007**

	HCDSMC	Minister's Salary	<b>2007 Total</b>
	\$'000	\$'000	\$'000
<b>Administered Expenses:</b>			
Employee benefits	403	227	<b>630</b>
Supplies and services	286	-	<b>286</b>
Grants, subsidies and client payments	11 837	-	<b>11 837</b>
Depreciation and amortisation	4	-	<b>4</b>
<b>Total Administered Expenses</b>	<b>12 530</b>	<b>227</b>	<b>12 757</b>
<b>Administered Income:</b>			
Revenues from SA Government	1 170	227	<b>1 397</b>
Grants and contributions	5 917	-	<b>5 917</b>
User charges and fees	9 333	-	<b>9 333</b>
Interest	835	-	<b>835</b>
<b>Total Administered Income</b>	<b>17 255</b>	<b>227</b>	<b>17 482</b>
<b>Administered Income Less Expenses</b>	<b>4 725</b>	<b>-</b>	<b>4 725</b>



**Schedule of Administered Income and Expenses for the year ended 30 June 2007 (continued)**

	2006				2006
	Beyond Blue \$'000	SA Ambulance Service \$'000	HCDSMC \$'000	Minister's Salary \$'000	Total \$'000
<b>Administered Expenses:</b>					
Employee benefits	-	-	350	215	565
Supplies and services	-	-	333	-	333
Grants, subsidies and client payments	-	50 475	26 110	-	76 585
Depreciation and amortisation	-	-	3	-	3
<b>Total Administered Expenses</b>	-	50 475	26 796	215	77 486
<b>Administered Income:</b>					
Revenues from SA Government	278	46 075	1 245	-	47 598
Commonwealth grants	-	-	7 209	-	7 209
Grants and contributions	-	4 400	-	213	4 613
User charges and fees	-	-	10 386	-	10 386
Interest	-	-	1 146	-	1 146
Other revenues	-	-	49	-	49
<b>Total Administered Income</b>	278	50 475	20 035	213	71 001
<b>Administered Income Less Expenses</b>	278	-	(6 761)	(2)	(6 485)

**Schedule of Administered Assets and Liabilities for the year ended 30 June 2007**

	HCDSMC \$'000	Minister's Salary \$'000	2007 Total \$'000
<b>Administered Current Assets:</b>			
Cash	13 932	-	13 932
Receivables	-	19	19
<b>Total Administered Current Assets</b>	13 932	19	13 951
<b>Administered Non-Current Assets:</b>			
Plant and equipment	12	-	12
<b>Total Administered Non-Current Assets</b>	12	-	12
<b>Total Administered Assets</b>	13 944	19	13 963
<b>Administered Current Liabilities:</b>			
Payables	538	-	538
Borrowings	-	19	19
Employee benefits	170	9	179
Other current provisions	15	-	15
<b>Total Administered Current Liabilities</b>	723	28	751
<b>Administered Non-Current Liabilities:</b>			
Payables	-	-	-
<b>Total Administered Non-Current Liabilities</b>	-	-	-
<b>Total Administered Liabilities</b>	723	28	751
<b>NET ADMINISTERED ASSETS</b>	13 221	(9)	13 212

	Beyond Blue \$'000	SA Ambulance Service \$'000	HCDSMC \$'000	Minister's Salary \$'000	2006 Total \$'000
<b>Administered Current Assets:</b>					
Cash	-	-	8 856	-	8 856
Receivables	-	-	-	18	18
<b>Total Administered Current Assets</b>	-	-	8 856	18	8 874
<b>Administered Non-Current Assets:</b>					
Plant and equipment	-	-	15	-	15
<b>Total Administered Non-Current Assets</b>	-	-	15	-	15
<b>Total Administered Assets</b>	-	-	8 871	18	8 889
<b>Administered Current Liabilities:</b>					
Payables	-	-	222	-	222
Borrowings	-	-	-	18	18
Employee benefits	-	-	53	9	62
Other provisions	-	-	-	-	-
<b>Total Administered Current Liabilities</b>	-	-	275	27	302
<b>Administered Non-Current Liabilities:</b>					
Employee benefits	-	-	100	-	100
<b>Total Administered Non-Current Liabilities</b>	-	-	100	-	100
<b>Total Administered Liabilities</b>	-	-	375	27	402
<b>NET ADMINISTERED ASSETS</b>	-	-	8 496	(9)	8 487

**Schedule of Administered Changes in Equity for the year ended 30 June 2007**

	HCDSMC \$'000	Minister's Salary \$'000	2007 Total \$'000
Balance at 1 July	8 496	(9)	8 487
Net operating result/deficit	4 725	-	4 725
<b>Total Recognised Income and Expense for the Period</b>	4 725	-	4 725
<b>Balance at 30 June</b>	13 221	(9)	13 212

**Schedule of Administered Changes in Equity for the year ended 30 June 2007 (continued)**

	Beyond Blue \$'000	HCDSMC \$'000	Minister's Salary \$'000	2006 Total \$'000
Balance at 1 July	(278)	15 257	(7)	14 972
Net operating result/deficit	278	(6 761)	(2)	(6 485)
<b>Total Recognised Income and Expense for the Period</b>	278	(6 761)	(2)	(6 485)
<b>Balance at 30 June</b>	-	8 496	(9)	8 487

**Schedule of Administered Cash Flows for the year ended 30 June 2007**

	HCDSMC Inflows (Outflows) \$'000	Minister's Salary Inflows (Outflows) \$'000	<b>2007 Total Inflows (Outflows) \$'000</b>
<b>Cash Flows from Operating Activities:</b>			
<b>Cash Inflows:</b>			
Receipts from Government	7 067	226	<b>7 293</b>
Interest revenue	835	-	<b>835</b>
Other revenue	9 412	-	<b>9 412</b>
<b>Total Cash Inflows</b>	<b>17 314</b>	<b>226</b>	<b>17 540</b>
<b>Cash Outflows:</b>			
Employee payments	366	227	<b>593</b>
Grants and subsidies	11 321	-	<b>11 321</b>
Goods and services	550	-	<b>550</b>
Other	1	-	<b>1</b>
<b>Total Cash Outflows</b>	<b>12 238</b>	<b>227</b>	<b>12 465</b>
<b>Net Cash Inflows (Outflows) from Operating Activities</b>	<b>5 076</b>	<b>(1)</b>	<b>5 075</b>
<b>Cash Flows from Financing Activities:</b>			
<b>Cash Inflows:</b>			
Cash overdraft	-	1	<b>1</b>
<b>Total Cash Inflows</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>Net Cash Inflows (Outflows) from Financing Activities</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>Net Increase in Cash Held</b>	<b>5 076</b>	<b>-</b>	<b>5 076</b>
Cash at 1 July	8 856	-	<b>8 856</b>
<b>Cash at 30 June</b>	<b>13 932</b>	<b>-</b>	<b>13 932</b>

	Beyond Blue Inflows (Outflows) \$'000	SA Ambulance Service Inflows (Outflows) \$'000	HCDSMC Inflows (Outflows) \$'000	Minister's Salary Inflows (Outflows) \$'000	2006 Total Inflows (Outflows) \$'000
<b>Cash Flows from Operating Activities:</b>					
<b>Cash Inflows:</b>					
Receipts from SA Government	278	50 475	1 245	400	52 398
Grants and contributions	-	-	7 209	-	7 209
Interest revenue	-	-	1 146	-	1 146
Other revenue	-	-	10 435	-	10 435
<b>Total Cash Inflows</b>	<b>278</b>	<b>50 475</b>	<b>20 035</b>	<b>400</b>	<b>71 188</b>
<b>Cash Outflows:</b>					
Employee payments	-	-	338	213	551
Grants and subsidies	-	50 475	32 594	-	83 069
Goods and services	-	-	326	-	326
<b>Total Cash Outflows</b>	<b>-</b>	<b>50 475</b>	<b>33 258</b>	<b>213</b>	<b>83 946</b>
<b>Net Cash Inflows (Outflows) from Operating Activities</b>	<b>278</b>	<b>-</b>	<b>(13 223)</b>	<b>187</b>	<b>(12 758)</b>
<b>Cash Flows from Financing Activities:</b>					
<b>Cash Inflows</b>					
Cash Overdraft	(278)	-	-	(187)	(465)
<b>Total Cash Inflows</b>	<b>(278)</b>	<b>-</b>	<b>-</b>	<b>(187)</b>	<b>(465)</b>
<b>Net Cash Inflows (Outflows) from Investing and Financing Activities</b>	<b>(278)</b>	<b>-</b>	<b>-</b>	<b>(187)</b>	<b>(465)</b>
<b>Net Increase (Decrease) in Cash Held</b>	<b>-</b>	<b>-</b>	<b>(13 223)</b>	<b>-</b>	<b>(13 223)</b>
Cash at 1 July	-	-	22 079	-	22 079
<b>Cash at 30 June</b>	<b>-</b>	<b>-</b>	<b>8 856</b>	<b>-</b>	<b>8 856</b>

*Administered Expenses and Administered Cash Outflows*

The Department makes various transfer payments to eligible beneficiaries in the capacity of an agent responsible for the administration of the transfer process. Amounts relating to these transfer payments are not controlled by the Department, since they are made at the discretion of Government in accordance with Government policy. These transfers are disclosed as administered expenses and administered cash outflows.

*Administered Income and Administered Cash Inflows*

The Department collects various revenues and Grants on behalf of Government. The amounts are not controlled by the Department and are not recognised by the Department. These amounts are disclosed as administered revenues and administered cash inflows.

*Administered Contingent Assets and Liabilities*

The Department has no administered contingent assets and liabilities

**COMMENTARY ON HEALTH SERVICES ACTIVITIES****Health Sector Staffing Statistics**

In past years the Department has provided Audit with details of staffing levels as at 30 June in the health sector. This information was sourced from the Department's Monthly Management Summary System and was not audited.

In 2006-07, the Department made a decision to source workforce data from its Human Resources Data Warehouse to ensure consistency with the data provided to the Department of Treasury and Finance. In providing Audit with the workforce data for 2006-07, the Department also provided comparable data for the previous two years. As a result workforce data relating to prior years will differ from that published in previous Auditor-General's Reports. It is important to note that this data is unaudited.

The following table details the staffing levels, as at 30 June, in the health sector, excluding staff of the Department and South Australian Ambulance Service, over the past three years.

<b>Health Sector FTE Mix (unaudited)</b>			
	<b>2007</b>	2006	2005
Staff Categories:	<b>Number</b>	Number	Number
Nurses	<b>10 066</b>	9 617	9 100
Medical Staff	<b>2 149</b>	1 955	1 808
Scientific and Technical	<b>1 174</b>	1 044	1 020
Administrative and Clerical	<b>5 050</b>	4 889	4 475
Allied Health, Hotel, and other staff	<b>6 661</b>	6 818	6 465
<b>Total Staff</b>	<b>25 100</b>	24 323	22 868
<b>Increase</b>	<b>777</b>	1 455	n/a
<b>Percentage Increase</b>	<b>3</b>	6	n/a

**Department Staffing Statistics**

The following table details the staffing levels, as at 30 June, of the Department over the past three years.

<b>Department of Health FTE (unaudited)</b>			
	<b>2007</b>	2006	2005
	<b>Number</b>	Number	Number
<b>Total Staff</b>	<b>759</b>	786	813

**South Australian Ambulance Service Staffing Statistics**

The following table details the staffing levels, as at 30 June, of the South Australian Ambulance Service over the past three years.

<b>South Australian Ambulance Service FTE (unaudited)</b>			
	<b>2007</b>	2006	2005
	<b>Number</b>	Number	Number
<b>Total Staff</b>	<b>983</b>	958	861

**Hospital Activity Statistics**

The tables below indicate the trends over past years in respect of inpatient activity (unweighted), length of hospital stay, and casualty and outpatient activity (unweighted). The data in the tables below has been sourced from the reporting systems of the Department and has not been audited.

**Inpatient Activity (unaudited)**

	<b>2007</b>	2006	2005
	<b>Number</b>	Number	Number
Metropolitan Hospitals:			
Overnight stay	<b>145 827</b>	140 646	137 187
Same day	<b>154 615</b>	146 517	135 489
<b>Total</b>	<b>300 442</b>	287 163	272 676
Country Hospitals:			
Overnight stay	<b>52 530</b>	52 996	52 475
Same day	<b>37 646</b>	37 438	37 272
<b>Total</b>	<b>90 176</b>	90 434	89 747

**Average Length of Overnight Hospital Stay (unaudited)**

	<b>2007</b>	2006	2005
	<b>Days</b>	Days	Days
Metropolitan Hospitals	<b>7.2</b>	7.4	7.2
Country Hospitals	<b>6.7</b>	6.5	6.6

**Outpatient Activity (unaudited)**

	<b>2007</b>	2006	2005
	<b>Number</b>	Number	Number
Metropolitan Hospitals:			
Emergency Department attendances	<b>348 075</b>	328 878	310 661
Outpatient occasions of service	<b>1 389 103</b>	1 381 238	1 367 117
Country Hospitals:			
Emergency Department attendances	<b>170 976</b>	167 275	163 066
Outpatient occasions of service	<b>126 673</b>	148 245	144 233

**Audit Mandate and Coverage - Health Services**

Sections 34 and 55 of the *South Australian Health Commission Act 1976* require incorporated hospitals and health centres to maintain proper accounts of their respective financial affairs and require those accounts to be audited in respect of each financial year. The accounts of the metropolitan regions and Country Health South Australia are subject to audit by the Auditor-General. Other hospitals and health centres are audited by auditors approved by the Auditor-General.

In general, the audit of Health Services would include coverage of the following areas:

- patient billing and receipts
- cash holdings
- salaries and wages
- trade accounts
- general ledger
- inventory
- pharmacy
- asset register
- building services
- non-Commission funds
- specific purpose funds
- financial statements

Issues arising from the reviews are referred to Health Service management for consideration and comment regarding action proposed or taken.

In respect of the audit verification of financial statements of Health Services, audits are generally in progress, at the time of finalising this Report to Parliament.

# HOMESTART FINANCE

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

HomeStart Finance (HomeStart) is a Statutory Corporation established by regulation pursuant to the *Housing and Urban Development (Administrative Arrangements) Act 1995*. It has a board of management appointed by the Minister for Housing and is subject to the control and direction of the Minister.

### Functions

HomeStart’s functions include the:

- lending of monies or provision of other financial assistance to facilitate home ownership to persons of low to moderate income;
- provision, marketing and management of home finance products;
- provision, management or facilitation of finance for housing schemes or housing associations and of mortgage relief schemes within South Australia;
- provision, management or facilitation of finance for the development, ownership or operation of aged care residential accommodation or facilities.

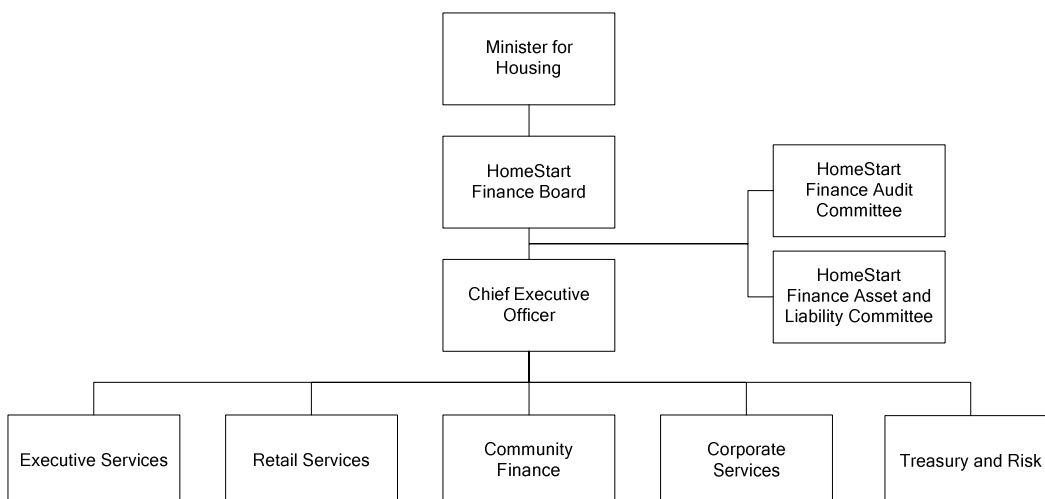
In meeting these functional responsibilities, HomeStart’s activities includes the following:

- The management of existing loans and advance of new loans which form part of the ongoing HomeStart program.
- Advantage loans to increase the borrowing capacity of applicants on very low income levels. The loan is interest free if repaid within five years.
- EquityStart loans (introduced April 2005) to increase the borrowing capacity of current tenants of properties owned by the South Australian Housing Trust, the South Australian Aboriginal Housing Authority and the South Australian Community Housing Authority. The loan incurs interest at a subsidised rate.

HomeStart is required by regulation to conduct its business in accordance with established principles of financial management. It is also required to coordinate its activities with those of other public sector agencies and to ensure its activities are consistent with the planning of a desirable physical and social environment and with the enhancement of the Government’s physical and social development objectives.

### Structure

HomeStart’s structure is illustrated in the following organisation chart.



## **AUDIT MANDATE AND COVERAGE**

### **Audit Authority**

#### ***Audit of the Financial Report***

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of HomeStart for each financial year.

#### ***Assessment of Controls***

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

### **Scope of Audit**

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

During 2006-07, specific areas of audit attention included:

- lending activities including loan approvals, monitoring of arrears and loss write-off procedures
- raising and receipting of loan repayments
- loan loss provisioning
- completeness and accuracy of the Loan Management System including IT controls
- funding including treasury risk management and accruals
- other expenditure.

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

- new lending compliance
- arrears management compliance
- information technology environment.

## **AUDIT FINDINGS AND COMMENTS**

### **Auditor's Report on the Financial Report**

In my opinion, the financial report presents fairly, in all material respects, the financial position of HomeStart Finance as at 30 June 2007, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

#### **Assessment of Controls**

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

### **Communication of Audit Matters**

Certain minor control matters were raised with HomeStart after the financial statement audit.

**INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT****Highlights of the Financial Report**

	<b>2007</b>	2006	Percentage
	<b>\$'million</b>	\$'million	Change
Interest income	<b>89.9</b>	77.1	17
Interest expense	<b>66.0</b>	55.3	19
<b>Net Interest Income</b>	<b>23.9</b>	21.8	10
Other income	<b>15.1</b>	12.3	23
Other expenses	<b>(27.1)</b>	(27.0)	0
<b>Profit before income tax equivalents expense</b>	<b>11.9</b>	7.1	68
Income tax equivalent expense	<b>(3.6)</b>	(2.1)	71
<b>Profit after income tax equivalents expense</b>	<b>8.3</b>	5.0	66

**ASSETS**

Loans and advances	<b>1 199.9</b>	1 167.2	3
Other assets	<b>55.0</b>	44.6	23
<b>Total Assets</b>	<b>1 254.9</b>	1 211.8	4

**LIABILITIES**

Borrowings	<b>1 094.9</b>	1 058.4	3
Other liabilities	<b>10.4</b>	8.5	22
<b>Total Liabilities</b>	<b>1 105.3</b>	1 066.9	4

**EQUITY**

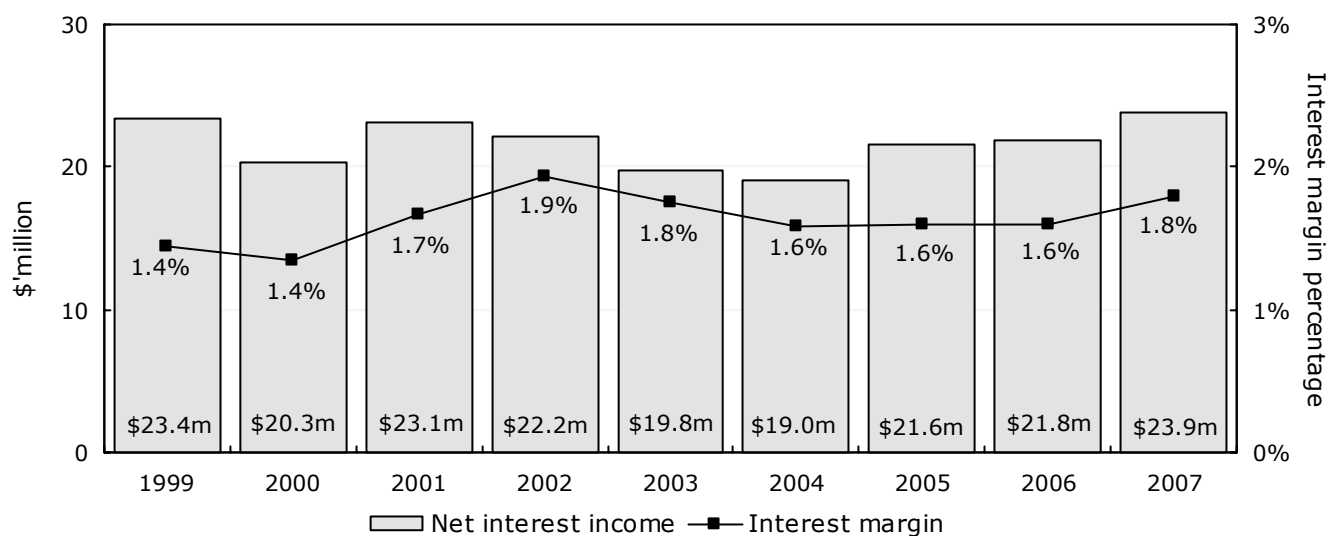
	<b>149.6</b>	144.9	3
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**Income Statement****Profit for the Year**

Profit after income tax equivalents increased to \$8.3 million from \$5 million in 2005-06. Primary factors contributing to this increase are outlined hereunder.

**Net Interest Income**

Net interest income increased to \$23.9 million (\$21.8 million). The interest rate margin between loans and cost of funds increased to 1.8 percent as demonstrated in the following chart.

**Net Interest Income and Interest Margin**



### Other Income

Other income increased by \$2.8 million to \$15.1 million. The increase resulted mainly from higher returns from investments comprising:

- \$855 000 increase in managed funds distributions;
- \$863 000 increase in realised gains in the market value of Investments;
- \$515 000 decrease in interest income from Investments.

In addition, there was a \$547 000 increase in loan origination revenue amortisation.

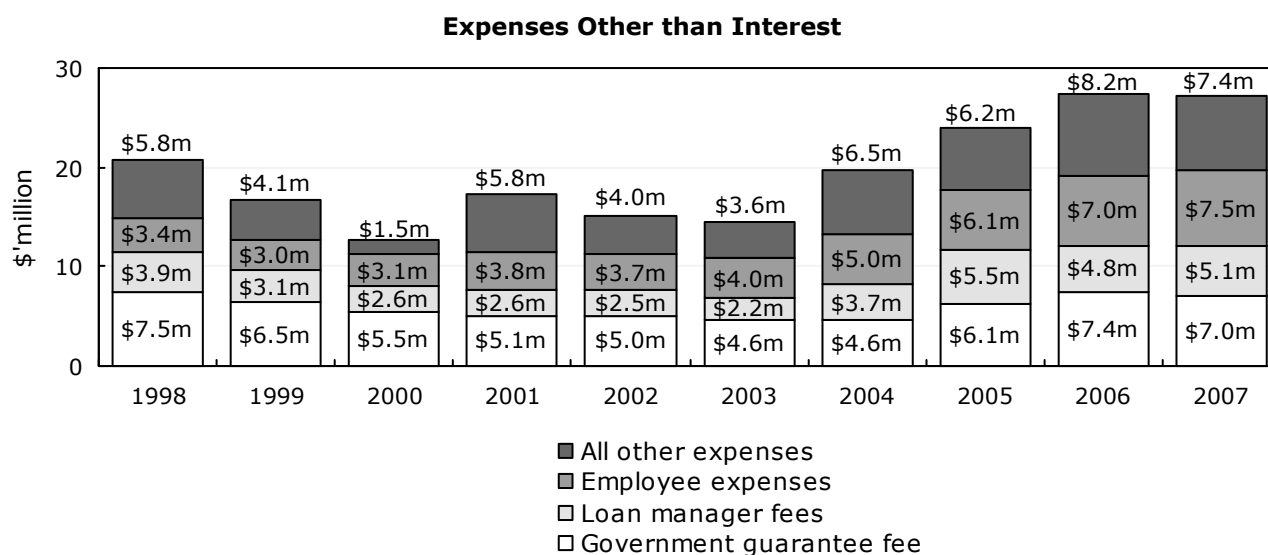
Note 8 provides details of Other Income and Note 19 details Investments.

### Expenses Other than Interest

Expenses other than interest increased by \$100 000 to \$27.1 million. The increase resulted mainly from a:

- \$545 000 increase in Employee expenses (refer Note 12);
- \$359 000 increase in Loan manager fees;
- \$597 000 decrease in Bad and Impaired Loans expense (refer below);
- \$397 000 decrease in Government guarantee fee (refer Note 11).

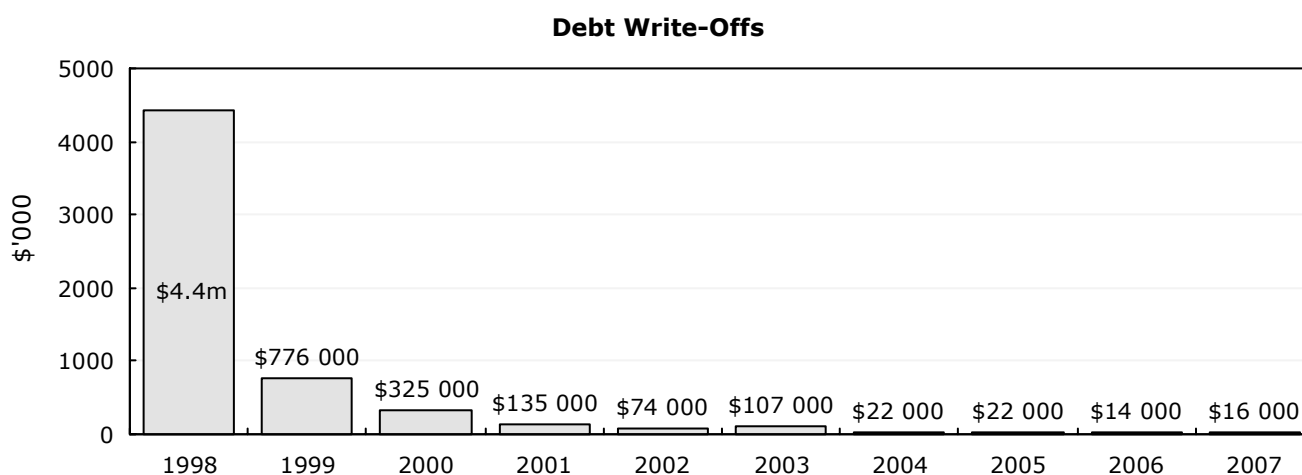
The movement in Expenses other than interest is demonstrated in the following chart.



### Bad and Impaired Loans Expense

The Bad and impaired loans expense for the year was \$1.8 million, a decrease of \$597 000 over the previous year. The decrease reflects the movement in the level of impairment provisions over the year (refer Note 10).

While HomeStart has maintained the level of provisioning, actual debt write offs have been at low levels for a number of years due to positive economic conditions, particularly the strong property market. The low level of write-offs can be seen in the following chart.

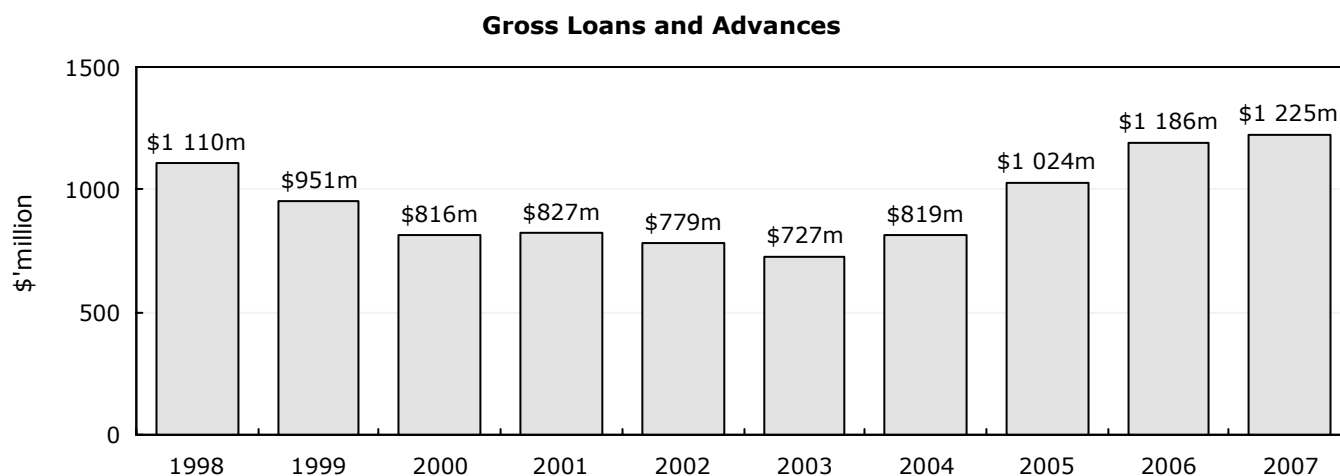


## Balance Sheet

### Loans and Advances

Gross loans and advances increased by \$39 million (up \$162 million in 2005-06) to \$1225 million.

The extent of the increase in lending is demonstrated in the following chart.



The increase in lending reflects a range of factors including the:

- approval of the State Government for HomeStart to grow its asset base;
- market acceptance of new products during the year;
- increase in the average value of loans settled.

In 2006-07 HomeStart introduced the Breakthrough Loan facility. While only small as at 30 June 2007, the facility is different from other products in that it includes two loan components:

- A standard loan component with standard interest rates and repayments. This portion of the Breakthrough Loan is recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses.
- A shared appreciation component where repayment of the loan balance is generally deferred until sale of the property upon which time the loan balance is repaid along with a scheduled percentage of the appreciated value of the property. The shared appreciation component is measured on the value of the property pledged as collateral. Gains or losses arising from changes in fair value are recognised in the Income Statement in the period in which they arise. The value of this component was \$1.6 million at 30 June 2007.

### Asset Quality - Credit Risk

Note 30.3 sets out HomeStart's credit risk exposures. For loans and receivables, it states:

*The credit risk on financial assets has been recognised in the Balance Sheet as the carrying amount, net of any provisions for impairment. HomeStart manages its credit risk through compliance with credit policies and procedures. It also has registered mortgages over the security properties.*

*HomeStart is not materially exposed to any individual borrower. HomeStart only lends in South Australia and is therefore only exposed to the property market in this State.*

The nature of HomeStart's business is such that it carries a high inherent risk in its loan portfolio. Some of the elements that create this risk are:

- HomeStart's customers have lower incomes and on average, they borrow a greater percentage of the value of their home.
- HomeStart's lending has a high concentration in regional South Australia.
- HomeStart does not require its customers to take out mortgage insurance, due to the very high cost, such that HomeStart effectively self insures losses incurred.

In these circumstances, it is critical that HomeStart make adequate allowance (provide) where there is doubt about the recoverability of loans and that HomeStart retain adequate capital in the event of significant losses arising from loan defaults.

### Provisions for Impairment

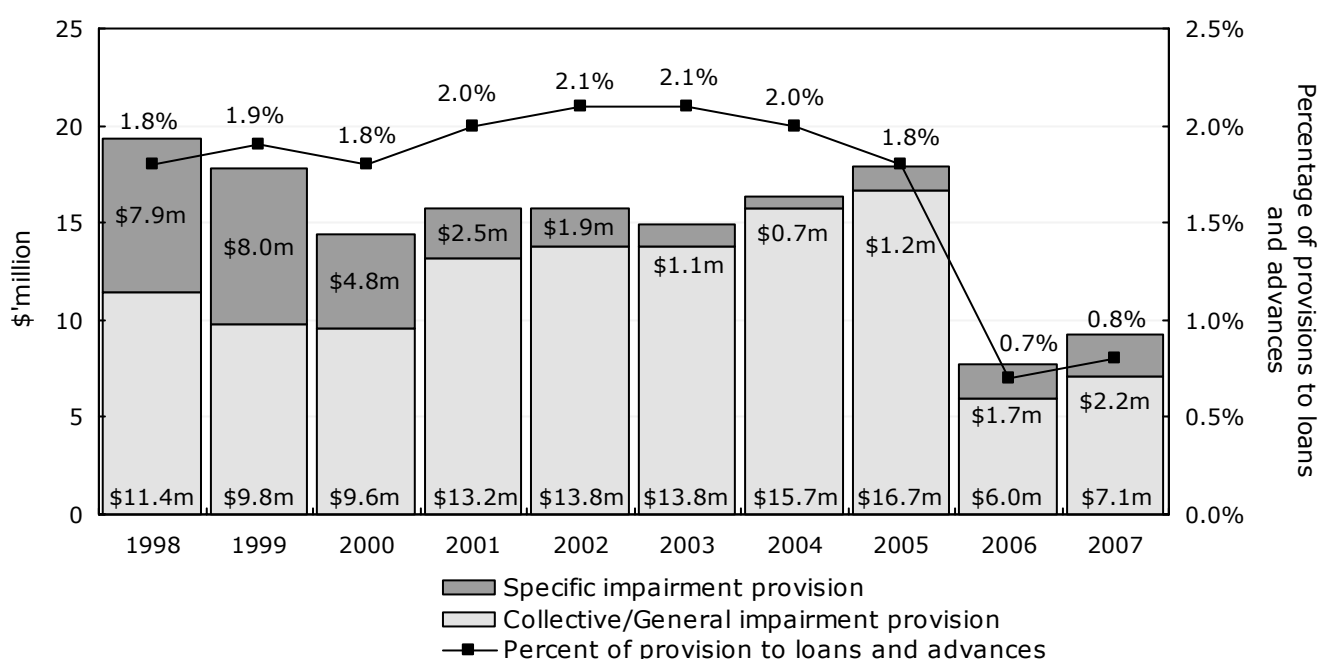
HomeStart assesses at each Balance Sheet date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Balance Sheet date (a 'loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

The total provision for impairment comprises two components being the specific and collective provisions.

- The specific provision (loans and advances are individually assessed for impairment) was \$2.2 million at 30 June 2007, up from \$1.7 million in 2005-06.
- The collective provision arises where HomeStart determines that no objective evidence of impairment exists for an individually assessed financial asset. Assets are included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. At 30 June 2007 the collective provision was \$7.1 million, up from \$6 million in 2005-06.

During 2006-07, HomeStart revised the method of calculating the collective loss provision. Note 3 sets out the details of the restatement of this item for the prior year. The audit of this revision was satisfactory as reflected in the unqualified Auditor's Report on the Financial Report.

The total provisions for impairment have increased by \$1.6 million to \$9.3 million compared to the previous total provision for impairment. The following chart shows the level of the total provisions and their composition over the past 10 years and highlights the effect of the change in accounting standards to AIFRS effective from 2006. Note the chart does not include the general reserve for credit losses in 2006 and 2007.



### General Reserve for Credit Losses

As stated in Note 29, the general reserve for credit losses is used to set aside retained earnings the equivalent of the loans impairment provision determined under former AGAAP in excess of the specific and collective provisions determined under AASB 139.

The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority (APRA) prudential risk management requirement of retaining sufficient retained earnings for capital adequacy purposes.

The balance of the reserve at 30 June 2007 was \$10.5 million.

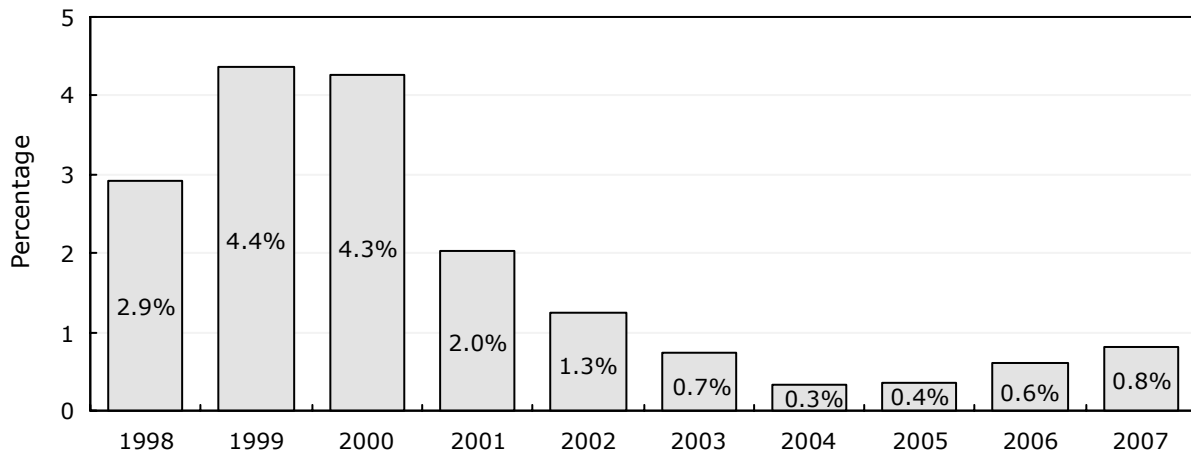
**Asset Quality – Non-Accrual Loans**

Non-accrual loans reflect balances where management have assessed that loan recovery is impaired.

Interest and charges are not taken to profit for such loans and they are written down to estimated realisable values through the specific provision.

The proportion of net non-accrual loans (that is after specific provisions and interest foregone) to total Housing Loans and Advances (net of interest foregone) remains very low as shown in the following chart. Again, this reflects the market conditions and is consistent with the specific provision for the year.

**Net Non-Accrual Loans to Total Housing Loans and Advances**



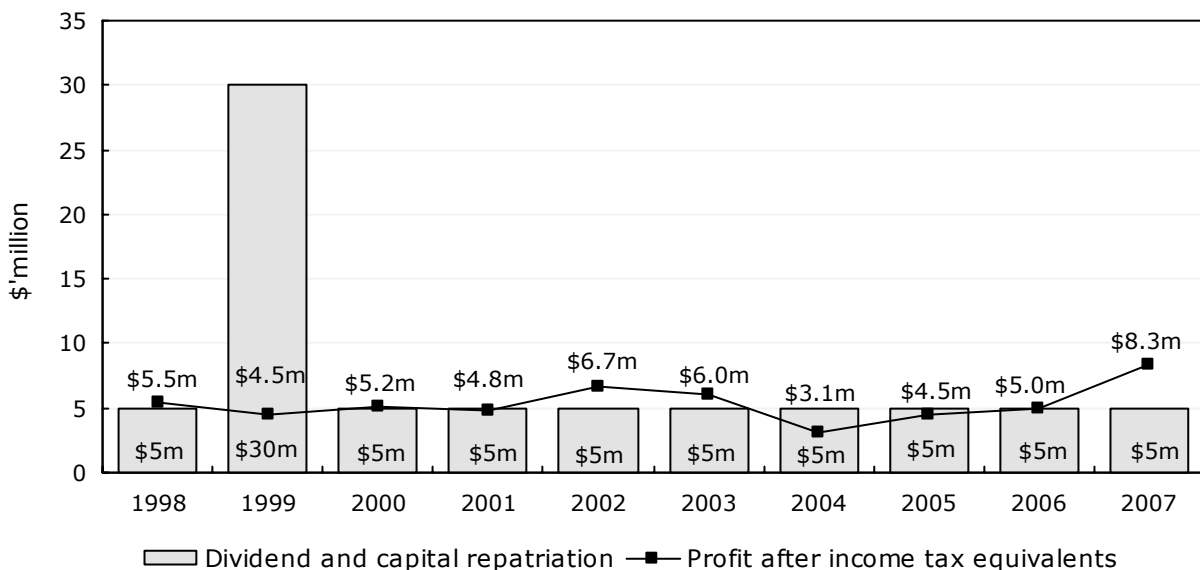
**Cash Flow Statement**

**Distributions to Government**

HomeStart has been required to maintain its distributions to the Government and in 2006-07 made a dividend payment of \$2.7 million (\$1.6 million) and a capital repatriation of \$2.3 million (\$3.4 million). The payment of dividends and the capital repatriation reduces the level of interest free capital available to HomeStart. It is noted, however, that the level of retained earnings at 30 June 2007 was \$137 million (\$132 million).

The following chart shows profit after income tax equivalents and distributions made for the past 10 years and highlights the sustained profit performance of HomeStart over the period and the consistency of contributions to Government.

**Distributions to Government**



In addition to these distributions, HomeStart pays a guarantee fee of 0.65 percent (0.75 percent) to the Government based on the outstanding funding balance at the end of each quarter of the financial year. The amount expensed in 2006-07 was \$7 million (\$7.4 million).

HomeStart is also subject to an income tax equivalent regime. The income tax equivalent expense in 2006-07 was \$3.6 million (\$2.1 million).

### **Net Cash Flows**

The following table summarises the net cash flows for the four years to 2007.

	<b>2007</b>	2006	2005	2004
	<b>\$'million</b>	\$'million	\$'million	\$'million
<b>Net Cash Flows</b>				
Operations	<b>8.0</b>	6.5	0.5	0.6
Investing	<b>(37.0)</b>	(160.9)	(204.9)	(93.0)
Financing	<b>32.0</b>	153.1	203.8	92.3
Change in Cash	<b>3.0</b>	(1.3)	(0.6)	(1.3)
Cash at 30 June	<b>3.0</b>	-	1.3	1.9

Most notable from the table is that the 2007 net cash inflows from financing decreased by \$121.1 million, offset by a decrease in net cash outflows in investing of \$123.9 million. This reflected the lower increase in loans and advances (and related financing through borrowings) in the year compared to the previous year.

**Income Statement  
for the year ended 30 June 2007**

	Note	<b>2007</b>	2006
		<b>\$'000</b>	\$'000
Interest income	7	<b>89 887</b>	77 061
Interest expense	7	<b>(66 016)</b>	(55 305)
<b>NET INTEREST INCOME</b>	7	<b>23 871</b>	21 756
Other income	8	<b>15 149</b>	12 343
Net (loss) gain from disposal of assets	9	<b>(12)</b>	2
Bad and impaired loans expense	10	<b>(1 829)</b>	(2 426)
Government guarantee fee	11	<b>(7 007)</b>	(7 404)
Loan manager fees		<b>(5 129)</b>	(4 770)
Employee expenses	12	<b>(7 544)</b>	(6 999)
Depreciation and amortisation expense	16	<b>(465)</b>	(364)
Other expenses	17	<b>(5 155)</b>	(4 995)
<b>PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX EQUIVALENTS EXPENSE</b>		<b>11 879</b>	7 143
INCOME TAX EQUIVALENT EXPENSE	2.5	<b>(3 563)</b>	(2 143)
<b>PROFIT FOR THE YEAR</b>	29	<b>8 316</b>	5 000
<b>PROFIT ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>		<b>8 316</b>	5 000

## Balance Sheet as at 30 June 2007

	Note	2007 \$'000	2006 \$'000
<b>ASSETS:</b>			
Cash and cash equivalents	33	2 968	486
Investments	19	45 257	38 591
Derivative financial instruments	30.2	2 330	936
Loans and advances	20	1 199 867	1 167 154
Property, plant and equipment	21	2 418	2 584
Intangible assets	22	163	35
Other assets	23	1 895	1 988
<b>Total Assets</b>		<b>1 254 898</b>	<b>1 211 774</b>
<b>LIABILITIES:</b>			
Payables	24	4 579	4 060
Short-term borrowings	25	81 384	58 900
Long-term borrowings	25	1 013 500	999 500
Employee benefits	26	1 011	881
Income tax payable	27	1 946	1 239
Other liabilities	28	2 845	2 272
<b>Total Liabilities</b>		<b>1 105 265</b>	<b>1 066 852</b>
<b>NET ASSETS</b>		<b>149 633</b>	<b>144 922</b>
<b>EQUITY:</b>			
Reserves	29	12 862	12 667
Retained earnings	29	136 771	132 255
<b>TOTAL EQUITY</b>		<b>149 633</b>	<b>144 922</b>

Total Equity is attributable to the SA Government as owner

## Statement of Changes in Equity for the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
<b>Total Equity at 1 July</b>		<b>144 922</b>	<b>135 991</b>
Adjustment on adoption of AASB 139, net of tax where applicable, to:			
Retained earnings	3	-	(733)
Reserves	3	-	8 397
<b>Opening Balance Restated</b>		<b>144 922</b>	<b>143 655</b>
Derivative income recognised directly in equity	29	1 395	1 267
Profit for the year		8 316	5 000
Transactions with State Government as owner:			
Dividend paid		(2 744)	(1 650)
Capital distribution		(2 256)	(3 350)
<b>Total Equity at 30 June</b>		<b>149 633</b>	<b>144 922</b>
<b>Total Net Movement in Equity for the Year</b>		<b>4 711</b>	<b>1 267</b>

## Cash Flow Statement for the year ended 30 June 2007

	2007	2006
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CASH INFLOWS:		
Interest received on:		
Cash	88	80
Investments	-	515
Loans and advances	93 705	81 558
Fees and commissions received	1 855	1 775
Bad debts recovered	158	127
EquityStart grant received	5 024	4 245
Other	395	-
<b>Total Cash Inflows from Operating Activities</b>	<b>101 225</b>	<b>88 300</b>
CASH OUTFLOWS:		
Payments to employees	(7 354)	(7 010)
Payments to suppliers	(5 116)	(4 950)
Payments to loan managers	(5 254)	(5 639)
Borrowing costs paid	(65 622)	(54 903)
Government guarantee fee paid	(7 071)	(7 300)
Income tax equivalents paid	(2 856)	(2 012)
Other	-	(28)
<b>Total Cash Outflows from Operating Activities</b>	<b>(93 273)</b>	<b>(81 842)</b>
<b>Net Cash provided by Operating Activities</b>	<b>7 952</b>	<b>6 458</b>
	33.2	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
CASH INFLOWS:		
Proceeds from sale of office and computer equipment	-	24
Proceeds from maturity of Bank Bills	-	12 955
Customer loans repaid	240 093	216 926
<b>Total Cash Inflows from Investing Activities</b>	<b>240 093</b>	<b>229 905</b>
CASH OUTFLOWS:		
Payments for property, plant and equipment	(232)	(2 007)
Payments for software	(161)	(13)
Payments for investments	(1 237)	(15 231)
Customer loans settled	(275 417)	(373 563)
<b>Total Cash Outflows from Investing Activities</b>	<b>(277 047)</b>	<b>(390 814)</b>
<b>Net Cash used in Investing Activities</b>	<b>(36 954)</b>	<b>(160 909)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
CASH INFLOWS:		
Proceeds from borrowings	310 000	533 500
<b>Total Cash Inflows from Financing Activities</b>	<b>310 000</b>	<b>533 500</b>
CASH OUTFLOWS:		
Dividends paid	(2 744)	(1 650)
Repayment of borrowings	(272 998)	(375 371)
Repayment of capital	(2 256)	(3 350)
<b>Total Cash Outflows from Financing Activities</b>	<b>(277 998)</b>	<b>(380 371)</b>
<b>Net Cash provided by Financing Activities</b>	<b>32 002</b>	<b>153 129</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3 000</b>	<b>(1 322)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>	<b>(32)</b>	<b>1 290</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>2 968</b>	<b>(32)</b>
	33.1	



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of HomeStart Finance

The role of HomeStart Finance is to expand affordable housing options for South Australians.

#### HomeStart Loan

HomeStart provides home loans to lower income households and other needs groups with repayments linked to income and the Consumer Price Index (CPI). The HomeStart Loan is the principal loan product. The outstanding value of HomeStart Loans at 30 June 2007 was \$1153.6 million (\$1130.6 million).

#### Subsidies

HomeStart provides subsidised Advantage Loans of up to \$27 500 to lower income earners. The Advantage Loan is interest free if it is repaid within five years. The Advantage Loan interest is calculated by reference to the CPI but this interest is waived if the Advantage Loan is repaid in full prior to its fifth anniversary. As at 30 June 2007 the interest rate applying to Advantage Loans was 1.55 percent (2.96 percent). The outstanding value of Advantage Loans at 30 June 2007 was \$41.6 million (\$41 million).

In providing these loans HomeStart incurred a direct cost of subsidy estimated to be \$2.46 million (\$2.2 million) on the funds lent. HomeStart does not receive any funding with respect to this subsidy. Taking account of the net impact of accounting for Advantage Loans at fair value results in a cost to HomeStart of \$2.64 million (\$2.7 million).

HomeStart also provides subsidised EquityStart Loans of up to \$50 000 to current public housing tenants. Regular repayments on the EquityStart Loan are optional, and payment can be deferred and paid at the end of the loan period. The outstanding value of EquityStart Loans at 30 June 2007 was \$26.5 million (\$14.6 million).

The EquityStart Loan incurs interest at a subsidised rate, which is linked to the CPI.

HomeStart received grant funding from the Department for Families and Communities, to compensate HomeStart for fair value losses incurred on subsidised EquityStart Loans, in addition to reimbursing HomeStart for the administration expenses incurred by administering the EquityStart Loan programme.

HomeStart also has loans at concessional interest rates through the City Living Access Loan, H.O.M.E and Rental Purchase schemes.

#### Funding

HomeStart funds its mortgage activities from capital and by borrowing from the South Australian Government Financing Authority (SAFA).

### 2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### 2.1 Basis of Preparation

This financial report is a general purpose financial report which has been prepared in accordance with applicable AASs, other authoritative pronouncements of the AAS Board, including Australian Interpretations adopted by the AAS Board, TIs and APSs promulgated under the provisions of the PFAA.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets at fair value through profit or loss, financial instruments classified as available-for-sale and subsidised loans and advances.

Income and expenses have been classified according to their nature in accordance with APF II APS 3.5 and have not been offset unless required or permitted by a specific accounting standard.

##### 2.1.1 Issued Standards Not Early-Adopted

Certain new accounting standards and interpretations have been identified as those which may impact HomeStart in the period of initial application but are not mandatory for the 30 June 2007 reporting period.

Such accounting standards and interpretations are available for early-adoption at 30 June 2007 but have not been adopted by HomeStart for the year ending 30 June 2007. The table below outlines each of these and the expected change, if any, in accounting policy when applied.

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for HomeStart
AASB 7	AASB 7	Application will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to HomeStart's financial instruments.	1 January 2007*	1 July 2007
AASB 2005-10	AASBs 132, 101, 114, 117, 139, 1	Consequential amendments arising as a result of the release of AASB 7.	1 January 2007*	1 July 2007
Revised AASB 101	AASB 101		1 January 2007*	1 July 2007

### 2.1.1 Issued Standards Not Early-Adopted (continued)

- \* Application date is for the annual reporting periods beginning on or after the date shown in the above table. The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of HomeStart as the standard and the amendment are concerned only with disclosures.

### 2.1.2 Estimates and Assumptions

The preparation of a financial report in conformity with AAS requires HomeStart to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 2.2 Statement of Compliance

AASs include AIFRS. Except for the amendments to AASB 101, which HomeStart has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by HomeStart for the reporting period ended 30 June 2007. These are outlined in Note 2.1.1.

## 2.3 Comparative Figures

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS has required a change. Where permitted by a specific APS or AAS comparative information has been reclassified and disclosed where required.

Where it has been impractical to reclassify comparative amounts, the reason for not reclassifying the amount and the nature of the adjustment has been disclosed.

Please refer to Note 3 for details of restatements to comparative figures.

## 2.4 Rounding

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

## 2.5 Taxation

In accordance with TIs issued under the PFAA, HomeStart is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate of 30 percent (30 percent) be applied to profit from continuing operations before income tax equivalents.

HomeStart is liable for payroll tax, FBT and GST.

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

- the amount of GST incurred by HomeStart as a purchaser is not recoverable from the Australian Taxation Office (ATO);
- receivables and payables are stated with the amount of GST included.

HomeStart, being a provider of financial services, is classified as an input taxed entity for GST purposes and consequently absorbs GST costs passed on by suppliers. Reduced input tax credits can only be claimed on a very limited number of input costs.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Balance Sheet.

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

## 2.6 Income

Income is recognised in HomeStart's Income Statement when and only when it is probable that the flow of economic benefits to the entity will occur and can be reliably measured.

### 2.6.1 Interest Income – Non-Subsidised Loans

Interest income is recognised as it accrues, except for impaired loans where interest income is recognised as it is recovered (as described in Note 2.6.3).

### 2.6.2 *Interest Income – Subsidised Loans*

Where HomeStart provides subsidised loans, such as Advantage Loans and EquityStart Loans, at rates other than market interest rates, the initial recognition of these loans at fair value will result in an initial loss being generated in the Income Statement, being the difference between the amount disbursed and the fair value. Fair value is measured by discounting the expected cash flows using a market interest rate.

Interest income on these subsidised loans is brought to account using the effective interest method at a risk-free rate of interest, based on four year (for Advantage Loans) and 10 year (for EquityStart Loans) SAFA Bonds.

### 2.6.3 *Interest Income – Both Non-Subsidised and Subsidised Non-Accrual Loans*

HomeStart ceases accruing interest income on loans when it is considered that HomeStart would be unable to recover that interest income from either the customer or from the sale of the security.

Interest on these loans is only brought to account when realised or when loans are returned to accrual status.

Loans are assessed as non-accrual where they are contractually more than 90 days overdue with security insufficient to cover principal and arrears of interest, or where there is doubt as to the full recovery of principal and interest.

A non-accrual item may be restored to accrual status only if all arrears have been eliminated by payments from the customer, and HomeStart judges that the customer is capable of servicing their future obligations under the facility, or when it otherwise becomes well secured.

### 2.6.4 *Loans at Fair Value through Profit or Loss*

Changes in the fair value of loans measured at fair value through profit or loss are recognised in the Income Statement as they occur.

### 2.6.5 *Loan Origination Fees Received or Receivable*

Income directly attributable to the origination of loans is deferred and recognised in the Income Statement as part of the effective interest rate calculation. This method results in origination income being recognised over the five year average life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed annually to ensure the amortisation methodology is appropriate.

### 2.6.6 *Government Grants*

Grants from the Government of South Australia are recognised at their fair value where there is a reasonable assurance that the grant will be received and HomeStart will comply with all attached conditions.

HomeStart receives grant funds from the Department for Families and Communities, to compensate HomeStart for fair value losses incurred on subsidised EquityStart Loans, in addition to reimbursing HomeStart for the administration expenses incurred by administering the EquityStart Loan programme.

Government grants relating to costs are deferred and recognised in the Income Statement over the period necessary to match them with the costs that they are intended to compensate.

### 2.6.7 *Investment Income*

Changes in fair value of investments (both realised and unrealised) are recognised in the Income Statement as they occur.

### 2.6.8 *Disposal of Non-Financial Assets*

Income from disposal of non-financial assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. The gains or losses arising from disposal of non-financial assets are recognised on a net basis as income or an expense.

### 2.6.9 *Other Income*

Other income is recognised when earned or recovered and is measured at the fair value of the consideration received or receivable.

## 2.7 **Expenses**

Expenses are recognised in HomeStart's Income Statement when and only when it is probable that the flow of economic benefits from the entity will occur and can be reliably measured.

### 2.7.1 *Interest Expense*

Interest payable is expensed in accordance with the accounting policy described at Note 2.14.

### 2.7.2 *Government Guarantee Fee*

The Government Guarantee Fee is expensed as it becomes due at the rate imposed by the Department of Treasury and Finance.

**2.7.3 Bad and Impaired Loans Expense**

Bad and impaired loans are expensed in accordance with the accounting policy described in Note 2.11.

**2.7.4 Loan Origination Fees Paid or Payable**

Fees directly attributable to the origination of loans are deferred and recognised in the Income Statement as part of the effective interest rate calculation. This method results in origination fees being expensed over the five year average life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed annually to ensure the amortisation methodology is appropriate.

**2.7.5 Employee Expenses**

Employee expenses are recognised in accordance with the accounting policy described at Note 2.17.

**2.7.6 Depreciation and Amortisation Expense**

Depreciation and amortisation expense is recognised in accordance with the accounting policy described at Note 2.15.4.

**2.7.7 Operating Lease Expense**

Operating lease payments are charged to the Income Statement on a basis which is representative of the pattern of benefits derived from the leased assets.

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

**2.7.8 Tax Equivalents Expense**

The tax equivalents expense is recognised in accordance with the accounting policy described at Note 2.5.

**2.8 Assets and Liabilities**

Assets and liabilities are classified in the Balance Sheet by their nature and in an order that reflects their relative liquidity. Current and non-current classes are not presented separately.

**2.9 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Cash is measured at its nominal value.

**2.10 Financial Instruments**

During the current and comparative financial years HomeStart had the following types of financial instruments:

- Cash and cash equivalents (refer to accounting policy Note 2.9).
- Loans and advances (refer to accounting policy Note 2.11).
- Investments (including bank bills, listed equities and properties funds, SAFA Cash Enhanced Fund and SAFA composite bond index investment – refer to accounting policy Note 2.12).
- Derivative financial instruments (refer to accounting policy Note 2.13).
- Financial liabilities (refer to accounting policy Note 2.14).

Under AASB 139, financial instruments are required to be classified into one of five categories which will, in turn, determine the accounting treatment of the financial instrument. The classifications are:

- loans and receivables – initially measured at fair value and then at amortised cost using the effective interest rate method.
- held-to-maturity financial assets – measured at amortised cost.
- financial instruments designated as at fair value through profit or loss – measured at fair value.
- available-for-sale financial assets – measured at fair value.
- financial liabilities (not at fair value through profit or loss) - measured at amortised cost.

The classification depends on the purpose for which the financial instruments were acquired.

**Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

*Held-to-Maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that HomeStart has the positive intention and ability to hold to maturity.

HomeStart has designated its investments in bank bills as held-to-maturity financial assets.

*Financial Assets at Fair Value Through Profit or Loss*

A financial asset is classified in this category if so designated by HomeStart. HomeStart's policy is to designate a financial asset at fair value through profit or loss if it is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investments strategy, and information about the financial asset is provided internally on that basis to HomeStart's key management personnel.

Derivatives are also categorised as financial assets at fair value through profit or loss unless they are designated as hedges.

HomeStart has designated the shared appreciation component of the Breakthrough Loan as well as its investments in listed equities and properties funds, the SAFA Cash Enhanced Fund and the SAFA composite bond index investment as financial assets at fair value through profit or loss.

*Available-for-Sale Financial Assets*

Available-for-sale financial assets, are non-derivatives that are either designated in this category or not classified in any of the other categories.

HomeStart does not have any available-for-sale financial assets.

*Financial Liabilities*

HomeStart's short-term and long-term borrowings are financial liabilities.

*Impairment*

HomeStart assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

The recoverable amount of HomeStart's investments in held-to-maturity securities and loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (ie the effective interest rate computed at initial recognition of these financial assets).

An impairment loss in respect of held-to-maturity securities or loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Reference should be made to accounting policy Note 2.11 for additional information in relation to the assessment of impairment of loans and receivables.

**2.11 Loans and Advances***Loans Measured at Amortised Cost*

With the exception of the shared appreciation component of the Breakthrough Loan, loans and advances are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses.

For subsidised loans fair value is less than their face value. On settlement of subsidised loans an initial loss is recognised as an expense, being the difference between the face and fair value, which is then recognised as income over the expected life of the loan, using the effective interest rate method.

*Loans measured at Fair Value through Profit or Loss*

The Breakthrough Loan facility includes two loan components:

- A standard loan component with standard interest rates and repayments which operates under identical terms as HomeStart's current standard loan products. This portion of the Breakthrough Loan is recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses.
- A shared appreciation component where repayment of the loan balance is generally deferred until sale of the property upon which time the loan balance is repaid along with a scheduled percentage of the appreciated value of the property.

The shared appreciation component is measured at fair value through profit or loss. The fair value of this loan component is based on the value of the property pledged as collateral. Gains or losses arising from changes in fair value are presented in the Income Statement in the period in which they arise.

#### *Effective Interest Rate*

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows HomeStart considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

#### *Provision for Impairment*

HomeStart assesses at each Balance Sheet date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Balance Sheet date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

Loans and advances are individually assessed for impairment. If HomeStart determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, geographical location, collateral type, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. In addition, HomeStart uses its experienced judgement to estimate the amount of an impairment loss.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to take into consideration HomeStart's actual loss experience.

For loans and receivables the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using an allowance account and the amount of the loss is included in the Income Statement.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Income Statement.

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. This reserve represents the difference between the impairment provisions calculated under AIFRS and that determined under the former AGAAP, net of income tax equivalents. Movements in the general reserve for credit losses are recognised as a transfer of retained earnings.

#### *Bad Debts*

All bad debts are written off in the period in which they are classified as not recoverable. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Income Statement.

## **2.12 Investments**

### *Held-to-maturity Investments*

HomeStart has designated its investments in bank bills as held-to-maturity financial assets.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity where HomeStart has the positive intention and ability to hold to maturity.

Investments that are intended to be held-to-maturity are stated at amortised cost using the effective interest rate method less impairment losses.

*Held-to-maturity Investments (continued)*

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in the Income Statement when the investments are derecognised or impaired.

*Investments at Fair Value through Profit or Loss*

HomeStart has designated its investments in listed equities and properties funds, the SAFA Cash Enhanced Fund and the SAFA composite bond index investment as financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in fair value are presented in the Income Statement in the period in which they arise.

**2.13 Derivative Financial Instruments**

HomeStart is exposed to changes in interest rates arising from financing activities, and it uses forward rate agreements, interest rate swap agreements and futures contracts to hedge this risk. Derivative financial instruments are not held for speculative purposes.

HomeStart does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at cost and subsequent to initial recognition are stated at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using current interest rates and the current creditworthiness of the swap counterparties at the measurement date.

HomeStart designates certain derivatives as either (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

For the current reporting and comparative periods HomeStart has only cash flow hedges.

HomeStart documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. HomeStart also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 30.2. Movements in the derivatives valuation reserve in equity are shown in Note 29.

*Cash Flow Hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in equity in the derivatives valuation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Effectiveness tests are performed on all derivative financial instruments to determine if they are still providing the protection originally intended when entered into by HomeStart. Where a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, any gain or loss on the instrument previously recognised in equity is reversed through the Income Statement with all subsequent gains or losses recognised through the Income Statement.

**2.14 Interest-Bearing Borrowings**

Interest-bearing borrowings are initially recognised at fair value, net of transaction costs incurred. Interest-bearing borrowings are subsequently stated at amortised cost with any difference between the interest-bearing cost and the redemption value being recognised in the Income Statement over the period of the borrowings on the effective interest rate basis.

**2.15 Non-Financial Assets***2.15.1 Property, Plant and Equipment*

Assets are recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition, less accumulated depreciation (refer Note 2.15.4) and impairment losses. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements, then the assets are recorded at the value recorded by the transferor prior to transfer.

#### 2.15.1 *Property, Plant and Equipment (continued)*

At the expiration of the lease of its office accommodation, HomeStart is required by the lease agreement to return the premises to its original condition (make good). The costs involved in doing so have been included in the cost of HomeStart's leasehold improvements. This amount has been calculated as an estimate of future costs and discounted to a present value.

HomeStart capitalises all non-current tangible assets with a value of \$500 or greater.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

#### 2.15.2 *Intangible Assets*

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are recorded at cost less accumulated amortisation (refer to Note 2.15.4).

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138, and when the amount of expenditure is greater than or equal to \$500.

Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Capitalised software is amortised over the finite life of the asset, with a maximum time limit for amortisation of four years.

Costs in relation to web site development are charged as expenses in the period in which they are incurred, unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over the period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs involved in building or enhancing a web site to the extent they represent probable future economic benefits controlled by HomeStart that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits.

#### 2.15.3 *Impairment and Revaluation*

In accordance with APF III:

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

If at any time HomeStart considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

All tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated.

An impairment loss is recognised whenever the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the Income Statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

##### *Reversals of Impairment*

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 2.15.4 *Depreciation and Amortisation of Non-Financial Assets*

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

The useful lives of all major assets held by HomeStart are reassessed on an annual basis.



#### 2.15.4 Depreciation and Amortisation of Non-Financial Assets (continued)

The value of leasehold improvements is amortised over the estimated useful life of each improvement.

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

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Leasehold improvements	Straight line	10
Other office and computer equipment	Straight line	5-10

### 2.16 Payables

Payables include creditors, accrued expenses, interest, guarantee fee and loan manager fees.

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

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

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

All payables are measured at their nominal amount and are normally settled within 30 days from the date the invoice is first received in accordance with TI 11.

### 2.17 Employee Benefits

#### 2.17.1 Long-Term Service Benefits

Long-term employee benefits are measured at present value. HomeStart's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The liability for long service leave is recognised after an employee has completed six and a half years (seven years) of service in accordance with APF IV. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with HomeStart's experience of employee retention and leave taken.

#### 2.17.2 Wages, Salaries, Annual Leave and Sick Leave

Liabilities for employee benefits for salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration salary rates that HomeStart expects to pay as at reporting date.

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

Liabilities for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

### 2.18 Insurance

HomeStart has arranged, through SAFA, SAICORP Division, to insure all major risks of HomeStart. The excess payable under this arrangement varies depending on each class of insurance held.

### 2.19 Accounting Judgements, Estimates and Assumptions

The preparation of the financial report requires the use of certain accounting estimates and requires HomeStart to exercise its judgement in the process of applying HomeStart's accounting policies. No judgements have been determined to be individually significant.

### **2.19 Accounting Judgements, Estimates and Assumptions (continued)**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The areas involving a higher degree of estimate and judgement that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual financial reporting period are outlined below:

#### *2.19.1 Impairment of Loans and Advances*

HomeStart determines whether loans are impaired on an ongoing basis. This requires an estimation of the value of the future cash flows. HomeStart's policy for calculation of loan impairment is disclosed in Note 2.11.

#### *2.19.2 Fair Value of Subsidised Loans and Advances*

When HomeStart provides subsidised loans, such as the Advantage Loans and EquityStart Loans, at rates lower than market interest rates, the initial recognition of these loans at fair value results in an initial loss being generated in the Income Statement. Fair value is measured by discounting the expected cash flows using a market interest rate. This requires an estimation of the value of the future cash flows. HomeStart's policy for calculation of the fair value of subsidised loans is disclosed in Note 2.6.

### **3. Restatement of Collective Loss Provision**

#### *Background*

HomeStart was required to comply with AIFRS for the first time in its financial statements for the year ended 30 June 2006.

The most significant financial standard adopted by HomeStart under AIFRS was AASB 139.

Amongst other things AASB 139 outlines the requirements for calculating the collective provision for impairment.

In the preparation of the financial report for the year ended 30 June 2006, HomeStart dedicated significant resources to determining a collective provision which complied with AASB 139 and was assisted in the process by external expert accounting advisers.

The expert assisted in interpreting the requirements of AASB 139, reviewed HomeStart's methodology and confirmed that the approach used by HomeStart to estimate the collective provision for impaired loans in the loan portfolio was consistent with their understanding of the AAS Board's requirements in relation to the Collective Provisioning for Impairment Losses of financial assets in HomeStart's lending portfolio.

During the course of the 2007 financial year HomeStart again engaged the same external expert accounting advisor to assist with revising the method of calculating the collective loss provision.

#### *Revised Method of Calculation*

A collective assessment is made for all loans that are found not to be impaired on an individual basis. HomeStart has calculated a collective provision for loans which have experienced one or more of the following loss events:

- Currently in arrears
- Under negotiated instalments
- Interest has been capitalised
- Current security value is below original valuation
- An adverse movement in credit risk or loan performance score.

Loans which have experienced one or more of the above loss events are grouped with those displaying similar risk characteristics. These risk characteristics are loan to valuation ratio at settlement, location of the security property, current arrears level and product type. Historical data for each risk grouping is first adjusted to take account of changes in economic conditions and other factors relevant to determining risk levels in the portfolio and then used to determine the probability of default and loss given default for each loan.

In addition to the above, the collective provision assessment also includes an allowance for losses incurred but not reported on loans remaining from the total portfolio after excluding those selected under the base collective provision criteria.

#### *Previous Method of Calculation*

To determine a collective provision amount, HomeStart developed a model that projected losses using historical loss experience as determined by independent actuarial analysis. Loans were grouped by year of origination and expected loss rates were adjusted for the varying risk characteristics of the loan groups based on original loan to valuation ratio (LVR) and region (metropolitan or country).

Expected losses were then determined using a loss event relating to the condition of the residential property market. Projected loss incidence was adjusted to reflect the past loss experience at similar points in the property cycle.

#### *How the Restatement of Collective Loss Provision has been Reflected in the Financial Statements*

The restatement of the collective loss provision has been reflected in the financial statements for the year ended 30 June 2007 by restating the line items for the prior year, as if the revised method of calculation had always been applied.

This has resulted in the collective provision reported as at 30 June 2006 reducing from \$12.02 million to \$5.95 million, the general reserve for credit losses increasing from \$7.48 million to \$11.73 million and profit for the year increasing from \$4.7 million to \$5 million.

*How the Restatement of Collective Loss Provision has been Reflected in the Financial Statements (continued)*

Retained earnings as at 1 July 2005 restated for the adoption of AIFRS, increased by \$2.57 million from \$132.69 million to \$135.26 million. The general reserve for credit losses as at 1 July 2005 increased by \$3.1 million from \$5.63 million to \$8.73 million. This was due to the collective loss provision on initial adoption of AIFRS decreasing by \$5.67 million from \$9.86 million to \$4.19 million.

The following shows the changes to comparative figures on a line by line basis.

*Net Effect of Restatement of Collective Loss Provision*

The restatement of the collective loss provision has resulted in the following changes to the comparatives in the financial statements:

	2006 Original \$'000	2006 Restated \$'000	Change Debit (Credit) \$'000
<b>Income Statement:</b>			
Bad and impaired loans expense (credit)	2 825	2 426	(399)
<b>Profit from continuing operations before income tax equivalents expense</b>	6 744	7 143	(399)
Income tax equivalent expense	2 023	2 143	120
<b>Profit for the year</b>	4 721	5 000	(279)
<b>Balance Sheet:</b>			
<b>ASSETS:</b>			
Collective impairment provision:			
Opening balance	-	-	-
Transfer from general provision for doubtful debts on adoption of AIFRS at 1 July 2005	16 658	16 658	-
Transfer to general reserve for credit losses on adoption of AIFRS at 1 July 2005	(5 633)	(8 729)	3 096
Adjustment to retained earnings on adoption of AIFRS at 1 July 2005	(1 168)	(3 741)	2 573
Doubtful debts expense	2 163	1 764	399
Closing balance	(12 020)	(5 952)	6 068
Net loans and advances	1 161 086	1 167 154	6 068
<b>Total Assets</b>	1 205 706	1 211 774	6 068
<b>LIABILITIES:</b>			
Income tax payable	1 119	1 239	(120)
<b>Total liabilities</b>	1 066 732	1 066 852	(120)
<b>NET ASSETS</b>	138 974	144 922	5 948
<b>EQUITY:</b>			
General Reserve for Credit Losses:			
Opening balance	-	-	-
Adjustment on adoption of AASB 139	5 633	8 729	(3 096)
Transfer from retained earnings	1 851	3 003	(1 152)
Closing balance	7 484	11 732	(4 248)
Retained Earnings:			
Opening balance	135 991	135 991	-
Adjustment on adoption of AASB 139 (excluding collective provision)	(4 474)	(4 474)	-
Adjustment to collective provision	1 168	3 741	(2 573)
Opening balance - Restated	132 685	135 258	(2 573)
Transfer to credit losses reserve	(1 851)	(3 003)	1 152
Total recognised income and expense	4 721	5 000	(279)
Dividend paid	(1 558)	(1 650)	92
Capital distribution	(3 442)	(3 350)	(92)
Closing balance	130 555	132 255	(1 700)
<b>TOTAL EQUITY</b>	138 974	144 922	(5 948)

**4. Effect of Compliance with AASB 139**

When calculating its collective provision HomeStart has adopted the requirements of AASB 139 as described in accounting policy Note 2.11. It has also created a general reserve for credit losses in which it sets aside retained earnings being the equivalent of the excess of the loans impairment provision determined under its accounting policy prior to the adoption of AIFRS over that determined in accordance with AASB 139, as described in Note 29.

Actual future losses incurred by HomeStart in excess of the collective provision are required to be charged to the Income Statement and cannot be recognised directly to the general reserve for credit losses.

AASB 139 requires that a collective provision only be recognised if there is objective evidence of impairment following initial settlement of a loan. It does not allow for recognition of a collective provision for inherent losses within the portfolio.

HomeStart estimates that the sum of its specific and collective provisions, together with the general reserve for credit losses, constitutes a pool of capital which will be sufficient to meet loan losses in the future.

**5. Government/Non-Government Disclosures**

In accordance with APF II APS 4.1, HomeStart has included details of income, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in the notes to the accounts.

**6. Segment Reporting**

HomeStart operates in one geographical segment (South Australia) and its principal activity is the provision of home finance to lower income groups.

**7. Net Interest Income**

Interest received/receivable from Entities external to the SA Government:	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Loans and advances	<b>91 549</b>	80 391
Subsidised loans effective interest income	<b>2 894</b>	2 110
Subsidised loans fair value expense	<b>(4 650)</b>	(5 486)
Deposits with banks	<b>94</b>	46
<b>Total Interest Received/Receivable from Entities external to the SA Government</b>	<b>89 887</b>	77 061
Interest paid/payable to Entities within the SA Government:		
Borrowings from SAFA	<b>66 016</b>	55 305
<b>Total Interest Paid/Payable to Entities within the SA Government</b>	<b>66 016</b>	55 305
<b>Net Interest Income</b>	<b>23 871</b>	21 756

**8. Other Income**

Other Income received/receivable from Entities external to the SA Government:		
Fees and charges	<b>2 988</b>	2 916
Loan origination income amortisation	<b>1 874</b>	1 327
Bad debts recovered	<b>334</b>	127
Unrealised change in fair value of loans	<b>19</b>	-
Unrealised change in market value of investments	<b>1 856</b>	1 506
Managed funds distribution	<b>2 267</b>	1 412
Interest income from investments	<b>-</b>	515
Other	<b>99</b>	189
<b>Total Other Income Received/Receivable from Entities external to the SA Government</b>	<b>9 437</b>	7 992
Other Income received/receivable from Entities within the SA Government:		
EquityStart grant <sup>(1)</sup>	<b>3 881</b>	3 918
Realised change in market value of investments - SA Government	<b>1 306</b>	443
Other	<b>525</b>	-
<b>Total Other Income Received/Receivable from Entities within the SA Government</b>	<b>5 712</b>	4 351
<b>Total Other Income</b>	<b>15 149</b>	12 343

**(1) EquityStart Grant Funds Received**

During the financial year, HomeStart received \$5 million (\$4.2 million) in grant funds from the Department for Families and Communities, to compensate HomeStart for fair value losses incurred on subsidised EquityStart Loans, in addition to reimbursing HomeStart for the administration expenses incurred by administering the EquityStart Loan programme. These grant funds are deferred and recognised in the Income Statement over the period necessary to match them with the costs that they are intended to compensate (refer to Note 2.6).

**9. Net Gain (Loss) from Disposal of Assets**

Proceeds from disposal of assets	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Net book value of assets disposed	<b>-</b>	24
<b>Total Net (Loss) Gain from Disposal of Assets</b>	<b>(12)</b>	(22)
	<b>(12)</b>	2

**10. Bad and Impaired Loans Expense**

Bad and impaired loans expensed	<b>16</b>	14
Increase in provision for impairment	<b>1 813</b>	2 412
<b>Total Bad and Impaired Loans Expense</b>	<b>1 829</b>	2 426

**11. Government Guarantee Fee**

Government guarantee fee paid or payable to entity within the SA Government	<b>7 007</b>	7 404
<b>Total Government Guarantee Fee Paid or Payable to Entity within the SA Government</b>	<b>7 007</b>	7 404

HomeStart paid a guarantee fee of 0.65 percent (0.75 percent) of outstanding borrowings to the Department of Treasury and Finance in 2006-07.

<b>12. Employee Expenses, Remuneration and Number of Employees</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Salaries and wages	<b>6 312</b>	6 066
Long service leave	<b>(7)</b>	(45)
Annual leave	<b>109</b>	10
Employment on-costs - Superannuation	<b>595</b>	492
Employment on-costs - Other	<b>368</b>	344
Board fees	<b>167</b>	132
<b>Total Employee Expenses</b>	<b>7 544</b>	6 999

**Remuneration of Employees**

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

	<b>2007</b>	2006
	<b>Number of Employees</b>	Number of Employees
\$100 000 - \$109 999	<b>6</b>	3
\$110 000 - \$119 999	-	1
\$130 000 - \$139 999	-	1
\$140 000 - \$149 999	-	1
\$160 000 - \$169 999	-	1
\$170 000 - \$179 999	<b>1</b>	-
\$180 000 - \$189 999	<b>1</b>	-
\$190 000 - \$199 999	<b>1</b>	1
\$200 000 - \$209 999	-	* 1
\$210 000 - \$219 999	<b>1</b>	-
\$280 000 - \$289 999	<b>1</b>	* 2
<b>Total Number of Employees</b>	<b>11</b>	11

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$1.75 million (\$1.84 million).

\* Includes payment of redundancies and long service leave.

**Number of Employees at 30 June**

HomeStart employed 102 (88) people at 30 June.

**13. Key Management Personnel Disclosures**

The following employees held authority and responsibility for planning, directing and controlling the activities of HomeStart for the entire financial year:

- Gary Storkey (Chief Executive Officer)
- John Comley (General Manager Corporate Services and Chief Finance Officer)
- Kathryn Murray (General Manager Retail Services)
- Jay Walker (General Manager Community Finance)
- Ian Wheaton (General Manager Treasury and Risk)

**Key Management Personnel Compensation**

The compensation of the above key management personnel included in 'employee expenses' (refer Note 12) is as follows:

	<b>2007</b>	2006
	<b>\$</b>	\$
Short-term employee benefits	<b>1 050 769</b>	987 134
Long-term employee benefits (long service leave)	<b>57 506</b>	118 447
Long-term employee benefits (amounts paid to superannuation plans)	<b>86 989</b>	87 717
Termination benefits	-	276 818
<b>Total Key Management Personnel Compensation</b>	<b>1 195 264</b>	1 470 116

**14. Related Parties**

All transactions between HomeStart and related parties are on arms length terms and conditions.

During the financial year HomeStart undertook transactions with the following related parties. The nature and amounts of these transactions have been disclosed throughout the financial report:

- Employees who are key management personnel
- Board Members
- Department for Families and Communities
- Department of Treasury and Finance
- SAFA.

**Board Members**

The following persons were members of the Board of HomeStart during the whole of the financial year:

Claude Long (Chair)	Jay Hogan
Jim Kouts (Deputy Chair)	Estelle Bowman
Sandra De Poi	Paula Capaldo
Lindsay Smith	

**Board Members' Remuneration**

The remuneration of the Board of HomeStart included in 'employee expenses' is as follows:	Note	<b>2007</b>	2006
		\$	\$
Short-term benefits	12	<b>166 791</b>	128 400
Long-term benefits (amounts paid to superannuation plans)		<b>15 638</b>	11 600
<b>Total Board Members' Remuneration</b>		<b>182 429</b>	140 000

The number of HomeStart Board members whose remuneration received or receivable falls within the following bands:	<b>2007</b>	2006
	<b>Number of</b>	Number of
	<b>Members</b>	Members
\$0 - \$9 999	-	3
\$10 000 - \$19 999	-	4
\$20 000 - \$29 999	<b>6</b>	2
\$30 000 - \$39 999	<b>1</b>	1
<b>Total Number of Board Members</b>	<b>7</b>	10

Apart from the details disclosed in this note, no Board member has entered into a material contract with HomeStart since the end of the previous financial year and there were no material contracts involving Board members' interests existing at year end.

**15. Economic Dependency**

HomeStart has an economic dependency on the following suppliers of services:

**Financing Services**

SAFA is the sole provider of funds to HomeStart.

**Loan Management Services**

HomeStart contracts a significant proportion of its loan management services to BankSA, The Home Loan Centre, HomeLoans Plus and Bernie Lewis Home Loans.

**16. Depreciation and Amortisation Expense**

Depreciation:	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Other office and computer equipment	<b>223</b>	229
<b>Total Depreciation</b>	<b>223</b>	229
Amortisation:		
Leasehold improvements	<b>209</b>	107
Intangible assets	<b>33</b>	28
<b>Total Amortisation</b>	<b>242</b>	135
<b>Total Depreciation and Amortisation</b>	<b>465</b>	364

**17. Other Expenses**

Other Expenses paid to Entities within the SA Government:

External auditor's remuneration	<b>123</b>	129
Insurance	<b>61</b>	49
<b>Total Other Expenses Paid to Entities within the SA Government</b>	<b>184</b>	178

Other Expenses paid to Entities external to the SA Government:

Office accommodation (minimum lease payments)	<b>698</b>	647
Marketing, product development and advertising	<b>1 363</b>	1 292
Internal audit fees	<b>215</b>	164
Loan administration	<b>155</b>	146
Information technology	<b>493</b>	319
Consultant's fees	<b>175</b>	234
Human resources and staff development	<b>420</b>	400
Other	<b>1 452</b>	1 615
<b>Total Other Expenses Paid to Entities external to the SA Government</b>	<b>4 971</b>	4 817
<b>Total Other Expenses</b>	<b>5 155</b>	4 995

The number and dollar amount of consultancies paid/payable that fell within the following bands:	<b>2007</b>	2006
	<b>Number</b>	<b>\$'000</b>
Below \$10 000	<b>8</b>	<b>28</b>
Between \$10 000 and \$50 000	<b>8</b>	<b>147</b>
Above \$50 000	-	-
<b>Total Paid/Payable to the Consultants Engaged</b>	<b>16</b>	<b>175</b>
	<b>Number</b>	<b>\$'000</b>
	3	5
	8	172
	1	57
	12	234

<b>18. Auditor's Remuneration</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Audit fees paid/payable to the Auditor-General's Department	<b>123</b>	129
<b>Total Audit Fees - SA Government Entities</b>	<b>123</b>	129
<b>Other Services</b>		
No other services were provided by the Auditor-General's Department.		
<b>19. Investments</b>		
<b>19.1 Investments at Fair Value through Profit or Loss</b>		
Investments at Fair Value through Profit or Loss with Entity within the SA Government:		
SAFA Composite Bond Index investment	<b>8 503</b>	6 993
SAFA Cash Enhanced Fund	<b>18 167</b>	15 234
<b>Total Investments at Fair Value through Profit or Loss with Entity within the SA Government</b>	<b>26 670</b>	22 227
Investments at Fair Value through Profit or Loss with Entities external to the SA Government:		
Listed equities and properties funds	<b>18 587</b>	16 364
<b>Total Investments at Fair Value through Profit or Loss with Entities external to the SA Government</b>	<b>18 587</b>	16 364
<b>Total Investments at Fair Value through Profit or Loss</b>	<b>45 257</b>	38 591
<b>19.2 Maturity Profile of HomeStart's Investments</b>		
At call	<b>18 167</b>	15 234
Not longer than three months	<b>18 587</b>	16 364
Longer than three months and not longer than 12 months	<b>8 503</b>	6 993
<b>Total Investments</b>	<b>45 257</b>	38 591
<b>20. Loans and Advances</b>		
<b>20.1 Loans and Advances</b>		
Primary loans	<b>1 154 966</b>	1 128 460
Subsidised loans	<b>68 067</b>	55 601
Breakthrough loan (Shared appreciation component)	<b>1 551</b>	-
Control accounts	<b>89</b>	2 170
<b>Gross Loans and Advances</b>	<b>1 224 673</b>	1 186 231
Fair value adjustment	<b>(12 602)</b>	(9 109)
Deferred loan fee income	<b>(4 610)</b>	(4 179)
Deferred loan fee expense	<b>2 505</b>	2 377
Specific provisions for impairment	<b>(2 214)</b>	(1 726)
Unearned income	<b>(822)</b>	(488)
Collective provision for impairment	<b>(7 063)</b>	(5 952)
<b>Net Loans and Advances</b>	<b>1 199 867</b>	1 167 154
Specific Provision for Impaired Loans:		
Opening balance	<b>1 726</b>	1 172
Bad debts written off	<b>(214)</b>	(94)
Impairment expense	<b>702</b>	648
<b>Closing Balance</b>	<b>2 214</b>	1 726
General Provision for Impaired Loans:		
Opening balance	-	16 658
Transfer to collective impairment provision on adoption of AIFRS at 1 July 2005	-	(16 658)
<b>Closing Balance</b>	-	-
Collective Impairment Provision:		
Opening balance	<b>5 952</b>	-
Transfer from general provision for doubtful debts on adoption of AIFRS at 1 July 2005	-	16 658
Transfer to general reserve for credit losses on adoption of AIFRS at 1 July 2005	-	(8 729)
Adjustment to retained earnings on adoption of AIFRS at 1 July 2005	-	(3 741)
Impairment expense	<b>1 111</b>	1 764
<b>Closing Balance</b>	<b>7 063</b>	5 952
<b>Total Provision for Impairment</b>	<b>9 277</b>	7 678

<b>20.2 Asset Quality Disclosures</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Non-Accrual Loans:		
With provision	<b>10 889</b>	8 738
Without provision	<b>1 885</b>	653
<b>Total Non-Accrual Loans</b>	<b>12 774</b>	9 391
Specific provision	<b>2 194</b>	1 664
Interest foregone on non-accrual loans	<b>822</b>	488
Real Estate Acquired:		
Balance of loans at 30 June	<b>675</b>	462
Specific provision	<b>20</b>	62
Past Due Loans:		
Balance of loans at 30 June	<b>2 274</b>	2 563
Specific provision	-	-

The balance of loans and advances is shown after deducting the provision for impairment, ensuring that the balance reflects the expected recoverable amount of these loans. The basis of determining the provision for impairment is disclosed at Note 2.11.

<b>20.3 Maturity Profile of HomeStart's Loans and Advances</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Longer than one year and not longer than five years	<b>199</b>	128
Longer than five years	<b>1 224 474</b>	1 186 103
<b>Total Gross Loans and Advances</b>	<b>1 224 673</b>	1 186 231

The maturity distribution of loans and advances is based on contractual terms and not when they are due to reprice or are likely to be repaid. HomeStart loans do not have fixed contractual terms as they vary with changes in inflation and interest rates. Based on standard assumptions, these loans would have an initial term ranging up to 28 years, but the majority of loans are anticipated to have actual contractual terms of a much shorter maturity period (around 60 percent of current customers are expected to repay their loans in under 20 years).

As at 30 June total loans either approved but not settled or settled but not fully drawn amounted to \$21.9 million (\$27.1 million).

<b>21. Property, Plant and Equipment</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Leasehold Improvements:		
Leasehold improvements at cost	<b>1 989</b>	1 848
Accumulated amortisation	<b>(335)</b>	(126)
<b>Total Leasehold Improvements</b>	<b>1 654</b>	1 722
Other Office and Computer Equipment:		
Other office and computer equipment at cost	<b>2 755</b>	2 801
Accumulated depreciation	<b>(1 991)</b>	(1 939)
<b>Total Other Office and Computer Equipment</b>	<b>764</b>	862
<b>Total Property, Plant and Equipment</b>	<b>2 418</b>	2 584

	Leasehold Improve- ments \$'000	Other Office and Computer Equipment \$'000	<b>2007 Total \$'000</b>
Carrying amount at 1 July	1 722	862	<b>2 584</b>
Additions	144	134	<b>278</b>
Disposals	-	(12)	<b>(12)</b>
Transfers	(3)	3	-
Depreciation and amortisation	(209)	(223)	<b>(432)</b>
<b>Carrying Amount at 30 June</b>	<b>1 654</b>	<b>764</b>	<b>2 418</b>

<b>22. Intangible Assets</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Software at cost	<b>797</b>	549
Accumulated amortisation	<b>(634)</b>	(514)
<b>Total Software</b>	<b>163</b>	35
Carrying amount at 1 July	<b>35</b>	54
Additions	<b>161</b>	13
Disposals	-	(4)
Amortisation	<b>(33)</b>	(28)
<b>Carrying Amount at 30 June</b>	<b>163</b>	35



<b>23. Other Assets</b>	<b>2007</b>	2006
Other Assets - Entities within the SA Government:	<b>\$'000</b>	\$'000
Accrued interest on derivatives (SAFA)	<b>11</b>	3
EquityStart grant receivable	<b>1 038</b>	1 392
Other	<b>430</b>	120
<b>Total Other Assets - Entities within the SA Government</b>	<b>1 479</b>	1 515
Other Assets - Entities external to the SA Government:		
Accrued interest on housing loans and advances	<b>260</b>	239
Accrued interest on cash at bank	<b>9</b>	3
GST recoverable	<b>36</b>	40
Prepayments	<b>91</b>	89
Other	<b>20</b>	102
<b>Total Other Assets - Entities external to the SA Government</b>	<b>416</b>	473
<b>Total Other Assets</b>	<b>1 895</b>	1 988
<b>24. Payables</b>		
Payables to Entities within the SA Government:		
Creditors	<b>2</b>	3
Accrued administration expenses	<b>151</b>	130
Employment on-costs	<b>192</b>	132
Accrued interest payable	<b>2 874</b>	2 472
Accrued guarantee fee payable	<b>581</b>	645
<b>Total Payables to Entities within the SA Government</b>	<b>3 800</b>	3 382
Payables to Entities external to the SA Government:		
Creditors	<b>302</b>	215
Accrued administration expenses	<b>113</b>	148
Accrued loan manager fees	<b>318</b>	315
Accrued capital acquisition	<b>46</b>	-
<b>Total Payables to Entities external to the SA Government</b>	<b>779</b>	678
<b>Total Payables</b>	<b>4 579</b>	4 060
<b>25. Borrowings</b>		
<b>25.1 Interest Bearing Liabilities</b>		
<i>Short-term Borrowings</i>		
Short-term Borrowings payable to Entity within the SA Government:		
Short-term borrowings	<b>81 384</b>	58 382
<b>Total Short-term Borrowings payable to entity within the SA Government</b>	<b>81 384</b>	58 382
Short-term Borrowings payable to Entity external to the SA Government:		
Short-term borrowings (bank overdraft)	<b>-</b>	518
<b>Total Short-term Borrowings payable to entity external to the SA Government</b>	<b>-</b>	518
<b>Total Short-term Borrowings</b>	<b>81 384</b>	58 900
<i>Long-term Borrowings</i>		
Long-term Borrowings payable to Entity within the SA Government:		
Long-term borrowings	<b>1 013 500</b>	999 500
<b>Total Long-term Borrowings payable to entity within the SA Government</b>	<b>1 013 500</b>	999 500
<b>Total Long-term Borrowings</b>	<b>1 013 500</b>	999 500
<b>Total Interest Bearing Liabilities</b>	<b>1 094 884</b>	1 058 400
<b>25.2 Maturity Profile of HomeStart's Interest Bearing Liabilities</b>		
At call	<b>2 884</b>	1 400
Not longer than three months	<b>78 500</b>	44 500
Longer than three months but not longer than one year	<b>-</b>	13 000
Longer than one year and not longer than five years	<b>733 500</b>	999 500
Longer than five years	<b>280 000</b>	-
<b>Total Interest Bearing Liabilities</b>	<b>1 094 884</b>	1 058 400

HomeStart sources its borrowings from SAFA and is subject to a gross borrowing limit of \$1350 million (\$1350 million).

<b>26. Employee Benefits</b>	<b>2007</b>	2006
<b>26.1 Employee Benefits</b>	<b>\$'000</b>	\$'000
Accrued salaries	<b>141</b>	113
Annual leave	<b>400</b>	291
Long service leave	<b>470</b>	477
<b>Total Employee Benefits</b>	<b>1 011</b>	881
<b>26.2 Aggregate Employee Benefits</b>		
Accrued Salaries:		
On-costs	<b>66</b>	21
Provision for employee benefits	<b>141</b>	113
<b>Total Accrued Salaries</b>	<b>207</b>	134
Annual Leave:		
On-costs	<b>58</b>	42
Provision for employee benefits	<b>400</b>	291
<b>Total Annual Leave</b>	<b>458</b>	333
Long Service Leave:		
On-costs	<b>68</b>	69
Provision for employee benefits	<b>470</b>	477
<b>Total Long Service Leave</b>	<b>538</b>	546
<b>Aggregate Employee Benefits and Related On-Costs</b>	<b>1 203</b>	1 013
<b>27. Income Tax Payable</b>		
Income tax payable to Entity within the SA Government	<b>1 946</b>	1 239
<b>Total Tax Liability Payable to Entity within the SA Government</b>	<b>1 946</b>	1 239
<b>28. Other Liabilities</b>		
Other Liabilities payable to or arising from transactions with Entities within the SA Government:		
Aboriginal loan security deposit	<b>74</b>	250
Unearned revenue (EquityStart grant)	<b>2 508</b>	1 718
<b>Total Other Liabilities payable to or arising from transactions with Entities within the SA Government</b>	<b>2 582</b>	1 968
Other Liabilities payable to or arising from transactions with Entities external to the SA Government:		
Make good provision	<b>158</b>	158
Operating lease incentive	<b>105</b>	140
Adelaide New Owners Grant	<b>-</b>	6
<b>Total Other Liabilities payable to or arising from Transactions with Entities external to the SA Government</b>	<b>263</b>	304
<b>Total Other Liabilities</b>	<b>2 845</b>	2 272
<b>29. Equity</b>		
Reserves:		
General reserve for credit losses	<b>10 532</b>	11 732
Derivatives valuation reserve	<b>2 330</b>	935
<b>Total Reserves</b>	<b>12 862</b>	12 667
Retained earnings	<b>136 771</b>	132 255
<b>Total Equity at 30 June</b>	<b>149 633</b>	144 922
Movements in equity were as follows:		
General reserve for credit losses:		
General reserve for credit losses at 1 July	<b>11 732</b>	8 729
Transfer (to) from retained earnings	<b>(1 200)</b>	3 003
<b>General Reserve for Credit Losses at 30 June</b>	<b>10 532</b>	11 732
Derivatives valuation reserve:		
Derivatives valuation reserve at 1 July	<b>935</b>	(322)
Changes in the fair value of cash flow hedges	<b>1 395</b>	1 267
<b>Balance at 30 June</b>	<b>2 330</b>	935
Retained earnings:		
Retained earnings at 1 July	<b>132 255</b>	135 258
Transfer (to) from credit losses reserve	<b>1 200</b>	(3 003)
Profit for the year	<b>8 316</b>	5 000
Dividend paid	<b>(2 744)</b>	(1 650)
Capital distribution	<b>(2 256)</b>	(3 350)
<b>Total Retained Earnings at 30 June</b>	<b>136 771</b>	132 255

**Dividend Payment**

Pursuant to section 26 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart must recommend to the Minister for Housing, that it pay a specified dividend or not pay a dividend, for the financial year, as it considers appropriate. The Act further provides for the Minister, in consultation with the Treasurer, to approve the recommendation of HomeStart, or to determine that another dividend, or no dividend, should be paid.

During 2006-07, HomeStart recommended and paid a dividend of \$5 million (\$5 million) which has been allocated between dividend and capital repatriation in accordance with an established dividend policy based on commercial principles.

**General Reserve for Credit Losses**

A general reserve for credit losses was created as at 1 July 2005, to set aside retained earnings being the equivalent of the loans impairment provision determined under the former AGAAP in excess of the specific and collective provisions determined under AASB 139. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority (APRA) prudential risk management requirements of retaining sufficient retained earnings for capital adequacy purposes.

**Derivatives Valuation Reserve**

The derivatives valuation reserve was created at 1 July 2005 on adoption of AASB 139 to recognise the effective gain or loss on derivatives that are designated hedging instruments.

**30. Financial Instruments**

HomeStart's principal financial instruments comprise home loans and advances, investments, borrowings from SAFA and derivatives, being mainly interest rate swaps.

HomeStart's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. HomeStart's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of HomeStart.

HomeStart enters into derivative transactions, principally interest rate swaps. The purpose is to manage the interest rate risk arising from HomeStart's operations and its sources of finance. It is, and has been throughout the period under review, HomeStart's policy that no trading in financial instruments shall be undertaken.

Risk management is overseen by the Finance Sub-Committee and the Asset and Liability Committee under policies approved by the Board. The Finance Sub-Committee identifies, evaluates and hedges financial risks.

The Board and Asset and Liability Committee review and approve policies for managing financial risks and they are summarised below.

**30.1 Interest Rate Risk**

Interest rate risk is managed through matching HomeStart's borrowings with its home loan assets portfolio. The resulting repricing mismatch is measured daily and monitored by the Finance Sub-Committee on a weekly basis and the Asset and Liability Committee on a monthly basis.

HomeStart engages in derivative financial instruments to hedge interest rate risk within its portfolio. These derivatives include interest rate swaps, bank bill futures and forward rate agreements.

Fixed interest rate loan assets have been valued at fair value at 1 July 2006, being face value plus net transaction costs, and are hedged by interest rate swaps, which have been designated as cash flow hedges, to enable the portion of the effective gain or loss to be recognised in equity.

Fluctuations in the fair value of these transactions are not recognised in the Income Statement when HomeStart satisfies the 'hedge accounting' requirements contained in AASB 139.

**30.2 Interest Rate Swap Contracts – Cash Flow Hedges**

Interest rate swap contracts are used to assist HomeStart in eliminating the mismatch between repricing of its assets with that of its liabilities.

HomeStart receives a fixed rate of interest on a portion of its loans to customers and pays floating interest on borrowings from SAFA. To protect it from an increase in interest rates payable on its borrowings from SAFA, HomeStart has entered into interest rate swap contracts under which it is obliged to receive interest at floating rates and pay interest at fixed rates.

As at 30 June 2007, HomeStart had floating/fixed swaps with a notional value of \$225 million (\$168 million) with the fixed rates varying between 4.92 percent and 6.75 percent (4.92 percent and 6.1 percent).

The notional principal amounts and periods of maturity of the interest rate swap contracts are as follows:

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Less than 1 year	<b>74 000</b>	64 000
1 - 2 years	<b>71 000</b>	59 000
2 - 3 years	<b>32 500</b>	38 000
3 - 4 years	<b>9 500</b>	3 500
4 - 5 years	<b>38 000</b>	3 500
<b>Total Notional Principal Amounts</b>	<b>225 000</b>	168 000

**30.2 Interest Rate Swap Contracts – Cash Flow Hedges (continued)**

The contracts are settled on a net basis. The average reset days and average rates are as follows:

Receive (floating):	<b>2007</b>	2006
Average reset days	<b>19</b>	26
Average rate (percent)	<b>6.34</b>	5.89
Pay (fixed):		
Average reset days	<b>684</b>	526
Average rate (percent)	<b>6.04</b>	5.7

The gain or loss from remeasuring the instruments at fair value is deferred in equity in the derivatives valuation reserve, to the extent that the hedge is effective. The ineffective portion is recognised in the Income Statement immediately. In the year ended 30 June 2007, there were no amounts recognised in the Income Statement.

At balance date these contracts were assets with fair value of \$2 330 305 (\$935 555).

The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest income or expense and the average interest rate (which is calculated on average monthly balances over the year).

	2007			2006		Average
	Average	Interest	Average	Average	Interest	Interest
	Balance	\$'000	Interest	Balance	Interest	Rate
	\$'000	\$'000	Rate	\$'000	\$'000	Percent
Interest Income:						
Cash used for operating activities	<b>1 253</b>	<b>76</b>	<b>6.06</b>	695	14	2.01
Cash used for investing activities	<b>285</b>	<b>18</b>	<b>6.31</b>	575	32	5.57
Loans and advances	<b>1 150 012</b>	<b>91 549</b>	<b>7.96</b>	1 130 058	80 391	7.11
	<b>1 151 550</b>	<b>91 643</b>	<b>7.96</b>	1 131 328	80 437	7.11
Interest Expense:						
Interest on borrowings	<b>1 079 619</b>	<b>66 016</b>	<b>6.12</b>	1 000 984	55 305	5.53

The average balance of loans and advances has been calculated using their face value and does not include any fair value adjustment.

Interest income excludes the subsidised loans fair value adjustment.

HomeStart's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

	Weighted	Average	Interest	Floating	Fixed Interest		Non-	2007
					Maturing in			
	Rate	Rate	Rate	Rate	1 Year	1 Year to	Bearing	
	Percent	\$'000	\$'000	\$'000	or Less	5 Years	\$'000	\$'000
<b>2007</b>								<b>\$'000</b>
Financial Assets:								
Cash used for operating activities	5.30	2 679	-	-	-	-	-	<b>2 679</b>
Cash used for investing activities	6.40	289	-	-	-	-	-	<b>289</b>
Cash Enhanced Fund	6.45	18 167	-	-	-	-	-	<b>18 167</b>
Composite Bond Index Investment	-	-	-	-	-	-	8 503	<b>8 503</b>
Investment - Property and Equity	-	-	-	-	-	-	18 587	<b>18 587</b>
Derivative financial instruments	6.34	2	-	-	-	-	-	<b>2</b>
Derivative financial instruments	6.04	-	257	2 071	-	-	-	<b>2 328</b>
Loans and advances	7.76	1 026 192	55 941	142 509	-	-	31	<b>1 224 654</b>
Other assets	-	-	-	-	-	-	1 895	<b>1 895</b>
								<b>1 277 104</b>
Financial Liabilities:								
Borrowings	6.25	1 094 884	-	-	-	-	-	<b>1 094 884</b>
Interest rate swaps (notional principal amounts)	-	(225 000)	74 000	151 000	-	-	-	-
	Weighted	Average	Interest	Floating	Fixed Interest		Non-	2006
	Rate	Rate	Rate	Rate	Maturing in		Interest	Total
	Percent	\$'000	\$'000	\$'000	1 Year	1 Year to	Bearing	\$'000
	Percent	\$'000	\$'000	\$'000	or Less	5 Years	\$'000	\$'000
<b>2006</b>								
Financial Assets:								
Cash used for operating activities	0.01	116	-	-	-	-	-	116
Cash used for investing activities	5.78	370	-	-	-	-	-	370
Cash Enhanced Fund	5.82	15 234	-	-	-	-	-	15 234
Composite Bond Index Investment	-	-	-	-	-	-	6 993	6 993
Investment - Property and Equity	-	-	-	-	-	-	16 364	16 364
Derivative financial instruments	5.89	3	-	-	-	-	-	3
Derivative financial instruments	5.70	-	106	827	-	-	-	933
Loans and advances	7.30	1 025 340	59 415	101 459	-	-	17	1 186 231
Other assets	-	-	-	-	-	-	1 988	1 988
								<b>1 228 232</b>
Financial Liabilities:								
Borrowings	5.81	1 058 400	-	-	-	-	-	<b>1 058 400</b>
Interest rate swaps (notional principal amounts)	-	(168 000)	64 000	104 000	-	-	-	-

**30.2 Interest Rate Swap Contracts – Cash Flow Hedges (continued)**

The weighted average interest rate is calculated on the balances outstanding as at 30 June. The effect of interest rate swaps and forward rate agreements has been incorporated into the weighted average interest rate.

**30.3 Credit Risk Exposures**

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity.

*Derivative Financial Assets*

Credit risk arises with amounts receivable from unrealised gains on derivative financial instruments. At balance date the following amounts are receivable and payable from interest rate swap contracts:

	Note	2007 \$'000	2006 \$'000
Swap income receivable		455	356
Swap expense payable		(466)	(353)
<b>Net Receivable</b>	23	<b>11</b>	<b>3</b>

The only derivative counterparty with whom HomeStart is permitted by the Department of Treasury and Finance to transact is SAFA.

*Loans and Receivables*

The credit risk on financial assets has been recognised in the Balance Sheet as the carrying amount, net of any provisions for impairment. HomeStart manages its credit risk through compliance with credit policies and procedures. It also has registered mortgages over the security properties.

HomeStart is not materially exposed to any individual borrower. HomeStart only lends in South Australia and is therefore only exposed to the property market in this State.

*Investments*

HomeStart's composite bond index investment and investments in listed property and equity funds represent exposure to the broader Australian bond, property and equities markets.

**31. Commitments for Expenditure****31.1 Capital Commitments**

HomeStart has \$nil (\$nil) capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report as at 30 June 2007.

**31.2 Operating Lease Commitments**

HomeStart's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to five years with some leases having the right of renewal. Rent is payable monthly in advance.

The total amount of rental expense for minimum lease payments in the financial year is disclosed in Note 17.

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:

	2007 \$'000	2006 \$'000
Not later than one year	721	729
Later than one year but not later than five years	1 507	2 344
<b>Total Operating Lease Commitments</b>	<b>2 228</b>	<b>3 073</b>

**31.3 Remuneration Commitments**

The majority of HomeStart staff members are employed under fixed term contracts that expire on varying dates within the next five years. Commitments for the payment of salaries and other remuneration under fixed term employment contracts in existence at the reporting date are not recognised as liabilities.

Notes 12 and 13 set out remuneration costs for the years ended 30 June 2006 and 2007. HomeStart estimates that commitments from existing employment positions within one year, and annually for not longer than five years, will be consistent with salaries and wages expenses in Note 12.

HomeStart does not offer fixed-term remuneration contracts greater than five years.

**32. Contingent Liabilities**

HomeStart has no material contingent liabilities as at 30 June 2007.

**33. Cash Flow Reconciliation****33.1 Reconciliation of Cash**

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and at bank.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

**33.1 Reconciliation of Cash (continued)**

Cash and cash equivalents as at 30 June as shown in the Cash Flow Statement is reconciled to the items in the Balance Sheet as follows:

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Deposits at call	<b>2 679</b>	116
Money market deposits	<b>289</b>	370
<b>Cash as Recorded in the Balance Sheet</b>	<b>2 968</b>	486
Bank overdraft at call	-	(518)
<b>Cash as Recorded in the Cash Flow Statement</b>	<b>2 968</b>	(32)

**33.2 Reconciliation of Profit for the year to Net Cash provided by Operating Activities**

Profit for the year	<b>8 316</b>	5 000
Gain (loss) on sale of fixed assets	<b>12</b>	(2)
Depreciation and amortisation expense	<b>465</b>	364
Estimated 'make good' costs	-	(129)
Unrealised change in fair value of loans	<b>(19)</b>	-
Unrealised change in market value of investments	<b>(1 856)</b>	(1 506)
Reinvestment of investment income	<b>(3 573)</b>	(1 845)
Bad debts written off against profit	<b>16</b>	14
Bad debts written off against provision	<b>214</b>	94
Unearned income on loans written off	<b>106</b>	52
Grant monies transferred to loans and advances	<b>6</b>	12
Fees applied directly to loan accounts	<b>(3 438)</b>	(4 068)
Adjustments to opening balances of assets and liabilities:		
Fair value adjustment to loans and advances	-	(4 827)
Recognition of deferred loan fee income	-	(2 599)
Recognition of deferred loan fee expense	-	1 486
Adjustment to provision for impairment	-	12 470
Changes in assets and liabilities:		
(Decrease) Increase in provision for impairment	<b>1 599</b>	(10 152)
Increase in deferred loan fee income	<b>431</b>	4 179
Increase in deferred loan fee expense	<b>(128)</b>	(2 378)
Increase in fair value adjustment	<b>3 493</b>	9 109
Increase in payables	<b>473</b>	412
Increase (Decrease) in provision for employee benefits	<b>130</b>	(6)
Increase in other liabilities	<b>572</b>	2 004
Increase in unearned interest income	<b>334</b>	246
Increase in tax liability	<b>707</b>	131
Decrease (Increase) in other assets	<b>92</b>	(1 603)
<b>Net Cash provided by Operating Activities</b>	<b>7 952</b>	6 458

**34. Events After Balance Date**

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of HomeStart, the results of those operations, or the state of affairs of HomeStart in subsequent years.

# JUDGES' PENSIONS SCHEME

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme established by the *Judges' Pensions Act 1971* (the Act).

### Functions

The Treasurer is responsible for the payment of Government contributions for, and superannuation benefits to, members. The Scheme is non-contributory for members.

The Scheme is administered through a Special Deposit Account (the Account). The Account records income contributions, revenue earned from the investment of contributions, benefit payments and administration costs.

The Superannuation Funds Management Corporation of South Australia (Funds SA) is responsible for the investment and management of the Account.

The services of the Department of Treasury and Finance — State Superannuation Office are utilised to administer the Scheme.

## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### *Audit of the Financial Report*

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

#### *Assessment of Controls*

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

### Scope of Audit

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

During 2006-07, areas of review included:

- receipting and banking of contributions
- pension payments
- liability for accrued benefits.

The audit of the investment and management of the Scheme assets is undertaken as part of the Funds SA audit.

## AUDIT FINDINGS AND COMMENTS

### Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Judges' Pensions Scheme as at 30 June 2007, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

**Assessment of Controls**

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

**Communication of Audit Matters**

The audit indicated that the internal controls over the Scheme's operations were satisfactory.

**INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT****Highlights of the Financial Report**

	<b>2007</b>	2006	Percentage
	<b>\$'million</b>	\$'million	Change
<b>OPERATING REVENUE</b>			
Employer contributions	<b>3.7</b>	3.6	3
Investment revenue	<b>26.8</b>	25.5	5
<b>Total Operating Revenue</b>	<b>30.5</b>	29.1	5
<b>OPERATING EXPENDITURE</b>			
Transfers to Consolidated Account	<b>12.0</b>	17.0	(29)
Benefits and other expenses	<b>14.8</b>	14.9	(1)
<b>Total Operating Expenses</b>	<b>26.8</b>	31.9	(16)
<b>Operating Result</b>	<b>3.7</b>	(2.8)	-
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(14.9)</b>	(19.0)	(21)
<b>ASSETS</b>			
Investments	<b>145.5</b>	135.0	8
Other assets	<b>0.1</b>	0.1	-
<b>Total Assets</b>	<b>145.6</b>	135.1	8
<b>LIABILITIES</b>			
Liability for accrued benefits	<b>140.9</b>	133.7	5
Other liabilities	<b>0.2</b>	0.6	(67)
<b>Total Liabilities</b>	<b>141.1</b>	134.3	5
<b>EXCESS OF NET ASSETS OVER LIABILITIES</b>	<b>4.5</b>	0.8	-

**Operating Statement**

The operating result for the year was a surplus of \$3.7 million (deficit of \$2.8 million). The year's result took into account:

- a transfer of \$12 million to the Consolidated Account, whereas in 2005-06 \$17 million was transferred. The Treasurer approved the transfers given there were sufficient assets available to pay the Scheme's estimated benefits. The amount has been applied to the unfunded liability for the South Australian Superannuation Scheme. For further information refer to the comments under 'South Australian Superannuation Board' elsewhere in Part B of this Report.
- an increase in net investment revenue of \$1.3 million. Investment returns are further discussed in the commentary for Funds SA.

**Statement of Financial Position**

As at 30 June 2007, there was an excess of net assets over liabilities of \$4.5 million (\$800 000). The estimated liability for accrued benefits increased by \$7.2 million to \$141 million for which net assets of \$145 million (\$135 million) were available to pay benefits, therefore the Scheme is fully funded.



The expected future benefit payments were determined using the pensioner mortality assumptions of the 2004 triennial actuarial review of the South Australian Superannuation Scheme. Refer to Note 6 'Liability for Accrued Benefits' to the Financial Report for further explanation.

In comparison, vested benefits as at 30 June 2007 were \$105 million. Vested benefits represent benefits which members are entitled to receive had their membership been terminated at reporting date. Vested benefits are less than accrued benefits as members are only entitled to a pension if they have attained age 60 with more than 10 years service or have attained the age of retirement with more than five years of service.

## **FURTHER COMMENTARY ON OPERATIONS**

### **Pensioners**

The number of pensioners and pensions paid for the past four years were:

	<b>2007</b>	2006	2005	2004
Pensioners	<b>58</b>	51	46	43
Pensions paid (\$'000)	<b>6 643</b>	5 523	4 662	4 117

### **Contributions by Employers**

The number of members and contributions received from employers for the past four years were:

	<b>2007</b>	2006	2005	2004
Members	<b>45</b>	45	46	43
Contributions received (\$'000)	<b>3 749</b>	3 569	3 331	3 119

## Operating Statement for the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
<b>REVENUE:</b>			
Investment revenue		26 833	25 528
Interest income		5	4
<b>CONTRIBUTION REVENUE:</b>			
Contributions by employers		3 743	3 593
Direct investment expense	4	(933)	(899)
Transfer to Consolidated Account	3	(12 000)	(17 000)
Administration expense	4	(34)	(38)
Other expenses	11	(7)	(9)
Benefits expense	6	(13 897)	(13 952)
<b>OPERATING RESULT</b>		<b>3 710</b>	<b>(2 773)</b>

## Statement of Financial Position as at 30 June 2007

	Note	2007 \$'000	2006 \$'000
<b>INVESTMENTS:</b>			
Inflation linked securities		11 166	11 544
Property		14 765	12 756
Australian equities		49 561	45 128
International equities		46 010	45 194
Fixed interest		6 657	5 855
Diversified strategies - Growth		5 898	4 611
Diversified strategies - Income		5 358	4 968
Cash		6 068	4 903
		<b>145 483</b>	134 959
<b>FIXED ASSETS</b>		-	5
<b>OTHER ASSETS:</b>			
Cash and cash equivalents	10	23	48
Sundry debtors		3	8
Contributions receivable		72	78
		<b>98</b>	134
<b>Total Assets</b>		<b>145 581</b>	135 098
<b>CURRENT LIABILITIES:</b>			
Sundry creditors		16	239
Benefits payable		157	111
		<b>173</b>	350
<b>NON-CURRENT LIABILITIES:</b>			
Loan and finance facilities		-	250
<b>Total Liabilities</b>		<b>173</b>	600
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	5	<b>145 408</b>	134 498
Less: <b>LIABILITY FOR ACCRUED BENEFITS</b>	6	<b>140 900</b>	133 700
<b>EXCESS OF NET ASSETS OVER LIABILITIES</b>		<b>4 508</b>	798

**Statement of Cash Flows  
for the year ended 30 June 2007**

		<b>2007</b>	2006
		<b>Inflows</b>	Inflows
		<b>(Outflows)</b>	(Outflows)
	Note	<b>\$'000</b>	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Contributions by employers		<b>3 749</b>	3 569
Bank interest received		<b>5</b>	4
GST recoup		<b>3</b>	1
Transfer to Consolidated Account		<b>(12 000)</b>	(17 000)
Benefit payments		<b>(6 643)</b>	(5 523)
Administration expense		<b>(37)</b>	(41)
Other expenses		<b>(7)</b>	(9)
<b>Net Cash used in Operating Activities</b>	9	<b>(14 930)</b>	(18 999)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Receipts from Funds SA		<b>18 300</b>	22 530
Payments to Funds SA		<b>(3 370)</b>	(3 530)
<b>Net Cash provided by Investing Activities</b>		<b>14 930</b>	19 000
<b>NET INCREASE IN CASH HELD</b>		<b>-</b>	1
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>		<b>23</b>	22
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	10	<b>23</b>	23

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**1. Objectives and Funding**

**(a) Judges' Pensions Scheme**

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme, which exists pursuant to the *Judges' Pensions Act 1971* (the Act). The Act provides for the payment of pension benefits to former South Australian Judges and their families.

The Act provides for a pension to be paid to a Judge who retires or who is over the age of 60 years and has had not less than 10 years judicial service. A pension will also be paid to a Judge who resigns due to permanent disability or infirmity.

A member is entitled to a pension based benefit determined in accordance with the Act to be a percentage of the members' salary immediately prior to retirement or resignation. The Scheme is non-contributory.

**(b) Superannuation Funds Management Corporation of South Australia (Funds SA)**

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Judges' Pension Scheme Account, reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expense contained in this financial report are related to the investment activities of Funds SA (an SA Government entity).

**(c) Funding Arrangements**

Under subsection 14(1)(b) of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the period payments were made from a Special Deposit Account.

Since 30 June 1994 the Government has undertaken a process of funding its accrued past service liabilities and the scheme assets have broadly matched liabilities since 1997. The small size of the scheme, the nature of the way member benefits accrue and variations in investment performance mean that deficits and surpluses will arise from year to year.

Employer contributions at a rate of 30 percent of salary are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. These contributions are deposited into the Scheme, with \$3.7 million (\$3.6 million) being credited during the year ended 30 June 2007.

## 2. Summary of Significant Accounting Policies

### (a) Basis of Accounting

The financial report is a general purpose financial report prepared in accordance with applicable AASs, TI issued pursuant to the PFAA and other mandatory professional reporting requirements, except as provided below.

AAS 25 is the principal standard applied in preparing this financial report. Other Accounting Standards are also applied where necessary except to the extent that they differ from AAS 25. A number of AASs have been issued or amended and may be applicable to the Scheme but are not yet effective. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

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

### (b) Basis of Valuations of Assets and Liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value which are provided by Funds SA.

#### (i) Inflation Linked Securities

Inflation Linked Securities portfolio comprises two sub-sectors:

- *Internally Managed*  
These investments, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer, Macquarie Bank Limited.
- *Externally Managed*  
Externally managed portfolio is invested and managed by an external manager. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

#### (ii) Property

Property portfolio comprises three sub-sectors:

- *Directly Held Property*  
Directly held property has been determined having regard to the contractual arrangements in place over the property.
- *Listed Property Trusts*  
Listed property trust portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at balance date.
- *Unlisted Property Vehicles*  
Unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

#### (iii) Australian Equities

Australian Equities portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

#### (iv) International Equities

International Equities portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

#### (v) Fixed Interest

Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

#### (vi) Diversified Strategies (Growth)

Diversified Strategies (Growth) portfolio comprises investments in domestic and overseas private equity funds and domestic and overseas pooled funds, which are invested and managed by external managers. Valuations of private equity funds are based on the most recently available valuations by the relevant managers. Both domestic and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (November 2005). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

*(vii) Diversified Strategies (Income)*

Diversified Strategies (Income) portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

*(viii) Cash*

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

*(ix) Other Assets and Liabilities*

These items have been assessed and it is considered that for most items, book values provide a reasonable estimate of their market values. Where material items are not likely to be realised within a short period following the balance date, the book values of these items have been discounted back to the balance date using relevant market interest rates applying at the balance date.

**(c) Taxation**

The scheme is constitutionally protected under the Regulations to the *Income Tax Assessment Act 1936* and is exempt from income tax.

**(d) GST**

Revenues, expenses and assets are recognised net of the amount of 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 the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Sundry Debtors includes a refund from the ATO for GST paid on administration expenses.

**(e) Revenue**

Superannuation contributions are brought to account on an accrual basis.

**3. Transfer to Consolidated Account**

The Treasurer approved a transfer of \$12 million to the Consolidated Account in 2007 (\$17 million).

**4. Administration and Investment Expenses**

Direct investment expenses comprise fees paid to Funds SA and the investment managers. Funds SA advises the amount applicable to the Scheme based on the Scheme's proportionate investment with the relevant investment managers.

Administration Expense comprises the costs incurred by the Department of Treasury and Finance in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Scheme.

**5. Net Assets Available to Pay Benefits**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Funds held at 1 July	<b>134 498</b>	128 871
<i>Add:</i> Contributions	<b>3 743</b>	3 593
Investment revenue	<b>26 833</b>	25 528
Interest income	<b>5</b>	4
	<b>30 581</b>	29 125
<i>Less:</i> Transfers to other schemes	<b>12 000</b>	17 000
Benefits paid	<b>6 697</b>	5 552
Direct investment expense	<b>933</b>	899
Administration expense	<b>34</b>	38
Other expenses	<b>7</b>	9
	<b>19 671</b>	23 498
<b>Funds Held at 30 June</b>	<b>145 408</b>	134 498

**6. Liability for Accrued Benefits**

The liability for accrued benefits is the Scheme's present obligation to pay benefits to members and has been calculated on the basis of the present value of expected future payments arising from membership of the Scheme up to the reporting date.

The expected future benefit payments have been determined using the same pensioner mortality assumption as the 2004 triennial review of the South Australian Superannuation Scheme. The review's salary promotion scale and economic assumptions have also been used, while general salary increases of 3.5 percent per annum above the Adelaide Consumer Price Index (CPI) have been allowed for. In accordance with AAS 25, the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate. A discount rate of 4.5 percent per annum above the CPI has been applied.

The accrued superannuation liability as determined by the State Superannuation Office of the Department of Treasury and Finance, is estimated at \$140.9 million (\$133.7 million) as at 30 June 2007.

<b>6. Liability for Accrued Benefits (continued)</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Liability for accrued benefits at 1 July	<b>133 700</b>	125 300
Add: Benefits expense <sup>(i)</sup>	<b>13 897</b>	13 952
Less: Benefits paid	<b>6 697</b>	5 552
<b>Liabilities for Accrued Benefits at 30 June</b>	<b>140 900</b>	133 700

(i) This figure represents the change in Liability for Accrued Benefits plus Benefits Paid for the year.

<b>7. Vested Benefits</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Vested benefits	<b>104 900</b>	98 200

**8. Guaranteed Benefits**  
The entitlements of members are specified by the *Judges' Pensions Act 1971*.

<b>9. Reconciliation of Operating Result to Net Cash used in Operating Activities</b>		
Operating result	<b>3 710</b>	(2 773)
Benefits expense	<b>13 897</b>	13 952
Benefits paid	<b>(6 697)</b>	(5 552)
Increase in sundry debtors	-	(2)
Increase in sundry creditors	<b>9</b>	-
Decrease (Increase) in contributions receivable	<b>5</b>	(24)
Investment revenue	<b>(26 833)</b>	(25 528)
Direct investment expense	<b>933</b>	899
Increase in benefits payable	<b>46</b>	29
<b>Net Cash used in Operating Activities</b>	<b>(14 930)</b>	(18 999)

**10. Reconciliation of Cash**  
For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Cash and cash equivalents	<b>23</b>	23
Cash and cash equivalents - Funds SA	-	25
	<b>23</b>	48

**11. Other Expenses**  
Includes amounts paid or due and payable to the Auditor-General's Department (an SA Government Entity) for the audit of the Scheme for the reporting period totalled \$7000 (\$7000).

**12. Financial Instruments**  
The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written investment mandate. The Funds SA Board has determined that appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each investment manager on the nature of the investments made on its behalf and the associated risks.

For further information on the Scheme's risk exposure refer to the annual report of Funds SA.

# LAND MANAGEMENT CORPORATION

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Land Management Corporation (the Corporation) is a subsidiary corporation of the Minister for Infrastructure established pursuant to the provisions of the PCA. Its governing body is a board whose members are appointed by the Minister.

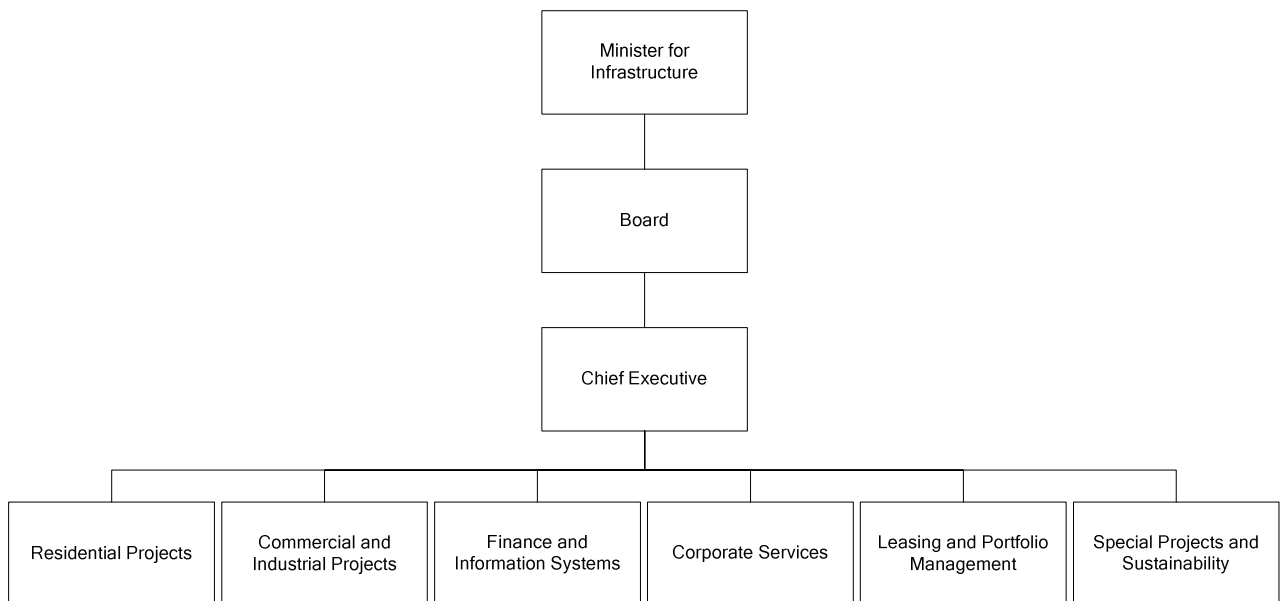
The Corporation was established on 24 December 1997 to undertake activities formerly controlled by the MFP Development Corporation, the MFP Projects Board and the then Minister for Government Enterprises.

### Functions

The regulations establishing the Corporation provide for it to manage land and property through the acquisition, leasing and disposal of surplus and other land for commercial, industrial, residential or other purposes. In performing those functions the Corporation is required to ensure the orderly development of land.

### Structure

The structure of the Corporation is illustrated in the following organisation chart.



### Audit Committee

The Corporation has an Audit Committee comprising three members of the Board. The Audit Committee meets on a quarterly basis and reports to the Board. The Audit Committee Charter requires the Committee to assess the quality of financial reporting, the effectiveness of internal controls and to maintain an effective and efficient audit. It is also required to advise the Board on procedures and ways of working within the Corporation to align them with the organisation's strategic direction. Representatives of the Auditor-General's Department attend meetings of the Audit Committee as observers.

## STATUS OF THE FINANCIAL REPORT

The Corporation has experienced delays in the finalisation of audited financial statements for some of its joint venture activities. The financial statements are prepared by the joint ventures and audited by private sector auditors appointed pursuant to relevant joint venture agreements.

*Land Management Corporation*

The Corporation's share of joint venture profits, assets and liabilities are a material component of its financial statements. The audited joint venture financial statements provide essential audit evidence and assurance which is relied upon in the audit of the Corporation's financial statements.

As a consequence of these delays, the Corporation was not able to finalise its financial statements and the audit was not able to be completed at the date of finalising this Report.

The audited financial report of the Corporation for the year ended 30 June 2007 will be included in a Supplementary Audit Report to Parliament.



# LEGAL SERVICES COMMISSION

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Legal Services Commission (the Commission) is a Body Corporate established pursuant to subsection 6(1) of the *Legal Services Commission Act 1977* (the LSC Act). Subsection 6(3) of the LSC Act specifies that the Commission is not an instrumentality of the Crown and is independent of the Government.

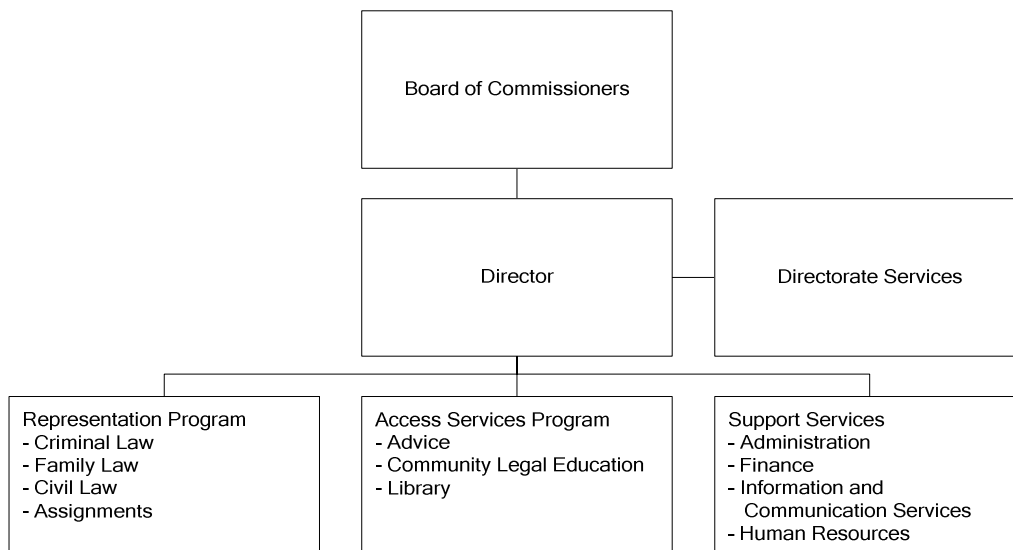
### Functions

The LSC Act provides for the Commission to undertake a variety of functions concerning legal assistance including:

- provide, or arrange for legal assistance and determine the criteria under which that assistance is to be granted;
- co-operate and make reciprocal arrangements with persons administering schemes of legal assistance in other States and Territories of the Commonwealth or elsewhere;
- initiate and carry out educational programmes to promote an understanding by the public of their rights, powers, privileges and duties under the laws of the Commonwealth or the State;
- perform other functions as the Attorney-General may direct.

### Structure

The structure of the Commission is illustrated in the following organisation chart.



### **Audit and Risk Management Committee**

The Commission has an Audit and Risk Management Committee which comprises three Commissioners including the Director and reports to the Board of Commissioners. The Committee's primary function is to monitor and oversee audit and risk management and associated policies and procedures. Representatives of the Auditor-General's Department attend meetings of the Committee as observers.

## AUDIT MANDATE AND COVERAGE

### Audit Authority

### **Audit of the Financial Report**

Section 25 of the LSC Act and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of the Commission in respect of each financial year.

### Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

### Scope of Audit

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

During 2006-07, specific areas of audit attention included:

- payroll
- legal expenditure
- other expenditure
- revenue
- receipting and banking
- cash at bank
- fixed assets.

## AUDIT FINDINGS AND COMMENTS

### Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Legal Services Commission as at 30 June 2007, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

### Assessment of Controls

In my opinion, 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 are sufficient to provide reasonable assurance that the financial transactions of the Commission have been conducted properly and in accordance with law.

### Communication of Audit Matters

Matters arising during the course of the audit were detailed in a management letter to the Director of the Commission. These matters principally related to the need to update a delegation instrument and for independent review of general ledger journals. The Commission's response was satisfactory indicating they would address the audit matters.

## INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

### Highlights of the Financial Report

	2007 \$'million	2006 \$'million	Percentage Change
<b>EXPENSES</b>			
Employee expenses	13.0	11.9	9
Legal expenses	15.2	13.5	13
Other expenses	3.5	3.2	9
<b>Total Expenses</b>	<b>31.7</b>	28.6	11
<b>INCOME</b>			
Legal Practitioners Act revenue	4.3	2.9	48
Other income	2.6	2.3	13
<b>Total Income</b>	<b>6.9</b>	5.2	33
<b>Net Cost of Providing Services</b>	<b>24.8</b>	23.4	6

	<b>2007</b> \$'million	2006 \$'million	Percentage Change
<b>REVENUES FROM GOVERNMENT</b>			
Commonwealth Government grants	<b>13.4</b>	13.2	2
State Government grants	<b>12.0</b>	12.4	(3)
<b>Net Result</b>	<b>0.6</b>	2.2	(73)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
	<b>1.0</b>	2.4	(58)
<b>ASSETS</b>			
Current assets	<b>15.2</b>	14.3	6
Non-current assets	<b>4.8</b>	4.8	-
<b>Total Assets</b>	<b>20.0</b>	19.1	5
<b>LIABILITIES</b>			
Current liabilities	<b>2.8</b>	2.7	4
Non-current liabilities	<b>2.2</b>	2.0	10
<b>Total Liabilities</b>	<b>5.0</b>	4.7	6
<b>EQUITY</b>	<b>15.0</b>	14.4	4

### Income Statement

#### Income

##### Commonwealth Government Grants

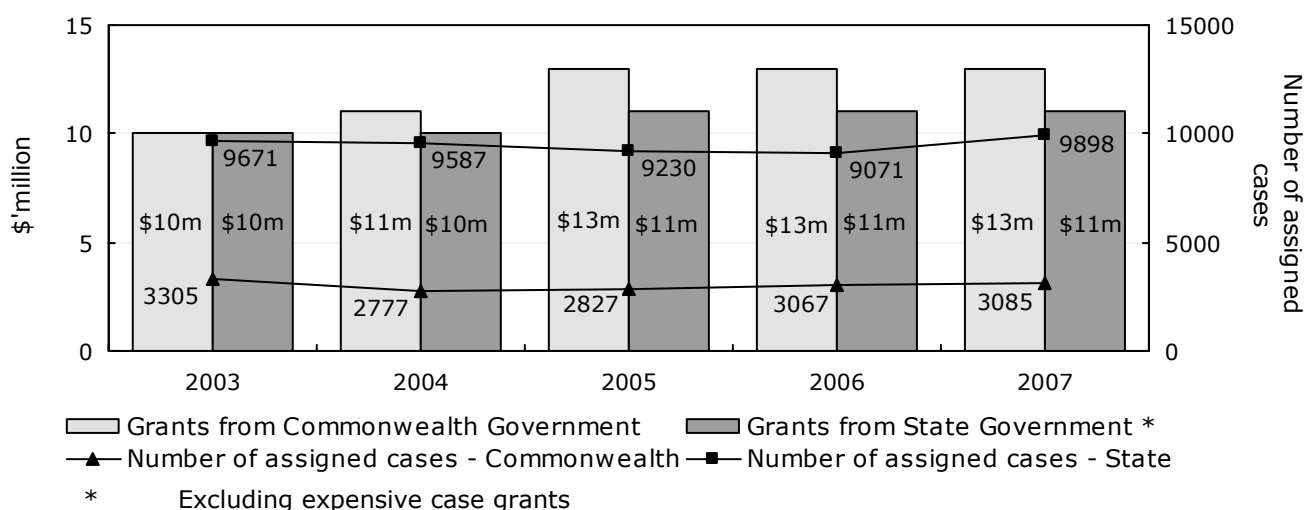
Legal assistance is provided within South Australia for matters arising under Commonwealth law. The matters are predominantly in the area of family law and to a lesser extent criminal and specific civil matters. In meeting the cost of providing this legal aid, the Commission receives funding from the Commonwealth Government in accordance with an agreement between the Commonwealth and State Governments. Grants received are expended in accordance with the agreement. The current agreement covers a period 1 July 2004 to 31 December 2008.

General grants from the Commonwealth Government, (excluding specific Commonwealth grants) totalled \$12.4 million (\$12.2 million) and comprised 39 percent (40 percent) of total Revenues of the Commission. Further information as to the nature of Commonwealth Government Grants is disclosed in Note 11 of the Commission's financial report.

##### State Government Grants

The funding provided by the State is determined through the budgetary process of the South Australian Government. The State grants received by the Commission are expended on state law matters and these are predominantly criminal cases, and community advice and education.

General grants from the State Government 2006-07 totalled \$11.5 million (\$11.3 million) and comprised 36 percent (37 percent) of total revenues of the Commission. This amount excludes specific State grants for expensive cases of \$460 000 (\$1.1 million).



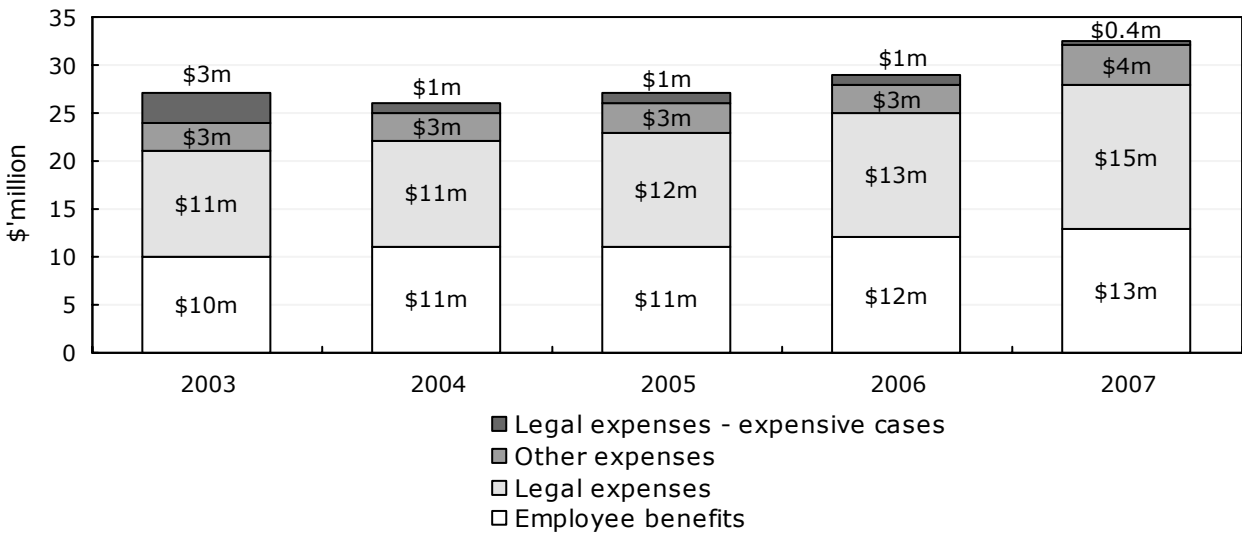
The foregoing chart illustrates, for the past five years, the amounts of State and Commonwealth general grant funding provided (not including expensive case funding). It also illustrates the number of cases that have been assigned that relate to Commonwealth and State grant funding. The chart indicates that grants received from the Commonwealth and related cases have remained relatively consistent over the last three years. In contrast in 2007 there was a 9 percent increase in the number of State assigned cases to 9898 from 9071, while State Government funding increased by 2 percent to \$11.5 million from \$11.3 million.

**Legal Practitioners Act Revenue**

Revenue received from the Law Society of South Australia in accordance with the *Legal Practitioners Act 1981* increased by 47 percent to \$4.3 million. This revenue varies from year to year as it is dependent on the amount of interest earned on trust monies held by legal practitioners in South Australia and the Law Society of South Australia. The increase related predominantly to revenue from the Legal Practitioners Guarantee Fund and to increased statutory interest revenue. Monies received from the Legal Practitioners Guarantee Fund requires the approval of the Attorney-General. The amount received in 2007 was the first significant receipt since 2003. For further information, reference should be made to Note 8 of the Commission’s financial report.

**Operating Expenses**

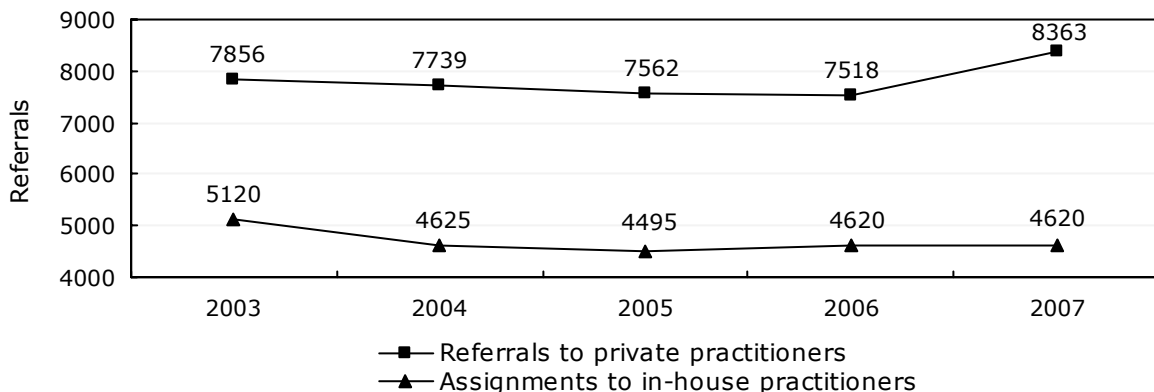
A structural analysis of the main expense items for the Commission is shown in the following chart. The chart illustrates that, with the exception expensive case legal expenses, the Commission’s expenses have gradually increased over the five years.



**Referrals to Private and In-house Practitioners**

Referrals to private practitioners for the year totalled 8363 cases (7518) representing a 11 percent increase. Referrals to private practitioners are 64 percent (62 percent) of assigned cases. Fees to private legal practitioners for these cases (legal expenses) amounted to \$14.8 million (\$12.5 million) and comprised 47 percent (44 percent) of total Expenses. Applications assigned to the in house practitioners totalled 4620 cases (4620) or 36 percent (38 percent) of assigned cases.

The following chart shows the trend in referrals to private practitioners and assignment to in-house practitioners over the past five years.



**Net Result**

The Income Statement for the year ended 30 June 2007 reports total revenues of \$32.3 million (\$30.9 million) and total Expenses of \$31.7 million (\$28.7 million), giving a Net Result of \$574 000 (\$2.2 million).

The Commission has consistently achieved a surplus in each of the last five years. In 2007 increases in legal and employee expenses together with relatively consistent Commonwealth and State grants have lead to a reduced surplus position. In contrast cash balances have remained high, which reflect higher Commonwealth funding over the last three years.

**Cash Flow Statement**

The following table summarises the net cash flows for the four years to 2007.

	<b>2007</b>	2006	2005	2004
	<b>\$'million</b>	\$'million	\$'million	\$'million
<b>Net Cash Flows</b>				
Operations	<b>1.0</b>	2.4	2.9	1.4
Investing	<b>(0.2)</b>	(0.6)	(0.3)	(0.3)
Change in Cash	<b>0.8</b>	1.8	2.6	1.1
Cash at 30 June	<b>13.5</b>	12.7	10.9	8.3

The analysis of cash flows shows a gradual increase in cash at the end of each reporting period primarily as a result of a build up in Commonwealth Government funding yet to be expended. As discussed previously under 'Commonwealth Government Grants', revenues received from the Commonwealth Government can only be expended on Commonwealth law matters in accordance with an agreement.

## Income Statement for the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
<b>EXPENSES:</b>			
Employee expenses	4	<b>12 987</b>	11 902
Private practitioner services	2.15	<b>14 787</b>	12 531
Private practitioner services - Bodies in the Barrels	5	<b>49</b>	283
Private practitioner services - Other expensive State matters	5	<b>377</b>	640
Supplies and services	6	<b>3 180</b>	2 996
Depreciation and amortisation	7	<b>322</b>	279
Bad debt		<b>13</b>	29
<b>Total Expenses</b>		<b>31 715</b>	28 660
<b>INCOME:</b>			
<i>Legal Practitioners Act</i> revenue	8	<b>4 336</b>	2 946
Statutory charges		<b>819</b>	759
Interest		<b>1 011</b>	788
Costs recovered and contributions	9	<b>484</b>	273
Other	10	<b>295</b>	467
Gain on sale of asset	15.2	<b>5</b>	-
<b>Total Income</b>		<b>6 950</b>	5 233
<b>NET COST OF PROVIDING SERVICES</b>		<b>24 765</b>	23 427
<b>REVENUES FROM GOVERNMENTS:</b>			
Commonwealth Government:			
Funding agreement	11	<b>12 440</b>	12 215
Primary dispute resolution	11	<b>322</b>	317
Family duty solicitor service	11	<b>322</b>	317
Child support - Stage One matters	11	<b>276</b>	293
Other income		-	85
IAAAS income	11	<b>11</b>	-
State Government:			
Funding	12	<b>11 483</b>	11 292
Equal opportunity appeals funding		<b>25</b>	-
Expensive cases - Bodies in the Barrels	12	<b>61</b>	287
Expensive cases - Other matters	12	<b>399</b>	843
<b>Total Revenues from Governments</b>		<b>25 339</b>	25 649
<b>NET RESULT</b>		<b>574</b>	2 222

## Balance Sheet as at 30 June 2007

		2007	2006
	Note	\$'000	\$'000
<b>CURRENT ASSETS:</b>			
Cash at bank and on hand	20	13 513	12 701
Receivables	13	1 620	1 460
Other	14	68	96
<b>Total Current Assets</b>		<b>15 201</b>	14 257
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	15	1 305	1 585
Intangible asset		53	29
Statutory charge debtors	16	3 396	3 236
<b>Total Non-Current Assets</b>		<b>4 754</b>	4 850
<b>Total Assets</b>		<b>19 955</b>	19 107
<b>CURRENT LIABILITIES:</b>			
Legal payables		1 363	1 301
Employee benefits	17	959	881
Payables		509	513
<b>Total Current Liabilities</b>		<b>2 831</b>	2 695
<b>NON-CURRENT LIABILITIES:</b>			
Employee benefits	17	2 032	1 870
Payables		144	126
<b>Total Non-Current Liabilities</b>		<b>2 176</b>	1 996
<b>Total Liabilities</b>		<b>5 007</b>	4 691
<b>NET ASSETS</b>		<b>14 948</b>	14 416
<b>EQUITY:</b>			
Asset revaluation reserve	2.12	79	121
Other reserves	18	342	1 948
Retained earnings		14 527	12 347
<b>TOTAL EQUITY</b>		<b>14 948</b>	14 416
Commitments, contingent liabilities	19,21,23		

**Statement of Changes in Equity  
for the year ended 30 June 2007**

	Asset			Total
	Revaluation	Other	Retained	
	Reserve	Reserves	Earnings	
	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2005	121	1 065	11 008	12 194
Net Result	-	-	2 222	2 222
Total Recognised Income and Expense for 2005-06	-	-	2 222	2 222
Transfer to and from Reserves	-	883	(883)	-
<b>Balance at 30 June 2006</b>	<b>121</b>	<b>1 948</b>	<b>12 347</b>	<b>14 416</b>
Net Result	-	-	574	574
Total Recognised Income and Expense for 2006-07	-	-	574	574
Asset Revaluation	(42)	-	-	(42)
Transfer to and from Reserves	-	(1 606)	1 606	-
<b>Balance at 30 June 2007</b>	<b>79</b>	<b>342</b>	<b>14 527</b>	<b>14 948</b>



## Cash Flow Statement for the year ended 30 June 2007

	2007	2006
	<b>Inflows</b>	Inflows
	<b>(Outflows)</b>	(Outflows)
	<b>\$'000</b>	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Employee payments	<b>(12 706)</b>	(11 501)
Supplies and services	<b>(3 186)</b>	(3 000)
Private practitioner services	<b>(14 722)</b>	(12 349)
GST payments on purchases	<b>(1 997)</b>	(1 814)
GST remitted to the taxation authority	<b>(146)</b>	(165)
Private practitioner services - Bodies in the Barrels	<b>(84)</b>	(248)
Private practitioner services - Other expensive State matters	<b>(399)</b>	(699)
<b>Cash used in Operations</b>	<b>(33 240)</b>	(29 776)
CASH INFLOWS:		
<i>Legal Practitioners Act</i> receipts	<b>4 218</b>	2 498
Costs recovered and contributions	<b>468</b>	265
Statutory charge receipts	<b>794</b>	726
GST receipts on revenue	<b>145</b>	150
GST receipts from taxation authority	<b>1 889</b>	1 711
Interest	<b>997</b>	780
Other	<b>358</b>	399
<b>Cash generated from Operations</b>	<b>8 869</b>	6 529
CASH FLOWS FROM GOVERNMENTS:		
Commonwealth Government:		
Funding agreement	<b>12 440</b>	12 215
Child support - Stage One matters	<b>276</b>	293
Primary dispute resolution	<b>322</b>	317
Family duty solicitor services	<b>322</b>	317
Other income	<b>34</b>	60
State Government:		
Funding	<b>11 483</b>	11 292
Expensive Cases - Bodies in the Barrels	<b>61</b>	295
Expensive Cases - Other matters	<b>399</b>	843
<b>Cash generated from Governments</b>	<b>25 337</b>	25 632
<b>Net Cash provided by Operating Activities</b>	<b>966</b>	2 385
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	<b>(154)</b>	(571)
<b>Cash used in Investing Activities</b>	<b>(154)</b>	(571)
<b>NET INCREASE IN CASH HELD</b>	<b>812</b>	1 814
<b>CASH AT 1 JULY</b>	<b>12 701</b>	10 887
<b>CASH AT 30 JUNE</b>	<b>13 513</b>	12 701

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of the Legal Services Commission of South Australia

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. The objective of the Commission is to provide clients with accessible information, advice and representation to meet their legal needs.

### 2. Summary of Significant Accounting Policies

#### 2.1 Basis of Accounting

The financial report is a general purpose financial report. The statements have been prepared in accordance with:

- TIs and APSs promulgated under the provision of the PFAA
- Applicable AASs including AIFRS and AAS 29.
- Other mandatory professional reporting requirements in Australia.

The Commission's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for the valuation of the library, which is at an independent valuation.

The Cash Flow Statement has been prepared on a cash basis.

#### 2.2 Comparative Figures

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

#### 2.3 Rounding

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

#### 2.4 Taxation

The Commission is not subject to income tax. The Commission is endorsed by the Australian Taxation Office (ATO) as an income tax exempt charity and as a Public Benevolent Institution. The Commission is liable for GST.

Income, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred by the Commission as a purchaser is not recoverable from the ATO. Receivables and payables are stated with the amount of GST included.

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

#### 2.5 Income and Expenses

Income and Expenses are recognised in the Commission's Income Statement when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with APF II APS 3.5 and have not been offset unless required or permitted by a specific accounting standard.

##### *Government Funding*

The Commission receives funding from the State and Commonwealth governments, which are recognised as income when monies are received.

##### *Government Funding Expensive Cases*

The Commission recognises expensive case funding when the amount has been approved and can be reliably measured.

##### *Other Revenue*

Other Revenue is recognised as it accrues.

#### 2.6 Current and Non-Current Items

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

#### 2.7 Cash

For the purposes of the Cash Flow Statement, cash includes cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

## 2.8 Depreciation and Amortisation of Non-Current Assets

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

The useful lives of all major assets held by the Commission are reassessed on an annual basis.

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

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

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Plant and Equipment:		
Computers	Straight Line	3-5
Office equipment	Straight Line	5-13
Furniture and fittings	Straight Line	13
Leasehold improvements	Straight Line	10
Intangibles	Straight Line	3-5

## 2.9 Payables

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

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

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

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received in accordance with TI 11.

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

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

## 2.10 Employee Benefits

Provision has been made in the financial report for the Commission's liability for employee benefits arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees have been included in the determination of the liability. In accordance with APF IV employment on-costs component is included in creditors. The aggregate of employee benefits is disclosed at Note 17.

### 1. Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision has been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. A salary inflation of 4 percent has been applied to employee benefits which are expected to be settled in the next 12 months.

### 2. Sick Leave

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

### 3. Long Service Leave

Provision has been made for the Commission's liability for long service leave at balance date in accordance with APF IV. The short-hand method of determining long service leave entitlements has been adopted and provision has been made for all employees with six and a half or more years of service, being the benchmark number of years as determined by the Department of Treasury and Finance

### 4. Superannuation

Salaries and related payments include superannuation contributions paid by the Commission under the following categories:

- (a) 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 \$70 000 (\$62 000).

4. *Superannuation (continued)*

- (b) During 2006-07 the Commission paid \$1 143 000 (\$1 025 000) 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, as these are assumed by the superannuation funds

**2.11 Workers Compensation**

The Commission pays a workers compensation levy to the WorkCover Corporation to cover any claims. The levy rate varies slightly depending on the location of the Commission office or chambers.

**2.12 Asset Revaluation Reserve**

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets.

**2.13 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 2007, are as follows:

*Financial Assets*

Cash at bank (Note 20) 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 5.65 percent and 6.41 percent for the year ended 30 June 2007 (5.40 percent and 5.78 percent).

Receivables (Note 13) 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 Balance Sheet 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 Balance Sheet, which approximates net fair value.

**2.14 Property, Plant and Equipment**

In accordance with APF III and the Commission's revaluation policy, plant and equipment are recognised at written down current cost unless the fair value of the group (at the time of acquisition) is greater than \$1 million.

**2.15 Private Practitioner Services**

Comprise solicitor's fees, counsel fees and disbursements due to private practitioners for approved cases undertaken during the year.

**2.16 Trust Funds**

Pursuant to the *Legal Practitioner's Act 1981* the Commission holds funds in trust on behalf of clients. As at 30 June 2007, the total funds held were \$170 000 (\$53 000).

These funds are not controlled by the Commission. As such they are not recognised in the financial report.

**3. Changes in Accounting Policies**

The Commission has adopted the AIFRS.

The AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Commission for the reporting period 30 June 2007. The Commission has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or financial report of the Commission.

**4. Employee Expenses**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Salaries and wages	<b>10 926</b>	10 156
Superannuation	<b>1 213</b>	1 109
Long service leave	<b>482</b>	309
Payroll tax	<b>284</b>	260
Workers compensation	<b>82</b>	68
<b>Total Employee Expenses</b>	<b>12 987</b>	11 902

**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, and superannuation benefits.

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

	<b>2007</b>	2006
	<b>Number of Employees</b>	Number of Employees
\$100 001 - \$110 000	<b>4</b>	5
\$110 001 - \$120 000	<b>3</b>	5
\$120 001 - \$130 000	<b>4</b>	2
\$130 001 - \$140 000	<b>1</b>	2
\$140 001 - \$150 000	<b>1</b>	-
\$150 001 - \$160 000	<b>1</b>	-
\$170 001 - \$180 000	<b>1</b>	1
\$200 001 - \$210 000	<b>1</b>	-
\$220 001 - \$230 000	-	1
\$230 001 - \$240 000	<b>1</b>	-
\$260 001 - \$270 000	<b>1</b>	1
<b>Total</b>	<b>18</b>	17

The total remuneration received or due and receivable by these employees was \$2 573 000 (\$2 270 000).

**5. State Expensive Case Matters**

The Commission is required to provide litigation services pursuant to the *Criminal Law (Legal Representation) Act 2001* for State matters that exceed the Commission's prescribed funding cap. These matters are separately funded by the State Government (refer Note 12).

**6. Supplies and Services**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Supplies and Services provided by Entities external to SA Government:		
Accommodation	<b>1 026</b>	979
Computing and communications	<b>548</b>	540
Travel	<b>133</b>	80
Office requisites	<b>293</b>	254
Library	<b>165</b>	159
Consultancy fees	<b>3</b>	7
Other	<b>399</b>	307
Provision for doubtful debts	<b>(63)</b>	-
<b>Total Supplies and Services - Non-SA Government Entities</b>	<b>2 504</b>	2 326

Supplies and Services provided by Entities within SA Government:

Accommodation	<b>177</b>	143
Computing and communications	<b>280</b>	350
Travel	<b>48</b>	51
Office requisites	<b>26</b>	19
Consultancy Fees	<b>18</b>	-
Other*	<b>127</b>	107
<b>Total Supplies and Services - SA Government Entities</b>	<b>676</b>	670
<b>Total Supplies and Services</b>	<b>3 180</b>	2 996

\* Includes Auditors' remuneration of \$52 800 (\$48 500), for auditing the accounts. The auditors provided no other services and received no other benefits.

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

	<b>2007</b>		2006	
	<b>Number of Consultancies</b>	<b>\$'000</b>	Number of Consultancies	\$'000
Below \$10 000	<b>1</b>	<b>3</b>	1	7
Between \$10 000 and \$50 000	<b>1</b>	<b>18</b>	-	-
<b>Total Paid/Payable to the Consultants Engaged</b>	<b>2</b>	<b>21</b>	1	7

**7. Depreciation and Amortisation**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Depreciation:		
Plant and equipment	<b>224</b>	199
<b>Total Depreciation</b>	<b>224</b>	199
Amortisation:		
Leasehold improvements	<b>82</b>	73
Intangible assets	<b>16</b>	7
<b>Total Amortisation</b>	<b>98</b>	80
<b>Total Depreciation and Amortisation</b>	<b>322</b>	279

**8. Legal Practitioners Act Revenue**

In accordance with the *Legal Practitioners Act 1981* the Commission is entitled to revenue from funds administered by the Law Society of South Australia. Amounts related to the:

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Statutory interest account	<b>1 786</b>	1 328
Interest on legal practitioners trust accounts	<b>1 589</b>	1 566
Legal Practitioners Guarantee Fund	<b>961</b>	52
	<b>4 336</b>	2 946

**9. Costs Recovered and Contributions**

Costs recovered	<b>103</b>	54
Contributions*	<b>381</b>	219
	<b>484</b>	273

\* In addition contributions of \$429 000 (\$374 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.

**10. Other Income**

Other income from entities external to the SA Government	<b>157</b>	306
Other income from entities within the SA Government	<b>138</b>	161
	<b>295</b>	467

**11. Commonwealth Government**

A 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 2004. Pursuant to that Agreement:

- The Commonwealth contributed \$12 440 000 (\$12 215 000) in service payments in 2006-07.
- The Commonwealth also contributed \$322 000 (\$317 000) for the provision of Primary Dispute Resolution Services and \$322 000 (\$317 000) for the provision of a Family Law Duty Services and \$276 000 (\$293 000) for the provision of legal assistance in Child Support Stage One carer-parent matters. With the exception of Stage One carer-parent matters funding which is an agreed amount for each year to 2007-08, all other funding will be indexed each year by the factor used in the Australian Government annual budget process.
- The Commonwealth allows up to 25 percent of Commonwealth revenue to be held by the Commission as an allowed surplus in a financial year. Reserves exceeding this level may be returned to the Commonwealth Government.
- The Legal Services Commission entered into an agreement with the Commonwealth of Australia to provide services for the Immigration Advice and Application Assistance Scheme (IAAAS).

**12. State Government**

In 2006-07 the State contributed funding of \$11 483 000 (\$11 292 000).

The Commission is separately funded by the State Government for matters that exceed the Commission's prescribed funding cap. The matters are funded pursuant to the *Criminal Law (Legal Representation) Act 2001*. The Commission enters into an approved case management agreement with the State Government for these matters.

The State Government provided \$61 000 (\$287 000) to the 'Bodies in the Barrels' case during 2006-07 and provided \$399 000 (\$843 000) for approved expensive cases that exceeded the Commission's cap.

**13. Receivables**

	<b>2007</b>		2006	
	<b>\$'000</b>	<b>\$'000</b>	\$'000	\$'000
<i>Legal Practitioners Act</i>		<b>1 074</b>		955
GST		<b>281</b>		269
Client debtors and other debtors	<b>265</b>		249	
Less: Provision for doubtful debts	<b>-</b>		13	
		<b>265</b>		236
<b>Total Current Receivables</b>		<b>1 620</b>		1 460

**14. Other**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Prepayments	<b>68</b>	96

**15. Property, Plant and Equipment**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Leasehold improvements at fair value	<b>820</b>	838
Less: Accumulated depreciation	<b>291</b>	214
	<b>529</b>	624
Plant and equipment at fair value	<b>1 124</b>	1 414
Less: Accumulated depreciation	<b>639</b>	786
	<b>485</b>	628
Library	<b>291</b>	333
<b>Total Property, Plant and Equipment</b>	<b>1 305</b>	1 585

**Valuation of Library**

The Commission obtained an independent revaluation of the library at market or fair value. The library collection comprises reports/major works, journals, loose-leaf services and a mix of dictionaries, encyclopaedias, statutes etc. The revaluation was undertaken by the Australian Valuations Office, which valued the library at \$291 000.

**15.1 Reconciliation of Non-Current Assets**

	<b>2007</b>					
	Leasehold Improvements \$'000	Plant and Equipmt \$'000	Library \$'000	<b>Total Property, Plant and Equipmt \$'000</b>	Other Computer Software \$'000	<b>Total Intangible Assets \$'000</b>
Balance at 1 July	838	1 414	333	<b>2 585</b>	126	<b>126</b>
Add: Additions	29	82	-	<b>111</b>	40	<b>40</b>
Less: Revaluations	-	-	42	<b>42</b>	-	-
Less: Disposals	47	372	-	<b>419</b>	83	<b>83</b>
<b>Balance at 30 June 2007</b>	<b>820</b>	<b>1 124</b>	<b>291</b>	<b>2 235</b>	<b>83</b>	<b>83</b>
Accumulated Depreciation:						
Balance at 1 July	214	786	-	<b>1 000</b>	97	<b>97</b>
Less: Disposals	5	372	-	<b>377</b>	83	<b>83</b>
Add: Depreciation expense	82	225	-	<b>307</b>	16	<b>16</b>
<b>Balance at 30 June 2007</b>	<b>291</b>	<b>639</b>	<b>-</b>	<b>930</b>	<b>30</b>	<b>30</b>
Net Book Value:						
As at 30 June 2006	624	628	333	1 585	29	29
<b>As at 30 June 2007</b>	<b>529</b>	<b>485</b>	<b>291</b>	<b>1 305</b>	<b>53</b>	<b>53</b>

**15.2 Gain on Disposal of Asset**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Proceeds from disposal	<b>47</b>	-
Book value of asset sold	<b>42</b>	-
<b>Gain on Sale of Asset</b>	<b>5</b>	-

**16. 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.

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Statutory charge debtors	<b>3 396</b>	3 386
Less: Provision for doubtful debts	-	150
	<b>3 396</b>	3 236

**17. Employee Benefits**

Current Liabilities:		
Annual leave	<b>754</b>	760
Long service leave	<b>205</b>	121
	<b>959</b>	881
Non-Current Liabilities:		
Long service leave	<b>2 032</b>	1 870
	<b>2 991</b>	2 751

**17.1 Employee Benefits and Related On-costs**

Accrued Salaries and Wages:		
On-costs included in payables - Current	<b>31</b>	29
Salaries and wages included in payables - Current	<b>216</b>	205
	<b>247</b>	234
Annual Leave:		
On-costs included in payables - Current	<b>108</b>	109
Provision for employee benefits - Current	<b>754</b>	760
	<b>862</b>	869
Long Service Leave:		
On-costs included in payables - Current	<b>16</b>	9
Provision for employee benefits - Current	<b>205</b>	121
	<b>221</b>	130
On-costs included in payables - Non-Current	<b>144</b>	126
Provision for employee benefits - Non-Current	<b>2 032</b>	1 870
	<b>2 176</b>	1 996
<b>Aggregate Employee Benefits and Related On-costs</b>	<b>3 506</b>	3 229

<b>18. Other Reserves</b>	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Movements during the year were:		
Asset Replacement Reserve:		
Balance at 1 July	<b>1 558</b>	522
Less: Transfer to retained earnings	<b>1 558</b>	522
Add: Transfer from retained earnings	-	1 558
<b>Balance at 30 June</b>	<b>-</b>	<b>1 558</b>
Commonwealth Expensive Case Reserve:		
Balance at 1 July	<b>100</b>	100
<b>Balance at 30 June</b>	<b>100</b>	100
State Expensive Cases Reserve:		
Balance at 1 July	-	100
Less: Transfer to retained earnings	-	100
<b>Balance at 30 June</b>	<b>-</b>	<b>-</b>
State Legal Assistance Scheme Reserve:		
Balance at 1 July	<b>290</b>	343
Less: Transfer to retained earnings	<b>48</b>	53
<b>Balance at 30 June</b>	<b>242</b>	290
<b>Total Other Reserves</b>	<b>342</b>	1 948

**Asset Replacement**

The Commission utilised \$154 000 in 2006-07 on minor office and computer equipment. The balance of the reserve of \$1 404 000 was transferred to retained earnings. Asset replacement plans will be delayed until further funding is available from the State Government.

**Commonwealth Expensive Cases**

The Commission did not use the Commonwealth Expensive Case allocation in the 2006-07 year.

**State Legal Assistance Scheme**

The Commission utilised \$48 000 (\$53 000) of the State Legal Assistance Scheme allocation on State matters pursuant to a policy approved by Commissioners and the Law Society of SA, which includes specific conditions.

**19. Legal Expense Commitments**

As at 30 June 2007, the Commission has a future commitment of \$4 118 000 (\$3 344 000) on legal cases referred to private practitioners which are still to be finalised. In addition the Commission has a future commitment of \$267 000 (\$559 000) on State Expensive cases which will be funded separately.

The Commission reviewed outstanding legal commitments and determined that commitments less the underutilisation factor of 21.02 percent Commonwealth and 32.21 percent State would be recognised on all outstanding amounts raised since December 2005 (ie the previous 18 months). Commitments raised prior to this date have been dismissed. If any file prior to this date is reactivated, new commitments will be raised.

In the normal course of business, further commitments may be required on recognised legal cases. It is not possible to quantify that amount.

**20. Reconciliation of Cash**

For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank. Cash as at 30 June as shown in the Cash Flow Statement is reconciled to the items in the Balance Sheet as follows:

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Deposits at call - SAFA	<b>13 551</b>	12 658
Cash at bank and on hand	<b>(38)</b>	43
<b>Cash as recorded in the Balance Sheet</b>	<b>13 513</b>	12 701
<b>Cash as recorded in the Cash Flow Statement</b>	<b>13 513</b>	12 701

**Reconciliation of Net Cash (used in) provided by Operating Activities to Net Cost of Providing Services**

Net cost of providing services	<b>(24 765)</b>	(23 427)
Add: Revenues provided by Government	<b>25 339</b>	25 649
Add (Less): Non-cash items:		
Depreciation and amortisation	<b>322</b>	279
Bad debts	<b>13</b>	29
Doubtful debts provision	<b>13</b>	-
Gain on disposal of asset	<b>(5)</b>	-
Changes in Assets/Liabilities:		
(Increase) in statutory charge debtors	<b>(160)</b>	(103)
(Increase) in receivables	<b>(160)</b>	(596)
Decrease in prepayments	<b>28</b>	12
Increase in employee provisions	<b>240</b>	332
Increase in payables	<b>39</b>	53
Increase in legal payables	<b>62</b>	157
<b>Net Cash provided by Operating Activities</b>	<b>966</b>	2 385



**21. Commitments for Expenditure**

At the reporting date the Commission had the following obligations under non-cancellable operating leases. The obligations are not recognised as liabilities in the Balance Sheet. 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 contingent rental provisions.

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Operating Lease Commitments Payable:		
Not later than one year	<b>273</b>	247
Later than one year but not later than five years	<b>174</b>	329
<b>Total Operating Lease Commitments</b>	<b>447</b>	576
Remuneration Commitments:		
Not later than one year	<b>3 363</b>	2 285
Later than one year but not later than five years	<b>2 422</b>	3 399
<b>Total Remuneration Commitments</b>	<b>5 785</b>	5 684

The amounts disclosed as remuneration commitments, includes only those commitments arising from written contracts for executive and other written service contracts.

**22. Related Party Disclosures**

The members of the Commission who have held office during the financial year are:

Ms Dymphna Eszenyi (Chairman) appointed 20 January 2005	Ms Rosemary Davey
Mr Michael Dawson	Ms Wendy Purcell
Ms Phuong Chau	Ms Maurine Pyke
Mr Michael Burgess	Mr Hugh Gilmore
Mr David Meyer	Mr Brian Nitschke resigned 9 July 2006
Ms Elizabeth Ahern appointed 10 July 2006	

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:

	<b>2007</b>	2006
	<b>Number of</b>	Number of
	<b>Members</b>	Members
\$nil	<b>1</b>	1
\$1 - \$10 000	<b>9</b>	9
\$10 001 - \$20 000	<b>1</b>	1

The total remuneration received or due and receivable by these members was \$86 000 (\$86 000).

Amounts paid to a superannuation plan for members was \$7000 (\$7000).

**23. Contingent Liabilities**

At balance date and at the date of certification of this financial report by the Commission there was no known contingent liability. However, Legal Expense Commitments existed as disclosed at Note 19 'Legal Expense Commitments'.



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